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NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

(1) VERY SUBSTANTIAL ACQUISITION

(2) PROPOSED PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

(3) INCREASE IN AUTHORIZED SHARE CAPITAL

AND

(4) RESUMPTION OF TRADING

THE SUBSCRIPTION

The Board is pleased to announce that on 27 March 2015, the Subscriber (a wholly-owned subsidiary of the Company), the Target Company, Mr. Zhou and Ms. Qiu entered into the Subscription Agreement, pursuant to which the Target Company and the Existing Shareholders have agreed to conduct the Capital Increase, such that the registered capital of the Target Company will be increased from RMB300,000,000 to RMB600,000,000, and the Subscriber has conditionally agreed to subscribe for the additional registered capital of RMB300,000,000 at a Consideration of RMB300,000,000.

* For identification purposes only

THE PROPOSED PLACING

In light of the Subscription, the Company intends to conduct the Proposed Placing of new Shares prior to Completion and the proceeds from the Proposed Placing will be primarily used to settle the Consideration for the Subscription and the remaining balance will be used as Financial Assistance to the Target Group, the commission for the Placing Agent and/or any other expenses in relation to the Proposed Placing.

The Board proposes to seek approval from the Shareholders for the Proposed Placing and the grant of the Specific Mandate to issue the Placing Shares by means of a resolution to be proposed at the EGM. The resolution will authorize the Board to determine and deal with, at its discretion and with full authority, matters relating thereto (including, but not limited to, the specific timing of the issue, final number of new Shares to be issued, offering mechanism, issue price, target Placees and the number and proportion of Shares to be issued to each Placee). The Placing Price will be determined on an arm's length basis with reference to prevailing market conditions. If the approval is granted, it will remain in effect until the earlier of (i) three months after the date of the EGM; and (ii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the authorized share capital of the Company is HK\$600,000,000 divided into 6,000,000,000 Shares, of which 3,761,165,012 Shares have been issued and fully paid. An aggregate of not more than 1,500,000,000 new Shares is expected to be issued upon the Proposed Placing. In order to accommodate the Completion and the future expansion and growth of the Company, the Directors propose to increase the Company's authorized share capital from HK\$600,000,000 to HK\$1,000,000,000 by the creation of an additional 4,000,000,000 unissued Shares. Immediately upon the Share Capital Increase becoming effective and assuming no further Shares will be issued and no Shares will be repurchased from the date of this announcement up to the EGM, the authorized share capital of the Company will be HK\$1,000,000,000 divided into 10,000,000,000 Shares, and the issued share capital of Company will be HK\$376,116,501.2 divided into 3,761,165,012 Shares. The Directors are of the view that the Share Capital Increase is in the interest of the Company and the Shareholders as a whole.

The Share Capital Increase is conditional upon the approval of the Shareholders by way of an ordinary resolution by poll at the EGM.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Subscription exceeds 100%, the Subscription constitutes a very substantial acquisition for the Company and is subject to the approval of the Shareholders by way of poll pursuant to Chapter 14 of the Listing Rules at the EGM.

Since the exercise of the Put Option will be at the discretion of the Subscriber, pursuant to Rule 14.75(1), only the premium payable for the Put Option will be taken into consideration for calculating the applicable percentage ratios in relation to the granting of the Put Option to the Subscriber. As no such premium is payable, all of the applicable percentage ratios in respect of the acquisition of the Put Option are below 5%. The exercise of the Put Option will be made in accordance with the requisite requirements under the Listing Rules.

As the Target Company will become a subsidiary of the Company upon Completion, any financial assistance to be provided by the Company to the Target Company will fall under the exemption under Rule 14.04(1)(e) of the Listing Rules and therefore, the Financial Assistance will not constitute a notifiable transaction of the Company.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve (i) the Subscription Agreement and the transactions contemplated thereunder (including the acquisition of the Put Option); (ii) the grant of the Specific Mandate to issue the Placing Shares; and (iii) the Share Capital Increase. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in any of the Proposed Transactions and therefore, no Shareholder is required to abstain from voting at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Subscription and the transactions contemplated thereunder (including the acquisition of the Put Option); (ii) the grant of the Specific Mandate to issue the Placing Shares; (iii) the Share Capital Increase; (iv) financial and other information on the Group; (v) financial and other information on the Target Group; (vi) pro forma financial information of the Enlarged Group upon Completion; and (vii) notice of the EGM, is expected to be despatched to the Shareholders on or before 22 May 2015, which is more than 15 Hong Kong Business Days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the circular.

GENERAL

As Completion is subject to a number of conditions, the Subscription may or may not proceed. In addition, the proposed Specific Mandate may or may not be approved by the Shareholders at the EGM and even if the proposed Specific Mandate is granted to the Board, the Proposed Placing may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 30 March 2015, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on Monday, 20 April 2015.

INTRODUCTION

Reference is made to the announcements of the Company dated 29 December 2014 and 26 March 2015 in relation to, among other things, the financial assistance provided to, and the potential acquisition of, the Target Company. The Board is pleased to announce that on 27 March 2015, the Subscriber (a wholly-owned subsidiary of the Company), the Target Company, Mr. Zhou and Ms. Qiu entered into the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Date: 27 March 2015

Parties

- (a) the Subscriber, a wholly-owned subsidiary of the Company;
- (b) the Target Company;
- (c) Mr. Zhou; and
- (d) Ms. Qiu.

The Subscription

Pursuant to the Subscription Agreement, the Target Company and the Existing Shareholders have agreed to conduct the Capital Increase, such that the registered capital of the Target Company will be increased from RMB300,000,000 to RMB600,000,000, and the Subscriber has conditionally agreed to subscribe for the additional registered capital of RMB300,000,000 at an aggregate Consideration of RMB300,000,000.

As at the date of this announcement, the registered capital of the Target Company is RMB300,000,000, of which RMB180,000,000 was contributed by Mr. Zhou and RMB120,000,000 was contributed by Ms. Qiu, representing 60% and 40%, respectively, of the total registered capital of the Target Company.

Upon completion of the Capital Increase and the Subscription, (i) the registered capital of the Target Company will be increased from RMB300,000,000 to RMB600,000,000, of which RMB180,000,000 was contributed by Mr. Zhou, RMB120,000,000 was contributed by Ms. Qiu and RMB300,000,000 would be contributed by the Subscriber, representing 30%, 20% and 50%, respectively, of the total registered capital of the Target Company; and (ii) the Target Company will become an indirect non wholly-owned subsidiary of the Company.

The Consideration

The Consideration in the amount of RMB300,000,000 was determined after arm's length negotiations between the Company and the Target Company and on normal commercial terms with reference to a number of factors, including but not limited to (i) the benefits of the Subscription as set out in the section headed "Reasons for and benefits of the Subscription" below; (ii) the historical performance of the Target Group for the three financial years ended 31 December 2014; and (iii) the business development and prospects of the Target Company in the medium to long term.

In determining the Consideration, the Directors have taken into account the Target Group's (i) broad customer base of luxury and ultra-luxury car owners; (ii) close relationship with reputable car manufacturers; (iii) large scale of operations covering thirteen provinces and municipalities in the PRC; (iv) high quality of network of car dealership stores housing a wide portfolio of internationally-acclaimed luxury and ultra-luxury car brands; and (v) high turnover in both absolute value and annual growth. Upon Completion, it is anticipated that the Group can take advantage of the existing well-established network of the Target Group to generate maximum synergies through the combination of overlapping businesses and the joint offering of complementary services, and ultimately build up a vertically integrated business model to provide a full-fledged auto services offering. In addition, the Target Group has a strong historical performance and continues to generate significant revenue from its operations. The turnover for the three years ended 31 December 2014 was RMB2,651,185,000, RMB6,117,319,000 and RMB8,532,663,000, respectively. While the Target Group has suffered net loss for the three years ended 31 December 2014, the net loss was primarily attributable to losses suffered by the heavy initial capital investment of newly opened automobile dealer stores and the high financing costs associated with the expansion of business. Upon Completion, the Target Group will become an indirect non-wholly owned subsidiary of the Company and the Company can provide operational and financial assistance to the Target Group as it considers appropriate and necessary in order to improve its operation, performance and profitability. For further details, please refer to the section headed "Information of the Target Group" set out below.

In light of the leading position of the Target Group in the ultra-luxury car sector in the PRC, the existing car dealership with the majority of ultra-luxury and luxury brands and the comprehensive range of automobile-related products and services that it provides, as well as other benefits as set out in the section headed "Reasons for and benefits of the Subscription", the Company considers that the Subscription to be a valuable investment opportunity for the Company. In addition, given the nature of automobile business conducted by the Target Group, the Company believes that the investment in the Target Group will create synergies and commercial opportunities for both the Group and the Target Group, and ultimately create value to the Shareholders as a whole.

The Consideration is equivalent to the amount of contribution of the Company to the registered capital of the Target Company and no premium is payable by the Company for the Subscription. For the reasons set out above, the Directors consider the Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Subscription will be financed by internal resources of the Group and/or a combination of other debt and/or equity financing to be determined by the Company, including but not limited to the Proposed Placing and bank borrowings. As at the date of this announcement, the Company is still considering different financing methods and no decision as to the nature and/or the combination of financing methods has been made, and no agreement or arrangement with respect to the Proposed Placing or other financing for the Subscription has been entered into. Further announcement(s) will be made by the Company as and when appropriate to comply with the relevant requirements of the Listing Rules.

Conditions Precedent

Completion is conditional upon the satisfaction (or, if applicable, the waiver) of, among other things, the following principal Conditions Precedent:

- (a) the representations, warranties and undertakings made by the Target Company and the Existing Shareholders under the Subscription Agreement remaining true and accurate at Completion;
- (b) the Transaction Documents having been duly executed, and each of the members of the Target Group and the Existing Shareholders having executed and fulfilled their respective obligations under the Subscription Agreement and any other agreements executed by the Subscriber to which they are parties to, under which all their obligations shall be carried out or fulfilled on or before the date of Completion;
- (c) each of the members of the Target Group, for the purpose of the execution, delivery and performance of the Subscription Agreement or any other agreements executed by the Subscriber to which it is a party to in relation to the execution of the transactions contemplated by the Subscription Agreement and any other such agreements, having carried out and completed all the corporate procedures required pursuant to the laws of the place of its incorporation, including any shareholders' and/or board approval required by the relevant laws and the articles of association of the Target Company for the following matters:
 - (i) approving the Amended Articles of Association, where such Amended Articles of Association shall be effective on or before the Date of Business License Amendment;
 - (ii) the Capital Increase and the Subscription; and
 - (iii) the execution, delivery and performance by the Target Company of the Subscription Agreement and any other agreements executed by the Subscriber to which it is a party to and completing all the transactions contemplated thereunder;

- (d) in order for any member of the Target Group or any of the Existing Shareholders to execute, deliver or perform, or to complete the transactions contemplated by, the Subscription Agreement or any other agreements executed by the Subscriber to which it is a party to, (i) any member of the Target Group and any of the Existing Shareholders having obtained all the necessary consents, approvals, notifications from, and made filings or registrations with the relevant Governmental Authority or other relevant person or entity; (ii) the relevant approving authorities having issued an official confirmation approving the Subscription Agreement and the Joint Venture Agreement; and (iii) the relevant approving authorities having approved the change in the registered capital and total investment amount stipulated in the approval certificate and the Amended Articles of Association of the Target Company, in accordance with the relevant laws and regulations of any Governmental Authority, or any contract binding on any member of the Target Group or any of the Existing Shareholders, or any contract binding on or restricting any member of the Target Group or any of the Existing Shareholders or any of their respective assets;
- (e) the Target Company having obtained the new Business License for Enterprise Legal Person issued by SAIC in respect of the Capital Increase and the Subscription, having completed all procedures for the foreign exchange registration in relation to the Chinese-foreign equity joint venture, and having opened a foreign exchange account;
- (f) upon execution of the Subscription Agreement, (i) in the opinion of the Subscriber, there being no material adverse change in the business operations of the Target Group or change in any circumstance which may be materially detrimental to the business, operations, assets, financial position (including but not limited to material increases in provisions), revenue or any other situation of the Target Group; (ii) there being no relevant laws, regulations and policies (whether in force on, before or after the Date of Business License Amendment) in the place of operation of any member of the Target Group which, in the opinion of the Subscriber, results or may result in materially detrimental effect on the proposed scope of operation of the Target Company or the Target Group as a whole;
- (g) no Governmental Authority or other person or entity carrying out any of the following acts:
 - (i) for the purpose of limiting, prohibiting or using any other method to oppose to the Subscription or any other transactions contemplated under the Subscription Agreement, the Joint Venture Agreement and other agreements executed by the Subscriber and the Target Company, requesting any member of the Target Group or any of the Existing Shareholders for the provision of any information, or bringing any legal proceedings, arbitration proceedings or administrative proceedings against any member of the Target Group or any of the Existing Shareholders or conducting any regulatory supervision or other inquiries against the same;
 - (ii) for the purpose of limiting, prohibiting or using any other method to oppose to the Subscription or transactions, before or after commencement of such Subscription or transactions, bringing any legal proceedings, arbitration proceedings or administrative proceedings against any of the Existing Shareholders or conducting any regulatory supervision or other inquiries against the same; and

- (iii) proposing or enacting any statute to prohibit, materially limit or materially delay the Subscription or transactions contemplated under the Subscription Agreement, the Joint Venture Agreement or any other agreements executed by the Subscriber and the Target Company, or the business operations of the Target Group after the Date of Business License Amendment;
- (h) completion of the Restructuring by the Target Company and the Existing Shareholders in accordance with the Subscription Agreement on or before the date of Completion;
- (i) the Target Company and the Existing Shareholders having notified, and obtained the consents from, any creditors or third parties, including financial institutions, who has the right to be notified of the matters relating to the Capital Increase and the Subscription; or, the Target Company and the Existing Shareholders having notified any creditors or third parties, including financial institutions, who has the right to be notified of the matters relating to the Capital Increase and the Subscription, and such creditors and third parties not opposing to the matters relating to the Capital Increase and the Subscription and not having taken any action to terminate or which may terminate their cooperation with the Target Group (including but not limited to, withdrawing loans granted to the Target Group and revoking the car dealership franchise granted to the Target Group);
- (j) all encumbrances on the equity interests of the Target Company held by the Existing Shareholders as at the date of execution of the Subscription Agreement being released, and the corresponding encumbrancers having given written consent in respect of the Capital Increase and the Subscription;
- (k) each of the Target Company and the Existing Shareholders having provided to the Subscriber a signed confirmation, dated the date of Completion, that the conditions set out in paragraphs (a) to (j) above having been fulfilled;
- (l) the Subscriber, upon reasonable request, having received the originals and certified true copies or other copies of all documents stipulated in paragraph (k) above;
- (m) the Subscriber having received a legal opinion on the Target Group's legal status issued by the Subscriber's PRC legal adviser dated on the date of Completion, in the form and substance satisfactory to the Subscriber;
- (n) the Subscriber having completed all necessary internal procedures (including the approval of the Shareholders and/or the Board required by the laws, regulations and the Listing Rules to which the Subscriber is subject to) in respect of the Subscription Agreement and the Subscription;
- (o) the Subscriber having completed the due diligence review of the assets, liabilities, business, legal and financial aspects, reference information and background check (if any) of the Target Group, the results of such review being satisfactory to the Subscriber; and the Subscriber not having discovered any matters relating to the Target Group which may have a material adverse effect on the Capital Increase and the Subscription and/or which differ materially from the representations given by the directors and senior management of the Target Group;

- (p) the Subscriber having received a copy of the financial statements of the Target Group for the year ended 31 December 2014 prepared in accordance with IFRS and audited by one of the Big Four Accounting Firms and the consolidated management accounts for the period from 1 January 2015 to the last day of the month immediately preceding the date of Completion (in the form and substance satisfactory to the Subscriber);
- (q) upon execution of the Subscription Agreement, the relevant approving authorities having been notified of and approved the Subscription Agreement, the Joint Venture Agreement and the Amended Articles of Association, and no other amendments having been made to the same, unless such amendment has been agreed by all relevant parties; and
- (r) the Subscriber having received a legal opinion issued by the Target Company's PRC legal adviser confirming that, save for the Conditions Precedent set out in paragraphs (m), (n) and (o) above, all other Conditions Precedent set out in paragraphs (a) to (q) above have been fulfilled in the form and substance satisfactory to the Subscriber.

Each of the parties to the Subscription Agreement has confirmed that the Subscriber has, through NFLP, granted the Entrusted Loan in the amount of RMB100,000,000 to the Target Company. In the event that Completion fails to take place due to the Conditions Precedent set out in paragraphs (a) to (r) above not having been fulfilled, the Target Company shall, at the request of the Subscriber and in a legally permissible way, repay the Entrusted Loan to the Subscriber together with the interest accrued on the Entrusted Loan at an interest rate of 12% per annum.

Pursuant to the Subscription Agreement, the Subscriber may, in its discretion, waive any of the Conditions Precedent. As advised by the PRC Legal Adviser, pursuant to the Subscription Agreement, the Subscriber has an absolute discretion as to whether or not it will waive any of the Conditions Precedent and no specific circumstance is required before the Subscriber may exercise such discretion.

As stated in the section headed "Subscription Agreement – Termination" below, in the event that one or more of the Conditions Precedent is not fulfilled by the end of the office hours on the Long Stop Date, the Subscriber has the right to terminate the Subscription Agreement. In the event that the Subscriber decides to waive the Conditions Precedent that has not been fulfilled and the Subscription Agreement remains effective, all the other parties to the Subscription Agreement are required to perform their respective obligations under the Subscription Agreement in accordance with the terms and conditions set out therein.

As at the date of this announcement, the Subscriber does not intend to waive any of the Conditions Precedent, including the Conditions Precedent which may affect the substance of the Subscription Agreement (in particular paragraph (n) of the "Conditions Precedent" set out above), and none of the Conditions Precedent has been fulfilled or waived.

Financial Assistance

Pursuant to the Subscription Agreement, from the date of Completion, the Subscriber agrees, to the extent feasible for the Subscriber, to use its efforts to provide appropriate financial assistance to the Target Company by means legally permissible under the PRC law, including but not limited to the Subscriber, to the extent feasible for the Subscriber, using its efforts to provide a loan of not less than RMB900,000,000 to the Target Company, provide the Target Company with a guarantee, or support the Target Company to conduct other financings by means legally permissible under the PRC law. In respect of any Financial Assistance provided by the Subscriber, the Target Company and the Existing Shareholders undertake that the Target Company and its subsidiaries shall, in accordance with the instructions of the Subscriber and by means legally permissible under the laws of the PRC, carry out their respective obligations under the terms and conditions of the Financial Assistance, including but not limited to repaying the full amount of any financial assistance provided by the Subscriber and releasing the Subscriber from any guarantees provided by the Subscriber in support of any financings in a timely manner.

As advised by the PRC Legal Adviser, the agreement to provide the Financial Assistance to the Target Company is legally binding on the Subscriber only to the extent that the Subscriber is required, to the extent feasible for the Subscriber, to use its efforts to provide the Financial Assistance to the Target Company, and there is no commitment nor any obligation on the Subscriber to provide the Financial Assistance to the Target Company if it is infeasible for the Subscriber to do so.

Save as disclosed in this announcement, no other agreement or arrangement in relation to the Financial Assistance has been entered into between the Subscriber and the Target Company as at the date of this announcement.

Put Option

In the event that, on or after Completion, the Subscriber discovers that the Target Company and the Existing Shareholders have breached any of the representations, warranties and undertakings under the Subscription Agreement or any of the Transaction Documents, and the loss or damage suffered by the Subscriber or the Target Company as a result of such breach amounts to a monetary value of at least 30% of the Consideration (whether calculated individually or accumulatively), the Subscriber has the right, but not the obligation, to request the Existing Shareholders to repurchase the equity interest of the Target Company held by the Subscriber, and the Repurchase Amount payable by the Existing Shareholders shall be the Consideration together with the compound interest on the Consideration at 25% per annum for three years.

The Repurchase Amount can be expressed in the following formula:

$$\text{Repurchase Amount} = \text{Consideration} \times (1+25\%)^3$$

The Put Option can be exercised by the Subscriber at any time on or after Completion in accordance with the terms and conditions of the Subscription Agreement as summarized above. There is no specific deadline by which the Put Option must be exercised under the Subscription Agreement.

Notwithstanding the foregoing, in the event that the payment of the Repurchase Amount into the designated bank account of the Subscriber by the Existing Shareholders is later than the last day of the third anniversary from the date of Completion, the Repurchase Amount payable by the Existing Shareholders to the Subscriber shall be the Consideration together with the compound interest at 25% per annum calculated from the date of Completion to the day of payment of the corresponding Repurchase Amount by the Existing Shareholders.

Termination

The Subscription Agreement may be terminated by the relevant parties upon the occurrence of any of the following events:

- (a) in the event that one or more of the Conditions Precedent set out above is/are not fulfilled by the end of the office hours of the Long Stop Date, the Subscriber shall have the right to terminate the Subscription Agreement;
- (b) in the event that the Target Company or any Existing Shareholders breaches any material representation, warranty, undertaking or agreement under the Subscription Agreement, and such breach is not capable of being remedied or has not been remedied within 30 PRC Business Days upon receipt of a written notice given by the Subscriber to all other parties to the Subscription Agreement (where the mere disclosure of such breach does not amount to a remedy), the Subscriber shall have the right to terminate the Subscription Agreement prior to the date of Completion;
- (c) in the event that the Subscriber breaches any material representation, warranty, undertaking or agreement under the Subscription Agreement, and such breach is not capable of being remedied or has not been remedied within 30 PRC Business Days upon receipt of a written notice given by the Existing Shareholders or the Target Company to the Subscriber (where the mere disclosure of such breach does not amount to a remedy), the Existing Shareholders and the Target Company shall have the right to terminate the Subscriber's right to the Subscription under the Subscription Agreement prior to the date of Completion;
- (d) if the Subscriber is unable to pay the full Consideration to the Target Company under the Subscription Agreement before the Long Stop Date, any of the parties shall have the right to unilaterally terminate the Subscription Agreement on the Long Stop Date by notice in writing to all other parties; and
- (e) at any time on or before the date of Completion, the Subscription Agreement may be terminated by mutual written consent of the parties.

Completion

Completion shall take place on the third PRC Business Day or any other date as mutually agreed by the parties after all the Conditions Precedent set out above have been fulfilled (or, if applicable, waived).

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company established in the PRC and through its subsidiaries, is principally engaged in the car dealership business and other automobile-related businesses in the PRC.

The Target Group commenced operations in 2001 and it has since then become one of the leading ultra-luxury car dealership groups in the PRC. In 2013, the Target Group was the largest Rolls Royce dealership group in the PRC based on the number of dealership stores. With a focus on the ultra-luxury car sector, the Target Group operates a wide range of car dealerships with high-end luxury brands, including Rolls Royce, Ferrari, Maserati and Bentley, as well as other car dealerships with luxury brands including BMW, Audi, Jaguar, Mini, Land Rover, Cadillac, Imported Volkswagen and Infiniti. The dealership stores of the Target Group sell all the key car models of these brands. The target customers are primarily high net-worth individuals who have demand for these ultra-luxury cars. The majority of the turnover of the Target Group is derived from automobile sales.

The Target Group, through its extensive network of the 4S dealership stores, also offers a comprehensive range of automobile-related products and services, including but not limited to the sale of first-hand and second-hand luxury cars, provision of after-sale services for first-hand and second-hand luxury cars, sale of automobile parts, accessories and other automobile-related products. In particular, after-sale services include maintenance and repair services, car customization and furnishing services, car recall services and car consulting services. The Target Group also carries out other side businesses, including consulting services for car financing, car insurance services, car rentals and trading of first-hand and second-hand cars through online platforms.

As advised by the PRC Legal Adviser, the car dealership business operated by the Target Group is not a restricted business under the Catalogue for the Guidance of Foreign Investment Industries (2015) jointly released by the National Development and Reform Commission and the Ministry of Commerce on 10 March 2015 and came into force on 10 April 2015.

Shareholding structuring of the Target Company

The shareholding structure of the Target Company before and after completion of the Capital Increase and the Subscription is as set out below:

Name of Shareholder	As at the date of this announcement		Immediately after Completion	
	Contribution to the registered capital (RMB)	Equity interest (%)	Contribution to the registered capital (RMB)	Equity interest (%)
Mr. Zhou	180,000,000	60	180,000,000	30
Ms. Qiu	120,000,000	40	120,000,000	20
The Subscriber	–	–	300,000,000	50
TOTAL	300,000,000	100	600,000,000	100

Upon completion of the Capital Increase and the Subscription, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

Financial information about the Target Group

Based on the unaudited financial statements of the Target Group prepared in accordance with IFRS, the turnover and profit/(loss) before and after tax and extraordinary items for the three years ended 31 December 2014 were approximately as follows:

	For the year ended 31 December		
	2012 (RMB'000)	2013 (RMB'000)	2014 (RMB'000)
Turnover	2,651,185 (approximately HK\$3,348,181)	6,117,319 (approximately HK\$7,725,562)	8,532,663 (approximately HK\$10,775,900)
Profit/(loss) before taxation and extraordinary items	(45,173) (approximately HK\$(57,049))	(141,661) (approximately HK\$(178,904))	(194,455) (approximately HK\$(245,577))
Profit/(loss) after taxation and extraordinary items	(44,018) (approximately HK\$(55,590))	(144,220) (approximately HK\$(182,135))	(193,540) (approximately HK\$(244,422))

Based on the unaudited financial statements of the Target Group and other information provided to the Company by the Target Group, the net loss for the three years ended 31 December 2014 was primarily attributable to losses suffered by the heavy initial capital investment of newly opened automobile dealer stores and the high financing costs associated with the expansion of business. In order to facilitate the opening of these new stores, the Target Group has obtained financings from banks and other financial institutions, which has led to a high financing cost. In addition, the Target Group has also incurred significant operational and administrative expenses in establishing these new stores.

The PRC automotive industry experienced a significant uplift over the past few years as a result of the rapid economic growth of the PRC in recent years. In order to capture market share in the increasingly competitive PRC automotive industry, many global leading car manufacturers have increased the number of luxury car dealerships. The Target Group seized this opportunity and obtained new ultra-luxury and luxury car dealerships to broaden its brand portfolio and raise its competitiveness within the growing market. Accordingly, the Target Group strategically opened a number of new dealership stores each year over the past few years to cope with such expansion and sudden boost in demand for luxury and ultra-luxury cars. As at 31 December 2011, the Target Group operated a total of five car dealership stores, and it opened six, ten and six car dealership stores in each of the years ended 31 December 2012, 2013 and 2014, respectively. As at the date of this announcement, the Target Group operates a total of 27 car dealership stores, representing a 440% increase in terms of the number of car dealership stores over the past three years. The luxury dealership stores require heavy initial capital investment and would usually take two to three years to build up its client base for new car and after-sales services to ramp up its sales and achieve profitability. The prospect of the automotive market remains rosy and it is expected that the rapid and sustained growth will ultimately provide positive returns to the Target Group after the ramp up of the sales of the newly opened stores.

Although the Target Group recorded net loss in the three years ended 31 December 2014, upon Completion, the Target Group will become an indirect non-wholly owned subsidiary of the Company and the Company can provide operational and financial assistance to the Target Group as it considers appropriate and necessary in order to improve its operation, performance and profitability. In particular, the Company believes that it will be able to assist the Target Group to conduct refinancing and/or obtain financings at lower costs, which will reduce the financial expenses of the Target Group and improve its profitability. In addition, the ramp up of new car sales as well as after-sales business in newly opened stores could enhance the overall profitability of the Target Group. The Company believes that, upon Completion, the Company can provide operational assistance to the Target Group, which will improve the performance and profitability of the Target Group. Upon Completion, the Company will work with the management of the Target Group to develop the strategy and implement a combined business plan for the Target Group as part of the Group.

The unaudited net assets of the Target Group as at 31 December 2014 was approximately RMB124,449,000 (approximately HK\$157,166,642).

Restructuring

Pursuant to the Subscription Agreement, the Target Company is required to conduct the Restructuring such that the registered shareholders of the relevant Target Subsidiaries are registered under the name of the Target Company. In order to achieve the Restructuring, the relevant Target Subsidiaries are required to, among other things, file an application with SAIC. As stated in the section headed “The Subscription Agreement — Conditions Precedent”, the Restructuring is a condition precedent for Completion. As such, the Restructuring will be completed on or prior to Completion, failing which the Completion will not proceed.

The Entrusted Loan Agreement

As disclosed in the announcement of the Company dated 29 December 2014, pursuant to the Entrusted Loan Agreement, NFLP (an indirectly wholly-owned subsidiary of the Company) has instructed the Lending Bank to release a loan in the principal amount of RMB100,000,000 (approximately HK\$126,826,000), which was funded by NFLP, to the Target Company for a term of 12 months from the date of drawdown in accordance with the terms and conditions of the Entrusted Loan Agreement.

Following the provision of the financial assistance to the Target Company pursuant to the Entrusted Loan Agreement, in order to increase the transparency of the Target Company to the Company, Mr. Du, a non-executive Director, was invited by the Existing Shareholders to become a director of the Target Company and was appointed as a director of the Target Board on 24 March 2015. In light of the financial assistance provided to the Target Company pursuant to the Entrusted Loan Agreement and in order to preserve the interests of the Company for the financial assistance provided to the Target Company pursuant to the Entrusted Loan Agreement, the Directors consider that the appointment of Mr. Du to the Target Board to be in the interests of the Company and the Shareholders as a whole.

Composition of the Target Board

Pursuant to the Joint Venture Agreement, from the Date of Business License Amendment, the number of directors on the Target Board shall be five, of which three shall be appointed by the Subscriber and two shall be appointed by the Existing Shareholders. Notwithstanding the foregoing, if there occurs any change in the proportion of equity interests of the Existing Shareholders and the Subscriber after the Date of Business License Amendment, the arrangement as to the appointment of directors to the Target Board shall be adjusted accordingly such that each of the Existing Shareholders and the Subscriber shall be entitled to appoint such number of directors in accordance with their respective equity interest in the Target Company.

Upon Completion, the Company intends to appoint, in addition to Mr. Du, two other directors to the Target Board, being Mr. Lin Ming, the chief financial officer of the Company, and Ms. Liu Wenxuan.

Save as disclosed in this announcement, the Target Company and its ultimate beneficial owners do not have any prior or current business relationships or any other connections or relationships with the Company, any of the Directors, controlling shareholders or connected persons of the Company.

Save for the Entrusted Loan Agreement and the Transaction Documents and as disclosed in this announcement, there are no other agreements or arrangements between (i) the Company and the Target Company (including its ultimate beneficial owners); and (ii) any connected person of the Company and the Target Company (including its ultimate beneficial owners).

Save as aforementioned and to the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, the Target Company and its ultimate beneficial owners are independent of the Company and its connected persons.

INFORMATION ON THE GROUP

The Subscriber is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. The principal business of the Subscriber is investment holding.

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

Save for the Proposed Placing as stated in the section headed "The Proposed Placing" above, the Company does not expect any changes in the Company's shareholding structure as at the date of this announcement. Further announcement(s) will be made as and when appropriate to comply with the relevant requirements of the Listing Rules.

The Directors and senior management of the Group possess extensive experience in the auto industry. Prior to joining the Company, certain Directors and senior management of the Group worked in various auto-related businesses, including but not limited to operation and management of car repair and maintenance services, as well as sales and marketing of car spare parts. The Directors are of the view that the operational experience and industrial expertise in the automobile industry of the senior management of the Company will contribute to the success of the Target Group in the car dealership business in the PRC as stated in the section headed “Reasons for and benefits of the Subscription” below.

As at the date of this announcement, there is no proposed change in the composition of the Board upon or after Completion.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Target Group is principally engaged in the business of sale and provision of after-sale services for luxury cars, sale and provision of after-sale services for second-hand luxury cars and other auto-related business in thirteen provinces and municipalities in the PRC. The Group has been focusing on the establishment and improvement of auto chain services network and has been considering to conduct, when it is appropriate, acquisitions which may facilitate the realization of the Group’s business strategy; consolidate with the current resources of the Group; create synergies to the Group’s current business and enhance the competitiveness of the Group.

The PRC car dealership business of the Target Company is considered as desirable natural expansion of the current business of the Group and not a new line of business to the Group. The business of new car sales and the provision of auto after-sale services often complement each other to provide a one-stop shop for customers. As such, the addition of the PRC car dealership business is expected to strengthen the existing businesses of the Group by creating a vertically integrated business model of auto sale and services, thereby locking in customer loyalty and releasing synergies between these two closely intertwined components of the auto-related business.

The business model of operating the car dealership business together with the provision of auto after-sales service is common among other comparable companies in the PRC automotive industry that are listed on the Stock Exchange. In addition, the market sees a trend of expansion into the auto after-sales service business, which is widely perceived to have huge room for further development, given the sizable passenger vehicle volume in the PRC market. Based on the publicly available information, many of the listed companies involved in the car dealership business are planning to open stand-alone service centres to cater for this trend. It is anticipated that the Group’s natural expansion from the after-sales service business into the car dealership business will place it in the best position in this competitive market.

It is expected that the Subscription in the Target Company would add a high-end auto after-sales service line with higher gross margin and higher customer loyalty to the Group’s current business and ultimately improving cash flow and profitability of the Group while rapidly developing its auto chain services network. In addition, the Group could also leverage on the Target Group’s sales network and local know-how to penetrate into new regional markets and benefit from the established customer relationship and platform of the Target Group. The Group could, through the Subscription, obtain access to leading ultra-luxury and luxury car manufacturers, tap into a large addressable after-sales market of luxury car-owners and capture value along the integrated automotive-related value-chain.

Despite the fact that the dollar value of the new car sales significantly outweighs that of the after-sales business, the gross profit generated from the car dealership business accounted for approximately 35%-48% of the total gross profit of the 4S dealership stores, while the contribution of after-sales services to the total gross profit of 4S dealership stores is higher at approximately 52%-65%. As such, the major contribution of gross profit from the 4S dealership stores relates to the after-sales service business, and the main driver for the Group adding the 4S dealership stores to its portfolio lies in the expected increase in gross profit from after-sales services. In addition, the further expansion of the ultra-luxury and luxury after-sales service business is expected to boost the overall gross profit margin of the after-sales business. The addition of car dealership business is regarded as a bonus to create extra synergy between various businesses of the Group by contributing to a full-fledged auto services offering.

Save as disclosed in this announcement, while no specific investment opportunities or acquisition candidates had been identified as at the date of this announcement, the Board is active in seeking and identifying development opportunities and acquisition targets that are in line with the Group's business strategies and can enlarge the Group's revenue stream in order to enhance Shareholders' value. As at the date of this announcement, the Company does not have any intention, negotiation, agreement, arrangement or understanding (concluded or otherwise) about (i) the acquisition of any other new business; (ii) any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets; (iii) the injection of any new business to the Group; or (iv) any changes in the shareholding structure of the Company.

The Directors consider the terms of the Subscription Agreement and the transactions contemplated thereunder to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE PROPOSED PLACING

In light of the Subscription, the Company intends to conduct the Proposed Placing of new Shares prior to Completion and the proceeds from the Proposed Placing will be primarily used to settle the Consideration for the Subscription and the remaining balance will be used as Financial Assistance to the Target Group, the commission for the Placing Agent and/or any other expenses in relation to the Proposed Placing.

As at the date of this announcement, the terms of the Proposed Placing have not been determined and no agreement has been entered into between the Company and any Placing Agent. Given that Completion is conditional upon, among other things, Shareholders' approval, which the Company has no control over, the Directors consider that it is commercially unfeasible and impractical to enter into a definitive placing agreement with the Placing Agent at this early stage. However, assuming that the Subscription and the transactions contemplated thereunder (including the acquisition of the Put Option) is approved by the Shareholders' at the EGM, the Company intends to enter into a placing agreement with the Placing Agent and/or Placees and any other relevant parties setting out detailed rights and obligations of the parties, and the final terms in respect of the Proposed Placing. On this basis, the Company expects that the Placing Agreement will be entered into soon after the EGM. The final terms of the Proposed Placing will be agreed between the Company and the Placing Agent and/or Placees after arm's length negotiations and the Proposed Placing will be entered into on normal commercial terms. Further announcement(s) will be made by the Company in accordance with the Listing Rules when the Company enters into the Placing Agreement.

Accordingly, the Board proposes to seek approval from the Shareholders for the Proposed Placing and the grant of the Specific Mandate to issue the Placing Shares by means of a resolution to be proposed at the EGM. The resolution will authorize the Board to determine and deal with, at its discretion and with full authority, matters relating thereto (including, but not limited to, the specific timing of the issue, final number of new Shares to be issued, offering mechanism, issue price, target Placees and the number and proportion of Shares to be issued to each Placee). The Placing Price will be determined on an arm's length basis with reference to prevailing market conditions. If the approval is granted, it will remain in effect until the earlier of (i) three months after the date of the EGM; and (ii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

The proposed terms of the Proposed Placing are as out below.

Number of Placing Shares

The Placing Shares to be placed pursuant to the Proposed Placing will be not more than 1,500,000,000 new Shares, which represents (i) not more than approximately 39.90% of the existing issued share capital of the Company; and (ii) not more than approximately 28.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares upon the completion of the Proposed Placing.

The Placing Shares will be allotted and issued under the authority to be granted by the Shareholders at the EGM.

Placing Price

The Placing Price will be determined on an arm's length basis with reference to the prevailing market conditions, which shall, in any event:

- (a) be no less than 80% of the higher of:
 - (i) the closing price of the Shares as quoted on the Stock Exchange on the date of execution of the Placing Agreement; and
 - (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately before the date of execution of the Placing Agreement; and
- (b) be no less than the Minimum Placing Price of HK\$0.414 per Share, which represents:
 - (i) a discount of approximately 44.05% to the closing price of HK\$0.740 per Share as quoted on the Stock Exchange on the Last Trading Day;
 - (ii) a discount of approximately 35.11% to the average closing price of approximately HK\$0.638 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
 - (iii) a discount of approximately 20.00% to the average closing price of approximately HK\$0.518 per Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day.

The Directors will continue to endeavour to obtain the best possible issue price for the Placing Shares in the interests of the Shareholders. In light of the recent volatile stock market, the Directors consider that the above pricing mechanism will provide the Company with flexibility to conduct the Proposed Placing for the Completion. The Placing Price will be determined on an arm's length basis with reference to prevailing market conditions, therefore the Directors consider that the above pricing mechanism is fair and reasonable as it is in line with the general market practice. Shareholders and potential investors should not treat the Minimum Placing Price as an indicator of the actual Placing Price which shall be based on the actual trading performance of the Shares upon the resumption of trading of the Shares on the Stock Exchange. The Placing Price will be determined by agreement between the Company and the Placing Agent and/or Placees after arm's length negotiations at the time of the Proposed Placing and will be subject to a number of considerations, including the prevailing market conditions, the prevailing market price of the Shares and investor demand for the Shares at the relevant time.

Use of proceeds

It is intended that the net proceeds from the Proposed Placing will be used by the Company for the following purposes:

- (a) up to approximately HK\$378,883,556 (approximately RMB300,000,000) for payment of the Consideration; and
- (b) all the remaining balance as Financial Assistance to the Target Group, the commission for the Placing Agent and/or any other expenses in relation to the Proposed Placing.

In the event that any part of the remaining balance is used as Financial Assistance to the Target Group, such amount is expected to be applied towards financing the Target Group's capital expenditure and/or repayment of bank borrowings.

Ranking of the Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue and are entitled to all rights attaching thereto at the date of the issue and thereafter.

Placees

The Placing Shares will be placed to not less than six independent Placees. The Placing Agent will use its reasonable endeavours to ensure that the Placees will be third parties independent from, not connected or associated with, and not acting in concert with (a) any of the directors, chief executive or substantial shareholder of the Company and any of its subsidiaries and their respective associates; and (b) any of the Existing Shareholders and their respective associates. Neither Mr. Zhou nor Ms. Qiu will become one of the Placees, and it is expected that no Placee will become a substantial shareholder (as such term is defined in the Listing Rules) of the Company immediately following completion of the Proposed Placing.

Conditions

The Proposed Placing shall be conditional on (i) the Shareholders approving the Subscription at the EGM; and (ii) the Subscription Agreement remaining valid and in effect.

SPECIFIC MANDATE

The Placing Shares will be allotted and issued under the Specific Mandate which is subject to the approval of the Shareholders at the EGM.

APPLICATION FOR LISTING

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon Completion is set out below.

Name of Shareholder	As at the date of this announcement		Immediately after the allotment and issue of the Placing Shares	
	Number of Shares	%	Number of Shares	%
CDH Fast Two Limited	2,076,072,279 (Note 1)	55.20	2,076,072,279 (Note 1)	39.46
Mr. Hung Wei-Pi John	162,462,120 (Note 2)	4.32	162,462,120 (Note 2)	3.09
Chief executive officer, directors and substantial shareholders of the Subsidiaries (Note 3)	72,658,539	1.93	72,658,539	1.38
Places	–	–	1,500,000,000	28.51
Other public Shareholders	1,449,972,074	38.55	1,449,972,074	27.56
TOTAL ISSUED SHARES	3,761,165,012	100	5,261,165,012	100

Notes:

1. CDH Fast Two Limited will be issued an additional 813,507,947 Shares if the remaining of the convertible bonds issued to it as disclosed in the announcements of the Company dated 23 June 2013 and 12 June 2014 are fully converted.
2. Mr. Hung Wei-Pi John is a non-executive Director.
3. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the chief executive officer, directors or substantial shareholders of the Subsidiaries has a material interest in the Proposed Transactions.

Notwithstanding the significant dilutive effect on the existing Shareholders upon completion of the Proposed Placing, the Directors are of the view that the Proposed Placing is fair and reasonable and in the interests of the Shareholders and the Company for the following reasons:

- (a) the final terms of the Proposed Placing will be agreed between the Company and the Placing Agent and/or Placees after arm's length negotiations and the Proposed Placing will be entered into on normal commercial terms;
- (b) the Proposed Placing provides the Group with the opportunity to raise capital to finance the Subscription, which represents an excellent investment opportunity for the Group as further elaborated in the section headed "Reasons and benefits of the Subscription" above;
- (c) the Board believes that the Proposed Placing represents the most efficient way to raise additional funds in terms of time and costs as compared to other means of equity fund raising, such as a rights issue or an open offer, which may not be easily implemented within a short and reasonable period of time given the widespread shareholding base of the Company. Furthermore, the Board believes that a "bookbuilding" process under an international placing simulates an auction scenario and is therefore the most effective way of maximizing the placing price and minimizing dilution of the interests of existing Shareholders;
- (d) the proceeds from the Proposed Placing will provide the Company with immediate funding and eliminate any uncertainty related to future short-term fund-raising; and
- (e) the Proposed Placing can broaden the Shareholder base of the Company, strengthen the capital base and financial position of the Group for its future business developments, and enhance the profile of the Company given that the Placees will be qualified individual, institutional and/or professional investors (as the case may be).

As at the date of this announcement, the Company has maintained a sufficient public float of not less than 25% of the Shares as required under Rule 8.08(1) of the Listing Rules, and it is expected to be able to comply with such public float requirement immediately after the allotment and issue of the Placing Shares.

INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the authorized share capital of the Company is HK\$600,000,000 divided into 6,000,000,000 Shares, of which 3,761,165,012 Shares have been issued and fully paid. An aggregate of not more than 1,500,000,000 new Shares is expected to be issued upon the Proposed Placing. In order to accommodate the Completion and the future expansion and growth of the Company, the Directors propose to increase the Company's authorized share capital from HK\$600,000,000 to HK\$1,000,000,000 by the creation of an additional 4,000,000,000 unissued Shares. Immediately upon the Share Capital Increase becoming effective and assuming no further Shares will be issued and no Shares will be repurchased from the date of this announcement up to the EGM, the authorized share capital of the Company will be HK\$1,000,000,000 divided into 10,000,000,000 Shares, and the issued share capital of Company will be HK\$376,116,501.2 divided into 3,761,165,012 Shares. The Directors are of the view that the Share Capital Increase is in the interest of the Company and the Shareholders as a whole.

The Share Capital Increase is conditional upon the approval of the Shareholders by way of an ordinary resolution by poll at the EGM.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Subscription exceeds 100%, the Subscription constitutes a very substantial acquisition for the Company and is subject to approval of the Shareholders by way of poll pursuant to Chapter 14 of the Listing Rules at the EGM.

The Put Option

Since the exercise of the Put Option will be at the discretion of the Subscriber, pursuant to Rule 14.75(1), only the premium payable for the Put Option will be taken into consideration for calculating the applicable percentage ratios in relation to the granting of the Put Option to the Subscriber. As no such premium is payable, all of the applicable percentage ratios in respect of the acquisition of the Put Option are below 5%. The exercise of the Put Option will be made in accordance with the requisite requirements under the Listing Rules.

The Financial Assistance

As the Target Company will become a subsidiary of the Company upon Completion, any financial assistance to be provided by the Company to the Target Company will fall under the exemption under Rule 14.04(1)(e) of the Listing Rules and therefore, the Financial Assistance will not constitute a notifiable transaction of the Company.

EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve (i) the Subscription Agreement and the transactions contemplated thereunder (including the acquisition of the Put Option); (ii) the grant of the Specific Mandate to issue the Placing Shares; and (iii) the Share Capital Increase. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in any of the Proposed Transactions and therefore, no Shareholder is required to abstain from voting at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information on the Subscription and the transactions contemplated thereunder (including the acquisition of the Put Option); (ii) the grant of the Specific Mandate to issue the Placing Shares; (iii) the Share Capital Increase; (iv) financial and other information on the Group; (v) financial and other information on the Target Group; (vi) pro forma financial information of the Enlarged Group upon Completion; and (vii) notice of the EGM, is expected to be despatched to the Shareholders on or before 22 May 2015, which is more than 15 Hong Kong Business Days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the circular.

GENERAL

As Completion is subject to a number of conditions, the Subscription may or may not proceed. In addition, the proposed Specific Mandate may or may not be approved by the Shareholders at the EGM and even if the proposed Specific Mandate is granted to the Board, the Proposed Placing may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 30 March 2015, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on Monday, 20 April 2015.

DEFINITIONS

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

“4S”	sales, spare parts, service and survey
“Amended Articles of Association”	the amended articles of association of the Target Company to be entered into among the Subscriber, Mr. Zhou and Ms. Qiu
“Amended Business License”	the amended Business License for Enterprise Legal Person of the Target Company issued by SAIC, after the approval of the Joint Venture Agreement and the Amended Articles of Association, reflecting an increase in the Target Company’s registered capital to facilitate the Subscription contemplated under the Subscription Agreement
“Big Four Accounting Firms”	Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, KPMG International Cooperative and PricewaterhouseCoopers International Limited
“Board”	the board of Directors
“Business License for Enterprise Legal Person”	《企業法人營業執照》(Business License for Enterprise Legal Person*)
“Capital Increase”	the proposed increase in the registered capital of the Target Company from RMB300,000,000 to RMB600,000,000 pursuant to the terms and conditions of the Subscription Agreement

“Company”	New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 360)
“Completion	the completion of the Subscription pursuant to the terms of the Subscription Agreement
“Conditions Precedent”	the conditions precedent to Completion under the Subscription Agreement
“Consideration”	the consideration in the amount of RMB300,000,000 payable by the Subscriber to the Target Company for the Subscription under the Subscription Agreement
“Date of Business License Amendment”	the date on which SAIC issues the Amended Business License
“Director(s)”	Director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of consideration, and if thought fit approving, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of the Specific Mandate to issue the Placing Shares; and (iii) the Share Capital Increase
“Enlarged Group”	the Group and the Target Group
“Entrusted Loan”	the entrusted loan in the principal amount of RMB100,000,000 (approximately HKD126,826,000) granted by NFLP to the Target Company through the Lending Bank
“Entrusted Loan Agreement”	the entrusted loan agreement dated 29 December 2014 entered into among NFLP (as the entrusting party), the Lending Bank (as the entrusted party and the lending agent) and the Target Company (as the borrower) in relation to the Entrusted Loan
“Existing Shareholders”	Mr. Zhou and Ms. Qiu
“Financial Assistance”	the financial assistance to be provided by the Subscriber to the Target Company pursuant to the Subscription Agreement
“Governmental Authority”	any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute)

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Business Day(s)”	any day (excluding Saturdays and Sundays) on which banks are generally open for business in Hong Kong
“IFRS”	International Financial Reporting Standards as may be amended from time to time by the International Accounting Standards committee
“Joint Venture Agreement”	the joint venture agreement dated 27 March 2015 entered into amongst the Subscriber, Mr. Zhou and Ms. Qiu
“Lending Bank”	a local branch of a PRC commercial bank in Shanghai
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	90 days after the date of execution of the Subscription Agreement
“Minimum Placing Price”	the minimum placing price per Placing Share for the Proposed Placing
“Mr. Du”	Mr. Du Jinglei (杜敬磊), a non-executive Director
“Mr. Zhou”	Mr. Zhou Jian Ming (周建明), chairman of the board of directors of the Target Company and an existing shareholder of the Target Company as at the date of this announcement
“Ms. Qiu”	Ms. Qiu Ping (邱萍), an executive director of the Target Company and an existing shareholder of the Target Company as at the date of this announcement
“NFLP”	紐福克斯光電科技(上海)有限公司 (New Focus Lighting and Power Technology (Shanghai) Company Limited*), an indirect wholly-owned subsidiary of the Company
“Placee(s)”	the placee(s) under the Proposed Placing
“Placing Agent”	the placing agent under the Proposed Placing

“Placing Agreement”	the placing agreement to be entered into between the Company and the Placing Agent in relation to the Proposed Placing, which is expected to be entered into after the EGM
“Placing Price”	the placing price per Placing Share for the Proposed Placing
“Placing Shares”	up to 1,500,000,000 Shares to be allotted and issued by the Company pursuant to the Placing Agreement or such lesser number of Shares as may be agreed between the Company and the Placing Agent prior to Completion
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Business Day(s)”	any day excluding Saturdays, Sundays and holidays stipulated or authorized by the PRC law or administrative orders
“PRC Legal Adviser”	Jingtian & Gongcheng, the legal adviser to the Company as to PRC law
“Proposed Placing”	the proposed placing of the Placing Shares by the Placing Agent pursuant to the Specific Mandate to be granted by the Shareholders
“Proposed Transactions”	the transactions contemplated by the Subscription, the Specific Mandate and the Share Capital Increase
“Put Option”	the put option granted by the Existing Shareholders to the Subscriber pursuant to the Subscription Agreement such that the Subscriber may request the Existing Shareholders to repurchase the equity interest of the Target Company held by the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Repurchase Amount”	the amount payable by the Existing Shareholders to the Subscriber under the Put Option
“Restructuring”	the restructuring to be conducted by the Target Group pursuant to the Subscription Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	the State Administration for Industry & Commerce of the PRC or any of its local branch offices

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Capital Increase”	the proposed increase in the authorized share capital of the Company from HK\$600,000,000 divided into 6,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM to authorize the Directors to allot and issue the Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Perfect Progress Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Subscription”	the proposed subscription of the registered capital of the Target Company in the amount of RMB300,000,000 by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27 March 2015 entered into amongst the Subscriber, the Target Company, Mr. Zhou and Ms. Qiu in respect of the Subscription
“Target Board”	the board of directors of the Target Company
“Target Company”	深圳市佳鴻貿易發展有限公司 (Shenzhen Jiahong Trading Development Co., Ltd*), a limited liability company established in the PRC
“Target Subsidiaries”	the subsidiaries of the Target Company
“Target Group”	the Target Company and the Target Subsidiaries

“Transaction Documents”

the Subscription Agreement, the Joint Venture Agreement, the Amended Articles of Association and any other agreements executed by the Subscriber to which Mr. Zhou, Ms. Qiu and/or any member of the Target Group is a party to

“%”

per cent.

By order of the Board
New Focus Auto Tech Holdings Limited
YING Wei
Chairman

Hong Kong, 17 April 2015

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

* *For identification purposes only*