NEW FOCUS AUTO

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

2014 INTERIM REPORT

* For identification purpose only

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CORPORATE INFORMATION

Directors

Executive Directors

Zhang Jianxing *(Chief Executive Officer)*

Non-executive Directors

Wang Zhenyu *(Chairman, resigned as Chairman effective from 30 August 2014)*
Hung Wei-Pi, John *(Vice Chairman)*
Ying Wei *(Chairman, appointed as Chairman effective from 30 August 2014)*
Du Jinglei

Independent Non-executive Directors

Hu Yuming
Lin Lei
Zhang Jie

Company Secretary

Liu Xiao Hua

Registered Office

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Principal Place of Business in Hong Kong

5/F, 180 Hennessy Road
Wan Chai
Hong Kong

Auditor

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road Central
Hong Kong

Legal Advisers

O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
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Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M/F, Hopewell Centre
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Stock Code

360

Websites

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INTERIM FINANCIAL REPORT

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

(Expressed in Renminbi)

	Note	Six months ended 30 June **2014** **RMB'000** **(Unaudited)**	 2013 RMB'000 (Unaudited) (Restated)
Turnover	*5*	**687,369**	655,612
Cost of sales and services		**(534,873)**	(518,603)
Gross profit		**152,496**	137,009
Other revenue and gains and losses		**6,839**	2,437
Distribution costs		**(98,728)**	(107,459)
Administrative expenses		**(59,444)**	(86,308)
Impairment loss on goodwill		**–**	(7,164)
Impairment loss on other intangible assets		**–**	(6,836)
Finance costs	*6*	**(15,687)**	(15,606)
Loss before taxation		**(14,524)**	(83,927)
Income tax expenses	*7*	**(5,886)**	(1,387)
Loss for the period		**(20,410)**	(85,314)
Other comprehensive income			
Item that will not be reclassified to profit of loss:			
Exchange differences on translation of foreign operations	*8*	**(2,697)**	(2,468)
Other comprehensive income for the period, net of tax		**(2,697)**	(2,468)
Total comprehensive income for the period		**(23,107)**	(87,782)

The notes on pages 10 to 28 form part of this interim financial statement.

Unaudited Consolidated Statement of Comprehensive Income *(Continued)*

For the six months ended 30 June 2014

(Expressed in Renminbi)

	Note	Six months ended 30 June **2014** **RMB'000** **(Unaudited)**	 2013 RMB'000 (Unaudited) (Restated)
Loss for the period attributable to			
– Owners of the Company		**(26,665)**	(85,525)
– Non-controlling interests		**6,255**	211
		(20,410)	(85,314)
Total comprehensive income attributable to			
– Owners of the Company		**(29,362)**	(87,993)
– Non-controlling interests		**6,255**	211
		(23,107)	(87,782)
Loss per share	*9*		
Basic (RMB)		**(0.009)**	(0.119)
Diluted (RMB)		**(0.009)**	(0.119)

The notes on pages 10 to 28 form part of this interim financial statement.

Unaudited Consolidated Statement of Financial Position

As at 30 June 2014

(Expressed in Renminbi)

	Note	**At 30 June 2014 RMB'000 (Unaudited)**	At 31 December 2013 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**208,223**	220,848
Leasehold land and land use rights	11	**41,551**	41,793
Investment properties	11	**40,958**	47,958
Goodwill	11	**146,256**	146,256
Other intangible assets	11	**48,368**	49,003
Deferred tax assets		**15,045**	15,239
		500,401	521,097
Current assets			
Inventories	12	**264,507**	259,845
Tax recoverable		**312**	311
Trade receivables	13	**184,976**	180,238
Deposits, prepayments and other receivables		**129,699**	123,327
Amounts due from related companies	21	**4,140**	4,325
Financial assets available for sale	14	**79,884**	–
Trading securities		**196**	196
Pledged time deposits		**4,327**	22,529
Cash and cash equivalents		**105,057**	234,865
		773,098	825,636
Current liabilities			
Bank borrowings, secured	15	**145,431**	128,269
Trade payables	16	**219,367**	210,799
Accruals and other payables		**139,237**	218,129
Amounts due to related parties	21	**8,736**	12,758
Amounts due to non-controlling owners of subsidiaries	21	**20,061**	7,900
Tax payable		**2,422**	1,928
		535,254	579,783

The notes on pages 10 to 28 form part of this interim financial statement.

Unaudited Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2014

(Expressed in Renminbi)

	Note	**At 30 June 2014 RMB'000 (Unaudited)**	At 31 December 2013 RMB'000 (Audited)
Net current assets		**237,844**	245,853
Total assets less current liabilities		**738,245**	766,950
Non-current liabilities			
Bank borrowings, secured	*15*	**10,183**	10,658
Convertible bonds	*17*	**128,195**	239,526
Deferred tax liabilities		**20,223**	23,091
		158,601	273,275
NET ASSETS		**579,644**	493,675
CAPITAL AND RESERVES			
Share capital	*18*	**307,931**	242,704
Reserves	*19*	**121,476**	88,204
Total equity attributable to owners of the Company		**429,407**	330,908
Non-controlling interests		**150,237**	162,767
TOTAL EQUITY		**579,644**	493,675

The notes on pages 10 to 28 form part of this interim financial statement.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

(Expressed in Renminbi)

	Share capital RMB'000 *(note 18)*	Share premium and other reserve RMB'000 *(note 19)*	Accumulated losses RMB'000	Attributable to owners of the company RMB'000	Non controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2014	242,704	779,160	(690,956)	330,908	162,767	493,675
(Loss)/profit for the period	–	–	(26,665)	(26,665)	6,255	(20,410)
Other comprehensive income for the period	–	(2,697)	–	(2,697)	–	(2,697)
Total comprehensive income for the period	–	(2,697)	(26,665)	(29,362)	6,255	(23,107)
Disposal of investment properties	–	(1,006)	1,340	334	–	334
Conversion of convertible bonds	65,227	62,300	–	127,527	–	127,527
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	(18,785)	(18,785)
Balance at 30 June 2014	307,931	837,757	(716,281)	429,407	150,237	579,644

The notes on pages 10 to 28 form part of this interim financial statement.

Unaudited Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2013

(Expressed in Renminbi)

	Share capital RMB'000 *(note 18)*	Share premium and other reserve RMB'000 (Restated) *(note 19)*	Accumulated losses RMB'000 (Restated)	Attributable to owners of the company RMB'000	Non controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2013	59,443	452,481	(227,568)	284,356	241,332	525,688
(Loss)/profit for the period	–	–	(85,525)	(85,525)	211	(85,314)
Other comprehensive income for the period	–	(2,468)	–	(2,468)	–	(2,468)
Total comprehensive income for the period	–	(2,468)	(85,525)	(87,993)	211	(87,782)
Consideration issues	2,678	23,109	–	25,787	–	25,787
Acquisition of additional interests in subsidiaries	–	32	–	32	(9,080)	(9,048)
Disposal of a subsidiary	–	–	–	–	809	809
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	(144)	(144)
Balance at 30 June 2013	62,121	473,154	(313,093)	222,182	233,128	455,310

The notes on pages 10 to 28 form part of this interim financial statement.

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated/(utilised) from operations	**16,588**	(10,134)
Tax paid	**(7,733)**	(11,471)
Net cash generated from operating activities	**8,855**	(21,605)
Investing activities		
Proceeds from sale of financial assets available for sale	**26,215**	–
Purchase of financial assets available for sale	**(106,099)**	–
Net cash outflow arising from acquisition of subsidiaries	**(48,820)**	(14,869)
Purchase of property, plant and equipment	**(10,622)**	(9,583)
Other cash flows arising from investing activities	**(1,026)**	(2,476)
Net cash used in investing activities	**(140,352)**	(26,928)
Financing activities		
Net increase in bank borrowings, secured	**16,687**	43,720
Other cash flows arising from financing activities	**(15,283)**	(23,764)
Net cash generated from financing activities	**1,404**	19,956
Net decrease in cash and cash equivalents	**(130,093)**	(28,577)
Cash and cash equivalents, beginning of period	**234,865**	133,726
Effect of foreign exchange rate changes	**285**	(1,571)
Cash and cash equivalents, end of period	**105,057**	103,578

The notes on pages 10 to 28 form part of this interim financial statement.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1. Organisation and principal activities

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

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

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 29 August 2014.

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2013 that is included in the unaudited interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

3. **Changes in accounting policies**

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the group's interim financial report as they are consistent with the policies already adopted by the group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments to IAS 36 did not have any material impact on the Group's interim financial report.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the group has not novated any of its derivatives.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the group's interim financial report as the guidance is consistent with the group's existing accounting policies.

4. Restatement of previously reported information

(a) Segment information

In 2013, the Company categorised 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 "Service Retail Business"). In previous years, the Wholesale Business and the Service Retail Business were aggregated as one reportable segment as the provision of automobile repair, maintenance and restyling services and trading of automobile accessories.

The segment information for the period ended 30 June 2013 has been restated in note 5 (a) and (b).

(b) Cost of sales and services

Since September 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. During the six months period ended 30 June 2013, 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 for the six months ended 30 June 2013 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	456,293	62,310	518,603
Distribution costs	169,769	(62,310)	107,459

(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 in 2013 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.

4. Restatement of previously reported information *(Continued)*

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

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

	As previously reported RMB'000	**Adjustment** RMB'000	**As Restated** RMB'000
Unaudited Consolidated Statement of Comprehensive Income			
For the six months ended 30 June 2013			
Other revenue and gains and losses	(5,724)	3,287	(2,437)
Other comprehensive income	5,755	(3,287)	2,468
Unaudited Consolidated Statement of Financial Position			
As at 1 January 2013			
Reserves – exchange reserve	(5,740)	(2,610)	(8,350)
Reserves – accumulated losses	(230,178)	2,610	(227,568)
As at 30 June 2013			
Reserves – exchange reserve	(11,495)	677	(10,818)
Reserves – accumulated losses	(312,416)	(677)	(313,093)

5. Turnover and segment information

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sale of goods	**426,811**	412,882
Service income	**260,558**	242,730
	687,369	655,612

(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.

5. Turnover and segment information *(Continued)*

(a) Reportable segment *(Continued)*

Set out below is an analysis of segment information:

For the six months ended 30 June 2014	The Manufacture Business RMB'000	The Wholesale Business RMB'000	The Retail Service Business RMB'000	Total RMB'000
Revenue				
External revenue	202,930	223,881	260,558	687,369
Inter-segment revenue	505	1,069	–	1,574
Segment revenue	203,435	224,950	260,558	688,943
Less: inter-segment revenue				(1,574)
Total revenue				687,369
Reportable segment results	1,955	6,024	1,498	9,477
Interest income	263	51	411	725
Unallocated interest income				526
Total interest income				1,251
Interest expenses	(595)	(263)	(717)	(1,575)
Unallocated interest expenses				(14,112)
Total interest expenses				(15,687)
Depreciation and amortisation charges	(9,243)	(2,101)	(9,175)	(20,519)
Unallocated depreciation and amortisation charges				(1,258)
Total depreciation and amortisation charges				(21,777)

5. Turnover and segment information *(Continued)*

(a) Reportable segment *(Continued)*

For the six months ended 30 June 2013	The Manufacture Business RMB'000	The Wholesale Business RMB'000 (Restated)	The Retail Service Business RMB'000 (Restated)	Total RMB'000
Revenue				
External revenue	169,576	243,306	242,730	655,612
Inter-segment revenue	334	–	–	334
Segment revenue	169,910	243,306	242,730	655,946
Less: inter-segment revenue				(334)
Total revenue				655,612
Reportable segment results	(8,150)	3,376	(43,299)	(48,073)
Interest income	85	45	1,284	1,414
Unallocated interest income				–
Total interest income				1,414
Interest expenses	(467)	(71)	(282)	(820)
Unallocated interest expenses				(14,786)
Total interest expenses				(15,606)
Depreciation and amortisation charges	(8,614)	(2,161)	(9,819)	(20,594)
Unallocated depreciation and amortisation charges				(1,351)
Total depreciation and amortisation charges				(21,945)

5. **Turnover and segment information** *(Continued)*

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Loss before income tax expense		
Reportable segment profit/(loss)	**9,477**	(48,073)
Unallocated other revenue and gains or losses	**642**	(371)
Unallocated corporate expenses	**(10,531)**	(20,697)
Unallocated finance costs	**(14,112)**	(14,786)
Consolidated loss before income tax expense	**(14,524)**	(83,927)

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Assets:		
Reportable segment assets	**1,161,843**	1,228,330
Unallocated corporate assets	**111,656**	118,403
Consolidated total assets	**1,273,499**	1,346,733
Liabilities:		
Reportable segment liabilities	**561,709**	743,238
Unallocated corporate liabilities	**132,146**	109,820
Consolidated total liabilities	**693,855**	853,058

5. 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	
	At 30 June 2014 RMB'000	At 30 June 2013 RMB'000	**At 30 June 2014 RMB'000**	At 31 December 2013 RMB'000
PRC (Place of domicile)	**441,987**	443,851	**454,780**	476,054
America	**146,958**	109,267	**–**	–
Europe	**12,275**	15,091	**–**	–
Asia Pacific	**17,729**	13,707	**–**	–
Taiwan	**68,420**	73,696	**30,507**	29,804
	687,369	655,612	**485,287**	505,858

The revenue information is based on the locations of the customers.

(d) Major customers

During the period, the Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenues.

6. Finance costs

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interests on bank borrowings		
– wholly repayable within five years	**4,545**	7,086
Interest on Renminbi-denominated bonds	**–**	4,541
Imputed interest on convertible bonds	**11,142**	3,979
	15,687	15,606

7. Income tax expenses

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax – PRC and Taiwan corporate income tax	**8,226**	8,743
Deferred taxation	**(2,340)**	(7,356)
	5,886	1,387

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the six months ended 30 June 2014 (30 June 2013: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

8. Other comprehensive income, net of tax

For the six months ended 30 June 2014

	Before tax amount RMB'000	**Tax expense RMB'000**	**Net of tax amount RMB'000**
(a) Financial assets available for sale			
Changes in fair value recognised during the period	**734**	**–**	**734**
Reclassification adjustments for amounts transferred to profit or loss	**(734)**	**–**	**(734)**
	–	**–**	**–**
(b) Exchange reserve			
Exchange differences on translating foreign operations	**(2,697)**	**–**	**(2,697)**

For the six months ended 30 June 2013 (Restated)

	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange differences on translating foreign operations	(2,468)	–	(2,468)

9. Loss per share

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Loss for the period attributable to the owners of the Company, used in the basic and diluted loss per share calculation	**(26,665)**	(85,525)
Shares		
Weighted average number of ordinary shares for the basic loss per share calculation	**3,029,008**	718,464
Effect of dilution – weighted average number of ordinary shares:		
– Share options#	**–**	–
– Convertible bonds*	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**3,029,008**	718,464

\# *The computation of diluted loss per share for the six months ended 30 June 2014 and 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 six months ended 30 June 2014 does not assume the conversion of the Company's convertible bonds issued to CDH Fast Two Limited ("CDH CBs") as described in note 17 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") 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 for the six months ended 30 June 2013. The redemption of STIC CBs was fully completed on 28 August 2013.

10. Dividend

The board of directors did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (30 June 2013: Nil).

11. Capital expenditure

	Property, Plant and Equipment RMB'000	**Leasehold land and land use rights** RMB'000	**Investment properties** RMB'000	**Goodwill** RMB'000	**other intangible assets** RMB'000
Beginning net carrying amount as at 1 January 2014	**220,848**	**41,793**	**47,958**	**146,256**	**49,003**
Additions	**8,129**	**–**	**–**	**–**	**–**
Disposals	**(392)**	**–**	**(7,000)**	**–**	**–**
Depreciation charge for the period	**(20,900)**	**(242)**	**–**	**–**	**(635)**
Exchange realignments	**538**	**–**	**–**	**–**	**–**
Ending net carrying amount As at 30 June 2014	**208,223**	**41,551**	**40,958**	**146,256**	**48,368**
Beginning net carrying amount as at 1 January 2013	247,137	43,053	47,141	302,244	261,210
Additions	22,133	–	–	–	30
Disposals	(2,342)	–	–	–	–
Depreciation charge for the period	(21,329)	(630)	–	–	14
Disposal of a subsidiary	(809)	–	–	–	–
Impairment	–	–	–	(7,164)	(6,836)
Exchange realignments	(2,014)	–	–	(1,928)	(652)
Ending net carrying amount As at 30 June 2013	242,776	42,423	47,141	293,152	253,766

12. Inventories

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Raw Material	**14,677**	20,782
Work in Progress	**20,922**	18,939
Finished Goods	**10,982**	17,409
Merchandise Goods	**217,926**	202,715
	264,507	259,845

13. Trade receivables

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current to 30 days	**69,863**	72,041
31 to 60 days	**45,678**	49,616
61 to 90 days	**21,997**	22,656
Over 90 days	**68,870**	59,092
	206,408	203,405
Less: allowance for doubtful debts	**(21,432)**	(23,167)
	184,976	180,238

14. Financial assets available for sale

Financial assets available for sale comprises of the monetary funds, which are the highly liquid investments with floating interest.

15. Bank borrowings, secured

Bank borrowings are repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
On demand or within one year	**145,431**	128,269
After one year but within two years	**1,373**	1,425
After two years but within five years	**3,244**	3,494
After five years	**5,566**	5,739
	155,614	138,927
Amount due within one year included in current liabilities	**(145,431)**	(128,269)
Amount included in non-current liabilities	**10,183**	10,658

16. Trade payables

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current to 30 days	**98,627**	113,600
31 to 60 days	**41,689**	52,690
61 to 90 days	**39,985**	9,382
Over 90 days	**39,066**	35,127
	219,367	210,799

17. Convertible bonds

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.

The fair value of the liability component of the CDH CBs upon issuance is calculated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for non-convertible borrowing of 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.

On 12 June 2014, the Group partially converted CDH CBs in the principal amount of US$24,342,500. The Group allotted and issued a total of 813,507,946 shares to CDH Fast Two Limited at the conversion price of HK$0.2328. Upon the conversion, the Company derecognised the liability component of RMB127,527,000 and transferred this amount with equity component (convertible bonds reserve) of RMB28,887,000 into share capital and share premium with the amount of RMB65,227,000 and RMB91,187,000 respectively, using the method in consistency with that used initially to allocate the net proceeds on the CDH CBs issuance date.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	CDH CBs	STIC CBs
Movement of liability component		
Beginning of period	**239,526**	129,881
Imputed interest expense	**11,142**	3,979
Transferred to equity	**(127,527)**	–
Exchange realignment	**5,054**	–
End of period	**128,195**	133,860

18. Share capital

	Number of shares	Nominal Value	
	'000	HK$'000	RMB'000
Balance at 1 January 2013	591,303	59,130	59,443
Consideration issues	33,119	3,312	2,678
Issuance of shares	2,323,235	232,324	180,583
Balance at 31 December 2013	2,947,657	294,766	242,704
Convertible bonds converted (note 17)	813,508	81,351	65,227
Balance at 30 June 2014	**3,761,165**	**376,117**	**307,931**

19. Reserves

	Share premium	Statutory reserve fund	Re-organisation reserve	Enterprise expansion fund	Convertible bonds reserve	Others	Capital redemption reserve	Exchange reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	**668,949**	**44,431**	**2,738**	**2,756**	**57,775**	**6,283**	**1,545**	**(5,317)**	**779,160**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,697)**	**(2,697)**
Convertible bonds converted (note 17)	**91,187**	**–**	**–**	**–**	**(28,887)**	**–**	**–**	**–**	**62,300**
Disposal of investment properties	**–**	**–**	**–**	**–**	**–**	**(1,006)**	**–**	**–**	**(1,006)**
Balance at 30 June 2014	**760,136**	**44,431**	**2,738**	**2,756**	**28,888**	**5,277**	**1,545**	**(8,014)**	**837,757**
Balance at 1 January 2013 (restated)	296,192	40,943	2,738	2,756	110,427	6,230	1,545	(8,350)	452,481
Other comprehensive income for the period	–	–	–	–	–	–	–	(2,468)	(2,468)
Consideration issues	23,109	–	–	–	–	–	–	–	23,109
Acquisition of additional interests in subsidiaries	–	–	–	–	–	32	–	–	32
Balance at 30 June 2013	319,301	40,943	2,738	2,756	110,427	6,262	1,545	(10,818)	473,154

20. Operating lease commitments

The Group as lessee

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	**53,833**	62,530
Over 1 year but within 5 years	**124,625**	116,075
Over 5 years	**38,276**	28,287
	216,734	206,892

The Group as lessor

As at 30 June 2014 and 31 December 2013, 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:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	**1,281**	1,361
Over 1 year but within 5 years	**3,836**	4,807
Over 5 years	**3,903**	3,572
	9,020	9,740

21. Related party transactions

(a) Transactions with related parties

During the reporting period, transactions with related parties mainly refer to sales to Auto Make Co., Ltd. ("Auto Make") of RMB2,779,000 (30 June 2013: 1,304,000).

The equity interests 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.

At the end of 30 June 2014, a non-controlling owner of a subsidiary granted the Group collateral of creditor amounting to RMB6,120,850 (30 June 2013: 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:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Auto Make	**2,068**	2,773
Others	**2,072**	1,459
	4,140	4,232

(c) Amounts due to related parties

The amounts due to related parties 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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Dividends payable#	**14,061**	–
Others*	**6,000**	7,900
	20,061	7,900

As at 30 June 2014, the outstanding balances are dividends declared by a subsidiary, which are expected to be paid within one year.

* *As at 30 June 2014, the outstanding balances are unsecured and repayable on demand with an annual interest rate of 7%. (Interest rate at 31 December 2013: Nil)*

22. Financial instruments carried at fair value

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements as at 30 June 2014 using		
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement:			
– Financial assets available for sale	**79,884**	**–**	**–**
– Trading securities	**196**	**–**	**–**

	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:			
– Trading securities	196	–	–

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group strives to become a leading enterprise in the automotive after-sales service market in the Great China region.

Results Highlights

Revenue

For the six months ended 30 June 2014 (the "Period"), the Group recorded a consolidated turnover of RMB687,369,000 (corresponding period of 2013: RMB655,612,000), representing an increase of 4.8%.

The consolidated turnover of the Group's retail service business amounted to RMB260,558,000 (corresponding period of 2013: RMB242,730,000), representing an increase of 7.3%. The increase was mainly attributable to the preliminary success on the transformation of the Group's retail services business from traditional car wash and beauty services operating model to one-stop comprehensive shops.

The consolidated turnover of wholesale service business of the Group was RMB223,881,000 (corresponding period of 2013: RMB243,306,000), representing a decrease of 8.0%. 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 RMB202,930,000 (corresponding period of 2013: RMB169,576,000), representing an increase of 19.7%. The increase was mainly attributable to the increase in orders from its existing customers.

Gross Profit and Gross Margin

The consolidated gross profit of the Group for the Period was RMB152,496,000 (corresponding period of 2013: RMB137,009,000), representing an increase of 11.3%, while its gross margin increased from 20.9% to 22.4%.

The gross profit of the Group's retail service business was RMB62,877,000 (corresponding period of 2013: RMB53,844,000), representing an increase of 16.8%, while its gross margin increased from 22.2% to 24.1%. The increase in the aforesaid gross profit and gross margin was mainly attributable to preliminary success on the transformation of operating model.

The gross profit of the Group's wholesale service business was RMB51,824,000 (corresponding period of 2013: RMB55,987,000), representing a decrease of 7.4%, while its gross margin increased from 23.0% to 23.2%. The decrease in the gross profit was mainly attributable to the decrease in income arising from the impact of e-commerce and the vigorous competition in the market.

The gross profit of the Group's manufacturing business was RMB37,795,000 (corresponding period of 2013: RMB27,178,000), representing an increase of 39.1%, while its gross margin increased from 16.0% to 19.2%. The increase in the gross profit was because of an increase in turnover and a provision for inventory impairment of RMB4,534,000 made by the Group during the corresponding period of 2013. Excluding the impact from the provision for inventory impairment made by the Group during the corresponding period of 2013, the gross margin of manufacturing business for the Period essentially maintained at the same level as that of the corresponding period of 2013.

Expenses

Sales and marketing expenses for the Period were RMB98,728,000 (corresponding period of 2013: RMB107,459,000), representing a decrease of 8.1%. The decrease was mainly attributable to sales expenses saving arising from the Group's initial success in the transformation of its retail service business.

Administrative expenses for the Period were RMB59,444,000 (corresponding period of 2013: RMB86,308,000), representing a decrease of 31.1%. The decrease of administrative expenses for the Period was mainly due to: (1) a decrease in administrative expenses, including labour, office and IT system expenses, of RMB22,030,000 due to the Group's efforts in strengthening the management and streamlining its staff; and (2) a provision of RMB4,834,000 for the loss of current bad debt made by the Group during the corresponding period of 2013.

Operating Profit

Operating profit for the Period was RMB1,163,000 (corresponding period of 2013: operating loss of RMB68,321,000), representing an increase in operating profit of RMB69,484,000 as compared to corresponding period of 2013. It was mainly attributable to the increase in the Group's consolidated gross profit for the Period of RMB15,487,000, a decrease in distribution costs and administrative expenses of RMB35,595,000, and the impairment of RMB14,000,000 on goodwill and intangible assets during the corresponding period of 2013.

Finance Costs

Net finance costs for the Period amounted to RMB15,687,000 (corresponding period of 2013: RMB15,606,000), representing an increase of 0.5%.

Taxation

Income tax expenses for the Period were RMB5,886,000 (corresponding period of 2013: RMB1,387,000), representing an increase of RMB4,499,000. The increase was mainly attributable to the decrease in operating loss before tax of the Group during the Period.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the Period was RMB26,665,000 (corresponding period of 2013: loss of RMB85,525,000), representing a decrease of RMB58,860,000. The decrease was mainly due to the improvement in the Group's business performance, and the provision for impairment loss of goodwill and intangible assets of approximately RMB14,000,000 for the corresponding period of 2013, and being no further provision for impairment loss of goodwill and intangible assets during the Period. Loss per share was RMB0.9 cents (corresponding period of 2013: loss per share of RMB11.9 cents).

Financial Position and Liquidity

The Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy. During the Period, the Group had a net cash inflow from operating activities of RMB8,855,000 (corresponding period of 2013: outflow of RMB21,605,000).

The net current assets of the Group were RMB237,844,000 as at 30 June 2014 (31 December 2013: RMB245,853,000), with a current ratio of 1.44 (31 December 2013: 1.42).

Gearing ratio calculated by dividing total liabilities by total assets was 54.48% as at 30 June 2014 (31 December 2013: 63.34%).

The total bank borrowings of the Group were RMB155,614,000 as at 30 June 2014 (31 December 2013: RMB138,927,000).

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 in the future.

Capital Structure

Upon the receipt of a conversion notice on 11 June 2014 from CDH Fast Two Limited for partial conversion of the convertible bonds in the principal amount of US$24,342,500, the Company allotted and issued a total of 813,507,946 conversion shares to CDH Fast Two Limited at the conversion price of HK$0.2328 per conversion share on 12 June 2014. After the partial conversion of the convertible bonds as described above, the Company has convertible bonds outstanding with a principal amount of US$24,342,500. Please refer to the announcement of the Company dated 12 June 2014 for details.

As at 30 June 2014, the Group's total assets were RMB1,273,499,000 (31 December 2013: RMB1,346,733,000), comprising: (1) share capital of RMB307,931,000 (31 December 2013: RMB242,704,000), (2) reserves of RMB271,713,000 (31 December 2013: RMB250,971,000), and (3) debts of RMB693,855,000 (31 December 2013: RMB853,058,000).

Financial Guarantees and Pledge of Assets

As at 30 June 2014, the net book values of property, plant and equipment and leasehold land and land use rights and time deposits pledged as securities for the Group's bank borrowings totalled RMB132,051,000 (31 December 2013: RMB134,790,000).

Updates on Material Acquisitions

The Company and Ms. Gao Xiu Min entered into a supplemental agreement with effect from 29 January 2014 to amend the terms of the equity transfer agreement in relation to the acquisition of 51% equity interest in Changchun Guangda Automobile Trading Co., Ltd. (長春市廣達汽車貿易有限公司) ("Changchun Guangda"). The amendments included the change of payment terms and the additional supplemental guarantee of future performance of Changchun Guangda by Ms. Gao Xiu Min. For this purpose, equity interest as collateral were transferred to the designated subsidiary of the Company by Ms. Gao Xiu Min to secure the performance of her aforesaid guarantee. Further details were set out in the announcement of the Company dated 29 January 2014.

In relation to the acquisition of 100% equity interest in IPO Automotive on 15 November 2012, the Company has updated on the determination and settlement of second instalment of consideration, and no further payment is payable by the purchaser (a wholly-owned subsidiary of the Company) to the vendors under the relevant acquisition agreement. Details can be referred to the Company's announcement dated 17 April 2014.

Significant Investments

During the Period, the Group had no significant investments. The Group has no specific future plans for material investments.

Exchange Risk

The Group's retail and wholesale service businesses were mainly in mainland China and their settlement currency was RMB, so there was no exchange risk. The settlement currency of the Group's manufacturing business was mainly US dollar. The Group reduced the exposure of US dollar assets by US dollar borrowings to minimize exchange risk.

Contingent Liabilities

As at 30 June 2014, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2014, the Group employed a total of 4,666 (30 June 2013: 5,405) full-time employees, of which 591 (30 June 2013: 739) were managerial staff. The Group is committed to the recruitment of talented staff to enrich its expertise. In order to attract and retain outstanding employees, the Group also provides benefits such as medical insurance and housing allowances in addition to the various pension schemes stipulated by the government. Outstanding employees may also be granted discretionary bonuses and share options as incentive.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (corresponding period of 2013: nil).

Industry Development and Business Review

During the Period, the sales of passenger vehicle in the PRC were 9,630,000, which increased 11.2% year-on-year. The sales of passenger vehicle market in the PRC continued to keep a rapid growth which promoted a constant increase of retention of passenger vehicle.

As at 30 June 2014, the Group has a total of 74 consumer service retail centres, 16 wholesale service stores and 2 manufacturing business factories.

The Group's Service Business

The newly established operation team made significant adjustment on the development strategies and operation direction of the retail and services business of the Group at the end of 2013 which commenced fully implementation in 2014. After the adjustment for half a year, we have achieved initial success with the turnover increased and profitability improved significantly compared to the same period last year. The management believed that the results of our Group will continue to improve as long as we continue to carry out new development strategies and operation direction. The operation strategies carried out during the Period mainly includes:

Firstly, implementation of city strategies: in-depth expansion of the markets 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 the operating model of the retail service business and differences in customers demand and business model development in relevant regions made it impossible for the company to ride on the customers and management advantages in the existing regions and realizing benefits of the economies of scale through large-scale and inter-regional opening of new stores. In contrast, regions which have accumulated brand recognition, establishment of mature management team and 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, being subsidiaries of the Group which have operations in Northern China market (Beijing and Jinan) and Northeastern China market (Changchun and other cities in Jilin province) respectively, are actively recruiting and cultivating talents, analyzing individual-store business structure with the best profitability and seeking stores in business layouts with operational potential in order to pave way for further expansion of service network.

Secondly, the management no longer simply pursued for the increase of the number of stores in terms of business layouts and stores scale, but focused on the contribution to actual results of operations and the synergies among stores in the business layouts of different sizes and types. The Group plans to open new stores by a combined portfolio of large comprehensive stores and small satellite stores. These small satellite stores penetrate into communities and are radially distributed around the large comprehensive stores to provide the community customers with basic automobile detailing and cleaning as well as maintenance and fast repair service. They also serve as the automobile reception terminal of large comprehensive stores, and provides transfer service for automobiles which need in-depth repair, sheet metal painting and settlement of insurance claims, saving customers from going out of communities for servicing their automobiles. Large comprehensive stores will continue to provide comprehensive after-sales services such as comprehensive automobile detailing and cleaning, maintenance and repair, sales of automobile accessories and settlement of insurance claims, and they are equipped with senior technical personnel and testing equipment to provide technical support for the entire store portfolio. Our management believes that this model is not only beneficial in further penetrating into the communities to increase the source and loyalty of customers, but also helps to share the cost burden of maintaining advanced technical support and service quality for large comprehensive stores. This arrangement also reduces the dependence on large and expensive properties during the expansion process, which benefits the rapid opening of new stores and allows for better cost control.

Thirdly, under the existing earning pattern, the Group actively explored new operating methods. In the retail service business, each subsidiary continued to commence a centralized promotion campaign with innovative operating and services pattern to increase the influence and brand awareness of the Group in various regions, so as to encourage consumers to accept the idea of comprehensive after-sale service of cars. Meanwhile, the subsidiaries of the Group which engage in the wholesale business also continuously increased their product types related to vehicle repair and maintenance, and enhanced the added-value of products and services by improving logistics service and network coverage, which increased the loyalty of downstream retail customers and the on-going demand for orders.

In addition, the management optimized the management system of the Group, adjusted the organization structure and streamlined the staff, which had gradually achieved success during the Period. The shareholders at the annual general meeting of the Company ("AGM") held on 25 June 2014 had approved a new share option scheme to align the benefits of the management and shareholders, stimulating the management to expand our business and enhance the Company's earnings. The Board will grant share options to the management in due course.

The Group's Manufacturing Business

During the period under review, the manufacturing business continued to put great efforts into the design, research and development of products, upgraded the existing products, and it also strengthened the communication and contact with international customers, thus further understood customers' demand for products and the development trend of similar products in international markets. Measures such as supplier optimization, staff streamlining and logistics improvement adopted by the manufacturing business were effective during the Period, leading to a significant reduction of the related costs and administrative expenses.

Prospects

The service business of the Group will continue to adopt the following operating strategies:

Firstly, continue to carry out city strategies, focus on the development of key markets, open new stores in the combined form of large and small stores, and steadily improve market share and the number of stores in these markets, so as to lay the foundation for expansion to new markets.

Secondly, actively adjust the product mix of wholesale business, and focus on automobile repair and maintenance products with rigid demand and improve logistics efficiency and service quality, enabling the Group to become an indispensable comprehensive supplier that provides integrated repair and maintenance products for automobile after-sales service stores in target markets.

Thirdly, select bulk commodities such as the repair and maintenance products of the Group and directly cooperate with manufacturers, carry out purchase by way of OEM with our own brands, thus reduce costs and improve the influence of the Group's products.

In addition, the Group will also continue to actively search for and negotiate with potential targets that help us achieve the strategic objectives of the Group, consider acquisition 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 continue the market expansion in Europe and Asia Pacific, a market with giant potential, and continue to explore the upgrading needs of customers in North America. It will also enlarge the categories of authorized products by leveraging on the partnership with Michelin to expand the domestic markets and actively explore the research and development of new product categories according to the latest industry development.

OTHER INFORMATION

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

As at 30 June 2014, the interests and short positions of each of the directors of the Company (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 ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

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	Approximate percentage of issued shares
Mr. Hung Wei-Pi, John	Interest in a controlled corporation *(Note 2)*	169,506,120 (L)	Nil	169,506,120 (L)	4.51%

Notes:

1. *The letter "L" denotes a long position in the shares.*
2. *These shares were registered in the name of and beneficially owned by Sharp Concept Industrial Limited, the entire issued share capital of which was 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.*

OTHER INFORMATION

Save as disclosed above, as at 30 June 2014, to the best knowledge of the Directors and chief executives of the Company, 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 in the register maintained by the Company 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 under the Listing Rules.

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

So far as the Directors and chief executives of the Company are aware, as at 30 June 2014, the interests and short positions of the persons, other than Directors and chief executives of the Company, in the shares and underlying shares of the Company, as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of Substantial shareholder	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	Approximate percentage of issued shares
CDH Fast Two Limited	Beneficial owner *(Note 2)*	2,076,072,279 (L)	813,507,947 (L) *(Note 3)*	2,889,580,226 (L)	76.83%
CDH Fast One Limited	Interest in a controlled corporation *(Note 2)*	2,076,072,279 (L)	813,507,947 (L) *(Note 3)*	2,889,580,226 (L)	76.83%
CDH Fund IV, L.P.	Interest in a controlled corporation *(Note 2)*	2,076,072,279 (L)	813,507,947 (L) *(Note 3)*	2,889,580,226 (L)	76.83%
CDH IV Holdings Company Limited	Interest in a controlled corporation *(Note 2)*	2,076,072,279 (L)	813,507,947 (L) *(Note 3)*	2,889,580,226 (L)	76.83%

Name of Substantial shareholder	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	Approximate percentage of issued shares
China Diamond Holdings IV, L.P.	Interest in a controlled corporation *(Note 2)*	2,076,072,279 (L)	813,507,947 (L) *(Note 3)*	2,889,580,226 (L)	76.83%
China Diamond Holdings Company Limited	Interest in a controlled corporation *(Note 2)*	2,076,072,279 (L)	813,507,947 (L) *(Note 3)*	2,889,580,226 (L)	76.83%

Notes:

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

2. *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. Upon the receipt of a conversion notice on 11 June 2014 from CDH Fast Two Limited for partial conversion of the Convertible Bonds in the principal amount of US$24,342,500, the Company allotted and issued a total of 813,507,946 Conversion Shares to CDH Fast Two Limited at the Conversion Price of HK$0.2328 per Conversion Share on 12 June 2014. After the partial conversion of the Convertible Bonds as described above, the Company has Convertible Bonds outstanding with a principal amount of US$24,342,500.*

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

Save as disclosed above, the Directors are not aware of any person, other than the Directors or 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 required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2014.

OTHER INFORMATION

Share Option Scheme

The Company adopted a new share option scheme ("New Scheme") by a resolution of the Shareholders passed on 25 June 2014 and terminated on the same date the share option scheme ("Old Scheme") adopted by the Company by a resolution of the then Shareholders passed on 13 February 2005. The principal purpose of the New Scheme is to provide incentives and rewards to eligible participants for their contribution or potential contribution to the Group. Detailed terms of the New Scheme are disclosed in the circular of the Company dated 30 April 2014 and, since the adoption of the New Scheme, there have been no changes in the terms of the New Scheme.

As at 30 June 2014, options had been granted by the Company under the Old Scheme which, if exercised in full, would entitle the grantees to subscribe for 3,400,000 shares. No further Options will be granted under the Old Scheme. The total number of shares available for issue under the New Scheme is 376,116,501 shares, representing approximately 10% of the total issued share capital of the Company as at the date of approval of the New Scheme. As at 30 June 2014, no option has been granted by the Company under the New Scheme.

Details of the share options granted under the Old Scheme as at 30 June 2014 are as follows:

Name of option holder	Date of grant of share option	Exercise period of share option	Exercise price of share option (per share)	Closing price on date of grant (per share)	Number of underlying shares subject to outstanding options as at 1 January 2014	Number of underlying shares subject to options granted since 1 January 2014	Number of underlying shares subject to options exercised/ lapsed/ cancelled since 1 January 2014	Number of underlying shares subject to outstanding options as at 30 June 2014
Ms. Hung Ying-Lien *(Note 1)*	28/2/2005	1/1/2006–12/2/2015 *(Note 2)*	HK$0.94	HK$0.94	3,400,000	–	–	3,400,000
Total					3,400,000	–	–	3,400,000

Note:

1. *Ms. Hung Ying-Lien resigned as an executive director of the Company effective from 28 August 2013. Ms. Hung Ying-Lien has been appointed as chief operational officer of the Company on the same date. Ms. Hung Ying-Lien is the sister of Mr. Hung Wei-Pi John, a non-executive director of the Company.*

2. *Those outstanding share options are exercisable during the period from 1 January 2006 to 12 February 2015 subject to such performance targets or conditions as determined by the Board.*

Arrangements to Purchase Shares or Debentures

Save as disclosed in the section headed "Share Option Scheme", at no time during the Period 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, or were there any such rights exercised by them; or was the Company, any of its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Period.

Changes in Information of Directors

Pursuant to Rule 13.51(B)(1) of the Listing Rules and with reference to the announcement of the Company dated 29 August 2014, the changes in information of Directors subsequent to the date of the 2013 Annual Report are set out below:

Name of Director	Details of Changes
Mr. Wang Zhenyu	Resigned as Chairman of the Company effective from 30 August 2014 due to the change in his duties and responsibilities at CDH Investments, which manages CDH Fast Two Limited as a special purpose vehicle, but remains as a non-executive Director.
Mr. Ying Wei	Appointed as Chairman of the Company effective from 30 August 2014.

OTHER INFORMATION

Corporate Governance

Save as disclosed below, in the opinion of the Directors, the Company has complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules during the Period:

Except for Mr. Zhang Jianxing, an executive Director and CEO of the Company, Mr. Wang Zhenyu, a non-executive Director and Chairman of the Board, Mr. Du Jinglei, a non-executive Director and Mr. Hu Yuming, an independent non-executive Director and chairman of the Audit Committee and the Remuneration Committee, the other Directors did not attend the AGM as provided for in code A.6.7 of the CG Code as they were engaged in other commitments. The Company is of the view that the above four Directors, who were present at the AGM, were able to answer questions from the shareholders effectively at the AGM, and the absentee Directors were capable of developing a balanced understanding of the views of the shareholders through their usual participation in the Company's affairs during the Period.

At present, the Company has four Board committees. The membership information of these committees is set out below:

1. Audit Committee:
   Mr. Hu Yuming (chairman), Mr. Lin Lei and Mr. Du Jinglei

2. Remuneration Committee:
   Mr. Hu Yuming (chairman), Mr. Zhang Jie and Mr. Ying Wei

3. Nomination Committee:
   Mr. Wang Zhenyu (chairman), Mr. Lin Lei and Mr. Zhang Jie

4. Strategy Committee:
   Mr. Zhang Jie (chairman), Mr. Lin Lei, Mr. Hung Wei-Pi, John and Mr. Wang Zhenyu

OTHER INFORMATION

Directors' Securities Transactions

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 six months ended 30 June 2014.

Audit Committee

At present, the Audit Committee comprises Mr. Hu Yuming, Mr. Lin Lei and Mr. Du Jinglei. Mr. Hu Yuming and Mr. Lin Lei are independent non-executive directors of the Company, and Mr. Du Jinglei is a non-executive director of the Company. Mr. Hu Yuming is the chairman of the Audit Committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2014. The accounting information given in this interim report has not been audited but has been reviewed by the Audit Committee.

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

Hong Kong, 29 August 2014