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NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 360)

- (1) ISSUE OF NEW SHARES AND US\$48,685,000 CONVERTIBLE BONDS AND SPECIFIC MANDATE**
- (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE TO INDEPENDENT PLACEEES**
- (3) SUBSCRIPTION OF NEW SHARES BY MANAGEMENT UNDER SPECIFIC MANDATE, CONNECTED TRANSACTION AND SPECIAL DEAL**
- (4) WHITEWASH WAIVER**
- (5) PROPOSED MANAGEMENT INCENTIVE SCHEME, SPECIFIC MANDATE, GRANT OF MANAGEMENT OPTIONS, CONNECTED TRANSACTION AND SPECIAL DEAL**
- (6) INCREASE IN AUTHORIZED SHARE CAPITAL**
- (7) PROPOSED APPOINTMENT OF NEW DIRECTORS**
- (8) PROPOSED CHANGE OF AUDITORS**
- (9) AMENDMENT TO THE TERMS OF THE EXISTING CONVERTIBLE BONDS AND REDEMPTION**

* *For identification purposes only*

The Board announces that on 25 June 2013, with a view to improving its liquidity position and secure funding to carry out its business plans, the Company entered into various agreements to effect, among other things, the following transactions:

- (i) amend the terms of the Existing Convertible Bonds;
- (ii) issue Shares and Convertible Bonds to the Investor pursuant to the Investment Agreement;
- (iii) issue Shares to various Independent Placees pursuant to the Placing Agreement;
- (iv) issue Shares to Mr. Chang (or his designated associates) pursuant to the Management Subscription Agreement; and
- (v) adopt the Management Incentive Scheme pursuant to which the Management Options may be granted to certain senior management of the Company.

The Company intends to put forward a proposal to the Shareholders to approve the above transactions at the EGM.

INVESTMENT AGREEMENT

On 25 June 2013, the Company and the Investor entered into the Investment Agreement pursuant to which the Company agreed to issue and the Investor agreed to subscribe for 1,262,564,333 Investor Subscription Shares for an aggregate consideration of US\$48,685,000 at the Investor Subscription Price of HK\$0.30 per Share together with Convertible Bonds in the aggregate principal amount of US\$48,685,000 for a consideration equal to the principal amount of such Convertible Bonds, in each case with payment to be settled in US dollars. Completion of the transactions contemplated under the Investment Agreement is subject to certain conditions as stated in this announcement below, including the Company's redemption of all of the Existing Convertible Bonds.

REDEMPTION OF EXISTING CONVERTIBLE BONDS

On 25 June 2013, the Company also entered into the STIC Amendment Deed with the STIC Entities, amending the conditions of the Existing Convertible Bonds to provide, among other things, the Company with the right and obligation to redeem the Existing Convertible Bonds and cancel all debts, obligations and other liabilities outstanding thereunder in connection with and subject to the completion of the Placing, and to provide for the full settlement and release of all claims existing thereunder by the STIC Entities upon such redemption in full.

The outstanding principal amount of the Existing Convertible Bonds is US\$38,201,001, all of which is held by the STIC Entities. Subject to and upon completion of the Placing, the Company shall, and under the STIC Amendment Deed has unconditionally agreed with the STIC Entities to, redeem and cancel all of the outstanding principal amount of the Existing Convertible Bonds under the terms of the Existing Convertible Bonds (as amended by the STIC Amendment Deed) and the STIC Amendment Deed, for an aggregate redemption price of US\$40,000,000, which is substantially lower than the amounts the Company would be required to pay if a redemption right were to be triggered under terms of the Existing Convertible Bonds prior to amendment by the STIC Amendment Deed, and such payment would also unconditionally and irrevocably release the Company of its potential obligation to make a fixed payment to the holders of the Existing Convertible Bonds at maturity (which payment would otherwise be required under terms of the Existing Convertible Bonds).

The Company intends to fund the redemption of the Existing Convertible Bonds through a combination of (i) the placing of new Shares to Independent Placees pursuant to the Placing Agreement; and (ii) the subscription of new Shares by Mr. Chang or his designated associates (either Ms. Wong Chin-wei, Mr. Chang's spouse, or Full Chance Finance Limited, a company wholly-owned by Ms. Wong Chin-wei) pursuant to the Management Subscription Agreement.

As at the date of this announcement, the STIC Entities are third parties independent of the Company and its connected persons, and the STIC Entities (together with their parties acting in concert) do not hold any Shares.

PROPOSED PLACING OF PLACING SHARES

On 25 June 2013, the Company also entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 1,060,673,334 Placing Shares at the Placing Price of HK\$0.30 per Placing Share. The Placing Shares will be placed by the Placing Agent subject to the satisfaction of the conditions precedent to the Placing Agreement as set out in this announcement.

As at the date of this announcement, the Placing Agent is a third party independent of the Company and its connected persons, and from the date of this announcement until the Closing Date, the Placing Agent will not hold any Shares for itself. Each Independent Placee and its ultimate beneficial owners shall also be third parties independent of the Company and its connected persons.

MANAGEMENT SUBSCRIPTION

On 25 June 2013, the Company also entered into the Management Subscription Agreement with Mr. Chang, pursuant to which Mr. Chang agreed to subscribe for 51,866,667 Management Subscription Shares at the price of HK\$0.30 each. The issuance of the Management Subscription Shares is subject to the satisfaction of the conditions precedent to the Management Subscription Agreement, which are further stated in this announcement below. The Management Subscription constitutes a special deal of the Company pursuant to Rule 25 of the Takeovers Code.

MANAGEMENT INCENTIVE SCHEME

In addition, the Company proposes to adopt the Management Incentive Scheme pursuant to which Management Options in respect of up to an aggregate of 508,297,292 Shares may be granted to certain senior management of the Company, including Mr. Chang and Ms. Hung, pursuant to the terms and conditions (including with respect to exercise price and vesting) of the Management Incentive Scheme, further details of which are stated in this announcement below.

The proposed adoption of the Management Incentive Scheme and the proposed grant of Management Options to Mr. Chang and Ms. Hung thereunder constitute a special deal of the Company pursuant to Rule 25 of the Takeovers Code.

GENERAL

Upon completion of the transactions contemplated under the Investment Agreement, the Placing Agreement and the Management Subscription Agreement, and the redemption in full of the Existing Convertible Bonds pursuant to the terms of the Existing Convertible Bonds (as amended by the STIC Amendment Deed) (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options), the Investor and persons acting in concert with it will be interested in approximately 42.8% of the enlarged issued share capital of the Company. Furthermore, upon the full conversion of the Convertible Bonds into Conversion Shares, the Shares held by the Investor and persons acting in concert with it will be increased to approximately 63.2% of the issued share capital of the Company (assuming full conversion at the initial Conversion Price of HK\$0.2328) as enlarged by the issue and allotment of the Conversion Shares (but before the exercise of the Management Options). An application will be made by the Investor to the SFC Executive for a Whitewash Waiver.

The Management Subscription and the Management Incentive Scheme constitute special deals of the Company under Rule 25 of the Takeovers Code. Applications have been made by the Company for the consent of the SFC Executive to the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme).

The Company will also apply to the Listing Committee for the listing of, and permission to deal in the Investor Subscription Shares, the Conversion Shares, the Management Subscription Shares, the Placing Shares and the Shares to be issued upon the exercise of the Management Options.

INVESTMENT AGREEMENT

On 25 June 2013, the Company entered into the Investment Agreement with the Investor pursuant to which, among other things, the Company agreed to issue, and the Investor agreed to subscribe for:

- (a) 1,262,564,333 new Investor Subscription Shares for a consideration of US\$48,685,000 at the Investor Subscription Price of HK\$0.30 per Share to be settled in US dollars; and
- (b) the Convertible Bonds in the aggregate principal amount of US\$48,685,000 for a consideration equal to the principal amount of such Convertible Bonds to be settled in US dollars.

Principal terms of the Investment Agreement are set out below.

Conditions precedent to the Investment Agreement

Completion of the transactions contemplated under the Investment Agreement is conditional upon, among other things, the satisfaction of the following conditions unless otherwise waived (where permissible), provided that conditions (a) to (d) below cannot be waived:

- (a) the Investor having obtained the Whitewash Waiver from the SFC Executive and the Whitewash Waiver having become unconditional in all respects (including the Company having obtained approval of the Whitewash Waiver from the independent Shareholders);
- (b) the Listing Committee having approved the listing of, and granted permission to deal in, the Investor Subscription Shares and the Conversion Shares;
- (c) the Company having obtained approval from the Shareholders as required under the Articles, applicable law and the Listing Rules for:
 - (i) the Share Capital Increase;
 - (ii) the issue of the Convertible Bonds to the Investor;
 - (iii) the issue of the Investor Subscription Shares and the Conversion Shares;
 - (iv) the issue of the Placing Shares;
 - (v) the appointment of KPMG to replace the existing auditors of the Company for the preparation of the audited consolidated results of the Group for the year ending 31 December 2013; and
 - (vi) the appointment of the New Directors to be nominated by the Investor effective from the Closing Date;

- (d) no court or other governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restricts, enjoins or otherwise prohibits consummation of the Investor Subscription or any of the other Proposed Transactions;
- (e) the representations and warranties of the Company and the Investor set out under the Investment Agreement continuing to be true and correct in all material respects as of the Closing Date;
- (f) the Company and the Investor having performed or complied with, in all material respects, all agreements and covenants required by the Investment Agreement to be performed or complied with by each party prior to the Closing Date;
- (g) the listing of the Shares not having been cancelled or withdrawn, the Shares continuing to be traded on the Stock Exchange at all times from the date of the Investment Agreement to the Closing Date except for certain specified temporary suspensions;
- (h) the Company having obtained approval from the Shareholders as required under the Articles, applicable law and the Listing Rules for the Management Subscription Shares;
- (i) the consummation of the Placing, the Management Subscription and the Existing Convertible Bonds Redemption;
- (j) the resignation of each of the existing Directors other than Mr. Chang and Mr. Hung effective from the Closing Date;
- (k) the resignation of Mr. Hung from the office of the chairman of the Board effective from the Closing Date;
- (l) the appointment of the New Directors by the Board and the Shareholders effective from the Closing Date;
- (m) the Board's appointment of Mr. Wang Zhenyu (王振宇) as the chairman of the Board effective from the Closing Date;
- (n) the execution and delivery of new director service agreements with the Company by Mr. Hung and Mr. Chang;
- (o) the Investor having obtained a legal opinion under Cayman Islands law in respect of certain matters relating to the transactions contemplated under the Investment Agreement; and
- (p) no development, fact, circumstance, condition, event, change, occurrence or effect, individually or in the aggregate, that would have or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Group taken as a whole.

Completion of the Investment Agreement will take place on the Closing Date. It is expected that the completion of the Placing, the Management Subscription and the Existing Convertible Bonds Redemption will take place substantially simultaneously with the completion of the Investment Agreement.

Termination of the Investment Agreement

The Investment Agreement may be terminated before the Closing:

- (a) by mutual written consent of the parties;
- (b) by any party if:
 - (i) the other party shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Investment Agreement;
 - (ii) the Closing has not occurred on or prior to 31 October 2013; or
 - (iii) any governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any injunction, which shall have become final or non-appealable, that restrains, enjoins or otherwise prohibits the subscription of the Investment Subscription Shares and the Convertible Bonds; or
- (c) by the Company if all the conditions precedent to the Investor's obligations have been satisfied and the Company has irrevocably confirmed its willingness to complete the Investment Agreement but it does not happen within fifteen (15) Business Days after delivery of such notice.

Pursuant to the Investment Agreement, the Investor agreed to, or agreed to instruct a nominee to, deposit a sum of HK\$7.6 million into an escrow account to be held by an escrow agent. In the case of termination under (c) above, such deposit shall be released to the Company. If the conditions precedent to the completion of the Investment Agreement have been satisfied (or otherwise waived by the Investor) but the Company fails to comply with the Investment Agreement, the above deposit shall be returned to the Investor and the Company shall pay a break fee of HK\$7.6 million to the Investor.

The Investment Agreement shall terminate after the Closing upon the earlier of:

- (a) the mutual written consent of the parties; or
- (b) the Investor ceasing to hold at least 20% of the then issued share capital of the Company on an as-converted and fully-diluted basis,

and upon such termination, the Company and the Investor shall be released from their respective post-Closing obligations under the Investment Agreement.

Number of Investor Subscription Shares

The 1,262,564,333 Investor Subscription Shares represent (i) approximately 202.2% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 42.8% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

If there is a monetary compensation or accounting provision made by the Company and/or any material impairment, discount or write down in the value of certain account receivables and asset items of the Company specified in the Investment Agreement in the audited financial statements of the Company as at 31 December 2013, the Company shall allot and issue to the Investor additional number of Shares calculated by the following formula:

$$(Y + Z) \times 1.71 / \text{HK\$}0.30,$$

where “Y” equals to the monetary compensation or accounting provision, whichever applicable, and “Z” equals to the impairment, discount or write down to the values of the said receivables and asset items as determined by the auditors for the year ending 31 December 2013, provided that the aggregate sum of “Y” and “Z” exceeds RMB2,000,000.

Undertakings and covenants of the Company

The Company has undertaken and covenanted with the Investor that, from the date of the Investment Agreement to the Closing Date, among other things:

- (a) the business of the Group shall be conducted in the ordinary course materially consistent with existing practice as at the date of the Investment Agreement;
- (b) it shall not issue any new Share (including securities convertible or exchangeable into Shares) or increase debts (other than trade payables or those incurred in the ordinary course of business) unless with the prior written consent of the Investor, save for the issue of the Placing Shares and the Management Subscription Shares; and
- (c) it shall not make any distribution of profits, create any security or encumbrance on any material assets of the Group, lend any money, grant any credit, give any guarantee or indemnity, or undertake to make payment otherwise than in the ordinary course of business.

Undertakings and covenants of the Investor

The Investor shall not, and shall procure that its associates and parties acting in concert with it will not acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of:

- (a) any Share or any voting rights or the control of any voting rights in general meeting of the Company; or
- (b) any interest in such Share or voting rights or control of voting rights.

Indemnity

Each of the Investor and the Company shall, for a period of 24 months after the date of the Investment Agreement, indemnify and keep indemnified the other party against loss, costs or expenses suffered or incurred as a result of or in connection with, directly or indirectly, any breach of the representations, warranties and undertakings under the Investment Agreement, provided that such indemnity shall be subject to maximum aggregate amount of US\$97,370,000.

Governance and information rights

Upon the Closing and for such time as the Investor holds, directly or indirectly, at least US\$41 million of the principal amount of the Convertible Bonds, the Investor shall, to the extent permitted under applicable law and the Listing Rules, have the following key governance and information rights:

Governance rights

- (a) nominate four persons to be appointed and to continue in office as Directors, one of which to act as the chairman of the Board, and nominate three persons to be appointed and to continue in office as independent non-executive Directors;
- (b) nominate a director nominated by the Investor to be appointed and to continue as a member of each of the audit committee, the nomination committee and the remuneration committee (and any other committee of the Board);
- (c) nominate a person to be appointed and to continue in office as the chief financial officer of the Company; and
- (d) cause persons appointed pursuant to (a) and (c) above to resign and nominate replacements.

Information rights

- (a) the Investor shall be entitled to receive any information held by the Company which the Investor reasonably requires to keep it properly informed about the business and affairs of the Group to protect its interest as a holder of the Convertible Bonds;
- (b) the Investor be supplied with a copy of the audited accounts of each principal subsidiary and the Group in respect of each financial year at the same time as the same is provided to the Shareholders;
- (c) the New Directors be supplied with the monthly management accounts of the Group and other information as they are provided to the Directors; and
- (d) the New Directors be supplied with all financial or other information provided to any bank or holder of debt securities.

Limitation on transfer by the Investor

Within a period of three (3) years from the Issue Date, the Investor shall not transfer the Convertible Bonds without the prior written consent of the Company (acting through unanimous decision of the Board), except, among other things, for transfer to its affiliates or under a general offer made to all holders of the Convertible Bonds.

Management lock-up

Mr. Chang will undertake, under his new director service agreement with the Company, that from the Issue Date, he will not, and will procure his associates not to, sell or otherwise dispose of any of the Shares beneficially owned by him or his associates as at the date of the Investment Agreement and the Management Subscription Shares until the third anniversary of the Issue Date, except for pledges or charges in favour of banks or financial institutions as security for loans provided to Mr. Chang or the relevant associates that may be allowed under the terms of the director service agreement. However, the above restrictions shall cease to have effect:

- (a) if any of the Convertible Bonds are converted into Shares, the total number of Shares to be released will be in the same proportion as such Convertible Bonds being converted as compared to the total Convertible Bonds subscribed for under the Investment Agreement, provided that such release shall take effect for 50% of the number of Shares to be released upon 12 months after such conversion and the remaining 50% to be released upon 24 months after such conversion;
- (b) in full immediately upon the termination of the director service contract between the Company and Mr. Chang; or
- (c) in case of any sale or disposal of Shares or Convertible Bonds by the Investor, in the same proportion as such Shares and Shares to be issued upon the full conversion of the Convertible Bonds being sold or disposed of, to the total number of the Investor Subscription Shares and the Conversion Shares being subscribed under the Investment Agreement on a fully-converted basis.

Specific Mandate (Investment Agreement)

The Investor Subscription Shares and Conversion Shares will be allotted and issued pursuant to the Specific Mandate (Investment Agreement) proposed to be sought from the Shareholders at the EGM. Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Specific Mandate (Investment Agreement).

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Investor Subscription Shares and the Conversion Shares.

Completion of the Investment Agreement, the Investor Subscription and the issue of the Convertible Bonds are subject to the fulfillment of the conditions precedent in the Investment Agreement. As the Investor Subscription and the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are set out below:

Principal amount:	US\$48,685,000.
Issue price:	100% of the principal amount.
Maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company shall repay to the Bondholders an amount equal to the principal amount on the fifth anniversary of the Issue Date.
Conversion rights:	The Bondholder(s) have the right to convert the Convertible Bonds into Shares at any time on or before the Maturity Date.
Conversion Price:	Conversion Price of the Convertible Bonds shall be HK\$0.2328 per Conversion Share, subject to adjustment pursuant to the terms and conditions of the Convertible Bonds.
Adjustments to the Conversion Price:	The Conversion Price is subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, dividend or distribution and other events which may have a similar dilutive effect on the Bondholders.
Conversion period:	The Bondholders have the right to convert any Convertible Bond into Shares at any time on or after the Issue Date up to and including the Maturity Date.
Redemption and purchases:	Unless previously redeemed, purchased, cancelled or converted, the outstanding Convertible Bonds will only be redeemed by the Company on the Maturity Date at an amount equal to its principal amount plus a premium representing a rate of 5% per annum compounded annually on each anniversary of the Issue Date up to the Maturity Date.

In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right to require the Company to redeem, in whole but not in part only, such Bondholder's Convertible Bonds on the 20th Business Day after the notice to the Company of such request for redemption, at the Early Redemption Amount.

The Company or any of its subsidiaries may at any time and from time to time purchase Convertible Bonds at any price in the open market or otherwise in compliance with applicable laws and regulations upon which such Convertible Bonds shall be cancelled.

Events of default: The Bondholders may, acting by ordinary resolution, declare the relevant Convertible Bonds immediately due and payable at the Early Redemption Amount if an event of default as specified in the terms and conditions of the Convertible Bonds occurs.

Limitation on conversion: The Bondholders shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to an extent that would result in the Company in breach of the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Transferability: Except for transfer to affiliates of the Investor, the Convertible Bonds may not be transferred by the Bondholder(s) except with the written consent of the Company.

Voting: The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being Bondholders.

Ranking of the Convertible Bonds: The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions provided by mandatory provisions of applicable laws under the terms and conditions of the Convertible Bonds, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.

Form and denomination: The Convertible Bonds will be issued in registered form in the denomination of US\$100,000 each. A certificate will be issued to each Bondholder in respect of its registered holding of the Convertible Bonds.

Listing: No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

Default interest: If the Company fails to pay any sum in respect of the Bonds when it becomes due and payable, interest shall accrue on the overdue sum at the rate of 5% per annum.

Number of Conversion Shares

Based on the initial Conversion Price of HK\$0.2328 per Conversion Share, 1,627,015,893 Conversion Shares will be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds in full, which represent (i) approximately 260.6% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 55.2% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options); and (iii) approximately 35.6% of the issued share capital immediately upon the Completion on the Closing Date and as enlarged by the issue and allotment of the Conversion Shares (but before the exercise of the Management Options).

The Investor Subscription Price and the Conversion Price

The Investor Subscription Price for each Investor Subscription Share is set at HK\$0.30. This represents:

- (i) a discount of approximately 41.2% to the closing price of HK\$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 46.4% to the average closing price of approximately HK\$0.560 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and
- (iii) a discount of approximately 47.8% to the Group's published consolidated net asset per Share (excluding minority interest) as at 31 December 2012 of approximately HK\$0.575 per Share (based on a total of 624,422,066 Shares as at the date of this announcement).

The initial Conversion Price for each Conversion Share is set at HK\$0.2328. This represents:

- (iv) a discount of approximately 54.4% to the closing price of HK\$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 58.4% to the average closing price of approximately HK\$0.560 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) a discount of approximately 59.5% to the Group's published consolidated net asset per Share (excluding minority interest) as at 31 December 2012 of approximately HK\$0.575 per Share (based on a total of 624,422,066 Shares as at the date of this announcement).

The Investor Subscription Price and the Conversion Price were determined after arm's length negotiation between the Company and the Investor with reference to a number of factors, including, among other things, the recent trading price and trading volume of the Shares on the Stock Exchange, as well as the assets, liabilities, financial performance and business condition of the Company.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Investor Subscription Shares and the Conversion Shares.

Completion of the Investment Agreement, the Investor Subscription and the issue of the Convertible Bonds are subject to the fulfillment of the conditions precedent in the Investment Agreement. As the Investor Subscription and the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Information on the Group, reasons and benefits for entering into the Investment Agreement and the use of proceeds

The Group focuses on the operation of automobile after-sales chain services network in the Greater China Region, providing basic automobile maintenance, car wash, professional detailing, modifications, minor body repairs services and the sales of auto accessory products (the "**Retail Business**"). With around 90 stores under its direct ownership and operation model, the Group currently controls the largest independent chain services network in the Greater China Region. For the first four months of 2013, the Group's retail chain stores in five major regions (including Shanghai, Shenzhen, Taiwan, Beijing and Changchun) served roughly 10,000 customers on an average daily basis.

In addition to its Retail Business, the Group also develops, manufactures, and distributes a wide range of automobile accessory products in both overseas and domestic China business, (the "**Manufacturing & Wholesale Business**"). The Group currently owns 16 wholesale stores across several tier 1 provinces of China, (Zhejiang, Jiangsu, Hubei, Jiangxi, Anhui, Beijing, Liaoning, and HeiLongJiang), and serving approximately 15,000 wholesale customers on annual basis. Its customers include larger 4S dealerships such as Nanjing Langchi Group, DFS Industrial Group and Guang Cheng Automobile Group, to small independent chains, and mom & pop stores. The Group also owns two major factories in Shanghai and Shandong. The Group produces several environmentally friendly products including jump starters, power pack, in-car inverters, warmer/coolers, HID lights and booster cable. Its major customers include Autozone Inc., Wal-Mart Stores Inc., Canadian Tire Corporation, Ltd., Ring Automotive Ltd. and DAS Companies Inc. Since January 2013, the Group has become the licensee manufacture and distribution partner of Michelin lifestyle products in China. The Company has also hired a new general manager in June 2012 with an objective to further improve the performance of its Manufacturing & Wholesale Business.

With the automobile ownership in China expected to grow in double digits in the next decade and the average age of vehicles increases from current 3.5 years to worldwide industry norm of 8-10 years, the Company expects that the automobile after-sales market in the Greater China region remains very promising, yet is it still relatively fragmented and there exist many opportunities for potential consolidation. Therefore, the Group aims to significantly increase its automobile after-sales chain services network via organic growth and through selected acquisition to capture market shares.

2012 was a significant year for the Group's strategic transformation from manufacturing to service focused, and Mr. Chang was hired as the chief executive officer of the Company in February 2012 to engineer and implement the transformation. During the year, the Group had achieved the following major milestones in developing its Retail Business during the year:

- (a) acquired the remaining 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd;
- (b) acquired 51% equity interest in Changchun Guangda Automobile Trading Co., Ltd.;
- (c) acquired 100% equity interest in IPO Automotive Co., Ltd and obtained an expertise in high-end professional automobile detailing business as well as exclusive chemical products patent;
- (d) completed the re-formatting of the layout and decoration of all B2C stores in Shanghai and four selected stores in Taiwan;
- (e) completed the information system upgrade for its stores in Shanghai, Shenzhen and Taiwan;
- (f) introduced Rt-Mart Co., Ltd. as its strategic partner in China; and
- (g) had opened 13 stores in China since February 2012.

The Directors believe that the results and economic benefits of the above-mentioned developments are yet to be fully recognized by the Group. At the same time, it is necessary for the Group to improve its short-term liquidity given its current cash position is less than its short-term debt obligation and would restrain flexibility of the Group in carrying out its expansion plans in the near future. As at 31 December 2012, the consolidated cash and cash equivalents position of the Group was approximately RMB133.7 million, while the current portion of its bank and other debt obligations amounted to approximately RMB448.7 million.

Therefore, by introducing the Investor and entering into the Investment Agreement, it is envisaged that the Group would be able to (a) improve its short term liquidity position and recapitalize its balance sheet; (b) allow the management to spend more focus on business plan and expansion strategy; (c) leverage on the reputation of the Investor in China when expanding and carrying out its business plan; (d) gain immediate access to the network and local knowledge of the Investor in China; (e) further improve the management and corporate governance structure of the Company; and (f) ensure that it has the capital required for carrying out its business plan in the foreseeable future (e.g. potential acquisitions, opening of new stores) and further unlock the potential of the milestones it has already achieved.

The net proceeds from the issuance of the Investor Subscription Shares and the Convertible Bonds are estimated to be approximately US\$92.5 million (equivalent to approximately HK\$719.6 million), and are intended to be used as follows:

- (a) approximately US\$56.8 million (equivalent to approximately HK\$441.9 million) for the expansion of the Group's auto chain services network by either acquisition or opening new stores;
- (b) approximately US\$16.2 million (equivalent to approximately HK\$126.0 million) for improving the information technology and operation infrastructure of the Group; and
- (c) the remaining balance of approximately US\$19.5 million (equivalent to approximately HK\$151.7 million) for satisfying outstanding loans and payables of the Group to Independent Third Parties who are not Shareholders.

Having considered all the relevant factors, the Directors (excluding members of the Whitewash IBC whose view will be given after taking into consideration the advice of the Independent Financial Adviser) consider that the Investment Agreement was entered into on normal commercial terms following arm's length negotiation between the Company and the Investor, and the terms of the Investment Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on the Investor

The Investor is a special purpose vehicle managed by CDH Investments, an international alternative asset fund manager focusing on investments in private equity, venture capital, real estate, mezzanine and public equity markets. CDH is a third party independent of the Company and its connected persons and CDH (together with its parties acting in concert) does not hold any Shares.

THE PLACING

The Placing Agreement

On 25 June 2013, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent agreed to act as the placing agent to procure placees, on a best-effort basis, to subscribe for up to 1,060,673,334 Placing Shares at the Placing Price of HK\$0.30 per Placing Share.

As at the date of this announcement, the Placing Agent is a third party independent of and not connected with the Company and its connected persons, and from the date of this announcement until the Closing Date, the Placing Agent will not hold any Shares for itself.

Placees

The Placing Agent will procure not less than six (6) Independent Placees, who are not Shareholders as at the Book-Building Date, to subscribe for the Placing Shares.

Number of Placing Shares

The number of Placing Shares subject to placement under the Placing Agreement shall be subject to the agreement of the Company and the Placing Agent. The Company currently plans to adjust the number of the Placing Shares subject to placement under the Placing according to its funding need for the purpose of the Existing Convertible Bonds Redemption. The total number of new Shares to be issued under the Placing and the Management Subscription will not be more than 1,060,673,334 Shares. Assuming the full completion of the Management Subscription, the Company currently expects that 1,008,806,667 Placing Shares will be subject to placement under the Placing.

The 1,008,806,667 Placing Shares represents (i) approximately 161.6% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 34.2% of the issued share capital of the Company immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

Placing Price

The Placing Price of HK\$0.30 per Placing Share is the same as the Investor Subscription Price and the Management Subscription Price, and was determined after arm's length negotiations between the Company and the Placing Agent.

Conditions precedent to the Placing Agreement

Completion of the transactions contemplated under the Placing Agreement is conditional upon, among other things, the fulfillment or waiver (where permissible) of the following conditions:

- (a) all relevant third party consents, waivers and regulatory approvals, including the Whitewash Waiver, having been granted by the SFC or other applicable governmental authority in connection with the Existing Convertible Bonds Redemption, Investment Agreement and the Placing;
- (b) the Company having obtained from its shareholders all necessary approvals required under the Articles, applicable law, the Listing Rules and the Takeovers Code:
 - (i) to increase the authorised share capital of the Company from HK\$200,000,000 to HK\$600,000,000 by the creation of 4,000,000,000 additional Shares;
 - (ii) for the Specific Mandates; and
 - (iii) for the Whitewash Waiver;
- (c) the Listing Committee having granted the listing of and permission to deal in the Placing Shares;

- (d) the Company having entered into the STIC Amendment Deed, the Management Subscription Agreement and the Investment Agreement, and all of the conditions precedent to the completion thereunder having been satisfied or (to the extent legally permissible) waived save for conditions relating to the Management Subscription and the Placing;
- (e) except for the Placing or other Proposed Transactions, no issue of new Shares or other securities (including any options, warrants or convertible securities) by the Company having been publicly announced, agreed and/or completed after the date of the Placing Agreement;
- (f) no governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restrains, enjoins or otherwise prohibits consummation of the Placing or any of the other Proposed Transactions;
- (g) the Placing Agent not becoming aware of any information or matter affecting the Group or the Placing that, in the Placing Agent's sole judgment, is inconsistent in a material and adverse matter with any such information or matter disclosed to the Placing Agent prior to the date of the Placing Agreement that, in the reasonable opinion of the Placing Agent, would be likely to prejudice materially the success of the Placing;
- (h) the representations, warranties and undertakings by the Company under the Placing Agreement being true, correct and not misleading in all material respects as of the Closing Date or such other date specified in the Placing Agreement;
- (i) the Company having performed or complied in all material respects with all agreements and covenants required by the Placing Agreement to be performed or complied with by it on or prior to the Closing Date;
- (j) the Company having delivered to the Placing Agent certified true copies of the board minutes of the Company authorizing the entering into the Placing Agreement together with a certificate from a Director confirming or certifying the conditions precedent to the Placing Agreement;
- (k) there not having occurred at any time prior to Completion (i) any suspension of dealings in the Shares for any period of more than three trading days except for any suspension of dealings in the Shares pending the issuance of the this announcement or any other announcements or circulars to be published by the Company under the Listing Rules regarding the Proposed Transactions; (ii) any cancellation of the listing of the Shares, on the Stock Exchange or the cancellation of the listing of the Taiwan Depository Receipts on the Taiwan Stock Exchange or (iii) any adverse change, or any development (whether or not permanent) that has a material adverse effect on the business, financial condition or results of operations of the Group taken as a whole (subject to certain exceptions set forth in the Placing Agreement), which (in any case mentioned in (i) or (ii) or (iii) above), in the reasonable opinion of the Placing Agent, would be likely to prejudice materially the success of the Placing;

- (l) the Placing Agent having received an irrevocable undertaking from the Investor in a form scheduled to the Placing Agreement;
- (m) the Company having delivered an undertaking from Mr. Hung in favour of the Placing Agent for the lock-up of the Shares held by him for a period of 6 months after the Closing Date; and
- (n) the Placing Agent having received a legal opinion from the Hong Kong legal adviser on the enforceability of the STIC Amendment Deed.

Termination of the Placing Agreement

At any time prior to completion on the Closing Date, the Placing Agreement is subject to termination as follows:

- (a) if any of the conditions under the Placing Agreement shall not have been satisfied to the satisfaction of or waived by the Placing Agent by 31 October 2013;
- (b) if any of the covenants of the Company under the Placing Agreement shall have been breached such that the conditions precedent to the Placing Agreement would not have been satisfied and such breach, if capable of being cured, is not cured by the Company within fifteen Business Days after receipt of a written notice of the Placing Agent;
- (c) by the mutual agreement of the Company and the Placing Agent; or
- (d) by the Placing Agent by giving notice in writing to the Company if there develops, occurs or comes into force any of the following:
 - (i) any new law or regulation or any change in existing laws or regulations which, in the opinion of the Placing Agent, has or may be or is likely to have a material adverse effect on the financial position of the Company or any of its subsidiaries as a whole;
 - (ii) any event, or series of events, beyond the reasonable control of the Placing Agent or any event or circumstances in the nature of force majeure, in each case involving or affecting United States, the United Kingdom, the British Virgin Islands, Hong Kong, Taiwan, the PRC and the Cayman Islands or any jurisdiction relevant to any member of the Group (the “**Relevant Jurisdictions**”);
 - (iii) a general moratorium on commercial banking activities declared by relevant authorities in any Relevant Jurisdiction or a material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in any Relevant Jurisdiction;
 - (iv) any change, or any development involving a prospective change, in or affecting any taxation, exchange controls, currency exchange rates or foreign exchange regulations, or the implementation of any exchange control in any Relevant Jurisdiction (except for the PRC);

- (v) any authority or political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any director of the Company;
- (vi) any prohibition on the Company for whatever reason from offering, allotting or issuing any of the Placing Shares pursuant to the terms of the Placing Agreement;
- (vii) the chairman or chief executive officer or chief financial officer of the Company vacating his office;
- (viii) the commencement by any regulatory or political body or organisation of any action against any member of the Group, any director of the Company or an announcement by any regulatory or political body or organisation that it intends to take any such action;
- (ix) the chief executive officer or chief financial officer of the Company being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of the Company;
- (x) any order, petition or resolution for the winding up of any member of the Group being made or entered or any composition or arrangement being made by any member of the Group with its creditors or any scheme of arrangement being entered into by any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (xi) any of the Proposed Transactions (other than the Placing and the Management Subscription) have been terminated or are unable to proceed on materially the same terms as contemplated under the relevant agreements for whatever reason;
- (xii) any change in local, national or international financial, political, economic conditions, financial, banking, capital markets, currency exchange rates, credit default swap prices, secondary bond prices, exchange controls, or the occurrence of any event or series of events outside of the Placing Agent's control; or
- (xiii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the Taiwan Stock Exchange, the London Stock Exchange, the New York Stock Exchange, Nasdaq National Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, due to exceptional financial circumstances or other similar reasons,

which, in the reasonable opinion of the Placing Agent, (i) is likely to or does prejudice materially (A) the success of the offering and distribution of the Placing Shares or (B) dealings in the Placing Shares in the secondary market, or (ii) make it (A) impractical or (B) inadvisable, to market the Placing Shares.

Placing commission

The Placing Agent shall receive a placing commission of 2% of the amount equal to the Placing Price multiplied by the number of the Placing Shares successfully placed to the Independent Places procured by the Placing Agent.

Specific Mandate (Placing)

The Placing Shares will be allotted and issued pursuant to the Specific Mandate (Placing) proposed to be sought from the Shareholders at the EGM.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

Reasons for the Placing and use of proceeds

As a condition precedent to the Investment Agreement, the Company shall redeem all of the Existing Convertible Bonds. The Directors consider that the Placing represents a good opportunity to raise capital for the Company for the Existing Convertible Bonds Redemption while broadening the shareholder base of the Company. The Directors consider that the terms of the Placing Agreement and the Placing Price are fair and reasonable, and the Placing is in the interest of the Company and the Shareholders as a whole.

Assuming 1,008,806,667 Placing Shares are subject to placement under the Placing, the net proceeds to be received from the Placing is estimated to be approximately HK\$296.6 million. The Company intends to use the proceeds for the Existing Convertible Bonds Redemption pursuant to the terms of the Existing Convertible Bonds as amended by the STIC Amendment Deed.

Completion of the Placing Agreement and the Placing are subject to the fulfillment of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE MANAGEMENT SUBSCRIPTION

The Management Subscription Agreement

On 25 June 2013, the Company and Mr. Chang entered into the Management Subscription Agreement pursuant to which Mr. Chang agreed to subscribe, or procure his associates (either Ms. Wong Chin-wei, Mr. Chang's spouse, or Full Chance Finance Limited, a company wholly-owned by Ms. Wong Chin-wei) to subscribe, for 51,866,667 new Management Subscription Shares at the Management Subscription Price of HK\$0.30.

Number of the Management Subscription Shares

The 51,866,667 Management Subscription Shares represent (i) approximately 8.3% of the existing issued share capital of the Company as at the date of this announcement; and approximately 1.8% of the issued share capital immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options).

Management Subscription Price

The Management Subscription Price of HK\$0.30 is the same as the Investor Subscription Price and the Placing Price and was determined after arm's length negotiations between the Company and Mr. Chang.

Conditions precedent to the Management Subscription Agreement

Completion of the transactions contemplated under the Management Subscription Agreement is conditional upon, among other things, the fulfillment of the following conditions:

- (a) the SFC Executive having granted its consent to the Special Deal (Management Subscription) conditional upon, among other things, the approval of the independent Shareholders;
- (b) the Company having obtained approval from the independent Shareholders of the Management Subscription Agreement and the Special Deal (Management Subscription); and
- (c) the Listing Committee having granted the listing of and permission to deal in the Management Subscription Shares.

It is expected that the completion of the Management Subscription Agreement will take place on the Closing Date.

Termination of the Management Subscription Agreement

The Management Subscription Agreement shall be terminated if the conditions precedent have not been satisfied or (where permissible) waived by 31 October 2013.

Specific Mandate (Management Subscription)

The Management Subscription Shares will be allotted and issued pursuant to the Specific Mandate (Management Subscription) proposed to be sought from the independent Shareholders at the EGM. Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Specific Mandate (Management Subscription).

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Management Subscription Shares.

Reasons for the Management Subscription and use of proceeds

In order to align the interest of the key management of the Company, as one of the conditions precedent to the Investment Agreement, the Investor requires Mr. Chang to co-invest additional capital into the Company. Also, pursuant to the Investment Agreement, the Company shall redeem certain Existing Convertible Bonds as a condition precedent to the Investment Agreement. The Directors consider that the Management Subscription by Mr. Chang represents a good opportunity to raise capital for the Existing Convertible Bonds Redemption, as well as to demonstrate to the Investor the commitment of its key management. The Directors (excluding Mr. Chang who have abstained from voting on the resolutions of the Board in respect of the Management Subscription Agreement and excluding members of the Independent Board Committee, whose view will be given after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Management Subscription Agreement and the Management Subscription Price are fair and reasonable, and the Management Subscription is in the interest of the Company and the Shareholders as a whole.

The net proceeds to be received from the Management Subscription is estimated to be approximately HK\$15.6 million. The Company intends to use the proceeds primarily for the Existing Convertible Bonds Redemption.

Connected transaction and implications under the Listing Rules and the Takeovers Code

As at the date of this announcement, Mr. Chang is an executive Director and the chief executive officer of the Company. Accordingly, Mr. Chang is a connected person of the Company and the Management Subscription constitutes a connected transaction of the Company. As the highest applicable percentage ratio (has the meaning ascribed to it under the Listing Rules) for the Management Subscription is more than 5%, the Management Subscription shall be subject to the approval of the independent Shareholders by way of poll at the EGM. Mr. Chang and his associates shall abstain from voting at the EGM on the resolution in respect of the Management Subscription.

The Management Subscription also constitutes a special deal of the Company under Rule 25 of the Takeovers Code. The Special Deal (Management Subscription) will be subject to the consent of the SFC Executive, the opinion of the Independent Financial Adviser that the terms of the Special Deal (Management Subscription) are fair and reasonable and the approval of the independent Shareholders by way of poll at the EGM. Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Management Subscription and Special Deal (Management Subscription). Apart from Mr. Hung, Mr. Chang and Ms. Hung, no other Shareholders are interested in or involved in the negotiation of the Proposed Transactions. Please refer to the section headed “Takeovers Code Implications” of this announcement for details.

An application has been made by the Company to the SFC Executive for its consent to the Special Deal (Management Subscription). The Management Subscription will not proceed if the consent is not granted by the SFC Executive or the independent Shareholders' approval is not obtained.

As at the date of this announcement, Mr. Chang and his associates are the beneficial owner of 7,900,000 Shares representing approximately 1.3% of the issued share capital of the Company.

Completion of the Management Subscription Agreement and the Management Subscription are subject to the fulfillment of the conditions precedent in the Management Subscription Agreement. As the Management Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

TAKEOVERS CODE IMPLICATIONS

As at the date of this announcement, none of the Investor or persons acting in concert with it hold any Shares.

Whitewash Waiver

As shown in the shareholding table under the sub-section headed "Effect on Shareholding Structure of the Company" of this announcement, upon completion of the Investor Subscription, the Placing and the Management Subscription, the Investor and persons acting in concert with it will be interested in 1,262,564,333 Shares, representing approximately 42.8% of the enlarged issued share capital of the Company. Furthermore, upon the full conversion of the Convertible Bonds, the shareholding of the Investor and persons acting in concert with it will be increased to 2,889,580,226 Shares, representing approximately 63.2% of the enlarged issued share capital of Company assuming there is no other changes in the issued share capital of the Company from the date of this announcement up to the date of full conversion of the Convertible Bonds (assuming conversion at the initial conversion price of HK\$0.2328). Under the Takeovers Code, the Investor would be obliged to make a general offer for all the securities of the Company not already owned by the Investor, its ultimate beneficial owners and their respective parties acting in concert, unless a whitewash waiver from strict compliance with Rule 26 of the Takeovers Code has been granted by the SFC Executive.

An application will be made by the Investor to the SFC Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the SFC Executive, would be subject to, among other things, the approval of the independent Shareholders taken by way of poll at the EGM. As (i) Mr. Chang is involved in the negotiation of the Investment Agreement and interested in the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme) which are conditional upon the completion of the Investment Agreement; (ii) Ms. Hung is interested in the Special Deal (Management Incentive Scheme) which is conditional upon the completion of the Investment Agreement; and (iii) Mr. Hung is a brother of Ms. Hung, Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions in respect of the Investment Agreement and the Whitewash Waiver. Apart from Mr. Hung, Mr. Chang and Ms. Hung, no other Shareholders are interested in or involved in the negotiation of the Proposed Transactions.

Apart from Mr. Chang, there is no other director of the Company who is involved in the discussions or negotiations of the Investment Agreement, the Placing, the Management Subscription or Management Incentive Scheme or any other aspects of the Proposed Transactions.

The SFC Executive may or may not grant the Whitewash Waiver. The Proposed Transactions will not proceed if the Whitewash Waiver is not granted to the Investor or not approved by the independent Shareholders.

Special Deals

The following transactions constitute special deals of the Company under Rule 25 of the Takeovers Code and are subject to the consent of the SFC Executive, the opinion of the Independent Financial Adviser that the terms of such transactions are fair and reasonable and the approval of the independent Shareholders by way of poll at the EGM:

- (a) the subscription of Management Subscription Shares by Mr. Chang (or his designated associates) under the Management Subscription; and
- (b) the proposed adoption of the Management Incentive Scheme and the proposed grant of the Management Options to Mr. Chang and Ms. Hung.

As (i) Mr. Chang is involved in the negotiation of the Investment Agreement and interested in the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme) which are conditional upon the completion of the Investment Agreement; (ii) Ms. Hung is interested in the Special Deal (Management Incentive Scheme) which is conditional upon the completion of the Investment Agreement; and (iii) Mr. Hung is a brother of Ms. Hung, Mr. Hung, Mr. Chang and Ms. Hung (together with their respective associates) will abstain from voting on resolutions of the independent Shareholders in respect of the Management Subscription, the Special Deal (Management Subscription), the Management Incentive Scheme and the Special Deal (Management Incentive Scheme).

Applications has been made by the Company to the SFC Executive for its consent to the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme). The Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme) will not proceed if such consent is not granted by the SFC Executive or if they are not approved by the independent Shareholders.

No dealings

Each of the Investor, the STIC Entities, Mr. Chang, Mr. Hung and Ms. Hung has confirmed that neither it nor persons acting in concert with it has acquired any Shares or voting rights in the Company in the six-month period prior to the date of this announcement.

Each of the Investor, the STIC Entities, Mr. Chang, Mr. Hung and Ms. Hung has also undertaken that it and parties acting concert with it will not acquire or dispose of any Shares or voting rights in the Company after the date of this announcement and before the Closing Date except as contemplated under the Proposed Transactions.

MANAGEMENT INCENTIVE SCHEME

The Company proposes to adopt the Management Incentive Scheme pursuant to which the Management Options may be granted to certain senior management of the Company, including Mr. Chang, for up to an aggregate of 508,297,292 Shares.

Below is a summary of the material terms of the Management Incentive Scheme and the proposed Management Options:

- Grantees and amount of Management Options to be granted : Management Options for 508,297,292 Shares, in aggregate, will be granted to certain directors and senior management of the Company (the “**Grantees**”), including Mr. Chang, in the following proportion:
- (a) 152,489,188 Shares to be granted to Mr. Chang; and
 - (b) up to 355,808,104 Shares to be granted to certain members of the senior management of the Company including Ms. Hung (“**Other Management Grantees**”).
- Date of grant : All Management Options are to be granted to a Grantee in two batches as follows:
- (a) 50% of Mr. Chang’s entitlement and such other Management Options which may be granted to the Other Management Grantees (which, in the aggregate, shall not be more than 50% of the Management Options) will be granted on the Closing Date (the “**First Batch Management Options**”); and
 - (b) the remaining Management Options will be granted 12 months after the date of grant of the First Batch Management Options (the “**Second Batch Management Options**”).
- Exercise price : HK\$0.3 per Share in respect of the First Batch Management Options; and
- HK\$0.39 per Share in respect of the Second Batch Management Options.

- Adjustments : In case of any alteration to the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company, the exercise price and the number of Shares to be issued upon the exercise of the outstanding Management Options shall be adjusted to prevent dilution or enlargement of the rights of the Grantees that would otherwise result.
- Vesting of Management Options : For all Management Options granted to a Grantee:
- (a) one-third would be vested upon the later of (i) 6 months after the date of grant; or (ii) the day on which the Company releases its audited consolidated financial statements for the year ending 31 December 2013;
 - (b) one-third would be vested upon the later of (i) 18 months after the date of grant; or (ii) the day on which the Company releases its audited consolidated financial statements for the year ending 31 December 2014; and
 - (c) the remaining one-third would be vested upon the later of (i) 30 months after the date of grant; or (ii) the day on which the Company releases its audited consolidated financial statements for the year ending 31 December 2015,
- provided that the vesting of the Management Options granted to the Other Management Grantees shall also be subject to board approval pursuant to the terms of the Management Incentive Scheme and satisfaction of certain performance targets as may be determined by the Board from time to time.
- Validity period of Management Options : The Management Options, if not exercised, shall automatically lapse on the fifth anniversary of the date of grant.
- Effect of termination of employment or director service contract with the Group : When the employment or director service contract, as the case may be, between a Grantee and the Company is terminated, Management Options that have been vested before such termination shall remain valid on the same terms, and the remaining unvested Management Options shall automatically become invalid and be cancelled.

The 508,297,292 Shares to be allotted and issued upon the full exercise of the Management Options represent (i) approximately 81.4% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 17.2% of the issued share capital of the Company immediately upon the Completion on the Closing Date (but before the exercise of any conversion rights attached to the Convertible Bonds and the Management Options) when the Management Options are granted; and (iii) approximately 10.0% of the enlarged issued share capital of the Company upon completion of the Investment Agreement, the Placing, the Management Subscription, the Investor Subscription, the full conversion of the Convertible Bonds and the full exercise of the Management Options.

The adoption of the Management Incentive Scheme and the grant of the Management Options are conditional upon:

- (a) the approval of the Stock Exchange;
- (b) the SFC Executive having granted its consent to the Special Deal (Management Incentive Scheme) conditional upon, among other things, the approval of the independent Shareholders;
- (c) the approval of independent Shareholders of the Management Incentive Scheme, the grant of the Management Options and the Special Deal (Management Incentive Scheme) at the EGM; and
- (d) the Investment Agreement becoming unconditional.

Further details on the terms of the Management Incentive Scheme and the Management Options that will be granted under it, and the reasons for the adoption of the Management Incentive Scheme will be provided to the Shareholders in the circular for the EGM.

The Exercise Price of HK\$0.30 per Share and HK\$0.39 per Share were arrived at after arm's length negotiations between the Company and the Investor with reference to the Investor Subscription Price, the Management Subscription Price and the Placing Price, and further taking into account other factors including: (i) vesting period of the Management Options; and (ii) the performance targets to be imposed by the Board (members of which will mainly comprise of the New Directors to be appointed by the Investor upon the Closing) for the vesting of the Management Options.

Information on the Grantees

The proposed Grantees of the Management Options under the Management Incentive Scheme comprise Mr. Chang and Other Management Grantees. The Other Management Grantees are senior management of the Group. One of the Other Management Grantees is Ms. Hung, an executive Director, vice president and chief financial controller of the Company who, as at the date of this announcement, is the beneficial owner of 383,145 Shares, representing approximately 0.06% of the issued share capital of the Company. Apart from Mr. Chang and Ms. Hung, no other Grantee holds or beneficially owns any Shares as at the date of this announcement.

Connected transaction and implications under the Listing Rules and the Takeovers Code

The Management Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The grant of the Management Options is subject to approval by the Stock Exchange pursuant to Rule 15.02 of the Listing Rules.

As at the date of this announcement, Mr. Chang as one of the grantees is an executive Director and the chief executive officer of the Company. Ms. Hung as one of the grantees is an executive Director of the Company. Accordingly, Mr. Chang and Ms. Hung are connected persons of the Company and the grant of the Management Options to them and other future connected person grantees constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For the proposed grant of Management Options to Mr. Chang and Ms. Hung, the highest applicable percentage ratio (with the meaning ascribed to it under the Listing Rules), on an aggregate basis, will be more than 5%, and as a result the Management Incentive Scheme and the subsequent grant of Management Options to Mr. Chang and Ms. Hung shall be subject to the approval of the independent Shareholders by way of poll at the EGM. Mr. Chang and Ms. Hung, being proposed grantees of the Management Options, and Mr. Hung, being a brother of Ms. Hung, will (together with their respective associates) abstain from voting at the EGM on the resolution in respect of the Management Incentive Scheme and the grant of the Management Options.

The proposed adoption of the Management Incentive Scheme and grant of the Management Options to Mr. Chang and Ms. Hung thereunder also constitute a special deal under Rule 25 of the Takeovers Code. The Special Deal (Management Incentive Scheme) will be subject to the consent of the SFC Executive, the opinion of the Independent Financial Adviser that the terms of the Special Deal (Management Incentive Scheme) are fair and reasonable and the approval of the independent Shareholders by way of poll at the EGM. Mr. Chang, Ms. Hung and Mr. Hung (together with their respective associates) will abstain from voting on the resolutions of the independent Shareholders in respect of the Management Incentive Scheme, the grant of the Management Options and the Special Deal (Management Incentive Scheme). Apart from Mr. Hung, Mr. Chang and Ms. Hung, no other Shareholders are interested in or involved in the negotiation of the Proposed Transactions. Please refer to the section headed "Takeovers Code Implications" of this announcement for details.

An application has been made by the Company to the SFC Executive for its consent of the Special Deal (Management Incentive Scheme). The adoption of the Management Incentive Scheme and the grant of the Management Options will not proceed if the consent is not granted by the SFC Executive or the independent Shareholders' approval is not obtained.

Specific Mandate (Management Options)

The Shares to be allotted and issued upon the exercise of the Management Options will be allotted and issued pursuant to the Specific Mandate (Management Options) proposed to be sought from the Shareholders at the EGM.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the new Shares to be issued by the Company upon the exercise of the Management Options by the Grantees.

Reasons for the proposed adoption of the Management Incentive Scheme and grant of Management Options

In addition to money capital, human resource is also critical to the future development of the Group. The purpose of the proposed Management Incentive Scheme and the grant of the Management Options thereunder is to provide incentives to the management who are regarded as valuable human resource of the Group to continuously drive the growth of the Group's businesses. The Directors also believe that, as a talent retention measure, the Management Options will provide the senior management with the opportunity of participating in the growth of the Group so as to align the interest of the senior management with the Company and the Shareholders.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the change in shareholding structure of the Company upon completion of the transactions as contemplated under the Placing Agreement, the Management Subscription Agreement and the Investment Agreement, alongside with the exercise of the Management Options:

Shareholders	As at the date of this announcement		Upon completion of the Management Subscription but before (i) the Placing; (ii) the Investor Subscription; (iii) conversion of the Convertible Bonds; and (iv) exercise of the Management Options		Upon completion of the Management Subscription, and the Placing but before (i) the Investor Subscription; (ii) conversion of the Convertible Bonds; and (iii) exercise of the Management Options (Notes 1 and 2)		Upon completion of the Management Subscription, the Placing, the Investor Subscription but before (i) conversion of the Convertible Bonds; and (ii) exercise of the Management Options		Upon completion of the Management Subscription, the Placing, the Investor Subscription and conversion of the New Convertible Bonds (assuming full conversion at the initial Conversion Price of HK\$0.2328) but before exercise of the Management Options (Note 3)		Upon completion of the Management Subscription, the Placing, the Investor Subscription, conversion of the Convertible Bonds (assuming full conversion at the initial Conversion Price of HK\$0.2328) and exercise of the Management Options (assuming exercised in full)	
	No. of Shares	% (approx.)	No. of Shares	% (approx.)	No. of Shares	% (approx.)	No. of Shares	% (approx.)	No. of Shares	% (approx.)	No. of Shares	% (approx.)
Mr. Hung (Note 4)	169,506,120	27.1%	169,506,120	25.1%	169,506,120	10.1%	169,506,120	5.8%	169,506,120	3.7%	169,506,120	3.3%
Mr. Chang and his spouse (Note 5)	7,900,000	1.3%	59,766,667	8.8%	59,766,667	3.5%	59,766,667	2.0%	59,766,667	1.3%	212,255,855	4.2%
Ms. Hung (Note 6)	383,145	0.1%	383,145	0.1%	383,145	0.0%	383,145	0.0%	383,145	0.0%	51,212,874	1.0%
Other Grantees of the Management Options (Note 7)	-	-	-	-	-	-	-	-	-	-	304,978,375	6.0%
Other senior management (Note 8)	102,408,283	16.4%	102,408,283	15.1%	102,408,283	6.1%	102,408,283	3.5%	102,408,283	2.2%	102,408,283	2.0%
The Investor	-	-	-	-	-	-	1,262,564,333	42.8%	2,889,580,226	63.2%	2,889,580,226	56.8%
Independent Places in the Placing	-	-	-	-	1,008,806,667	59.9%	1,008,806,667	34.2%	1,008,806,667	22.1%	1,008,806,667	19.8%
Public in Taiwan held under Taiwan Depository Receipts (Note 9)	89,850,000	14.4%	89,850,000	13.3%	89,850,000	5.3%	89,850,000	3.0%	89,850,000	2.0%	89,850,000	1.8%
Directors who will resign on the Closing Date (Note 10)	79,178,155	12.7%	79,178,155	11.7%	79,178,155	4.7%	79,178,155	2.7%	79,178,155	1.7%	79,178,155	1.6%
Other public Shareholders in Hong Kong	175,196,363	28.1%	175,196,363	25.9%	175,196,363	10.4%	175,196,363	5.9%	175,196,363	3.8%	175,196,363	3.4%
Total	624,422,066	100%	676,288,733	100%	1,685,095,400	100%	2,947,659,733	100%	4,574,675,626	100%	5,082,972,918	100%
Total public shareholding (Note 11)	265,046,363	42.4%	265,046,363	39.2%	1,273,853,030	75.6%	1,353,031,185	45.9%	1,353,031,185	29.6%	1,353,031,185	26.6%

Notes:

1. It is assumed that the Management Subscription has been completed and, therefore, 1,008,806,667 Shares are placed to Independent Placees under the Placing so that an aggregate of 1,060,673,334 new Shares are issued under the Management Subscription and the Placing.
2. The Existing Convertible Bond Redemption will not result in any change in the shareholding structure of the Company.
3. Under the terms and conditions of the Convertible Bonds, the Bondholders shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to an extent that would result in the Company in breach of the public float requirement under Rule 8.08(1)(a) of the Listing Rules immediately after such conversion.
4. As at the date of this announcement, Mr. Hung is the beneficial owner of the 169,506,120 Shares held by Sharp Concept Industrial Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Hung. Under the SFO, Mr. Hung is deemed to be interested in all these Shares held by Sharp Concept Industrial Limited.
5. As at the date of this announcement, 150,000 Taiwan Depository Receipts, representing 150,000 Shares, were registered in the name of Ms. Wong Chin-wei, spouse of Mr. Chang. Besides, 7,750,000 Shares are registered in the name of and beneficially owned by Full Chance Finance Limited, the entire issue share capital of which is registered in the name of and beneficially owned by Ms. Wong Chin-wei. Under the SFO, Mr. Chang is deemed to be interested in all these Shares beneficially owned by Ms. Wong Chin-wei and Full Chance Finance Limited.
6. As at the date of this announcement, Ms. Hung is the beneficial owner of 383,145 Shares. Ms. Hung will resign as a Director on the Closing Date.
7. Except for Mr. Chang and Ms. Hung, Grantees of the Management Options are senior management of the Company, and none of whom are existing Shareholders or associates of existing Shareholders.
8. Other senior management who are existing Shareholders of the Company include shareholders, directors or senior management of the Company's non-wholly owned subsidiaries, who are not interested in or involved in any of the Proposed Transactions.
9. As at the date of this announcement, out of the 90,000,000 Taiwan Depository Receipts representing 90,000,000 Shares, 150,000 Taiwan Depository Receipts were held by Ms. Wong Chin-wei, Mr. Chang's spouse. The 89,850,000 Shares represented by the remaining 89,850,000 Taiwan Depository Receipts were held by the public in Taiwan.
10. Mr. Douglas Charles Stuart Fresco and Mr. Edward B. Matthew.
11. The following Shares are counted as part of public shareholding: (i) Shares held by the Independent Placees in the Placing; (ii) Shares held by public in Taiwan under Taiwan Depository Receipts of the Company; (iii) Other public Shareholders in Hong Kong; and (iv) shares held by Mr. Douglas Charles Stuart Fresco and Mr. Edward B. Matthew after their resignation as a condition precedent to the completion of the Investment Agreement.

INCREASE IN AUTHORIZED SHARE CAPITAL

As at the date of this announcement, the authorized share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares of which 624,422,066 Shares have been issued and fully paid. An aggregate of 4,458,550,852 new Shares will be issued upon the completion of the Investor Subscription, the Placing and the Management Subscription, the full conversion of the Convertible Bonds and the exercise of the Management Options. In order to accommodate the completion of the foregoing transactions and the future expansion and growth of the Company, the Directors propose to increase the Company's share capital to HK\$600,000,000 divided into 6,000,000,000 Shares by the creation of additional 4,000,000,000 unissued 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 through an ordinary resolution by way of poll at the EGM.

PROPOSED CHANGE OF DIRECTORS

As a condition precedent to the completion of the Investment Agreement, the existing Directors, except Mr. Hung and Mr. Chang, will all resign on or about the Closing Date. The Board proposes to appoint the New Directors nominated by the Investor pursuant to the Investment Agreement effective from the Closing Date and conditional upon the completion of the Investment Agreement and the approval of the Shareholders through an ordinary resolution by way of poll at the EGM.

Details of the proposed New Directors including information required under Rule 13.51(2) of the Listing Rules, the proposed re-designation of Mr. Hung as non-executive Director and the proposed resignation of existing Directors will be provided to the Shareholders in the circular for the EGM.

PROPOSED CHANGE OF AUDITORS

In connection with the Investment Agreement and with a view to enhance the standard of financial reporting and accounting practices of the Company, the Board will propose KPMG as new auditors of the Company to replace BDO Limited effective upon the formal appointment by the Board after the Closing Date at such remuneration to be fixed by the Directors. The proposed appointment of the new auditors will be conditional upon the approval of the Shareholders through an ordinary resolution by way of poll at the EGM.

Details of the proposed change of auditors will be provided to the Shareholders in the circular for the EGM.

THE STIC AMENDMENT DEED

On 5 December 2011, the Company issued to the STIC Entities the Existing Convertible Bonds in the aggregate principal amount of US\$38,201,001. As at the date of this announcement, all of the Existing Convertible Bonds remains outstanding. It is a condition precedent to the completion of the Investment Agreement that the Existing Convertible Bonds shall be redeemed and cancelled in full by the Company.

On 25 June 2013, the Company and the STIC Entities entered into the STIC Amendment Deed pursuant to which, among other things, the terms and conditions of the Existing Convertible Bonds shall be amended so that the Company shall have the right and obligation to redeem the Existing Convertible Bonds in full upon the completion of the Placing with an aggregate redemption amount of US\$40 million (equivalent to approximately HK\$311.2 million).

The Existing Convertible Bonds Redemption will be made pursuant to the terms of the Existing Convertible Bonds as amended by the STIC Amendment Deed.

Reasons and benefits of entering into the STIC Amendment Deed

One of the terms to the Existing Convertible Bond was that the Company would need to achieve certain growth in earning per share from 2011 to 2014 and if it is unable to do so, it would be under the obligation upon the maturity of the Existing Convertible Bonds in 2015 to make a cash payment to the STIC Entities. This is an unconditional obligation on the part of the Company regardless as to whether any Existing Convertible Bond has been converted in part or in full before the Maturity Date and whether STIC Entities have sold any or all of the conversion shares prior to the maturity date. Except for redemption at the request of the holders of the Existing Convertible Bonds upon the occurrence of specific events of defaults, there is no provision in the Conditions for the early redemption of the Existing Convertible Bonds by the Company before the maturity date.

Furthermore, under the terms and conditions of the Existing Convertible Bonds, the STIC Entities may request for the redemption of the Existing Convertible Bonds at principal amount plus an internal rate of return of 20% upon the occurrence of specific events of default. Under the terms and conditions of the Existing Convertible Bonds, events of default include, but not limited to, the issuance of Shares by the Company in excess of its general mandate. Therefore, it is envisaged that the allotment and issue of new Shares under the Investment Agreement will, absent the amendments to the terms and conditions of the Existing Convertible Bonds under the STIC Amendment Deed, constitute an event of default.

Pursuant to the amendments to the terms and conditions under the STIC Amendment Deed, the Company will have the right to redeem the Existing Convertible Bonds in full for US\$40 million so that the Company will no longer be subject to the fixed payment nor the 20% internal rate of return payable upon the event of default caused by the Placing, the Management Subscription or the Investor Subscription.

Mr. Chang An-Li, being a non-executive Director and the managing director of STIC Investment Inc., the general partner of the STIC Entities, has abstained from voting in respect of the resolutions of the Board for approving the STIC Amendment Deed. Save for the above and having considered all the relevant factors, the Directors (excluding Mr. Chang An-Li) consider that the STIC Amendment Deed was entered into upon normal commercial terms following arm's length negotiation between the Company and the STIC Entities, and the terms of the STIC Amendment Deed and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

The amendment to the terms and conditions of the Existing Convertible Bonds pursuant to the STIC Amendment Deed shall be subject to the approval of the Stock Exchange, but is not required to be approved by the Shareholders under the Listing Rules.

Repurchase Code Implications

The Existing Convertible Bonds Redemption falls within the definition of share repurchase under the Repurchase Code. Despite the above, the Existing Convertible Bonds Redemption will be an exempt share repurchase under the Repurchase Code if it is a “*a share repurchase made in accordance with the terms and conditions attached to the shares being repurchased which either permit or required such share repurchase without the prior agreement of the owners of the shares*”. Under PN16 issued by the SFC, “terms and conditions attached to the shares” in the definition of “exempt share repurchase” will not be restricted to the initial terms and conditions at the time of the issue, but will also apply to terms and conditions that prevail from time to time. Considering that the amendments to the conditions of the Existing Convertible Bonds are applicable to the entire class of the Existing Convertible Bonds and the Existing Convertible Bonds Redemption, if proceeded will be made pursuant to the STIC Amendment Deed without the need of any separate prior approval of the STIC Entities, the Existing Convertible Bonds Redemption shall constitute an exempt share repurchase under the Repurchase Code and the principles set out in PN16.

The Executive has granted a ruling that the Existing Convertible Bonds Redemption constitutes an exempt share repurchase under the Repurchase Code and is therefore not subject to the requirements under the Repurchase Code.

Information on the STIC Entities

The STIC Entities are funds managed by STIC Investments Inc., a Korean private equity fund manager investing in Asia-based growth stage mid-cap companies. As at the date of this announcement, the STIC Entities, STIC Investments Inc. and their respective associates are third parties independent of and not connected with the Company and its connected persons and do not hold any Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities from the issue of equity securities in the twelve-month period immediately preceding the date of this announcement.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Management Subscription Agreement and the transactions contemplated thereunder; (iv) the proposed adoption of the Management Incentive Scheme and grant of Management Options; (v) the Specific Mandates; (vi) the Whitewash Waiver; (vii) the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme); (viii) Share Capital Increase; (ix) the proposed appointment of the New Directors; and (x) the proposed appointment of new auditors.

Pursuant to the Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the independent Shareholders, being all the Shareholders except for Mr. Chang, Ms. Hung and Mr. Hung, as to (i) whether the Management Subscription Agreement, the transactions contemplated thereunder and the proposed grant of the Management Options to Mr. Chang and Ms. Hung are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole, and (ii) on how to vote, taking into account the recommendations of the Independent Financial Adviser.

Pursuant to the Takeovers Code, the Whitewash IBC comprising all non-executive Directors (except Mr. Chang An-li who is a management director of STIC Investment, Inc., the general partner of the STIC Entities) and all the independent non-executive Directors, has been established to advise the independent Shareholders, being all the Shareholders except Mr. Chang, Ms. Hung and Mr. Hung, as to (i) the fairness and reasonableness of the terms of the Investment Agreement and the transactions contemplated thereunder, the Whitewash Waiver, the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme); and (ii) how to vote, taking into account the recommendations of the Independent Financial Adviser.

No members of the Independent Board Committee or the Whitewash IBC has any interest or involvement in the Investment Agreement, the Placing Agreement, the Management Subscription Agreement and transactions contemplated thereunder, the proposed Management Incentive Scheme, the Specific Mandates, the STIC Amendment Deed, the Whitewash Waiver, the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme).

In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee, the Whitewash IBC and the independent Shareholders. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee and the Whitewash IBC. The Independent Board Committee and the Whitewash IBC will formally provide their views in the circular to be sent to the independent Shareholders after considering the advice of the Independent Financial Adviser.

A circular is expected to be despatched by the Company to the Shareholders on or before 19 July 2013 containing, among others, further information on (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Management Subscription Agreement and the transactions contemplated thereunder; (iv) the proposed adoption of the Management Incentive Scheme and grant of Management Options; (v) the Specific Mandates; (vi) the Whitewash Waiver; (vii) the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme); (viii) Share Capital Increase; (ix) the proposed appointment of the New Directors; (x) the proposed appointment of new auditors; (xi) the letter of recommendation from the Independent Board Committee regarding the Management Subscription Agreement and transactions contemplated thereunder and the proposed adoption of the Management Incentive Scheme and the grant of the Management Options; (xii) a letter of recommendation from the Whitewash IBC regarding the Investment Agreement and transactions contemplated thereunder, the Whitewash Waiver, the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme); (xiii) a letter of advice from the Independent Financial Adviser in relation to the Investment Agreement, the Placing Agreement, the Management Subscription Agreement and transactions contemplated thereunder, the Specific Mandates, the Whitewash Waiver, the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme); and (xiv) a notice of the EGM.

DEFINITIONS

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

“Articles”	the memorandum and articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	at any time the person who is (are) for the time being the registered holder(s) of the Convertible Bonds
“Book-Building Date”	the date on which the Placing Agent confirms the potential investors to whom the Placing Agent intends to allocate the Placing Shares, subject to Completion
“Business Day”	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong
“Closing”	the completion of the subscription of the Investor Subscription Shares and the Convertible Bonds

“Closing Date”	the date of completion of the issue of and subscription of the Investor Subscription Shares and the Convertible Bonds under the Investment Agreement following the satisfaction (or, to the extent legally permissible, waiver) of all the conditions precedent to the Investment 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
“Completion”	the completion of the Investment Agreement (including the Investor Subscription and the issue of the Convertible Bonds), the Placing, the Management Subscription the Existing Convertible Bonds Redemption, and the adoption of the Management Incentive Scheme
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which Conversion Shares will be issued upon conversion of the Convertible Bonds
“Conversion Share(s)”	the Shares to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bond(s)”	the zero coupon convertible bond(s) with an aggregate principal amount of US\$48,685,000 to be issued by the Company pursuant to the Investment Agreement
“Director(s)”	the director(s) of the Company
“Early Redemption Amount”	the outstanding principal amount of the Convertible Bonds plus an amount of interest representing an the internal rate of return of 30% over the principal amount from the Issue Date to the date of payment

“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Management Subscription Agreement and the transactions contemplated thereunder; (iv) the proposed adoption of the Management Incentive Scheme and grant of Management Options; (v) the Specific Mandates; (vi) the Whitewash Waiver; (vii) the Special Deal (Management Subscription) and the Special Deal (Management Incentive Scheme); (viii) Share Capital Increase; (ix) the proposed appointment of the New Directors; and (x) the proposed appointment of new auditors
“Existing Convertible Bonds”	the convertible bonds issued to the STIC Entities by the Company in 2011 with an aggregate principal amount of US\$38,201,001 expiring in December 2015
“Existing Convertible Bonds Redemption”	the redemption of the entire Existing Convertible Bonds by the Company pursuant to the terms and conditions of the Existing Convertible Bonds as amended by the STIC Amendment Deed
“Greater China Region”	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors which has been established by the Board to advise the independent Shareholders pursuant to the Listing Rules
“Independent Financial Adviser”	Anglo Chinese Corporate Finance, Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities,, being the independent financial adviser to the Independent Board Committee, the Whitewash IBC and independent Shareholders

“Independent Places”	independent institutional, professional and/or individual places who are not concert parties (as defined under the Takeovers Code) with the Investor or the STIC Entities, and not connected with any directors, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or its subsidiaries
“Independent Third Party(ies)”	a third party(ies) who is/are independent of and is/are not connected with the Company and any of its connected persons (as defined in the Listing Rules)
“Investment Agreement”	the investment agreement dated 25 June 2013 entered into between the Company and the Investor for the subscription by the Investor of certain new Shares and new convertible bonds to be issued by the Company
“Investor”	CDH Fast Two Limited
“Investor Subscription”	the subscription of the Investor Subscription Shares by the Investor pursuant to the Investment Agreement
“Investor Subscription Price”	the price of HK\$0.30 per Share at which the Investor Subscription Shares are to be issued
“Investor Subscription Shares”	the 1,262,564,333 new Shares the Investor has agreed to subscribe for and to be issued by the Company under the Investment Agreement
“Issue Date”	the date on which the Convertible Bonds are issued
“Last Trading Day”	25 June 2013, being the last full trading day immediately prior to the date of this announcement
“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
“Management Incentive Scheme”	the management incentive scheme to be adopted by the Company which is subject to approval by the Shareholders at the EGM
“Management Option”	a right to subscribe for Shares granted pursuant to the Management Incentive Scheme, not being such a right which has lapsed or determined
“Management Subscription”	the subscription of the Management Subscription Shares by Mr. Chang pursuant to the Management Subscription Agreement

“Management Subscription Agreement”	the subscription agreement dated 25 June 2013 entered into between the Company and Mr. Chang for the subscription of certain new Shares by Mr. Chang or his designated associates
“Management Subscription Price”	the price of HK\$0.30 per Share at which the Management Subscription Shares are to be issued
“Management Subscription Shares”	an aggregate of 51,866,667 new Shares that Mr. Chang has agreed to subscribe for pursuant to the Management Subscription Agreement
“Maturity Date”	the maturity date of the Convertible Bonds, being the fifth anniversary of the Issue Date
“Mr. Chang”	Mr. Raymond N Chang, the chief executive officer of the Company and an executive Director
“Mr. Hung”	Mr. Hung Wei-Pi, the chairman of the Company, an executive Director and a substantial shareholder of the Company, and a brother of Ms. Hung
“Ms. Hung”	Ms. Hung Ying-Lien, an executive Director, vice-president and chief financial controller of the Company, and a sister of Mr. Hung
“New Directors”	Mr. Wang Zhenyu, Mr. Ying Wei, Mr. Zhang Jianxing, Mr. Du Jinglei, Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Jie, being the persons initially nominated by the Investor pursuant to the Investment Agreement for appointment as Directors effective from the Closing Date
“Placing”	the placing of the Placing Shares under the Placing Agreement
“Placing Agent”	Morgan Stanley & Co. International plc
“Placing Agreement”	the placing agreement dated 25 June 2013 entered into between the Company and the Placing Agent in respect of the placing of certain Shares by the Company
“Placing Price”	HK\$0.30 per Placing Share, being the price at which the Placing Shares are to be issued under the Placing
“Placing Shares”	up to 1,060,673,334 new Shares to be placed to places under the Placing Agreement

“PN16”	Practice Note 16 issued by the SFC dated 18 June 2009
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Transactions”	means transactions contemplated under the Investment Agreement, the STIC Amendment Deed, the Placing Agreement and the Management Subscription Agreement, and the proposed adoption of the Management Incentive Scheme and the issuance of Management Options thereunder pursuant to its terms
“Repurchase Code”	the Code on Share Repurchases issued by the SFC
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFC Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the 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\$200,000,000 divided into 2,000,000,000 Shares to HK\$600,000,000 divided into 6,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares
“Shareholder(s)”	the holder(s) of the Shares
“Special Deal (Management Incentive Scheme)”	the special deal under Rule 25 of the Takeovers Code involving the adoption of the Management Incentive Scheme and the grant of the Management Options
“Special Deal (Management Subscription)”	the special deal under Rule 25 of the Takeovers Code involving the Management Subscription
“Specific Mandates”	the Specific Mandate (Investment Agreement), the Specific Mandate (Placing), the Specific Mandate (Management Subscription) and the Specific Mandate (Management Options)

“Specific Mandate (Investment Agreement)”	the specific mandate to be sought from the Shareholders for the issue and allotment of the Investor Subscription Shares and the Conversion Shares
“Specific Mandate (Management Options)”	the specific mandate to be sought from the Shareholders for the issue and allotment of Shares upon the exercise of the Management Options
“Specific Mandate (Management Subscription)”	the specific mandate to be sought from the Shareholders for the issue and allotment of the Management Subscription Shares
“Specific Mandate (Placing)”	the specific mandate to be sought from the Shareholders for the issue and allotment of the Placing Shares
“STIC Amendment Deed”	the deed of amendment and undertaking dated 25 June 2013 between the Company and the STIC Entities in relation to the amendment to the terms and conditions of the Existing Convertible Bonds
“STIC Entities”	STIC Secondary Fund II, L.P. and STIC Korea Integrated-Technologies New Growth Engine Private Equity Fund, both holders of the Existing Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Depository Receipts”	the depository receipts, each representing one Share, issued by the Company and listed on the Taiwan Stock Exchange Corporation in October 2009
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“USD” or “US\$”	US dollars, the lawful currency of the United States of America
“Whitewash IBC”	the independent board committee comprising HSU Ming Chyuan as non-executive Director and DU Hai-Bo, ZHOU Tai-Ming, UANG Chii-Maw and Chih T. Cheung as independent non-executive Directors which has been established by the Board to advise the independent Shareholders pursuant to the Takeovers Code
“Whitewash Waiver”	a waiver, granted by the SFC Executive, from the obligation of the Investor, its ultimate beneficial owner and their respective parties acting in concert with them to make a mandatory offer for all the Shares not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code

“%”

per cent

By order of the Board
New Focus Auto Tech Holdings Limited
HUNG Wei-Pi, John
Chairman

Hong Kong, 26 June 2013

As at the date of this announcement, the directors of the Company are executive directors – HUNG Wei-Pi, John, HUNG Ying-Lien, Raymond N. CHANG, Douglas Charles Stuart FRESCO and Edward B. MATTHEW; non-executive directors – HSU Ming Chyuan and CHANG An-Li; and independent non-executive directors – DU Hai-Bo, ZHOU Tai-Ming, UANG Chii-Maw and Chih T. Cheung.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

For the purpose of this announcement, conversion of US\$ into HK\$ is calculated at the conversion rate of US\$1.00 to HK\$7.78.