NFA®

New Focus Auto Tech Holdings Limited
新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 360

ANNUAL REPORT 2012

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors
Hung Wei-Pi, John *(Chairman)*
Raymond N. Chang *(Chief Executive Officer)*
Hung Ying-Lien *(Chief Financial Officer)*
Douglas Charles Stuart Fresco
Edward B. Matthew

Non-executive Directors
Hsu Ming Chyuan
Chang An-Li

Independent non-executive Directors
Du Hai-Bo
Zhou Tai-Ming
Uang Chii-Maw
Chih T. Cheung

Company Secretary

Liu Xiao Hua

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

Principal Place of Business in Hong Kong

5/F., 180 Hennessy Road
Wan Chai
Hong Kong

Auditor

BDO Limited
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

Legal Advisers

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

Principal Share Registrar and Transfer Office

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

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

360

Website

http://www.nfa360.com

CHAIRMAN'S STATEMENT

On behalf of the Board, it is my honour to take this opportunity to express my sincere gratitude to all our shareholders, customers and parties who have long been supportive to the Group and to present the operating results of the Group for 2012 and its future prospect for 2013.

Market Review and Group Profile

In 2012, the economy of China experienced significant challenges under a complicated international economy. The growth of GDP decelerated to 7.8%, driving to a nearly 13-year low. In 2012, the growth rate of the automotive market in China slowed down to approximately 4% year-on-year. The growth of car count amounted to approximately 14% and a high growth rate was sustained in the automotive aftermarket in China.

The Group focused on the construction of automotive chain service network in the Greater China region (the Group's service business) as well as the production of innovative and environmentally friendly automotive lighting and automotive electronic power products (the Group's manufacturing business), with an aim to provide the automobile consumers with products and services of high performance-price ratio. The Group is a leader in the automotive aftermarket chain service network sector in the Greater China region, maintaining the largest market share in China's market. It is also the only enterprise in the industry which has completed its strategic layout in establishing self-operated retail chain stores in 13 provinces and cities across four key coastal economic zones in China.

Business Progress

Under a complicated and ever-changing economic environment, the Group tackled various difficulties and challenges while faced a difficult development trend. The overall revenue of the Group decreased 6% to approximately RMB1.40 billion as compared to 2011. It was notable that, contribution of revenue from service business of the Group soared from approximately 68% in 2011 to approximately 72% in 2012, amounted to approximately RMB1.17 billion. During the period under review, the Group has 80 consumer service retail centres and 18 B2B mega stores across the Greater China region.

Looking back on the year, the Group continued to move towards to its previous goal. Firstly, all brands under the Group were undergone consolidation to unity its brand image. The Group was also promptly to build brand awareness across car owners. During the period under review, brands consolidation was completed in eastern and southern China as well as Taiwan region. It will be begun gradually in northern and northeastern China. In addition to branding consolidation, new store format has been successfully tested.

During the period under review, following progresses were achieved in the service business of the Group:

Customer Service Retail Business

1. *Breakthrough among peers and operation model reform*

    - In June 2012, the Group successfully acquired the remaining 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd. (深圳市永隆行汽車服務有限公司, "Shenzhen Yonglonghang"), whose in turn the entire controlling interest was owned by the Group.

    - In October 2012, the Group successfully acquired 51% equity interest in Changchun Guangda Automobile Trading Co., Ltd. (長春市廣達汽車貿易有限公司, "Changchun Guangda"), pursuant to which a significant business synergies would be brought to the Group. The leading position and scale of the Group in automotive aftermarket in China would be thus enhanced.

    - In November 2012, the Group successfully acquired 100% equity interest in IPO Automotive Co., Ltd. (台灣艾普汽車股份有限公司, "IPO Automotive") and obtained an expertise in high-end professional automobile detailing business as well as exclusive chemicals products patent, which will bring a significant growth in revenue and customers.

    - As at 31 December 2012, layout and decoration of all B2C stores in Shanghai and four stores in Taiwan was completed. The number of customers visit in both Shanghai stores and Taiwan stores demonstrated a dramatic increase.

2. *Diversifying into a new segment: the automobile detailing business*
   Following the acquisition of 100% equity interest in IPO Automotive by the Group, it was able to establish a new automobile detailing team and develop high-end SPA automobile service. The core value of IPO Automotive is the materials, craftsmanship, sales mode and service attitude in automobile detailing and its automobile detailing business would serve as an unique edge beyond the industry competition. With its provision of high quality and professional automobile detailing service in chain stores, the numbers of visit from the Group's customers has increased, thus its brand-loyalty of the service has been enhanced.

3. *Introduction of strategic partner*
   In July 2012, the Group entered into a cooperation agreement with Rt-Mart Co., Ltd. ("Rt-Mart"). The alliance of two leading players could shorten brand-building ("新焦點") period in addition to securing its quality presence of operations. Both parties can share resources within members and bring a fruitful revenue and profit to the Group.

B2B Mega Store system – wholesale service of the Group

During the period under review, the total number of B2B Mega Stores reached 18, of which 8, 3 and 7 stores were located in eastern, central and northeastern China, respectively, representing a growth of 20%.

In 2012, the Group further increased the proportion of products with rigid demand, such as tyres, motor oil and other additive chemicals, in its wholesale service business. The Group stays beyond the industry and leads transformation trend. Liaoning Xin Tian Cheng was undergone an extensive expansion, it established 3 new outlets in northeastern China, namely, Harbin, jinzhou and Panjin, and 1 new outlet in Beijing, representing a growth to 8 from 4 originally.

In addition, the Group optimized its customers by categorizing them into different hierarchy levels based on profits generated and intends to focus on serving top and profitable customers. Various service standards are also being differentiated by the category of customers. Similar optimization is also being done on suppliers and on products segments.

Manufacturing business of the Group

Although there was a slight loss incurred in the manufacturing business of the Group in the first half of 2012, the development of which was encouraging following a new management team joined in June. In addition, resources on product design and R&D was invested in manufacturing business of the Group. Currently, some of the products were introduced in both domestic and overseas OEM market and highly recommended by the automobile customers.

Furthermore, manufacturing business of the Group executed a cooperation agreement with a global leading tyres manufacturer recently. The Group became its authorized manufacturer and distribution partner in China.

Future Prospects

In 2013, the following operational strategies will be adopted in the service business of the Group:

1. **service retail business – enhancing the density of existing service outlets and expanding into high-end detailing service**

    - In addition to the existing B2C Service Centers in Shanghai, Taiwan, Shenzhen, Beijing, and Jinan, the Group will increase the coverage density of the B2C Service Centers in major markets by self-expansion and strategic alliance. The number of B2C Service Centers are expected to increase by 30 in the existing market in 2013.

- Continuous co-operation with Rt-Mart to develop more stores in other neighborhood cities. In addition, the Group intends to have discussion on strategic alliance with various international well-known brands with its self-operated retail chain stores and distributors network across various provinces.

- Fine-tune on interior design in store in southern, northern, northeastern China, vertical and horizontal operation lines, unify brand, management and system, in order to establish an integrated service chains.

- The Group will arrange internal training in different regions and apply best practices across regions.

2. B2B wholesales business – strengthened efforts and steady growth

- The Group will further explore new synergies from centralized procurement to minimize the unit purchase cost within the Company. On the other hand, bulk orders for similar products will be placed altogether so as to enhance the overall bargaining power to the suppliers.

- Further enhance and stabilize product structure so as to accommodate the risks of change in market and industry.

3. Manufacturing Business

In 2013, stable operational strategies will continue to be applied to the manufacturing business of the Group. With its strong product R&D capabilities and marketing network, the Group can establish a further co-operation with other well-known peers to capture the significant growth in sales, reinforce our regional sales channels and presence in China. The Group aims to capture more opportunities and platform to reach its customers.

In 2013, the Group will further promote win-win commercial development under broad version and structure in the future.

I would like to take this opportunity to express my sincere gratitude to all shareholders, board members, management team, all staff and partners as well as customers who care about the Group for their continuing support to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2012, the Group focused on the construction of automotive chain service network in the Greater China region, based on channel construction and branding promotion as well as B2C retails service, providing and satisfying the basic needs of numerous automotive users, taking the market-leading position in the industry.

Results Highlights

Revenue

For the year ended 31 December 2012, the Group recorded a consolidated turnover of approximately RMB1,397,885,000 (2011: RMB1,493,140,000), representing a decrease of approximately 6.4%.

The consolidated turnover of the Group's service business amounted to approximately RMB1,006,049,000 (2011: RMB1,012,076,000), representing a decrease of approximately 0.6%. The decrease was attributable to the on-going depressed global economy. Although layout design of the retail stores and innovative operation model achieved success and brought a significant improvement in operation result, the overall performance has still been impacted.

For the year ended 31 December 2012, the consolidated turnover of the Group's manufacturing business amounted to approximately RMB391,836,000 (2011: RMB481,064,000), representing a decrease of approximately 18.5%. The decrease in the consolidated turnover was due to the inappropriate management of former management team, which resulted in loss of orders. After the appointment of the new management team, the performance of manufacturing business was improving remarkably.

Gross profit and gross margin

The consolidated gross profit of the Group was approximately RMB394,170,000 in 2012 (2011: RMB406,471,000), down approximately 3%. Gross margin increased from approximately 27.2% in 2011 to approximately 28.2% in 2012.

The gross profit of the Group's service business was approximately RMB316,532,000 (2011: RMB304,133,000), representing an increase of approximately 4.1%, while its gross margin was approximately 31.5% (2011: 30.1%). The increase in gross margin was due to a thoroughly reconstructive strategy changing the composition of existing business. Moreover, styling services which enjoys high gross profit was included into the service section of the Group, it is expected to help to enhance the revenue rapidly and maintain the market share of the Group's service business in the future.

The gross profit of the Group's manufacturing business was approximately RMB77,638,000 (2011: RMB102,338,000), representing a decrease of approximately 24.1%, while its gross margin was approximately 19.8% (2011: 21.3%). The decrease in the gross margin of the Group's manufacturing business was due to the cancellation of the export tax rebate for certain products since May 2011 in Mainland China, the relatively higher fixed cost in manufacturing industry as well as decrease in turnover during the year.

Expenses

Sales and marketing expenses for the year were approximately RMB304,344,000 (2011: RMB226,468,000), representing a growth of approximately 34.4%. The increase was mainly attributable to the expense arising from implementation of integration and renewal of brand name, reformation on stores as well as change of store signboards.

The administrative expenses for the year were approximately RMB159,909,000 (2011: RMB93,009,000), representing an increase of approximately 71.9%. The administrative expenses for the year increased by approximately RMB66,900,000, of which approximately RMB12,820,000 was due to the consolidation of the financial statements of Shandong Xingzhe Auto Supplies Services Co., Ltd (山東行者汽車用品服務有限公司), Hubei Autoboom Auto Accessories Supermarket Co., Ltd (湖北歐特隆汽車用品超市有限公司) ("Hubei Autoboom"), Shanghai Astrace Trade Development Company Ltd (上海追得貿易發展有限公司) ("Shanghai Astrace"), Changchun Guangda Automobile Trading Co., Ltd (長春市廣達汽車貿易有限公司) ("Changchun Guangda") and IPO Automotive Corporation Limited (艾普汽車股份有限公司) ("IPO Automotive") into the Group, approximately RMB13,880,000 was bad debts recorded by Shanghai New Focus Auto Repair Services Co., Ltd (上海新焦點汽車維修服務有限公司), approximately RMB9,540,000 was increased remuneration including those paid to the new management team and approximately RMB10,160,000 was losses resulting from the closure of several service retail stores in Shanghai and Shenzhen.

Operating loss

The operating loss of the Group was approximately RMB345,739,000 (2011: operating profit of RMB105,396,000). The long term asset such as goodwill and intangible assets arising from mergers and acquisitions, the impairment of current assets such as inventories and receivables caused the Group to incur operating loss of RMB322,832,000. During the year, the sales and marketing expense and administrative expenses also increased significantly.

The Company incurred an impairment loss on goodwill in aggregate of approximately RMB164,673,000 for the year ended 31 December 2012, of which approximately RMB71,061,000 arose from the impairment loss on goodwill allocated to Zhejiang Autoboom Industrial Co., Ltd (浙江歐特隆實業有限公司) ("Zhejiang Autoboom"), approximately RMB45,260,000 from the impairment loss on goodwill allocated to Liaoning Xin Tian Cheng Industrial Co., Ltd (遼寧新天成實業有限公司) ("Liaoning XTC"), approximately RMB18,058,000 from the impairment loss on goodwill allocated to Shanghai Astrace, approximately RMB20,979,000 from the impairment loss on goodwill allocated to Hubei Autoboom, approximately RMB9,213,000 from the impairment loss on goodwill allocated to Shenzhen Yonglonghang Auto Service Ltd (深圳市永隆行汽車服務有限責任公司) ("Shenzhen Yonglonghang") and approximately RMB102,000 from the impairment loss on goodwill allocated to Xinjiaodian (Chengdu) Auto Maintain Co., Ltd (新焦點（成都）汽車服務有限公司).

The Company incurred an impairment loss on other intangible assets in aggregate of approximately RMB123,288,000 for the year ended 31 December 2012, of which approximately RMB64,716,000 arose from the impairment loss on other intangible assets allocated to Zhejiang Autoboom, approximately RMB55,756,000 from the impairment loss on other intangible assets allocated to Liaoning XTC and approximately RMB2,816,000 from the impairment loss on other intangible assets allocated to other two subsidiaries of the Group which engage in automotive service retail business in Shanghai and Taiwan.

Zhejiang Autoboom and Liaoning XTC also incurred an impairment loss on property, plant and equipment of approximately RMB2,480,000 and approximately RMB1,661,000 respectively in 2012.

The Company expected that Zhejiang Autoboom would realize an annual growth rate of approximately 15% in its revenue in 2012. However, its revenue decreased by approximately 16% and its cost increased by approximately 18%. The Company expected that Liaoning XTC would realize an annual growth rate of approximately 15% in its revenue in 2012. However, its revenue decreased by approximately 6% and its cost increased by approximately 22%. The decrease in revenue was mainly attributable to the slowing economy of China. The substantial increase in the cost incurred by these two subsidiaries was mainly attributable to the increase in labor and rental cost. Zhejiang Autoboom and Liaoning XTC have both leased new spaces and recruited additional staff for its one and three stores opened in 2012 respectively. The increased minimum wage in Zhejiang and Liaoning, where the majority of the operations of Zhejiang Autoboom and Liaoning XTC respectively locate, which became effective in April and July 2011 respectively, further contributed to the increase in labor cost of Zhejiang Autoboom and Liaoning XTC.

The Company expected that Shanghai Astrace would realize an annual growth rate of approximately 50% in its revenue in 2012. However, its revenue increased by only approximately 5.5% and its cost increased by approximately 23%. The increase in the cost was mainly attributable to the increase in labor cost and travelling cost. Shanghai Astrace recruited more than 20 new employees in 2012 to meet the demand of its business expansion. In order to promote its business, Shanghai Astrace strengthened its marketing and promotion activities through various measures including attending exhibitions, which substantially increased its travelling costs.

Shenzhen Yonglonghang realized an annual growth rate of approximately 28% in its revenue and its cost increased by approximately 75%. This substantial increase in cost was mainly attributable to the cost incurred in the closure of several service retail stores and increase in the labor cost. The minimum wage in Shenzhen increased by approximately 12% starting from 1st February 2012, which substantially increased the labor cost including social insurance fee that Shenzhen Yonglonghang need to pay for its employees.

Considering the performance of Zhejiang Autoboom and Liaoning XTC was not as good as the Company expected, the Company anticipates that Hubei Autoboom would possibly realize an annual growth rate of 5% in its revenue in 2013 which is lower than the 15% expected by the Company in acquiring the 51% equity interest in Hubei Autoboom. That is the primary reason why there was an impairment loss RMB20,979,000 on goodwill allocated to Hubei Autoboom.

The initial considerations for the acquisition of 51% equity interests in Zhejiang Autoboom, Liaoning XTC, Shanghai Astrace, Hubei Autoboom and Shenzhen Yonglonghang are all subject to adjustment based on their actual performances during the specified consideration adjustment period. As the actual performances of Zhejiang Autoboom, Liaoning XTC and Shanghai Astrace during the forgoing period have all reached the relevant performance targets, the initial considerations for the acquisition of 51% equity interest in these three subsidiaries have not been adjusted. The initial consideration for the acquisition of 51% equity interest in Hubei Autoboom was RMB87,258,450 and the actual consideration was determined to be RMB83,977,023. The actual consideration for the acquisition of 51% equity interest in Shenzhen Yonglonghang will be determined in April 2013.

Finance costs

Net finance costs amounted to approximately RMB28,138,000 (2011: RMB19,630,000), representing an increase of approximately 43.3%. It was mainly attributable to the increase in interest expense arising from bank loans for mergers and acquisitions of the Group. The Group issued convertible bonds of USD38,201,000 in December 2011. The interest expense during the year amounted to RMB7,620,000.

Taxation

Income tax expenses were approximately minus RMB16,017,000 (2011: RMB25,251,000). If effect of impairment of long-term asset recognized during the year on the income tax expense was not taken into account, income tax expenses from operation was RMB14,101,000 during the year.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately RMB324,262,000 (2011: profit of approximately RMB28,127,000). The loss attributable to owners of the Company arising from impairment of long term assets such as goodwill and intangible assets, and impairment of current assets such as inventory and account receivables resulting from mergers and acquisitions was RMB243,443,000. Loss per share was approximately RMB47.40 cents (2011: profit per share of RMB4.91 cents).

Financial Position and Liquidity

For the year ended 31 December 2012, the Group maintained a stable financial position and the liquidity of assets of the Group remained healthy. The Group recorded a net operating cash outflow of approximately RMB5,051,000 (2011: outflow RMB25,543,000).

The non-current assets were approximately RMB905,777,000 (31 December 2011: RMB921,649,000).

The net current liabilities were approximately RMB90,422,000 as at 31 December 2012 (31 December 2011: net current assets of RMB379,513,000), with a current ratio of approximately 0.90 (31 December 2011: 1.63).

Gearing ratio calculated by dividing total liabilities by total assets was approximately 68.97% as at 31 December 2012 (31 December 2011: approximately 54.01%). As at 31 December 2012, the total bank borrowings of the Group were approximately RMB262,955,000 (31 December 2011: RMB187,447,000).

The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation, capital expenditure, merger and acquisition activities and future investment opportunities for further expansion to the domestic market of the Greater China region.

Financial Guarantees and Pledge of Assets

As at 31 December 2012, the net book values of investment properties, property, plant and equipment and leasehold land and land use rights pledged as security for the Group's bank borrowings amounted to approximately RMB138,679,000 (31 December 2011: RMB119,468,000).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Acquisition of 12% equity interest in Zhejiang Autoboom and revocation of acquisition

On 30 March 2012, the Company entered into an equity transfer agreement with the minority shareholders (the "Minority Shareholders") of Zhejiang Autoboom, pursuant to which the Company acquired 12% equity interest in Zhejiang Autoboom at a consideration of RMB37,247,000. As the Group was committed to expand its service retail chain in the Greater China thereafter, the Company entered into a revocation agreement with the Minority Shareholders on 7 December 2012 to revoke the acquisition with a view to focusing its fund on the establishment of retail service chain system. After the completion of such revocation agreement on 20 December 2012, the Company's indirect equity interest in Zhejiang Autoboom decreased from 63% to 51%.

Proposed Acquisition of 100% equity interest in Mighty International and revocation of acquisition

On 30 March 2012, the Company entered into a conditional equity transfer agreement with the shareholders (the "Transferor") of Mighty International Limited ("Mighty International"), pursuant to which the Company proposed to acquire 100% equity interest in Mighty International at a consideration of RMB80,000,000. As the Group was committed to expand its service retail chain in the Greater China thereafter and considered the uncertainties in the future development of the Chinese real estate market, the Company entered into a revocation agreement with the Transferor on 7 December 2012 to revoke the acquisition with a view to focusing its fund on the establishment of retail service chain system.

Acquisition of 49% equity interest in Shenzhen Yonglonghang

On 28 June 2012, the Company entered into an equity transfer agreement with the minority shareholders of Shenzhen Yonglonghang, pursuant to which the Company successfully acquired 49% equity interest in Shenzhen Yonglonghang at a consideration of RMB37,240,000. After the completion of such acquisition on 29 June 2012, the Company indirectly held 100% equity interest in Shenzhen Yonglonghang.

Acquisition of 51% equity interest in Changchun Guangda

On 17 July 2012, the Company entered into an equity transfer agreement with the shareholders of Changchun Guangda, pursuant to which the Company successfully acquired 51% equity interest in Changchun Guangda at a consideration of RMB132,600,000 (subject to adjustment). After the completion the such acquisition on 25 October 2012, the Company indirectly held 51% equity interest in Changchun Guangda.

Acquisition of 100% equity interest in IPO Automotive

On 15 November 2012, Taiwan New Focus Car Services Co. Ltd, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Ai Feng Investment Company Limited, IPO Automotive, Magic Auto Detailer International Co., Ltd., Mr. Zeng Xin He and Ms. Yu Shu Mei, pursuant to which the Company decided to acquire 100% equity interest in IPO Automotive at a consideration of NTD210,000,000 (subject to adjustment). As at 31 December 2012, the transfer of 97.5% equity interest in IPO Automotive to the Group has been completed and the remaining 2.5% equity interest will be transferred to the Company on or about 7 June 2013.

Significant Investments

For the year ended 31 December 2012, the Group had no significant investments.

Exchange Risk

During the year, the settlement currency of the Group was mainly USD. In order to minimize foreign exchange risk, the Group fixed exchange rate with procurement contracts and adjusted the quotation policy, enabling the transfer of costs to both up and down streams, thus reducing the effects of fluctuations in exchange rate. Thus, the foreign exchange risk of the Group was minimized.

Contingent Liabilities

As at 31 December 2012, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2012, the Group employed a total of 5,291 full-time employees (31 December 2011: 4,328), of which 921 were managerial staff (31 December 2011: 785). The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees.

Business Review

Despite the slowdown of the global economy, the decline of the China domestic automobile market, and the dramatic restructuring measures taken within the Group in 2012, the Group showed strength of resilience, with just a 6% decline in revenue to approximately RMB1.4 billion in 2012 from approximately RMB1.5 billion in 2011.

It was notable that the contribution of revenue from the domestic China consumer service chain and the B2B wholesale components of the Group soared, accounting for approximately 72% of the overall group business compared to approximately 68% in 2011. Revenue of the Group's manufacturing business accounted for less than approximately 28% of the Group's total revenue from approximately 32% in 2011.

Looking back on the year, the new management, joined in the early half of 2012, continued to implement constructive restructuring measures, which we believe would yield significant and sustainable shareholders values for the Group in the long run. Consolidation and synergies across domestic consumer service retail chain and B2B wholesale operations continued.

In the consumer service retail chain front, operations in the Eastern China region, Southern China region and Taiwan are now 100 percent owned and managed by the Group. All brands have been consolidated under the Group. The Group expects to further consolidate the branding of the remaining China Northern and China Northeastern stores by the end of 2013, thus completely unifying the Group's identity and allowing a consistent appeal to consumers throughout Greater China region.

In addition to branding consolidation, new store format has been successfully tested and has proven to yield significantly higher store traffic, member visit frequency, loyalty and financial benefits. Unlike the old store format where the majority of the store floor space was devoted to car accessory retailing, the new store format devotes significantly higher percentage of floor space towards regular and quick maintenances, wash and detailing, body repair and modification. The new store format has generated higher operating margins, freed-up cash from inventory, reduced upfront capital expenditure requirements and shortened the time required to achieve store break-even and cash pay-back period. The Group intends to continue to renovate its remaining stores in 2013 and will roll-out all future stores under the new service-oriented store format.

The Group provided services to over 6 million car owners and thousands of small and business owners in 2012. At the end of 2012, the Group has 80 consumer service retailing stores and 18 B2B wholesaling stores across the Greater China region. With a focus on top-tier markets in Greater China, the Group is now the largest in its category. The Group's unique vast distribution scale has attracted the attention of many leading global enterprises wishing to enter into the Greater China automotive after-sales market. The Group has clearly positioned itself as the leading partner-of-choice for those who are interested to tap into the fast growing automotive after-sales market in China.

The Group's Consumer Service Retail Business

In 2012, the following progress was achieved in the consumer service retail business of the Group:

1. **Successful transformation of consumer service retail outlets**

   The total number of consumer retail service centres increased by approximately 43% from 56 to 80 and continued to focus on tier-one cities in Eastern China, Southern China, Northeastern China, Northern China and Taiwan.

   - In June 2012, the Group successfully acquired the remaining 49% equity interest in Shenzhen Yonglonghang, increasing the shareholding of the Group in Shenzhen Yonglonghang to 100%. This helped the Group to exercise full control and management of Shenzhen Yonglonghang.

   - In October 2012, the Group successfully acquired 51% equity interest in Changchun Guangda. The acquisition of Changchun Guangda allowed the Group to enter the attractive Northeastern China market and is expected to generate significant business synergy with the Group's existing consumer service retail business. The position, coverage and scale of the Group in China significantly enhanced as a result of this acquisition.

   - In November 2012, the Group successfully acquired 100% equity interest in IPO Automotive in Taiwan and gained expertise in the high-end professional automobile detailing business. The Group also acquired the exclusive rights to all its patented wash & detailing chemical solutions. With the inclusion of IPO Automotive business units, the Group intends to aggressively introduce high margin professional car detailing business to various service centers of the Group, thus significantly increasing the operating margin and customer visit frequency.

   - As of 31 December 2012, all stores in Shanghai and four stores in Taiwan were successfully renovated. As a result, the number of customers for the Shanghai and Taiwan stores dramatically increased, proving the success of this exceptional transformation strategy and the duplication of our new store model to other regions.

2. **Diversifying into a new segment: the automobile detailing business**

   In November 2012, the Group acquired 100% equity interest in IPO Automotive and the brand of IPO Automotive was introduced into the Group. IPO Automotive is a well-known professional detailing business in Taiwan with its own proprietary technology and chemical formulation. The Group agrees that the core value of IPO Automotive lies in the materials, craftsmanship, sales model, and service attitude of its professional and passionate staff. With support from IPO Automotive, these exclusive advantages will differentiate the Group from its competitors.

One of the many obvious merits of car detailing business is that it serves all cars, regardless of brands, type, color and year of ownership. With common facility, equipment and chemicals, it greatly reduces the need of inventory piling while meeting the needs of all our customers. Furthermore, the spectrum of services can range from basic to high-end detailing without the need to re-tool.

With the provision of high quality and professional automobile detailing services, the number of returning visits and the loyalty of the Group's customers are expected to increase. A service project with a higher gross margin will also allow the Group to swiftly raise its profits and gain market share, especially in the high-end customer segment.

3. **Channel strategic partnership**

In July 2012, the Group entered into a strategic cooperation agreement with China RT-Mart Co. Ltd. ("RT-Mart"). RT-Mart currently has more than 200 outlets throughout China. In the first stage of this cooperation, the Group will establish service outlets in 14 stores in Eastern China, leveraging the huge in-flow of customers who drive to shop at the RT-Mart. At the end of 2012, two such outlets were successfully established. In the next stage, while the focus will continue to be in Eastern China such as Zhejiang and Jiangsu, it may also include other regions such as Beijing or Guangdong. The alliance of two leading players could shorten the period of brand building for the Group. Both parties intend to share their membership resources to promote this new service to RT-Mart's existing vast customer base.

The Group's B2B Wholesale Business

In December 2012, the Group decided to revoke the previous acquisition of additional 12% equity interest in Zhejiang Autoboom. Following the revocation of this acquisition, the Group still maintains 51% majority control of Zhejiang Autoboom. The Group decided to revoke this acquisition in order to conserve and focus all resources on expanding the consumer service retail chain in the Greater China region.

During the period under review, the total number of B2B mega stores reached 18, of which 8 stores were located in Eastern China, 3 in the Central China, and 7 in the Northeastern China. The expansion of stores represents a growth of approximately 20% over 2011. In 2012, the Group further increased its attention to products in high volume perishable product categories, such as tires, motor oil, and other additive chemicals. The Group intends to continue to diversify away from mere auto-accessory category and shift emphasis to high-volume perishable categories mentioned above.

We believe such transformation would allow our B2B wholesale stores to serve its customers better, thus increase customer satisfaction, purchase frequency and loyalty. In 2012, the Group saw its Liaoning Xin Tian Cheng Industrial Co., Ltd ("XTC") subsidiary underwent an extensive expansion. XTC established 4 new outlets in the Northeastern China region, namely, Harbin, Jinzhou and Panjin, and one new outlet in Beijing, representing a growth to 8 from 4 originally. It plans to establish 20 outlets in Northeastern China in three years so as to further enhance its leading position in the regional market.

In addition, the Group optimized its customers by categorizing them into different hierarchy levels based on profits generated. The Group intends to focus on serving top and profitable customers and place less emphasis on small and unproductive customers. Service standard (such as delivery fee and delivery time) is also being differentiated by category of customers. Similar optimization is also being done on suppliers and on products.

Going forward, the Group will continue to stress on improving margins and lowering costs to achieve sustainable profit margins for the Group's B2B wholesale business.

The Group's Manufacturing Business

Although there was a slight loss incurred in the manufacturing business of the Group in the first half of 2012, its performance showed a significant improvement in the second half of the year following the joining of a new executive team in June. Although North America, the major manufacturing market, remained sluggish, we still managed to win several large orders from important customers. The Group continued to invest substantial resources in R&D and has centered its product innovation and design around the theme of "light, thin, smart and green." Currently, some of the products have been introduced in both domestic and overseas OEM markets and are very well received by customers.

During the period under review, the new management team realised an increase of the gross margins from approximately 19% (January to May) to approximately 24% (June to December) in 2012 through the optimization of suppliers, lowering of material costs, and improvement of logistics and operation of warehouses.

In addition, the Group's manufacturing business segment recently entered into a strategic partnership agreement with a leading global tire manufacturer. The Group became an authorized manufacturer and distribution partner for all related products. The Group's manufacturing business will be responsible for the production of automobile accessories products authorized by the global partner and the distribution of all related products, all which will be sold in over 100 self-operated retail chain stores and the Group's B2B wholesale divisions.

Prospects

Despite unparalleled challenges caused by the economic downturn, China's automotive after-sales market remains strong. This allows the Group to lay a good foundation for its growth. In order to seize the opportunities, the following key strategies will be adopted in the Group's service business in 2013:

1. **Consumer service retail business-enhancing the density of existing market service outlets and expanding the high-end detailing service**
   - By adding more consumers service retail centers in Shanghai, Taiwan, Shenzhen, Beijing, and Jinan, the Group will increase the coverage density in all its major markets. The number of service centers is expected to increase by nearly 30 in 2013.
   - The Group will continue to add more stores through the Rt-Mart channel in Eastern China.
   - The Group plans to negotiate strategic cooperation with various international and well-known brands.
   - The Group plans to continue to improve its store performance by fine-tuning store layout based on dollar per sq. meter measurement concept. The Group also intends to continue to unify its brand and IT systems in order to establish integrated service chains.
   - The Group will arrange internal training in different regions and apply best practices across regions. By sharing and learning from the expertise and skill sets in different areas, the Group is determined to make all the stores not only individually profitable, but also collectively great, achieving the highest industry standard by all key measurements.

2. **B2B wholesales business**

   The Group will further explore new synergy derived from centralised procurement and will simplify procurement procedures increase procurement and logistics efficiency.

   The Group will optimise its product mix to respond to rapid changes in the market. The wholesale business has already diversified into motor oil and other core perishable categories, and will also enter into distribution of wash and detailing solutions.

   The Group will categorise its suppliers, customers and products. It will focus on major customers, outputs and profit-making products. Further categorization of customers will be made based on their contribution to the Group's profit, and those premium customers will be served with better services, more attractive prices and payment terms and market support policies.

3. **Manufacturing Business**

In 2013, stable operational strategies will continue to be applied to the manufacturing business of the Group. With its strong product R&D capabilities and marketing network, the Group can establish further co-operation with other well-known brands to expand market shares.

- The Group will seek to consolidate existing customers and develop new businesses. It will rely on existing resources and businesses to attract new customers and expand market share with the enhancement of product quality, sales, and enhanced service quality.

- The Group will pursue research and development of new products. As the China automotive market trend is changing, the trend of demand of China consumers is also changing. Under the rapid development of the China automotive market, the Group will accurately capture the demand of consumers and produce attractive automotive accessories products. The Group plans to develop 70 new products in 2013.

- The Group will continue to strive to reduce operating costs which includes taking steps to reduce discretionary expenses and administration costs. We will aggressively re-negotiate with all suppliers to lower raw material costs, reduce staff and optimise supply chains.

2012 was a year of transformation for the Group. We believe that the drastic measures taken by the Group will help create bigger and more sustainable shareholders values in the long run. We are confident that with all these corrective measures, we will emerge as the true leader in this exciting and fast growing China automotive after-sales market.

Events After the Reporting Period

Acquisition of 18.68% equity interest in New Focus Richahaus

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

Supplemental agreement to the equity transfer agreement in relation to the acquisition of 51% equity interest in Hubei Autoboom

On 23 September 2011, the Company and Chen Bing Yu (陳炳煜), Li Zhen Fei (李貞斐) and Li Zheng Guo (李正國) ("Hubei Autoboom Vendors") entered into the equity transfer agreement (the "Equity Transfer Agreement") in relation to the acquisition of 51% equity interest in Hubei Autoboom, and the acquisition completed on 23 September 2011. On 18 February 2013, the Company and Hubei Autoboom Vendors entered into a supplemental agreement to amend the terms of the Equity Transfer Agreement, including the payment method, pursuant to which the Company is obligated to pay Hubei Autoboom Vendors a sum of RMB27,621,178 of which RMB4,000,000 will be satisfied by way of cash and RMB23,621,178 will be satisfied by the issue of 29,749,744 new shares in the Company at the issue price of HK$0.98.

Executive Directors

Mr. Hung Wei-Pi, John (Chairman)

Mr. Hung, aged 52, is one of the founders of the Group and the chairman of the Company. He is primarily responsible for the management of the board of Directors and formulation of the future development strategies and planning of the Group. Mr. Hung has been the chairman since February 2005.

He graduated from Chung Yuan Christian University (台灣中原大學) with a bachelor's degree in commerce in 1982. Prior to the establishment of Shanghai New Focus Auto Parts Co., Ltd. ("NFA Parts"), Mr. Hung was the founder and general manager of New Focus Line Limited. In March 1994, Mr. Hung established NFA Parts. He assumed the positions of both the director and general manager and actively participated in NFA Parts' daily operations. In 2001, Mr. Hung established Shanghai New Focus Auto Repair Services Co., Ltd. ("NFA Service"). Mr. Hung is the brother of Ms. Hung Ying-Lien.

Mr. Raymond N. Chang

Mr. Chang, aged 42, is an executive Director and the chief executive officer of the Company and is currently responsible for the operation and management of the Group. Mr. Chang has been an executive Director and the chief executive officer since February 2012.

He received his bachelor's degree in arts from New York University in 1992, and his master's degree in business administration from Yale University in 1996. Mr. Chang also matriculated from 1996–1997 in Public Administration Program of John F. Kennedy School of Government, Harvard University. He is an accomplished & seasoned executive with international experience in Greater China, USA and UK. He has co-founded companies, raised venture capital finance, consummated strategic partnerships, taken private companies to public floatation via IPO on the NASDAQ, and is experienced as a public company chief executive officer under the jurisdictions of NASDAQ & London Stock Exchanges. Fluent in three languages (English, Mandarin & Taiwanese), he has strong track records with proven capabilities in leading and formulating complex cross-border investments and transactions. In 1997, he cofounded GigaMedia Limited (NASDAQ: GIGM), and received US$35 million investment from Microsoft in 1999. In February 2000, he successfully brought GigaMedia Limited to NASDAQ IPO and raised US$270 million. Subsequently, in April 2000, he was voted by Fortune magazine as one of the twenty-five Next Generation Global Leaders under 40. In 2006, he co-founded Luckypai Limited, a leading TV shopping company in China, and grew it to US$150 million sales in less than 5 years. Luckypai currently operates 3 TV shopping channels via joint-ventures with Shandong, Yunnan and ChongQing Provincial TV stations. In September 2010, he completed a sale of Luckypai Limited to Lotte Group & Itochu Corp. for US$160 million.

Ms. Hung Ying-Lien

Ms. Hung, aged 47, is an executive Director, vice-president and chief financial controller of the Group and is currently responsible for financial budget and capital management of the Group. Ms. Hung Ying-Lien has been an executive Director since February 2005.

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

Mr. Douglas Charles Stuart Fresco

Mr. Fresco, aged 68, is an executive Director and one of the founders of the Group. Mr. Fresco has been an executive Director since February 2005.

He has extensive experience in the distribution of automotive products. He is one of the founders of Custom Accessories Asia Limited ("Custom Accessories"), a company established in Hong Kong in 1982 which is engaged in the wholesale and distribution of automotive accessories for the US and European aftermarkets. Since the establishment of NFA Parts in March 1994, Mr. Fresco has been responsible for the expansion of overseas market for the Group's products. He also acts as one of the Company's authorised representatives in Hong Kong.

Mr. Edward B. Matthew

Mr. Matthew, aged 57, is an executive Director and is responsible for exploration of overseas markets for the manufacturing business of the Group. Mr. Matthew was appointed as an executive Director in August 2010.

He has served for more than 25 years as a board member of Custom Accessories, a family held automotive accessories business in the US. Mr. Matthew is currently the executive director of Custom Accessories, and has actively participated in the business since it was founded in 1974. In addition, Mr. Matthew is a practicing anesthesiologist with North Shore University Health System, a large multi-hospital system in the Chicago area, US. He is an Assistant Professor of Anesthesiology at the University of Chicago Medical School, the former Chief of the Medical Staff at Highland Park Hospital in Highland Park Illinois, US, and a former board member at Highland Park Hospital and North Shore University Health System.

Mr. Matthew received a bachelor's degree in economics from the University of Michigan in Ann Arbor Michigan in 1978, and his medical degree from the University of Illinois in Chicago, Illinois in 1982. Mr. Matthew received his training in Anesthesiology at Northwestern University School of Medicine and he is certified by the American Board of Anesthesiology.

Non-executive Directors

Mr. Hsu Ming Chyuan

Mr. Hsu, aged 58, is a non-executive Director. He received a bachelor's degree in telecommunication engineering from the National Chao Tung University, Hsinchu, Taiwan and a master's degree in computer and electronics engineering from the North Carolina State University, US. He is the co-founder of Elitegroup Computer Systems, APAQ Technology and Luxo Corporation, and has more than 25 years of experience in IT industry. He is currently a general manager of Pac-Link, gaining over 10 years of experience in the investment sector. Mr. Hsu joined the Group in March 2010.

Mr. Chang An-li

Mr. Chang, aged 46, is a non-executive Director. He received a bachelor's degree in accounting and a MBA degree in finance from Drexel University in Philadelphia, USA in 1995 and 1997, respectively. He has more than 15 years of work experience related to management and investment. Mr. Chang is currently the managing director and the head of Greater China team of STIC Investment, Inc., the general partner of the STIC Secondary Fund II, L.P. and STIC Korea Integrated – Technologies Now Growth Engine Private Equity Fund, which is a leading private equity firm in Korea. Mr. Chang joined the Group in December 2011.

Independent Non-executive Directors

Mr. Du Hai-Bo

Mr. Du, aged 43, is an independent non-executive Director. He graduated from Zhengzhou University (鄭州大學) in 1989 and obtained an EMBA degree from China Europe International Business School (中歐國際工商管理學院) in 2005. He has 17 years of professional experience in accounting and auditing and is a senior auditor and senior accountant. He has obtained the professional qualifications as a certified accountant, registered tax expert and land valuer. Mr. Du was the vice-chairman of Lingbao County Auditors (靈寶縣審計師事務所) and Henan C.P.A. (河南審計事務所). He is the legal representative of Henan Zheng Yong C.P.A. Limited (河南正永會計師事務所有限公司) and an independent non-executive director of two listed companies in the PRC, namely Henan Taloph Pharmaceutical Stock Co., Ltd. listed on the Shanghai Stock Exchange and Henan Shuanghui Investment & Development Company Limited listed on the Shenzhen Stock Exchange. Mr. Du joined the Group in February 2005.

Mr. Zhou Tai-Ming

Mr. Zhou, aged 73, is an independent non-executive Director. He graduated from Fudan University (復旦大學) with a bachelor's degree in electrical physics in 1964 and has become a professor there in the department of physics since 1996. He was appointed as a member of the expert team of "electrical appliances in lightings" under the Science and Technology Committee (科學技術委員會) of the PRC Light Industry Ministry (中華人民共和國輕工業部) in 1990, the officer of the Professional Transportation Lightings and Optical Signals Committee of the China Illuminating Engineering Society in 2000, and the consultant of the Shanghai Government Sourcing Administration Office (上海市政府採購辦公室) in 2003. Mr. Zhou joined the Group in February 2005.

Mr. Uang Chii-Maw

Mr. Uang, aged 62, is an independent non-executive Director. He graduated from the University of Pennsylvania with a doctorate degree in electrical engineering. He is a professor of electronics at I-Shou University in Taiwan and is an expert in optics and microcontroller, specialising in structural design of computer system, disposal of optoelectric signals and design of mechatronic system. Mr. Uang has been the adviser of several high technology companies. He joined the Group in February 2005.

Mr. Chih T. Cheung

Mr. Cheung, aged 42, is an independent non-executive Director. Mr. Cheung received juris doctor degree from Harvard Law School, master's degree in business administration from Harvard Business School, master of arts degree from Harvard Graduate School of Arts and Sciences and bachelor of arts degree from Harvard College. He has over 15 years of Asia business experience, during which, in addition to general management responsibilities, he negotiated scores of alliances, joint ventures, mergers, and acquisitions in Greater China and the rest of Asia.

Mr. Cheung is currently the Managing Partner of C2 Capital Limited, an investment firm dedicated to investing in local Chinese emerging growth companies and to partnering with leading global companies to establish their presence in China. He is also the Chairman Emeritus of YuCheung Technologies Limited (NASDAQ – YTEC), a leading provider of solutions and services to China's financial sector, with presence in 18 cities and 2,000 employees. In addition, Mr. Cheung serves on the board of several companies with operations in China. He is also on the boards of HBS Alumni Association and Harvard China Fund as well as the Chapter Chair of YPO Shanghai.

Prior to his current roles, Mr. Cheung was the Managing Partner of Staples Asia Investment Limited, a subsidiary of Staples, Inc. (NASDAQ – SPLS). In this role, he was involved with investment and strategic partnership activities in Asia Pacific for Staples. Prior to this, he was a co-founder, investor and board member for OA365, a leading office products provider in Shanghai. Previously, Mr. Cheung was co-founder and CEO of HelloAsia Corporation and worked at Goldman Sachs in New York and Hong Kong for several years. Mr. Cheung joined the Group in December 2012.

Senior Management

Mr. Hans Chang

Mr. Chang, age 48, is the COO of the Group and is responsible for the operating of the Group.

Mr. Chang graduated from Shih Hsin University with a bachelor's degree in 1984. Prior to joining the Group, Mr. Chang has served as COO, vice COO, Operation Office of Southeastern Area and COO of various renowned enterprises including Huafeng Group, Pacific Sogo Department Store Co., Ltd, Pan Pacific Media Group and Lepai Group. Mr. Chang has extensive knowledge in business operations, strategic planning and optimizing resource allocation. He has rich management skills and organization & coordination skills. Mr. Chang joined the Group in February 2012.

Mr. Ted Leung

Mr. Leung, age 41, is the general manager of New Focus Lighting and Power Technology (Shanghai) Co., Ltd and is responsible for the manufacturing & foreign trade business of the Group.

Mr. Leung graduated from Rutgers with a master's degree in Business in 1992. Prior to joining the Group, Mr. Leung has served as Director of Sales and Managing Director of various multinational corporation including Dover Corporation and Pieralisi China Company Ltd. Mr. Leung has 18 years in sales and 11 years in senior management positions experience in Asia. Mr. Leung joined the Group in June 2012.

The board of Directors (the "Board" or the "Directors") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2012.

Corporate Governance Practices

The Board believes the good corporate governance practice is the key to business growth and management of the Group.

The Company has applied the principles set out in the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**CG Code**") (the "**Listing Rules**").

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2012, save and except for the deviation from code provisions A.2.1 and A.6.7. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviations are summarized as below.

Securities Transactions of Directors

The Company has adopted a code of conduct regarding securities transactions of Directors no less exacting than the required standards set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors (the "Model Code"). To ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code, a committee (the "Securities Committee") was set up under the Board comprising Mr. Hung Wei-Pi, John as chairman and Ms. Hung Ying-Lien to deal with such securities transactions. Prior to any dealing in the securities of the Company, a Director is required to notify the chairman of the Securities Committee or in the case of dealings by Mr. Hung Wei-Pi, John himself, notify Ms. Hung Ying-Lien in writing and obtain a written acknowledgement from the Securities Committee.

Having made specific enquiries to all Directors by the Securities Committee of the Company, all Directors confirmed that they had complied with the Model Code regarding Directors' securities transactions during the year under review.

Board of Directors

Responsibilities and Delegation

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

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board. The Board has implemented appropriate measures and internal control procedures to ensure that the Company runs its business pursuant to all applicable legal and regulatory requirements with prudence and integrity. The senior management are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions in a timely manner. Each of the Directors is entitled to obtain such records of the Company as are necessary to enable them to make informed decisions. Biographical details of the Directors and their relationships are set out under the section headed "Profiles of the Directors and Senior Management" in this annual report.

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

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

Board Composition

The Board currently comprises five executive Directors and six non-executive Directors with four of them being independent Directors:

Executive Directors
Mr. Hung Wei-Pi, John *(Chairman)*
Mr. Raymond N. Chang *(Chief Executive Officer)*
Ms. Hung Ying-Lien *(Chief Financial Officer)*
Mr. Douglas Charles Stuart Fresco
Mr. Edward B. Matthew

Non-executive Directors
Mr. Hsu Ming Chyuan
Mr. Chang An-Li

Independent Non-executive Directors
Mr. Du Hai-Bo
Mr. Zhou Tai-Ming
Mr. Uang Chii-Maw
Mr. Chih T. Cheung (appointed on 28 December 2012)

Mr. Hung Wei-Pi, John is the brother of Ms. Hung Ying-Lien.

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

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

Chairman and Chief Executive Officer

Under A.2.1 of the CG Code, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual". Mr. Hung Wei-Pi, John acted as both the chairman and chief executive officer of the Company during 2011 and up to 31 January 2012. Such deviation is due to the fact that the day-to-day management of the Group was led by Mr. Hung. The Board considers that such arrangement provided the Group with strong and consistent leadership and allowed for effective and efficient planning and implementation of business strategies and decisions. In order to focus on providing leadership for the Board and to comply with the provisions of the CG Code, Mr. Hung Wei-Pi, John resigned as chief executive officer of the Company with effect from 1 February 2012 and was succeeded by Mr. Raymond N. Chang on the same day.

Appointment and Re-Election of Directors

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

Apart from the letters of appointment entered into by each non-executive Director with a fixed term, none of them has signed any form of service contract with the Company or any of its subsidiaries.

Continuous Professional Development of Directors

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

All directors are encouraged to attend relevant training courses at the Company's expenses. During the year ended 31 December 2012, the Company organized briefings conducted by the Company Secretary for all its Directors, namely, Mr. Hung Wei-Pi, John, Mr. Raymond N. Chang, Mr. Wu Kwan-Hong, Ms. Hung Ying-Lien, Mr. Lu Yuan Cheng, Mr. Douglas Charles Stuart Fresco, Mr. Edward B. Matthew, Mr. Low Hsiao-Ping, Mr. Hsu Ming Chyuan, Mr. Chang An-Li, Mr. Du Hai-Bo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw, on corporate governance and update on the Listing Rules amendments and provided reading materials on regulatory update to all the directors for their reference and studying. Besides, Mr. Chang An-Li, Mr. Du Hai-Bo, Mr. Zhou Tai-Ming, Mr. Uang Chii-Maw attended other seminars and training sessions arranged by other professional institutions. Directors are requested to provide their training records to the Company Secretary for keeping record.

Board Committees & Corporate Governance Functions

The Board has established the Remuneration Committee, the Nomination Committee, the Audit Committee, Examination Committee, Strategy Investment and Financing Decision Making Committee for overseeing particular aspects of the Company's affairs. Remuneration Committee, the Nomination Committee and the Audit Committee have been established with defined written terms of reference, which are posted on the Company's website "www.nfa360.com" and the Stock Exchange's website and are available to shareholders upon request. All Board committees report to the Board on their decisions or recommendations.

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

Remuneration Committee

The Remuneration Committee was set up on 31 March 2012. The Remuneration Committee comprises a total of five members, being three independent non-executive directors, namely, Mr. Chih T. Cheung (Chairman), Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw; and two executive directors, namely, Mr. Hung Wei-Pi, John and Mr. Raymond N. Chang.

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

During the year ended 31 December 2012, the Remuneration Committee has performed the following work:

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

- discussion and approval of the grant of share options to Directors and employees of the Company.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2012 are set out in note 10 to the financial statements.

Nomination Committee

The Nomination Committee was set up on 31 March 2012. It comprises a total of five members, being three independent non-executive Directors, namely, Mr. Du Hai-Bo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw and two executive Directors, namely, Mr. Hung Wei-Pi, John (Chairman) and Mr. Raymond N. Chang.

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

During the year ended 31 December 2012, the former Remuneration, Examination and Nomination Committee, through its meeting held on 30 March 2012, and the Nomination Committee, through its meeting held on 28 December 2012, performed the following works:

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

- recommendation of the re-appointment of those directors standing for re-election at the 2012 annual general meeting of the Company; and

- recommendation of appointment of Mr. Chih T. Cheung as independent non-executive director of the Company.

Audit Committee

The Audit Committee comprises a total of three members, namely, Mr. Du Hai-Bo, Mr. Zhou Tai-Ming and Mr. Chih T. Cheung, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Du Hai-Bo who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

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

During the year ended 31 December 2012, the Audit Committee has performed, among others, the following works:

- review and discussion of the annual financial results and report in respect of the year ended 31 December 2011 and interim financial results and report for the six months ended 30 June 2012 and discussion with the management of the accounting principles and practices adopted by the Group;

- discussion and recommendation of the re-appointment of the external auditors; and

- review of the internal control, financial reporting and risk management systems of the Group;

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

Strategy, Investment and Financing Decision Making Committee

The strategy, investment and financing decision making committee of the Company (the "Strategy, Investment and Financing Decision Making Committee") consists of six members, namely Mr. Hung Wei-Pi, John, Ms. Hung Ying-Lien, Mr. Chih T. Cheung, Mr. Raymond N. Chang and Mr. Chang An-Li. Mr. Hung Wei-Pi, John is the chairman of the Strategy, Investment and Financing Decision Making Committee. The duties of the Strategy, Investment and Financing Decision Making Committee include formulating and revising the Group's future development strategies, carrying out procedures and enhancing the efficiency and quality of important decision making procedures. The Strategy, Investment and Financing Decision Making Committee shall convene meetings subject to important investment and financing matters.

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

Corporate Governance Functions

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

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

Attendance Record of Directors and Committee Members

During the year ended 31 December 2012, the Board held 11 Board meetings. The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2012 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. HUNG Wei-Pi, John	11/11	–	3/3	3/3	2/2
Mr. WU Kwan-Hong*	10/11	–	–	–	0/2
Ms. HUNG Ying-Lien	11/11	–	3/3	3/3	0/2
Mr. LU Yuan Cheng*	10/11	–	–	–	0/2
Mr. Raymond N. CHANG	11/11	–	–	–	0/2
Mr. Douglas Charles Stuart FRESCO	9/11	–	–	–	0/2
Mr. Edward B. MATTHEW	6/11	–	–	–	0/2
Mr. CHANG An-Li	9/11	–	–	–	1/2
Mr. DU Hai-Bo	10/11	2/2	3/3	3/3	1/2
Mr. ZHOU Tai-Ming	9/11	2/2	3/3	3/3	0/2
Mr. UANG Chii-Maw	8/11	2/2	3/3	3/3	0/2
Mr. HSU Ming Chyuan	10/11	–	–	–	0/2
Mr. LOW Hsiao-Ping*	0/11	–	–	–	0/2
Mr. CHIH T. Cheung*	0/11	–	–	–	0/2

* Mr. Wu Kwan-Hong, Mr. Lu Yuan Cheng and Mr. Low Hsiao-Ping resigned as directors of the Company and Mr. Chih T. Cheung was appointed as an independent non-executive director of the Company with effect from 28 December 2012.

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2012. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 47 and 48.

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

Internal Controls

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

External Auditors and Auditors' Remuneration

During the year under review, the fees paid/payable to BDO Limited (the "Auditor") in respect of their audit services and non-audit services for the year 2012 amounted to approximately HK$1,830,000 and HK$20,000 respectively. In addition, the Company has engaged the Auditor to perform certain non-audit services in relation to the interim report of the Company and the acquisition of 51% equity interest in Changchun Guangda Automobile Trading Co., Ltd (長春市廣達汽車交易有限公司) and received fee of HK$50,000 and HK$280,000 respectively. The announcement and circular in relation to the forgoing acquisition were published on the Company's website and the Stock Exchange's website on 17 July 2012 and 23 September 2012 respectively. The Group also appoints other auditors to perform service to the Group.

During the year under review, the performance of the Auditor has been reviewed by the Audit Committee and the Audit Committee recommended to the Board (which endorsed the view) that subject to shareholders' approval at the forthcoming annual general meeting the Auditor be re-appointed as the external auditor of the Company for 2013.

Company Secretary

The Company does not engage an external service provider as its company secretary. Mr. Liu Xiaohua, being the secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

Communications with Shareholders and Investors Relations

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

To promote effective communication, the Company maintains a website at “www.nfa360.com”, where extensive information and updates on the Group’s business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company’s head office at No. 1179 Wuzhong Road Minhang District, Shanghai, the People’s Republic of China. Enquiries are dealt with in an informative and timely manner.

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

Code provision A.6.7 stipulates that non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, only Mr. Hung Wei-Pi John, being chairman of the Company and the Nomination Committee, and Mr. Du Hai-Bo, being the chairman of Audit Committee and Remuneration Committee, attended the annual general meeting of the Company held on 8 June 2012. In addition, only Mr. Hung Wei-Pi John and Mr. Chang An-Li, a non-executive Director of the Company, attended the extraordinary general meeting of the Company held on 23 October 2012. Other five non-executive directors failed to attend such general meetings due to their other business engagement. The Company is of the view that the two directors participated in the relevant general meetings were able to answer questions from the shareholders at the general meetings and to develop a balanced understanding of the shareholders’ view.

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

Shareholders’ Rights

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

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

Address: No. 1179 Wuzhong Road Minhang District, Shanghai, the People’s Republic of China
(For the attention of the Company Secretary)
Fax: 86-21-6405-6816
Email: gavin_liu@nfa360.com

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

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

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

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report for the year ended 31 December 2012 (the "Year") and the audited consolidated financial statements (the "Financial Statements") of the Group for the Year.

Group Reorganisation, Subsidiaries and Basis of Presentation

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

Principal Activities

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

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

Results and Dividends

The consolidated results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 49. An analysis of turnover and segmental results for the Year by geographical and business segments is set out in note 6 to the Financial Statements.

The Directors do not recommend the payment of a final dividend for the Year (2011: Nil).

Property, Plant and Equipment

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

Investment Properties

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

Share Capital

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

Reserves

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

Distributable Reserves

Under the Companies Law of the Cayman Islands, share premium amounting to approximately RMB296,192,000 is distributable to shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to settle its debts as they fall due in the ordinary course of business.

As at 31 December 2012, the reserve available for distribution to Shareholders of the Company amounted to approximately RMB129,718,000.

Closure of Register of Members

The register of members will be closed from 5 June 2013 to 7 June 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 4 June 2013.

Directors

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

Executive Directors

Hung Wei-Pi, John *(Chairman)*
Raymond N. Chang (*Chief Executive Officer*) (appointed with effect from 1 February 2012)
Wu Kwan-Hong (resigned with effect from 28 December 2012)
Hung Ying-Lien (*Chief Financial Officer*)
Lu Yuan Cheng (resigned with effect from 28 December 2012)
Douglas Charles Stuart Fresco
Edward B. Matthew

Non-executive Directors

Low Hsiao-Ping (resigned with effect from 28 December 2012)
Hsu Ming Chyuan
Chang An-Li

Independent Non-executive Directors

Du Hai-Bo
Zhou Tai-Ming
Uang Chii-Maw
Chih T. Cheung (appointed with effect from 28 December 2012)

Directors *(Continued)*

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

In accordance with Article 87(1) of the Company's articles of association, Mr. Du Hai-Bo, Mr. Hsu Ming Chyuan, Mr. Hung Wei-Pi John and Mr. Edward B. Matthew will retire by rotation at the forthcoming annual general meeting of the Company. All such Directors being eligible, offer themselves for re-election. According to Article 86(3) of the Company's articles of association, the Board appointed Mr. Chin T. Cheung as independent non-executive director of the Company with effect from 28 December 2012. Mr. Cheung is due to retire at the forthcoming annual general meeting of the Company and, being eligible, has offered himself for re-election.

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

Directors' Service Contracts

Each of Mr. Hung Wei-Pi, John, Ms. Hung Ying-Lien and Mr. Douglas Charles Stuart Fresco, all being executive directors, has entered into a new service contract with the Company for another term of three years commencing from 13 February 2011, subject to retirement by rotation in accordance with the articles of association of the Company.

Mr. Edward B. Matthew, an executive director, has entered into a service contract with the Company for a term of three years commencing from 26 August 2010, subject to retirement by rotation in accordance with the articles of association of the Company.

Mr. Raymond N. Chang, an executive director, has entered into a service contract with the Company for a term of three years commencing from 1 February 2012 subject to retirement by rotation in accordance with the articles of association of the Company.

Pursuant to the respective letters of appointment of the independent non-executive directors, namely, Mr. Du Hai-Bo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw, each of them was re-appointed for a term of three years commencing from 13 February 2011, subject to retirement by rotation in accordance with the articles of association of the Company.

Pursuant to the letter of appointment of the non-executive director, Mr. Hsu Ming Chyuan was re-appointed for a term of one year commencing from 30 March 2013, subject to retirement by rotation in accordance with the articles of association of the Company.

Directors' Service Contracts *(Continued)*

Pursuant to the letter of appointment, the independent non-executive director Mr. Chin T. Cheung was appointed for a term of three years commencing from 28 December 2012, subject to retirement by rotation in accordance with the articles of association of the Company.

Mr. Chang An-Li, a non-executive director, has entered into a service contract with the Company for a term of three years commencing from 5 December 2011, subject to retirement by rotation in accordance with the articles of association of the Company.

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

Directors' Interests in Contracts

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

Management Contracts

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

Share Option Scheme

The Company conditionally adopted a share option scheme (the "Scheme") on 13 February 2005 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 28 February 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme is 40,000,000 shares, representing 10% and 6.44% of the shares of the Company in issue as at the date of listing of the Company and as at the date of this annual report respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and may be issued under share options granted to each eligible participant in the Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share Option Scheme *(Continued)*

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

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

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

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

As at 31 December 2012, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 10,040,000 shares. The total number of shares available for issue under the Scheme (excluding share options already granted) is 24,005,000 shares, representing approximately 4.06% of the total issued share capital of the Company as at that date.

Share Option Scheme (Continued)

As at 31 December 2012, details of share options granted under the Scheme are as follows:

Name of option holder	Date of grant	Exercise period	Exercise price (per share)	Closing price of share on date of grant (per share)	Number of underlying shares subject to options outstanding as at 1 January 2012	Number of underlying shares subject to options granted since 1 January 2012	Number of options exercised/ lapsed/ cancelled since 1 January 2012	Number of underlying shares subject to options outstanding as at 31 December 2012
Mr. Raymond N. Chang *Executive Director*	11 June 2012	1 July 2012 to 31 December 2012	HK$1.25	HK$1.25	–	5,700,000	5,700,000	–
Mr. Wu Kwan-Hong *Former Executive Director (Note 1)*	28 February 2005	1 January 2006 to 27 June 2013	HK$0.94	HK$0.94	3,400,000	–	–	3,400,000
	11 June 2012	1 July 2012 to 31 December 2012	HK$1.25	HK$1.25	–	2,000,000	2,000,000	–
Ms. Hung Ying-Lien *Executive Director*	28 February 2005	1 January 2006 to 12 February 2015 *(Note 2)*	HK$0.94	HK$0.94	3,400,000	–	–	3,400,000
	11 June 2012	1 July 2012 to 31 December 2012	HK$1.25	HK$1.25	–	2,400,000	2,400,000	–
Mr. Lu Yuan Cheng *Former Executive Director (Note 1)*	28 February 2005	1 January 2006 to 27 June 2013 *(Note 1)*	HK$0.94	HK$0.94	3,240,000	–	–	3,240,000
Employees under continuous contracts in aggregate	11 June 2012	1 July 2012 to 31 December 2012	HK$1.25	HK$1.25	–	13,400,000	13,400,000	–
Total					10,040,000	23,500,000	23,500,000	10,040,000

Notes:

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

2. None of the share option was exercised during the period from 1 January 2012 to 31 December 2012 and the remaining share options are exercisable during the period from 1 January 2013 to 12 February 2015 subject to such performance targets or conditions as determined by the Board.

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

As at 31 December 2012, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

(a) Interest in shares of the Company

Name	Capacity/Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Percentage of issued shares
Mr. Hung Wei-Pi, John	Interest in a controlled company *(Note 2)*	169,506,120(L)	28.67%
Mr. Raymond N. Chang	Family Interest *(Note 3)*	7,900,000(L)	1.34%
Mr. Douglas Charles Stuart Fresco	Interest in a controlled company *(Note 4)*	53,590,690(L)	9.06%
	Beneficial owner *(Note 4)*	3,665,115(L)	0.62%
Ms. Hung Ying-Lien	Beneficial owner	383,145(L)	0.06%
Mr. Edward B. Matthew	Beneficial owner	21,922,350(L)	3.71%

Notes:

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

2. These shares are registered in the name of and beneficially owned by Sharp Concept Industrial Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Hung Wei-Pi, John. Under the SFO, Mr. Hung Wei-Pi, John is deemed to be interested in all the shares of the Company held by Sharp Concept Industrial Limited.

3. 150,000 Taiwan Depository Receipts, representing 150,000 shares, are registered in the name of Ms. Wong Chin-Wei, spouse of Mr. Raymond N. Chang. 7,750,000 shares are registered in the name of and beneficially owned by Full Chance Finance Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Ms. Wong Chin-wei. Under the SFO, Mr. Raymond N. Chang is deemed to be interested in all the shares held by Ms. Wong Chin-wei and Full Chance Finance Limited.

4. 53,590,690 shares are registered in the name of and beneficially owned by Golden Century Industrial Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Douglas Charles Stuart Fresco. Under the SFO, Mr. Douglas Charles Stuart Fresco is deemed to be interested in all the shares of the Company held by Golden Century Industrial Limited. The remaining 3,665,115 shares are registered in the name of Mr. Douglas Charles Stuart Fresco.

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

(Continued)

(b) Interests in the underlying shares of the Company through equity derivatives

Certain Directors were granted share options under the share option scheme of the Company dated 13 February 2005. Share options granted to the Directors to subscribe for shares of the Company which were outstanding on 31 December 2012 were as follows:

Name	Nature of interest	Number of underlying shares in respect of options granted	Exercise period	Price for grant	Exercise price	Percentage of issued share capital of the Company (%)
Ms. Hung Ying-Lien	Beneficial owner	3,400,000(L)	1 January 2006 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)	0.58%

Note:

The letter "L" denotes a long position in underlying shares.

Save as disclosed above, as at 31 December 2012, to the best knowledge of the Directors, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

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

So far as is known to the Directors and chief executives of the Company, as at 31 December 2012, the following persons (other than Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives	Total number of shares/ underlying shares under equity derivatives	Percentage of issued shares
Sharp Concept Industrial Limited	Beneficial owner	169,506,120(L)	Nil	169,506,120	28.67%
Ms. Jin Xiao-Yan	Family interest *(Note 2)*	169,506,120(L)	Nil	169,506,120	28.67%
Golden Century Industrial Limited	Beneficial owner *(Note 3)*	53,590,690(L)	Nil	53,590,690	9.06%
STIC Korea Integrated – Technologies New Growth Engine Private Equity Fund	Beneficial owner	Nil	78,923,254(L) *(Note 4)*	78,923,254	13.35%

Notes:

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

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

3. Golden Century Industrial Limited is wholly and beneficially owned by Mr. Douglas Charles Stuart Fresco.

4. These represent the underlying shares issuable upon the conversion of the convertible bonds issued to STIC Korea Integrated – Technologies New Growth Engine Private Equity Fund by the Company on 5 December 2011.

Save as disclosed above, as at 31 December 2012, the Directors are not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Arrangements to Purchase Shares or Debentures

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

Pre-emptive Rights

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

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

During the Year, the Company repurchased 3,592,000 ordinary shares of the Company on the Hong Kong Stock Exchange under the general mandate granted at the annual general meeting held on 10 June 2011. Save as disclosed, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

The details of the purchase of shares by the Company during the Year under review are as follows:

Month	Highest price (HK$)	Lowest price (HK$)	Average price (HK$)	Number of shares repurchased	Aggregate consideration paid (excluding expenses) (HK$)
January 2012	1.68	1.65	1.66	196,000	324,360.00
February 2012	2.04	1.75	2.01	848,000	1,715,240.00
April 2012	1.91	1.82	1.86	2,548,000	4,743,379.60

The Board considers that the purchase of shares by the Company leads to an enhancement of the net asset value per share of the Company and is in the best interest of the Company and its shareholders.

Connected Transaction

During 2012, the following connected transaction was carried out by the Company and its subsidiaries pursuant to Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange. Such connected transactions are subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirements under the Listing Rules.

Acquisition of 12% Equity Interest in Zhejiang Autoboom and Revocation of the Acquisition

On 30 March 2012, the Company entered into the Equity Transfer Agreement pursuant to which the Company has conditionally agreed to acquire 12% equity interest in Zhejiang Autoboom, of which 4.553%, 2.462%, 2.462% and 2.523% to be transferred by each of Mr. Lin Yun Ling (林雲玲), Mr. Chen Gao Sen (陳高森), Mr. Chen Xian Ping (陳先平) and Mr. Chen Jin Guo (陳金國) who are all substantial shareholders of Zhejiang Autoboom (collectively referred to as the "Vendors"), at a consideration of RMB37,247,000 payable in cash. Upon completion of transfer of equity interest, the Company's interest in Zhejiang Autoboom has been increased from 51% to 63%.

The Company and the Vendors entered into the Revocation Agreement, which became effective on 7 December 2012, to revoke the forgoing Equity Transfer Agreement. In accordance with the Revocation Agreement, the Company agreed to transfer the 12% equity interest in Zhejiang Autoboom back to the Vendors and the Vendors agreed to return to the Company RMB14,898,800, being the First Installment under the Equity Transfer Agreement. Upon completion of the revocation which occurred on 20 December 2012, the Company's interest in Zhejiang Autoboom has been decreased from 63% to 51%.

Custom Accessories Sales Agreement (Continuing Connected Transaction)

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

The sales of products to Custom Accessories and its related company by NFAP and NF Light & Power for the Year amounted to approximately RMB6,523,000.

Connected Transaction *(Continued)*

Confirmation from auditor

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

(1) was approved by the Board;

(2) was in accordance with the pricing policies of the Company;

(3) was entered into in accordance with the terms of the agreement governing the transaction; and

(4) has not exceeded the cap amount announced by the Company and/or specified within the relevant agreement, where applicable.

Confirmation of Independent Non-executive Directors

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

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

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

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

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

Major Customers and Suppliers

Sales to our five largest customers accounted for approximately 11.64% of the total revenue for the Year, whereas the largest customer accounted for 5.29%. Purchases from the five largest suppliers were less than 30% of the total purchases for the Year.

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

Public Float

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

Auditor

The financial statements have been audited by BDO Limited. At the forthcoming annual general meeting, the Company will propose a resolution to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board
Hung Wei-Pi, John
Chairman

Hong Kong, 27 March 2013

BDO

Tel: +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEW FOCUS AUTO TECH HOLDINGS LIMITED
（新焦點汽車技術控股有限公司）
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Focus Auto Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements which indicates that the Group incurred a loss for the year of approximately RMB357,860,000 for the year ended 31 December 2012 and, as of that date, the Group's and the Company's current liabilities exceeded the current assets by approximately RMB90,422,000 and RMB97,797,000, respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	6	**1,397,885**	1,493,140
Cost of sales		**(1,003,715)**	(1,086,669)
Gross profit		**394,170**	406,471
Other revenue and gains and losses	7	**16,446**	18,557
Distribution costs		**(304,344)**	(226,468)
Administrative expenses		**(159,909)**	(93,009)
Impairment loss on goodwill	19	**(164,673)**	(155)
Impairment loss on other intangible assets	20	**(123,288)**	–
Impairment loss on property, plant and equipment	16	**(4,141)**	–
Finance costs	8	**(28,138)**	(19,630)
(Loss)/profit before income tax expense	9	**(373,877)**	85,766
Income tax expense	11	**16,017**	(25,251)
(Loss)/profit for the year		**(357,860)**	60,515
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations	15	**2,553**	(4,214)
Total comprehensive income for the year		**(355,307)**	56,301
(Loss)/profit for the year attributable to:			
Owners of the Company	12	**(324,262)**	28,127
Non-controlling interests		**(33,598)**	32,388
		(357,860)	60,515
Total comprehensive income for the year attributable to:			
Owners of the Company		**(322,125)**	24,668
Non-controlling interests		**(33,182)**	31,633
		(355,307)	56,301
(Loss)/earnings per share:	14		
– Basic (RMB cents)		**(47.40)**	4.91
– Diluted (RMB cents)		**(47.40)**	4.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**247,137**	219,100
Leasehold land and land use rights	*17*	**43,053**	17,688
Investment properties	*18*	**47,141**	46,764
Goodwill	*19*	**302,244**	285,992
Other intangible assets	*20*	**261,210**	336,275
Deferred tax assets	*30*	**2,859**	222
Prepayments for acquisition of land use right and property, plant and equipment	*24(b)*	**1,133**	14,108
Prepayment for proposed acquisition of subsidiaries	*24(b)*	**1,000**	1,500
		905,777	921,649
Current assets			
Inventories	*23*	**293,834**	310,469
Tax recoverable		**113**	1,260
Trade receivables	*24(a)*	**193,200**	230,373
Deposits, prepayments and other receivables	*24(b)*	**149,758**	98,275
Amounts due from related companies	*25(a)*	**8,800**	11,064
Trading securities	*22*	**243**	243
Pledged time deposits	*34*	**8,588**	3,587
Cash and cash equivalents	*34*	**133,726**	326,840
		788,262	982,111
Current liabilities			
Bank borrowings, secured	*26*	**249,307**	175,549
Trade payables	*27*	**241,484**	215,701
Accruals and other payables		**155,091**	189,213
Amount due to a related party	*25(c)*	**10,998**	1,000
Amounts due to non-controlling owners of subsidiaries	*25(b)*	**14,704**	10,957
Renminbi-denominated bonds	*28*	**199,372**	–
Tax payable		**7,728**	10,178
		878,684	602,598
Net current (liabilities)/assets		**(90,422)**	379,513
Total assets less current liabilities		**815,355**	1,301,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank borrowings, secured	*26*	**13,648**	11,898
Renminbi-denominated bonds	*28*	**–**	197,879
Convertible bonds	*29*	**129,881**	122,261
Deferred tax liabilities	*30*	**67,792**	86,524
Consideration payables	*33*	**78,346**	7,002
		289,667	425,564
Net assets		**525,688**	875,598
CAPITAL AND RESERVES			
Share capital	*31*	**59,443**	58,256
Reserves		**224,913**	559,397
Equity attributable to owners of the Company		**284,356**	617,653
Non-controlling interests		**241,332**	257,945
Total equity		**525,688**	875,598

These financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

Mr. Hung Wei-Pi, John
Director

Ms. Hung Ying-Lien
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**39**	48
Interests in subsidiaries	*21*	**529,382**	489,630
		529,421	489,678
Current assets			
Deposits, prepayments and other receivables		**451**	2,077
Short-term loan to a subsidiary	*21*	**104,000**	167,000
Pledged time deposits	*34*	**1,889**	–
Cash and cash equivalents	*34*	**8,485**	144,965
		114,825	314,042
Current liabilities			
Bank borrowing, secured	*26*	**3,143**	6,300
Accruals and other payables		**6,037**	4,164
Renminbi-denominated bonds	*28*	**199,372**	–
Amounts due to subsidiaries	*21*	**4,070**	1,827
		(212,622)	12,291
Net current (liabilities)/assets		**(97,797)**	301,751
Total assets less current liabilities		**431,624**	791,429
Non-current liabilities			
Renminbi-denominated bonds	*28*	**–**	197,879
Convertible bonds	*29*	**129,881**	122,261
		129,881	320,140
Net assets		**301,743**	471,289

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES			
Share capital	*31*	**59,443**	58,256
Reserves	*32(ii)*	**242,300**	413,033
Total equity		**301,743**	471,289

These financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

Mr. Hung Wei-Pi, John
Director

Ms. Hung Ying-Lien
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital RMB'000 *(Note 31)*	Share premium RMB'000 *(Note 32(i)(a))*	Statutory reserve fund RMB'000 *(Note 32(i)(b))*	Re-organisation reserve RMB'000 *(Note 32(i)(c))*	Enterprise expansion fund RMB'000 *(Note 32(i)(d))*	Convertible bonds reserve RMB'000 *(Note 32(i)(g))*	Others RMB'000 *(Note 32(i)(e))*	Capital redemption reserve RMB'000	Exchange reserve RMB'000 *(Note 32(i)(f))*	Retained profits/ (accumulated losses) RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	55,317	223,155	33,150	2,738	2,756	–	55,630	697	(4,418)	113,755	482,780	183,835	666,615
Profit for the year	–	–	–	–	–	–	–	–	–	28,127	28,127	32,388	60,515
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	(3,459)	–	(3,459)	(755)	(4,214)
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	(3,459)	28,127	24,668	31,633	56,301
Transfer of reserves	–	–	4,282	–	–	–	–	–	–	(4,282)	–	–	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	–	–	250	–	–	–	250	–	250
Consideration issues *(Note 33)*	3,496	73,776	–	–	–	–	(49,800)	–	–	–	27,472	–	27,472
Repurchases and cancellation of shares *(Note 31(i))*	(557)	(10,460)	–	–	–	–	–	557	–	(557)	(11,017)	–	(11,017)
Issue of convertible bonds *(Note 29)*	–	–	–	–	–	110,427	–	–	–	–	110,427	–	110,427
Arising from acquisitions of subsidiaries *(Note 33)*	–	–	–	–	–	–	–	–	–	–	–	48,234	48,234
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(16,927)	(16,927)	(5,707)	(22,634)
De-registration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(50)	(50)
At 31 December 2011 and 1 January 2012	58,256	286,471	37,432	2,738	2,756	110,427	6,080	1,254	(7,877)	120,116	617,653	257,945	875,598
Loss for the year	–	–	–	–	–	–	–	–	–	(324,262)	(324,262)	(33,598)	(357,860)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	2,137	–	2,137	416	2,553
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	2,137	(324,262)	(322,125)	(33,182)	(355,307)
Transfer of reserves	–	–	3,511	–	–	–	–	–	–	(3,511)	–	–	–
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	–	–	–	150	–	–	–	150	–	150
Consideration issues *(Note 33)*	1,478	14,933	–	–	–	–	–	–	–	–	16,411	–	16,411
Repurchases and cancellation of shares *(Note 31(i))*	(291)	(5,212)	–	–	–	–	–	291	–	(291)	(5,503)	–	(5,503)
Arising from acquisitions of subsidiaries *(Note 33)*	–	–	–	–	–	–	–	–	–	–	–	38,988	38,988
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(41,841)	(41,841)	(32,646)	(74,487)
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	19,611	19,611	17,636	37,247
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(7,409)	(7,409)
At 31 December 2012	59,443	296,192	40,943	2,738	2,756	110,427	6,230	1,545	(5,740)	(230,178)	284,356	241,332	525,688

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Operating activities		
(Loss)/profit before income tax expense	**(373,877)**	85,766
Adjustments for:		
Impairment of inventories	**15,637**	806
Depreciation of property, plant and equipment	**45,857**	36,130
Amortisation of leasehold land and land use rights	**804**	494
Amortisation of other intangible assets	**225**	782
Additional allowance for doubtful debts on trade receivables	**13,879**	5
Additional allowance for doubtful debts on other receivables	**1,214**	–
Impairment on goodwill	**164,673**	155
Impairment on other intangible assets	**123,288**	–
Impairment on property, plant and equipment	**4,141**	–
Equity-settled share-based payments	**150**	250
Interest income from bank deposits	**(1,458)**	(1,437)
Loss/(gain) on disposal of property, plant and equipment	**150**	(641)
Fair value gain on investment properties	**(377)**	(659)
Fair value loss on trading securities	**–**	39
Interest expenses on bank borrowings	**11,504**	15,307
Imputed interest on Renminbi-denominated bonds	**9,014**	3,722
Imputed interest on convertible bonds	**7,620**	601
Gain on de-registration of a subsidiary	**–**	(50)
Gain on change in fair value of contingent consideration payable for acquisition of a subsidiary	**(3,281)**	–
Operating cash flows before working capital changes	**19,163**	141,270
Decrease/(increase) in inventories	**27,725**	(49,909)
Decrease/(increase) in trade receivables	**30,399**	(89,260)
Increase in deposits, prepayments and other receivables	**(51,742)**	(9,621)
Decrease/(increase) in amounts due from related companies	**2,264**	(9,442)
Increase in trade payables	**6,404**	44,612
Decrease in accruals and other payables	**(2,521)**	(14,513)
Cash generated from operations	**31,692**	13,137
Income tax paid	**(17,718)**	(23,373)
Interest paid	**(19,025)**	(15,307)
Net cash used in operating activities	**(5,051)**	(25,543)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Investing activities		
Purchase of other intangible assets	**(34)**	–
Purchase of property, plant and equipment	**(58,709)**	(54,098)
Purchase of land use right	**(346)**	–
Proceeds from disposal of property, plant and equipment	**6,509**	1,765
Prepayments for acquisition of land use right, property, plant and equipment, and proposed acquisition of subsidiaries	**(2,133)**	(15,608)
Net cash outflow arising from acquisitions of subsidiaries	**(84,041)**	(99,387)
Considerations paid for acquisition of subsidiaries	**(79,245)**	–
(Increase)/decrease in pledged time deposits	**(5,001)**	117,239
Interest received	**1,458**	1,437
Net cash used in investing activities	**(221,542)**	(48,652)
Financing activities		
Proceeds from issue of Renminbi-denominated bonds	**–**	200,000
Issue costs of Renminbi-denominated bonds	**–**	(3,030)
Proceeds from issue of convertible bonds	**–**	241,999
Issue costs of convertible bonds	**–**	(9,912)
Proceeds from new bank loans	**299,069**	196,600
Repayment of bank loans	**(224,316)**	(253,578)
Repayment to directors	**–**	(16)
(Repayment)/advance from non-controlling owners of subsidiaries	**(6,957)**	6,207
Advance/(repayment) of loan to a non-controlling owner of a subsidiary	**1,278**	(7,000)
Advance from a related party	**9,998**	1,000
Repurchases of shares	**(5,503)**	(11,017)
Net cash outflow arising from acquisition of additional interests in subsidiaries	**(37,240)**	(22,634)
Dividend paid to non-controlling owner of a subsidiary	**(2,705)**	–
Net cash generated from financing activities	**33,624**	338,619
Net (decrease)/increase in cash and cash equivalents	**(192,969)**	264,424
Cash and cash equivalents at beginning of year	**326,840**	63,216
Effect of foreign exchange rate changes	**(314)**	(800)
Cash and cash equivalents at end of year	**133,557**	326,840
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**133,726**	326,840
Bank overdrafts	**(169)**	–
	133,557	326,840

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and the provision of automobile repair, maintenance; and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region and trading of automobile accessories. Further details of the Company's subsidiaries are set out in Note 21. The Company and its subsidiaries are collectively referred to the Group.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendment to HKFRSs – first effective on 1 January 2012

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle[2]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS27 (2011)	Investment entities[3]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2009–2011 Cycle

The improvements made amendments to the following standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRSs. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(Continued)*

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities
The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities
The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

HKFRS 9 – Financial Instruments
Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKSAs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost basis, as modified for the revaluation of investment properties, trading securities and contingent consideration payables which were carried at fair value as explained in the accounting policies set out below.

During the year, the Group has incurred a loss of approximately RMB357,860,000 and at the end of reporting period, the Group's and the Company's current liabilities exceeded the current assets by approximately RMB90,422,000 and RMB97,797,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern, and therefore the Group and the Company may not be able to realise assets and discharge liabilities in the normal course of business. The directors of the Company plan to improve the Group's and the Company's financial performance by undertaking the following measures:

(i) The Group is in the progress of proactive negotiation with the banks and financial institutions to fully refinance the Company's Renminbi-denominated bonds with the principal amount of RMB200,000,000 which would be due for repayment in August 2013. As at the date of this report, the Company successfully obtained a proposal from a bank in connection with the obtaining of a syndicated loan facility of US$45,000,000 (equivalent to approximately RMB283,550,000) to the Group with a maturity of 3 years from the date of drawdown. The directors of the Company believe that this refinancing plan will be successful.

(ii) The Group undertakes an extensive restructuring program to reduce operating costs which includes taking steps to reduce discretionary expenses and administrative costs.

The directors of the Company also took into accounts of undrawn committed banking facilities of approximately RMB217,628,000 available to the Group as at 31 December 2012 in respect of which all conditions precedent were met.

Having regard to the cash flow projection of the Group, the directors of the Company are of the opinion that, in light of the above measures and considerations, the Group and the Company will have sufficient resources to satisfy future working capital and other financing requirements for twelve months from the end of the reporting period. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group and the Company be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not yet been reflected in the financial statements.

3. BASIS OF PREPARATION *(Continued)*

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets.

All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as change to other comprehensive income.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(b) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(c) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent period.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The historical cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Freehold land	Not depreciated
Buildings	5%
Leasehold improvements	Over the remaining term of the lease but not exceeding 10 years
Plant and machinery	10% to 33%
Motor vehicles	20%
Office equipment, furniture and fixtures	20% to 33%

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction as well as borrowing costs capitalised during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and its carrying amount, and is recognised in profit or loss.

(e) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at their costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

(f) Other intangible assets

Other intangible assets are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, other intangible assets with indefinite useful lives are carried at cost less any impairment losses and other intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any change in estimate being accounted for on a prospective basis. The principal annual rates of other intangible assets with definite useful lives are as follows:

Trademarks with definite useful lives	6.6% to 10%
Technical know-how	20%

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(g) Impairment of tangible and intangible assets excluding goodwill

At end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued using a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. During the year, the Group's financial assets are classified as financial assets at fair value through profit or loss, and loans and receivables. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For the Group's loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

4. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(j) Financial assets *(Continued)*

(iii) Impairment of financial assets (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other current receivables and other financial assets carried at amortised cost, if any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets *(Continued)*

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(k) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iii) Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

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

(iii) Convertible bonds (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds reserve will be released to the retained earnings/accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

(iv) Other financial liabilities

Other financial liabilities of the Group are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight line basis over the lease term. Where the Group is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and land use rights held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense and less any impairment losses.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Income taxes *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(p) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(p) Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

(q) Employees' benefits

(i) Short-term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligation once the contributions have been paid.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (i.e. share options reserve), based on the Group's estimate of equity instruments that will eventually vest. At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

At the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

(s) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Revenue from the sale of products is recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Revenue for providing services is recognised to the extent of services rendered and according to the terms of the agreement.

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

(v) Subsidies from the government are recognised at their fair values when there is reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

(vi) Sponsorship income is recognised on an accrual basis when the right to receive has been established.

(v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

The following is the critical judgement that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recognised in financial statements.

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

(a) Critical judgments in applying accounting policies *(Continued)*

(i) *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) *Other intangible assets and amortisation*

The Group determines the estimated useful lives and related amortisation for the Group's other intangible assets. The useful lives of other intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Other intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

(iii) *Going concern*

These financial statements have been prepared on a going concern basis and the details are explained in Note 3(b).

(b) Key sources of estimation uncertainty

(i) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Further details are set out in Note 19.

(ii) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at end of each reporting period.

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

(b) Key sources of estimation uncertainty *(Continued)*

(iii) Impairment of trade and other receivables

The Group's management determines the allowance for impairment of trade and other receivables. This estimate is based on the credit history of its customers and debtors and the current market condition. Management will reassess the allowance at end of each reporting period.

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Estimate of the contingent consideration payables based on post-acquisition performance of the subsidiaries

In connection with the acquisition of subsidiaries, the contingent consideration payables are based on post-acquisition performance of the subsidiaries and other conditions, details of which are set out in Note 33.

6. TURNOVER AND SEGMENT INFORMATION

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

	2012 RMB'000	2011 RMB'000
Sale of goods	**938,348**	1,071,486
Service income	**459,537**	421,654
	1,397,885	1,493,140

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group operates in two reportable segments: (i) the manufacture and sale of automobile accessories; and (ii) the provision of automobile repair, maintenance and restyling services and trading of automobile accessories.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

Set out below is an analysis of information of these segments:

2012	Manufacture and sale of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services and trading of automobile accessories RMB'000	Consolidated RMB'000
RESULTS:			
External sales revenue	391,836	1,006,049	1,397,885
Inter-segment sales revenue	171,255	36,997	208,252
Reportable segment revenue	563,091	1,043,046	1,606,137
Less: Inter-segment elimination			(208,252)
			1,397,885
Reportable segment results	(2,775)	(322,371)	(325,146)
Interest income	128	963	1,091
Unallocated interest income			367
Total interest income			1,458
Interest expenses	(1,457)	(2,073)	(3,530)
Unallocated interest expenses			(24,608)
Total interest expenses			(28,138)
Impairment loss on goodwill	–	(164,673)	(164,673)
Impairment loss on other intangible assets	–	(123,288)	(123,288)
Impairment loss on property, plant and equipment	–	(4,141)	(4,141)
Depreciation and amortisation charges	(17,474)	(29,403)	(46,877)
Unallocated depreciation and amortisation charges			(9)
Total depreciation and amortisation charges			(46,886)
Reportable segment assets	413,738	1,229,352	1,643,090
Total additions to non-current assets	19,783	53,380	73,163
Reportable segment liabilities	323,445	509,162	832,607

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

2011	Manufacture and sale of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services and trading of automobile accessories RMB'000	Consolidated RMB'000
RESULTS:			
External sales revenue	481,064	1,012,076	1,493,140
Inter-segment sales revenue	29,693	30,004	59,697
Reportable segment revenue	510,757	1,042,080	1,552,837
Less: Inter-segment elimination			(59,697)
			1,493,140
Reportable segment results	12,069	99,012	111,081
Interest income	234	769	1,003
Unallocated interest income			434
Total interest income			1,437
Interest expenses	(11,192)	(2,810)	(14,002)
Unallocated interest expenses			(5,628)
Total interest expenses			(19,630)
Depreciation and amortisation charges	(18,737)	(18,638)	(37,375)
Unallocated depreciation and amortisation charges			(31)
Total depreciation and amortisation charges			(37,406)
Reportable segment assets	399,630	1,351,778	1,751,408
Additions to non-current assets	10,607	43,483	54,090
Unallocated additions to non-current assets			8
Total additions to non-current assets			54,098
Reportable segment liabilities	264,519	387,169	651,688

6. *TURNOVER AND SEGMENT INFORMATION (Continued)*

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

	2012 RMB'000	2011 RMB'000
(Loss)/profit before income tax expense:		
Reportable segment (loss)/profit	**(325,146)**	111,081
Unallocated other revenue and gains and losses	**558**	583
Unallocated corporate expenses	**(24,681)**	(20,270)
Unallocated finance costs	**(24,608)**	(5,628)
Consolidated (loss)/profit before income tax expense	**(373,877)**	85,766

	2012 RMB'000	2011 RMB'000
Assets:		
Reportable segment assets	**1,643,090**	1,751,408
Unallocated corporate assets	**50,949**	152,352
Consolidated total assets	**1,694,039**	1,903,760
Liabilities:		
Reportable segment liabilities	**832,607**	651,688
Unallocated corporate liabilities	**335,744**	376,474
Consolidated total liabilities	**1,168,351**	1,028,162

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(c) Geographical segments

Segment revenue from external customers of the Group and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets") by geographical locations is presented as below:

	Revenue from external customers		Specified non-current assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (Place of domicile)	**911,895**	858,011	**824,465**	876,079
America	**246,039**	331,137	**–**	–
Europe	**33,184**	47,330	**–**	–
Asia Pacific	**24,314**	40,145	**–**	–
Taiwan	**182,453**	216,517	**78,453**	45,348
	1,397,885	1,493,140	**902,918**	921,427

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

(d) Major customers

During the year, the Group's customer base is diversified and there was no customer (2011: Nil) with whom transactions exceeded 10% of the Group's revenues.

7. OTHER REVENUE AND GAINS AND LOSSES

	Note	2012 RMB'000	2011 RMB'000
Gross rentals from investment properties and other rental income (Outgoing: RMBNil (2011: RMBNil))		**5,104**	6,785
Interest income from bank deposits		**1,458**	1,437
(Loss)/gain on disposal of property, plant and equipment		**(150)**	641
Fair value gain on investment properties	18	**377**	659
Sale of scrap inventories and sample income		**495**	1,589
Government subsidies#		**2,586**	2,490
Compensation income from lessors on early termination of operating leases		**174**	508
Sponsorship income		**395**	1,145
Gain on de-registration of a subsidiary		**–**	50
Exchange gains, net		**323**	–
Gain on change in fair value of contingent consideration payable for acquisition of a subsidiary*		**3,281**	–
Others		**2,403**	3,253
		16,446	18,557

The balance represented compensation income from local governments for taxes paid by certain subsidiaries in the PRC and subsidies granted by the PRC local governments.

* The Group's acquisition consideration for equity interests in certain subsidiaries consisted of fixed consideration and contingent acquisition consideration which is calculated in accordance with the terms and calculation method of the contingent consideration payables stipulated in the related acquisition agreements and disclosed in Notes 33 and 42.

8. FINANCE COSTS

	Notes	2012 RMB'000	2011 RMB'000
Interest expense on bank borrowings wholly repayable			
– within five years		**11,283**	15,307
– after five years		**221**	–
Imputed interest on Renminbi-denominated bonds	28	**9,014**	3,722
Imputed interest on convertible bonds	29	**7,620**	601
		28,138	19,630

9. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	Notes	2012 RMB'000	2011 RMB'000
This is arrived at after charging/(crediting):			
Exchange (gains)/losses, net		**(323)**	3,138
Cost of inventories *(Note)*		**310,614**	378,726
Cost of services *(Note)*		**677,464**	707,137
Impairment of inventories		**15,637**	806
		1,003,715	1,086,669
Depreciation of property, plant and equipment	*16*	**45,857**	36,130
Amortisation of:			
Leasehold land and land use rights	*17*	**804**	494
Other intangible assets*	*20*	**225**	782
Total depreciation and amortisation charges		**46,886**	37,406
Additional allowance for doubtful debts on trade receivables	*24*	**13,879**	5
Additional allowance for doubtful debts on other receivables		**1,214**	–
Auditors' remuneration		**2,075**	1,338
Fair value loss on trading securities		**–**	39
Employee benefit expenses (including directors' remuneration) *(Note 10(a))*:			
Salaries and allowances		**200,763**	150,145
Pension fund contributions		**20,941**	19,122
Equity-settled share-based payments	*38*	**150**	250
Compensation for loss of office of a director		**2,000**	–
Other benefits		**9,930**	10,724
Total employee benefit expenses		**233,784**	180,241

Note: Costs of inventories and services includes RMB57,548,000 (2011: RMB55,895,000) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

* Included in administrative expenses.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The directors' remuneration for the years ended 31 December 2012 and 2011 is set out below:

2012

Name of directors	Fees RMB'000	Salaries and other allowances RMB'000	Total RMB'000
Executive directors:			
Hung Wei-Pi, John	–	1,956	1,956
Raymond N. Chang (Chief Executive Officer)	–	1,800	1,800
Wu Kwan-Hong	–	3,257	3,257
Hung Ying-Lien	–	1,491	1,491
Lu Yuan Cheng	–	2,408*	2,408
Douglas Charles Stuart Fresco	–	49	49
Edward B. Matthew (Mr. Matthew)	–	49	49
Non-executive directors:			
Low Hsiao-Ping	–	60	60
Hsu Ming Chyuan	–	60	60
Chang An-Li	–	–	–
Independent non-executive directors:			
Du Hai-Bo	84	–	84
Zhou Tai-Ming	84	–	84
Uang Chii-Maw	84	–	84
Chih T. Cheung	–	–	–
	252	11,130	11,382

* Included in the balance is compensation for loss of office as a director to Mr Lu Yuan Cheng amounted to RMB2,000,000.

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

(a) Directors' remuneration *(Continued)*

2011

Name of directors	Fees RMB'000	Salaries and other allowances RMB'000	Total RMB'000
Executive directors:			
Hung Wei-Pi, John (Chief Executive Officer)	–	1,956	1,956
Wu Kwan-Hong	–	1,042	1,042
Hung Ying-Lien	–	922	922
Lu Yuan Cheng	–	446	446
Douglas Charles Stuart Fresco	–	50	50
Edward B. Matthew (Mr. Matthew)	–	50	50
Non-executive directors:			
Low Hsiao-Ping	–	60	60
Hsu Ming Chyuan	–	60	60
Chang An-Li	–	–	–
Independent non-executive directors:			
Zhou Tai-Ming	84	–	84
Du Hai-Bo	84	–	84
Uang Chii-Maw	84	–	84
	252	4,586	4,838

Apart from RMB2,000,000 paid to a director for his compensation for loss of office as director during the year, no discretionary bonus, inducement fee, employer's contribution to pension scheme or compensation for loss of office as directors was given to any of the directors (2011: RMBNil).

None of the directors has waived or agreed to waive any emolument paid by the Group during the year ended 31 December 2012 (2011: RMBNil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2012 included five (2011: three) directors whose emoluments are reflected in the analysis presented in Note 10(a) above. In the prior year, the emoluments paid or payable to the remaining two non-director highest paid employees whose emoluments were less than RMB1,000,000 are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other allowances	**–**	1,254

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

	2012 Number of individuals	2011 Number of individuals
Nil to RMB1,000,000	**2**	3

11. INCOME TAX EXPENSE

(a) The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2012 RMB'000	2011 RMB'000
Current tax		
– Provision for the year		
PRC	**13,361**	22,988
Taiwan	**708**	2,140
– Under-provision/(over-provision) in respect of prior years	**2,926**	(77)
	16,995	25,051
Deferred taxation *(Note 30)*		
– attributable to the origination and reversal of temporary differences, net	**(33,143)**	(61)
– resulting from change in tax rate	**131**	261
	(16,017)	25,251

11. INCOME TAX EXPENSE *(Continued)*

(b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2011 and 2012. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC and Taiwan income tax rate is 25% (2011: 25%) and 17% (2011: 17%), respectively for the year. One major PRC subsidiary of the Company, being qualified as a foreign investment production enterprise and a high and new tech enterprise in the PRC, is subject to an applicable national PRC income tax rate of 15% (2011: 15%) for three years commencing from 1 January 2011.

(c) The income tax expense for the year can be reconciled to the (loss)/profit before income tax expense per consolidated statement of comprehensive income as follows:

	2012 **RMB'000**	2011 RMB'000
(Loss)/profit before income tax expense	**(373,877)**	85,766
Tax calculated at applicable tax rate of 25% (2011: 25%)	**(93,469)**	21,441
Tax effect of non-taxable income	**(692)**	(215)
Tax effect of non-deductible expenses	**43,379**	–
Utilisation of tax losses not previously recognised	**(1,035)**	(551)
Effect of change in tax rate	**131**	261
Unrecognised tax losses	**29,207**	5,844
Effect of preferential tax treatments and tax exemptions	**(705)**	(1,774)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,241**	322
Under-provision/(over-provision) in respect of prior years	**2,926**	(77)
Income tax expense	**(16,017)**	25,251

12. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The (loss)/profit for the year attributable to owners of the Company includes a loss of RMB36,185,000 (2011: RMB22,506,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: RMBNil). No interim dividend was declared in respect of the year ended 31 December 2012 (2011: RMBNil).

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2012	2011
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(324,262)**	28,127

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares for the basic (loss)/earnings per share calculation*	**684,118,000**	572,965,000
Effect of dilution – weighted average number of ordinary shares:		
Share options#	**–**	6,091,000
Convertible bonds*	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**684,118,000**	579,056,000

The computation of diluted loss per share for the year ended 31 December 2012 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

* As convertible bonds are mandatorily convertible into ordinary shares of the Company, the ordinary shares to be issued upon conversion of the convertible bonds are included in the computation of basic (loss)/earnings per share for the year.

15. OTHER COMPREHENSIVE INCOME, NET OF TAX

	2012			2011		
	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange differences on translating foreign operations	2,553	–	2,553	(4,214)	–	(4,214)

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Notes	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Opening net carrying amount as at 1 January 2012		19,576	83,980	35,129	48,980	12,856	18,579	219,100
Additions		14,512	420	21,850	14,440	4,137	8,658	64,017
Acquisition of subsidiaries	33	5,455	8,889	353	827	821	3,040	19,385
Transfers upon completion		(19,506)	–	6,801	1,493	–	11,212	–
Disposals		–	–	(4,519)	(713)	(807)	(620)	(6,659)
Depreciation charge for the year		–	(4,056)	(16,185)	(13,668)	(3,595)	(8,353)	(45,857)
Exchange realignment		12	716	356	114	14	80	1,292
Impairment	19	–	–	(771)	–	(1,732)	(1,638)	(4,141)
Closing net carrying amount as at 31 December 2012		20,049	89,949	43,014	51,473	11,694	30,958	247,137

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

The Group *(Continued)*

	Note	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Opening net carrying amount as at 1 January 2011		1,240	88,939	28,713	50,330	9,003	22,951	201,176
Additions		23,409	526	6,132	12,507	5,988	5,536	54,098
Acquisition of subsidiaries	*33*	–	–	1,442	603	1,326	455	3,826
Transfers upon completion		(4,986)	77	4,108	309	–	492	–
Disposals		–	–	(591)	(111)	(298)	(124)	(1,124)
Depreciation charge for the year		–	(4,127)	(3,959)	(14,420)	(3,131)	(10,493)	(36,130)
Exchange realignment		(87)	(1,435)	(716)	(238)	(32)	(238)	(2,746)
Closing net carrying amount as at 31 December 2011		19,576	83,980	35,129	48,980	12,856	18,579	219,100

	Construction in progress RMB'000	**Freehold land and buildings RMB'000**	**Leasehold improvements RMB'000**	**Plant and machinery RMB'000**	**Motor vehicles RMB'000**	**Office equipment, furniture and fixtures RMB'000**	**Total RMB'000**
At 31 December 2012:							
Cost	**20,049**	**105,964**	**82,773**	**125,230**	**24,662**	**73,515**	**432,193**
Accumulated depreciation and impairment	**–**	**(16,015)**	**(39,759)**	**(73,757)**	**(12,968)**	**(42,557)**	**(185,056)**
Net carrying amount	**20,049**	**89,949**	**43,014**	**51,473**	**11,694**	**30,958**	**247,137**

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
At 31 December 2011:							
Cost	19,576	95,917	59,399	110,318	21,398	51,261	357,869
Accumulated depreciation and impairment	–	(11,937)	(24,270)	(61,338)	(8,542)	(32,682)	(138,769)
Net carrying amount	19,576	83,980	35,129	48,980	12,856	18,579	219,100

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

The Company

	Leasehold improvements RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Net carrying amount as at 1 January 2011	19	52	71
Additions	–	8	8
Depreciation charge for the year	–	(31)	(31)
Net carrying amount as at 31 December 2011	19	29	48
Depreciation charge for the year	(8)	(1)	(9)
Net carrying amount as at 31 December 2012	11	28	39
At 31 December 2012:			
Cost	45	153	198
Accumulated depreciation	(34)	(125)	(159)
Net carrying amount	11	28	39
At 31 December 2011:			
Cost	45	153	198
Accumulated depreciation	(26)	(124)	(150)
Net carrying amount	19	29	48

Freehold land and buildings of the Group are located outside Hong Kong. Certain freehold land and buildings of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 26.

17. LEASEHOLD LAND AND LAND USE RIGHTS

The Group

	Note	2012 RMB'000	2011 RMB'000
Net carrying amount:			
At beginning of year		**17,688**	18,182
Additions		**9,146**	–
Acquisition of a subsidiary	*33*	**17,023**	–
Amortisation charge for the year		**(804)**	(494)
At end of year		**43,053**	17,688
Cost		**46,716**	20,547
Accumulated amortisation		**(3,663)**	(2,859)
Net carrying amount		**43,053**	17,688

The Group's interests in leasehold land and land use rights were held outside Hong Kong under medium term leases.

Certain leasehold land and land use rights of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 26.

18. INVESTMENT PROPERTIES

The Group

	Note	2012 RMB'000	2011 RMB'000
FAIR VALUE			
At beginning of year		**46,764**	46,105
Change in fair value	*7*	**377**	659
At end of year		**47,141**	46,764

18. INVESTMENT PROPERTIES *(Continued)*

The Group *(Continued)*

As at 31 December 2012, the investment properties were revalued at RMB47,141,000 (2011: RMB46,764,000) by Shanghai Wan Long Real Estate Appraisal Co., Ltd., an independent firm of professionally qualified valuers recognised by the relevant PRC association of valuers with recent experience in the location and category of property being valued, on the following basis. All investment properties of the Group are located outside Hong Kong, of which investment properties of RMB20,975,000 (2011: RMB20,886,000) and RMB26,166,000 (2011: RMB25,878,000) are held under long and medium terms respectively.

The valuations were arrived at by reference to (i) market evidence of transaction prices for similar properties; (ii) current rents of the properties being held under existing tenancies and the reversionary income potential of tenancies; and (iii) the value of the land, together with the replacement costs of industrial buildings.

Details of the property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, are set out in Notes 7 and 37.

Certain investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 26.

19. GOODWILL

The Group

	Note	RMB'000
Carrying amount:		
At 1 January 2011		**184,883**
Acquisition of subsidiaries	*33*	**101,316**
Impairment		**(155)**
Exchange realignment		**(52)**
At 31 December 2011 and 1 January 2012		**285,992**
Acquisition of subsidiaries	*33*	**180,899**
Impairment		**(164,673)**
Exchange realignment		**26**
At 31 December 2012		**302,244**

19. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill is allocated as follows:

	2012 **RMB'000**	2011 RMB'000
Provision of automobile repair, maintenance and restyling services:		
Changchun Guangda Automobile Trading Co., Ltd	**142,804**	–
Beijing Aiyihang Auto Services Ltd.	**43,919**	43,919
IPO Automotive Corporation Limited	**27,878**	–
Shenzhen Yonglonghang Auto Service Ltd.	**7,165**	16,378
Shandong Xingzhe Auto Supplies Service Co., Ltd	**10,217**	–
New Focus Richahaus Co. Ltd.	**8,008**	8,008
Others	**–**	102
Accumulated exchange realignment	**(26)**	(52)
	239,965	68,355
Trading of automobile accessories:		
Liaoning Xin Tian Cheng Industrial Co., Limited	**–**	45,260
Zhejiang Autoboom Industrial Co., Limited	**–**	71,061
Hubei Autoboom Auto Accessories Supermarket Co., Limited	**43,624**	64,603
Shanghai Astrace Trade Development Co., Limited	**18,655**	36,713
	62,279	217,637
Total	**302,244**	285,992

The respective recoverable amounts of certain CGUs were determined by the directors of the Company with reference to professional valuation reports issued by RHL Appraisal Limited and China Intangible Asset Appraisement Co., Ltd., independent firms of professionally qualified valuers, which were based on value-in-use calculations. All the calculations of recoverable amounts use cash flow projections based on financial budgets approved by management covering a forecast period. Cash flows beyond the forecast periods which ranged from three to five years are extrapolated using the estimated rates of 0-3% (2011: 3%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

19. GOODWILL *(Continued)*

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

	2012	2011
	%	%
Gross margin	**15-58**	22–53
Growth rate within the forecast period	**0-32**	14–50
Discount rate	**12-19**	16–20

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rate used is consistent with the forecasts generally adopted in the respective industries. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

The Group had originally anticipated that there would be significant growths of revenue and profitability of certain CGUs as at the respective dates of acquisition. However, in the current year, the growth rates of revenue and profitability of these CGUs especially in certain regions had been lower than expected. The directors of the Company are of the opinion, based on value-in-use calculations, that goodwill, other intangible assets, and property, plant and equipment associated with certain CGUs above were impaired by RMB164,673,000 (2011: RMB155,000), RMB123,288,000 (2011: RMBNil) (Note 20), and RMB4,141,000 (2011: RMBNil) (Note 16) respectively in order to state the carrying values to their recoverable amounts as at the end of respective reporting period.

20. OTHER INTANGIBLE ASSETS

The Group

	Notes	Trademarks RMB'000	Tradenames RMB'000	Technical know-how RMB'000	Total RMB'000
Net carrying amount:					
At 1 January 2011		243,185	13,067	–	256,252
Amortisation charge for the year		(782)	–	–	(782)
Exchange realignment		(627)	–	–	(627)
Acquisition of subsidiaries	33	50,972	30,460	–	81,432
At 31 December 2011 and 1 January 2012		292,748	43,527	–	336,275
Additions		34	–	–	34
Amortisation charge for the year		(225)	–	–	(225)
Impairment during the year	19	(123,288)	–	–	(123,288)
Exchange realignment		296	–	–	296
Acquisition of subsidiaries	33	43,194	–	4,924	48,118
At 31 December 2012		212,759	43,527	4,924	261,210
At 31 December 2012:					
Cost		338,062	43,527	4,924	386,513
Accumulated amortisation and impairment		(125,303)	–	–	(125,303)
Net carrying amount		212,759	43,527	4,924	261,210
At 31 December 2011:					
Cost		294,514	43,527	–	338,041
Accumulated amortisation		(1,766)	–	–	(1,766)
Net carrying amount		292,748	43,527	–	336,275

20. *OTHER INTANGIBLE ASSETS (Continued)*

Included in the above intangible assets as at 31 December 2012 are (i) certain trademarks, (ii) tradenames with indefinite useful lives and (iii) technical know-how which are attributable to the same CGUs with which the goodwill amounts are recognised. Details of the impairment assessment of the CGUs are set out in Note 19.

As at end of reporting period, trademarks with aggregate carrying amount of RMB211,939,000 (2011: RMB290,496,000) have indefinite useful lives as they are considered renewable at minimal costs. Management of the Group are of the opinion that the Group would renew the trademarks continuously and has the ability to do so.

As at end of reporting period, tradenames with accumulated carrying amount of RMB43,527,000 (2011: RMB43,527,000) were acquired through business combinations and were considered by management of the Group as having indefinite useful life as there was no limit to the period the tradenames would contribute to net cash inflows.

21. *INTERESTS IN SUBSIDIARIES*

The Company

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

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

As at 31 December 2012, an accumulated impairment loss on amounts due from subsidiaries of RMB144,419,000 (2011: RMBNil) was recognised for the carrying amount of the amounts due from subsidiaries in the aggregate amount of RMB264,431,000 (before deducting the impairment losses) because the relevant subsidiaries had suffered losses during the year.

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2012 are as follows:

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Interests directly held:						
Perfect Progress Investments Limited ("Perfect Progress")	The British Virgin Islands 8 April 2002	–	US$50,000 Ordinary shares	US$500	100%	Investment holding Hong Kong
New Focus Auto Tech International Limited (Formerly known as Win Bridge International Limited)	The British Virgin Islands 2 April 2007	–	US$1 Registered capital	US$1	100%	Investment holding Hong Kong
Interests indirectly held:						
Shanghai New Focus Auto Parts Co., Ltd. ("NFA Parts") *(Note (i))*	The PRC 1 March 1994	Wholly-owned foreign enterprise	US$6,500,000 Registered capital	US$6,500,000	100%	Manufacture and sale of automobile accessories The PRC
New Focus Light and Power Technology (Shanghai) Co., Ltd. ("New Focus Light & Power") *(Note (i))*	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$16,300,000 Registered capital	US$16,300,000	100%	Manufacture and sale of automobile accessories The PRC
Shanghai New Focus Auto Repair Services Co., Ltd. *(Note (i))*	The PRC 21 December 2000	Limited liability company	RMB83,500,000 Registered capital	RMB83,500,000	100%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Liaoning Xin Tian Cheng Industrial Co., Limited	The PRC 8 January 2009	Limited liability company	RMB20,000,000 Registered capital	RMB20,000,000	51%	Trading of automobile products The PRC
Xinjiaodian (Chengdu) Auto Maintain Co. Ltd.	The PRC 27 April 2005	Limited liability company	RMB11,584,870 Registered capital	RMB11,584,870	90.97%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
New Focus Richahaus Co. Ltd. ("Richahaus")	Taiwan 15 September 2006	–	NT$202,574,000 Share capital	NT$202,574,000	81.32%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan
Shandong New Focus Longsheng Auto Parts Co. Ltd.	The PRC 26 April 2006	Limited liability company	US$4,012,700 Registered capital	US$4,012,700	58.99%	Manufacture and sale of automobile accessories The PRC

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Beijing Aiyihang Auto Service Ltd. ("Aiyihang")	The PRC September 1997	Limited liability company	RMB38,500,000 Registered capital	RMB38,500,000	60%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Shenzhen Yonglonghang Auto Service Ltd.	The PRC June 2002	Limited liability company	RMB13,000,000 Registered capital	RMB13,000,000	100%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Zhejiang Autoboom Industrial Co., Limited	The PRC December 2008	Limited liability company	RMB28,000,000 Registered capital	RMB28,000,000	51%	Trading of automobile products The PRC
Hubei Autoboom Auto Accessories Supermarket Co., Limited	The PRC 28 July 2009	Limited liability company	RMB19,800,000 Registered capital	RMB19,800,000	51%	Trading of automobile products The PRC
Shanghai Astrace Trade Development Co., Limited	The PRC 11 August 2003	Limited liability company	RMB12,000,000 Registered capital	RMB12,000,000	51%	Trading of automobile products The PRC
New Focus Auto Tech Inc.	United States of America ("USA") 24 November 2009	–	US$100,000 Registered capital	US$100,000	100%	Investment holding USA
IPO Automotive Corporation Limited	Taiwan 8 June 2012	–	NT$40,000,000 Share capital	NT$40,000,000	97.5%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan
Changchun Guangda Automobile Trading Co., Ltd	The PRC 31 January 2002	Limited liability company	RMB47,800,000 Registered capital	RMB47,800,000	51%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

(i) The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

22. TRADING SECURITIES

The Group

The balance represented investments in equity securities that were listed in the PRC, and were stated at fair value based on quoted market prices as at the end of reporting period.

23. INVENTORIES

The Group

	2012	2011
	RMB'000	RMB'000
Raw materials	**23,162**	32,339
Work-in-progress	**28,000**	29,571
Finished goods	**29,104**	18,228
Merchandise goods	**213,568**	230,331
	293,834	310,469

24. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

(a) **Trade receivables**

The Group

	2012	2011
	RMB'000	RMB'000
Trade receivables	**208,117**	231,411
Less: allowance for doubtful debts	**(14,917)**	(1,038)
	193,200	230,373

24. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(i) The average credit period to the Group's trade debtors is 30 days.

(ii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

The Group

	2012	2011
	RMB'000	RMB'000
At beginning of year	**1,038**	1,447
Additional allowance for the year *(Note 9)*	**13,879**	5
Bad debts written off	**–**	(414)
At end of year	**14,917**	1,038

As at 31 December 2012, the Group's trade receivables of RMB45,259,000 (2011: RMB24,478,000) were individually determined to be partially impaired. Such trade receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that only a portion of the receivables is expected to be recovered. Consequently, an accumulated allowance for doubtful debts of RMB14,917,000 (2011: RMB1,038,000) is made as at 31 December 2012. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

24. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

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

The Group

	2012	2011
	RMB'000	RMB'000
Current to 30 days	**49,702**	136,317
31 to 60 days	**56,517**	45,222
61 to 90 days	**30,488**	25,394
Over 90 days	**71,410**	24,478
	208,117	231,411
Less: allowance for doubtful debts	**(14,917)**	(1,038)
	193,200	230,373

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

The Group

	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**69,745**	168,675
Less than 1 month past due	**55,625**	27,604
1 to 2 months past due	**37,488**	10,654
	93,113	38,258
	162,858	206,933

24. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(iv) *(Continued)*

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Prepayments and other receivables

Current year non-current prepayments were made for acquisition of items of property, plant and equipment. Prior year non-current prepayments mainly represented (i) a consideration prepaid for a land use right in respect of a land located in Shanghai; and (ii) prepayments made for acquisition of items of property, plant and equipment.

Non-current prepayment of RMB1,000,000 (2011: RMB1,500,000) represented a consideration prepaid for proposed acquisition of equity interest in a target entity established in the PRC.

Included in the Group's deposits, prepayments and other receivables classified under current assets are (i) amounts due from non-controlling owners of subsidiaries and their family members of approximately RMB2,538,000 as at 31 December 2012 (2011: RMB1,260,000) which are unsecured, interest-free, and repayable on demand; and (ii) a deposit of RMB40,000,000 paid for the proposed acquisition of equity interests of companies. According to the acquisition agreement dated 30 March 2012, the entire consideration for the proposed acquisition amounted to RMB80,000,000, completion of which are subject to certain conditions which have not been fulfilled during the year. According to the revocation agreement of the proposed acquisition dated 9 December 2012, the proposed acquisition was revoked and the deposit of RMB40,000,000 shall be refunded to the Group by two instalments on 30 June 2013 and 31 December 2013.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES, NON-CONTROLLING OWNERS OF SUBSIDIARIES AND A RELATED PARTY

(a) Amounts due from related companies

Amounts due from related companies, which are disclosed pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, are as follow:

(i) *Custom Accessories Asia Limited ("Custom Accessories")*

Interests are held by Mr. Matthew and his close family members. Details of the balance with Custom Accessories are as follows:

	2012 **RMB'000**	2011 RMB'000
Balance at 1 January	**1,389**	1,622
Balance at 31 December	**137**	1,389
Maximum amount outstanding during the year	**2,658**	2,221

25. AMOUNTS DUE FROM/TO RELATED COMPANIES, NON-CONTROLLING OWNERS OF SUBSIDIARIES AND A RELATED PARTY

(a) Amounts due from related companies *(Continued)*

(ii) CAE Direct Import Ltd. ("Custom Accessories Europe")

Interests are held by Mr. Matthew and his close family members. Details of the balance with Custom Accessories Europe are as follows:

	2012	2011
	RMB'000	RMB'000
Balance at 1 January	**738**	–
Balance at 31 December	**674**	738
Maximum amount outstanding during the year	**738**	776

(iii) Liaoning Xin Tian Cheng Business Management Co., Ltd. ("XTC Business Management")

Interests are held by Tong Yan and Li Hai Peng who are non-controlling owners of a subsidiary of the Group as at the end of reporting period. Details of the balance with XTC Business Management are as follows:

	2012	2011
	RMB'000	RMB'000
Balance at 1 January	**8,937**	–
Balance at 31 December	**7,989**	8,937
Maximum amount outstanding during the year	**12,694**	11,625

Amounts due from Custom Accessories and Custom Accessories Europe arise from trading activities with aging from current to 30 days. Amount due from XTC Business Management arises from trading activities which has no fixed terms of repayment. The amounts due from the related companies are unsecured and interest-free.

There was no amount due but unpaid, nor any allowance for doubtful debts made against the principal amounts as at 31 December 2011 and 2012.

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

As at 31 December 2011 and 2012, the amounts due to non-controlling owners of subsidiaries are unsecured, interest-free and repayable on demand.

(c) Amount due to a related party

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

26. BANK BORROWINGS, SECURED

The Group

	2012 RMB'000	2011 RMB'000
Bank loans	**262,786**	187,447
Bank overdrafts	**169**	–
	262,955	187,447
Bank borrowings are repayable as follows:		
On demand or within one year	**249,307**	175,549
After one year but within two years	**1,629**	1,210
After two years but within five years	**4,872**	10,688
After five years	**7,147**	–
	262,955	187,447
Amount due within one year included in current liabilities	**(249,307)**	(175,549)
Amount included in non-current liabilities	**13,648**	11,898

As at 31 December 2011 and 2012, the banking facilities are secured by (i) the Group's certain freehold land and buildings with an aggregate net carrying amount of RMB81,118,000 (2011: RMB83,980,000); (ii) the Group's certain leasehold land and land use rights of RMB17,195,000 (2011: RMB17,688,000); (iii) the Group's certain investment properties of RMB40,366,000 (2011: RMB17,800,000); (iv) personal guarantees from a director of the Company and a director of a subsidiary, and their spouses; (v) pledged time deposits of RMB8,588,000 (2011: RMB3,587,000); and (vi) corporate guarantees of the Company and subsidiaries.

Most of the bank loans bear floating interest rates ranging from 2.31% to 7.216% per annum (2011: 1.74% to 7.32% per annum). The bank overdrafts were repayable on demand and bore interest at the lending rate stipulated by the People's Bank of China applicable to the 6-month loan.

26. BANK BORROWINGS, SECURED *(Continued)*

As at 31 December 2012, the Group had available undrawn committed banking facilities of RMB217,628,000 (2011: RMB89,726,000) in respect of which all conditions precedent were met.

	2012	2011
	RMB'000	RMB'000
Bank borrowings of the Group were denominated in:		
RMB	**222,030**	162,707
United States dollars ("US$")	**3,143**	6,301
Taiwan dollars ("NTD")	**37,782**	18,439
	262,955	187,447

The Company

The Company's bank loan bears floating interest rate at SIBOR plus 2% (2011: SIBOR plus 1.3%) with effective interest rate of 2.46% (2011: 1.74%) per annum and is denominated in US$ (2011: US$).

27. TRADE PAYABLES

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

	2012	2011
	RMB'000	RMB'000
Current to 30 days	**109,282**	139,033
31 to 60 days	**40,104**	29,855
61 to 90 days	**37,524**	11,715
Over 90 days	**54,574**	35,098
	241,484	215,701

The average credit period for the Group's trade creditors is 60 days.

28. RENMINBI-DENOMINATED BONDS

The Group and the Company

	2012 RMB'000	2011 RMB'000
At beginning of year	**200,692**	–
Fair value at inception, net of issue costs	**–**	196,970
Imputed interest expense *(Note 8)*	**9,014**	3,722
Interest payment during the year	**(7,521)**	–
Less: interest payable included in other payables under current liabilities	**(2,813)**	(2,813)
	199,372	197,879
Portion classified as current liabilities	**(199,372)**	–
Non-current portion	**–**	197,879

On 17 August 2011, the Company issued bonds in the principal amount of RMB200,000,000 to international institutional investors. The coupon interest rate of the bonds is 3.75% per annum and the maturity period is two years from the date of issue, i.e. 17 August 2013. Interest is payable in arrear on the date falling upon each half anniversary of this bond. The Company may repay any part of the principal amount of the bonds at any time from the date of issue to the date immediately prior to the maturity date.

The fair value of the bonds at the issue date was approximately RMB196,970,000, after net-off of the issue costs. The effective interest rate of the bonds is determined to be 4.59% per annum.

29. CONVERTIBLE BONDS

The Group and the Company

In December 2011, the Company issued redeemable convertible bonds (the "CBs") in the principal amount of US$38,201,001 (equivalent to RMB241,999,000) to international institutional investors. The net proceeds of the CBs available to the Group was RMB232,087,000, after net-off of issue costs of RMB9,912,000. The CBs are non-interest-bearing and are mandatorily convertible into ordinary shares of the Company at an initial conversion price of HK$2.781 per conversion share (subject to anti-dilutive adjustments in accordance with the terms of the CBs), at any time during the period commencing from the three months after date of issue of CBs to the maturity date of the CBs.

The CBs are denominated in US$ with fixed exchange rates with RMB and Hong Kong dollars ("HK$") upon issuance. The maturity date of the CBs will be the date falling on the fourth anniversary of the issue date (i.e. December 2015) and the CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$2.781 per shares, subject to certain anti-dilutive adjustments.

Under the subscription agreements of the CBs, if the Group fails to achieve ninety-five per cent of thirty-two per cent average growth rate of basic earnings per share ("EPS") excluding the impacts of the CBs per year on a compounding basis for the years from 2011 to 2014, the Company shall pay to the holders, on the maturity date, in cash and in US$ an amount which shall be equivalent to sixty-four per cent of the principal amount of the CBs.

The investors of the CBs are entitled to request the redemption of the outstanding CBs (if not converted in full) and the payment in cash and in US$ of the principal amount of such remaining CBs and an amount of interest representing 20% of the internal rate of return of the principal amount from the date of issuance of the CBs to the payment date, upon giving forty-five (45) days' notice in writing, under certain conditions, inter alia, the difference between the basic EPS and the fully diluted EPS as stated in the audited annual consolidated financial statements exceeds 10% in average for the years from 2011 to 2014 (excluding the effect on such difference arising from the issuance of CBs under the subscription agreement).

The fair values of the liability component and the equity component were determined at the issuance of the CBs. The fair value of the liability component upon issuance, included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity component, is included in convertible bonds reserve net of deferred income taxes (where applicable) under shareholders' equity.

29. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

The CBs recognised in the consolidated and company statements of financial position is calculated as follows:

	RMB'000
Face value of CBs upon issuance, net of issue costs	232,087
Equity component	(110,427)
Liability component on initial recognition	121,660
Imputed interest expense *(Note 8)*	601
Liability component at 31 December 2011 and 1 January 2012	122,261
Imputed interest expense *(Note 8)*	7,620
Liability component at 31 December 2012	129,881

The fair value of the liability component of the CBs upon issuance is calculated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for non-convertible borrowing of 6.09% per annum based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers. The initially recognised liability component and equity component of the CBs amounted to RMB121,660,000 and RMB110,427,000 respectively after net-off of the issue costs on a pro-rata basis.

Among other undertakings in relation to the CBs, Mr. Hung Wei-Pi, John, who is a director and a shareholder of the Company, irrevocably and unconditionally indemnifies, defends and holds harmless the investors of the CBs (and their successor or assign) from and against any and all losses, costs, and claims suffered by the investors or incurred by the investors that arise from any breach by Mr. Hung Wei-Pi, John of the representations, warranties and undertakings contained in the deed of undertakings.

30. *DEFERRED TAX*

The Group

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

Deferred tax assets:

	Tax losses RMB'000	Accrued expenses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	–	65	32	97
Credited to profit or loss *(Note 11)*	–	129	–	129
Exchange realignment	–	(4)	–	(4)
At 31 December 2011 and 1 January 2012	–	190	32	222
Credited to profit or loss *(Note 11)*	2,590	–	–	2,590
Exchange realignment	40	7	–	47
At 31 December 2012	2,630	197	32	2,859

The above tax losses are available for a period of ten years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognised in respect of the above item as the directors, in their opinion, consider it is probable that taxable profits will be available and the above item can be utilised.

In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2012, the Group had unrecognised tax losses carried forward of RMB177,144,000 (2011: RMB66,738,000). As at 31 December 2011, the Group did not recognise any deferred tax asset arising from such tax losses as management is of the view that it was not probable that such benefits of tax losses would be realised before they expire.

30. DEFERRED TAX *(Continued)*

The Group

Deferred tax liabilities:

	Other intangible assets RMB'000	Fair value gain on investment properties RMB'000	Accrued subsidy income RMB'000	Total RMB'000
At 1 January 2011	(61,285)	(4,277)	(192)	(65,754)
Acquisition of subsidiaries *(Note 33)*	(20,354)	–	–	(20,354)
Effect of change in tax rate *(Note 11)*	(261)	–	–	(261)
Charged to profit or loss *(Note 11)*	(37)	(153)	–	(190)
Exchange realignment	35	–	–	35
At 31 December 2011 and 1 January 2012	(81,902)	(4,430)	(192)	(86,524)
Acquisition of subsidiaries *(Note 33)*	(11,679)	–	–	(11,679)
Effect of change in tax rate *(Note 11)*	(131)	–	–	(131)
Credited to profit or loss *(Note 11)*	30,629	(76)	–	30,553
Exchange realignment	(11)	–	–	(11)
At 31 December 2012	(63,094)	(4,506)	(192)	(67,792)

A 10% PRC withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised approximately RMB12,825,000 at 31 December 2012 (2011: RMB18,285,000).

31. SHARE CAPITAL

	2012		2011	
	Number of shares ’000	**Amount HK$’000**	Number of shares ’000	Amount HK$’000
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000

	2012			2011		
	Number of shares ’000	**Amount HK$’000**	**Amount RMB’000**	Number of shares ’000	Amount HK$’000	Amount RMB’000
Issued and fully paid:						
At beginning of year	**576,717**	**57,672**	**58,256**	541,738	54,174	55,317
Consideration issues *(Note 33)*	**18,226**	**1,822**	**1,478**	41,739	4,174	3,496
Repurchases and cancellation of shares *(Note (i))*	**(3,640)**	**(364)**	**(291)**	(6,760)	(676)	(557)
At end of year	**591,303**	**59,130**	**59,443**	576,717	57,672	58,256

Note:

(i) During the year ended 31 December 2012, by virtue of exercise of the rights granted by the Company’s shareholders to the directors under general mandate, the Company repurchased on the Stock Exchange 3,640,000 (2011: 6,760,000) ordinary shares of HK$0.1 each at a total consideration after expenses of RMB5,503,000 (2011: RMB11,017,000). These shares were cancelled after repurchases during the respective year.

32. RESERVES

(i) Reserves of the Group

(a) *Share premium*

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

(b) *Statutory reserve fund*

The Group's wholly-owned-foreign subsidiaries established in the PRC are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the applicable PRC accounting standards, to statutory reserve fund until the fund aggregates to 50% of their respective registered capital.

The statutory reserve fund can only be used, upon approval by the respective board of directors, to offset accumulated losses or increase capital.

(c) *Reorganisation reserve mainly represents:*

(i) the difference of RMB8,263,000 between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation and the nominal value of Perfect Progress's shares issued in exchange therefor;

(ii) in 2001, Custom Accessories, the former investor of New Focus Light & Power, contributed capital of RMB19,959,000;

(iii) as part of the reorganisation and pursuant to the share transfer agreement dated 3 June 2002, which became effective on 20 June 2002 according to the Certificate of Approval issued by the Shanghai People's Government (the "Certificate of Approval"), Mr. Hung Wei-Pi, John, the sole shareholder of Sharp Concept Industrial Limited which held 60% ownership of Perfect Progress, purchased 10% of the equity interest of NFA Parts (the "Transferring Interests") from the original local shareholder of NFA Parts at RMB2,800,000. Pursuant to the share transfer agreement dated 4 December 2002, which became effective on 12 December 2002 according to the Certificate of Approval, Perfect Progress acquired the Transferring Interests from Mr. Hung Wei-Pi, John, in consideration of the allotment and issue of 40 shares of US$1.00 each in Perfect Progress to Sharp Concept Industrial Limited. The difference of RMB6,312,000 between the nominal value of the shares of Perfect Progress and the Transferring Interests' share of the fair value of NFA Parts on acquisition pursuant to the reorganisation is accounted for as reorganisation reserve of the Group;

32. RESERVES *(Continued)*

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

(c) Reorganisation reserve mainly represents: (Continued)

(iv) on 13 February 2005, an aggregate of 90 shares were allotted and issued by the Company in exchange for the 100% of share interest in Perfect Progress. The difference of RMB4,000 between the nominal value of the shares issued by the Company and Transferring Interest's share of the fair value of Perfect Progress pursuant to the reorganisation is accounted for as reorganisation reserve of the Group; and

(v) on 13 February 2005, the directors of the Company were authorised to capitalise HK$29,999,990 towards paying up in full at par 299,999,900 shares for allotment.

(d) Enterprise expansion fund

In accordance with the Company Law of the PRC and the articles of association of a subsidiary, a subsidiary shall appropriate 5% of its annual statutory net profit (after offsetting any prior years' losses) to enterprise expansion fund.

(e) Others comprises of share options reserve and property revaluation reserve. In the prior year, the balance also comprise consideration payables to be settled by issue of fixed number of the Company's shares.

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy in Note 4(r).

The property revaluation reserve represents the gains/losses arising on the revaluation of property (other than investment property). The balance on this reserve is wholly undistributable.

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(p).

(g) Convertible bonds reserve

The balance represents the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(k)(iii).

32. RESERVES *(Continued)*

(ii) Reserves of the Company

	Notes	Share premium RMB'000	Contributed surplus RMB'000	Convertible bonds reserve RMB'000	Others RMB'000	Accu-mulated losses RMB'000	Total RMB'000
At 1 January 2011		223,155	84,242	–	50,707	(46,758)	311,346
Loss and total comprehensive income for the year		–	–	–	–	(22,506)	(22,506)
Recognition of equity-settled share-based payments	*38*	–	–	–	250	–	250
Issue of convertible bonds	*29*	–	–	110,427	–	–	110,427
Consideration issues	*33*	73,776	–	–	(49,800)	–	23,976
Repurchases and cancellation of shares	*31(i)*	(10,460)	–	–	557	(557)	(10,460)
At 31 December 2011 and 1 January 2012		286,471	84,242	110,427	1,714	(69,821)	413,033
Loss and total comprehensive income for the year		–	–	–	–	(180,604)	(180,604)
Recognition of equity-settled share-based payments	*38*	–	–	–	150	–	150
Consideration issues	*33*	14,933	–	–	–	–	14,933
Repurchases and cancellation of shares	*31(i)*	(5,212)	–	–	291	(291)	(5,212)
At 31 December 2012		296,192	84,242	110,427	2,155	(250,716)	242,300

33. BUSINESS COMBINATIONS

In January 2012, the Group acquired 100% equity interests in two subsidiaries located in Shandong (collectively “Shandong AYH”), companies established in the PRC, for a total consideration of approximately RMB2,335,000 in cash which was paid in full. Shandong AYH are engaged in the automobile repair, maintenance and restyling services; sales of automobile products.

In October 2012, the Group acquired 51% equity interest in Changchun Guangda Automobile Trading Co., Limited (“Changchun Guangda”), a company established in the PRC, for a total estimated nominal consideration of approximately RMB198,900,000 (subject to adjustment) which is payable as to RMB179,010,000 by cash and as to RMB19,890,000 by issue of consideration shares of the Company. Changchun Guangda is engaged in the provision of comprehensive auto after-sales services and trading of automobile related products in Changchun, Jilin Province, the PRC. Please refer to the circular of the Company dated 24 September 2012 for further details.

In November 2012, the Group acquired 97.5% equity interest in IPO Automotive Cooperation Limited (“IPO Automotive”), a company established in the Taiwan, for a total estimated nominal consideration of approximately NTD210,000,000 (or equivalent to approximately RMB45,444,000) (subject to adjustment) which is payable as to NTD178,500,000 (or equivalent to approximately RMB38,627,000) by cash and as to NTD31,500,000 (or equivalent to approximately RMB6,817,000) by issue of consideration shares of the Company. IPO Automotive is engaged in the provision of professional car-wash & detailing business in Taiwan.

The Group elected to measure the non-controlling interests in Changchun Guangda and IPO Automotive at the non-controlling interests’ proportionate share of fair values of Changchun Guangda’s and IPO Automotive’s identifiable net assets, respectively.

33. BUSINESS COMBINATIONS *(Continued)*

The fair values of identifiable assets and liabilities of the acquirees as at the respective dates of acquisitions were as follow:

		Changchun Guangda		IPO Automotive		Shandong AYH	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	*16*	11,868	11,868	1,279	1,279	6,238	6,238
Leasehold land and land use rights	*17*	17,023	17,023	–	–	–	–
Other intangible assets	*20*	–	43,194	–	4,924	–	–
Inventories		13,841	13,841	5,375	5,635	5,498	5,498
Tax recoverable		941	941	–	–	–	–
Trade receivables		5,532	5,532	1,500	1,500	8	8
Prepayments and other receivables		5,893	5,893	1,270	1,270	2,596	2,596
Cash and cash equivalents		15,695	15,695	1,954	1,954	916	916
Trade payables		(10,822)	(10,822)	(512)	(512)	(6,757)	(6,757)
Accruals and other payables		(13,461)	(13,461)	(1,880)	(1,880)	(1,300)	(1,300)
Tax payable		–	–	(330)	(330)	–	–
Amounts due to non-controlling owners		–	–	–	–	(6,000)	(6,000)
Amounts due to the Group		–	–	–	–	(9,081)	(9,081)
Deferred tax liabilities recognised upon fair value adjustments	*30*	–	(10,798)	–	(881)	–	–
			78,906		12,959		(7,882)
Less: Non-controlling interests			(38,664)		(324)		–
Total identifiable net assets/ (liabilities) at fair value			40,242		12,635		(7,882)
Goodwill on acquisition	*19*		142,804		27,878		10,217
Total consideration			183,046		40,513		2,335
Cash paid during the year			86,190		15,581		835
Prepayment made in prior year			–		–		1,500
Shares of the Company issued *(Note (a))*			16,411		–		–
Consideration payable by cash *(Note (b))*			80,445		19,101		–
Consideration payable by shares *(Note (c))*			–		5,831		–
Total consideration			183,046		40,513		2,335

33. BUSINESS COMBINATIONS *(Continued)*

Notes:

(a) The balances represent fair values of considerations settled by the issue of fixed number of the Company's approximately 18,226,000 ordinary shares for the acquisition of Changchun Guangda, with nominal value of RMB19,890,000 in accordance with the equity transfer agreement. The fair value of the consideration shares of RMB16,411,000 for the acquisition of Changchun Guangda was determined with reference to the market share price of the Company's shares as at the date of the acquisition and was credited to the equity of the Company and the Group. Approximately 18,226,000 consideration shares have been allotted and issued during the current year (Note 31). Such shares rank pari passu with the existing issued shares.

(b) The balances are consideration payables to be settled in cash which included contingent considerations subject to the achievement of respective target earnings of Changchun Guangda and IPO Automotive and other conditions. Included in the amounts are aggregate consideration payables with carrying values of RMB74,789,000 as at 31 December 2012 which are repayable beyond one year after the end of the reporting period and therefore are classified under non-current liabilities of the Group as at 31 December 2012.

(c) The balances are consideration payables to be settled in shares which included contingent considerations subject to the achievement of respective target earnings of IPO Automotive. The number of shares to be issued has yet to be fixed as at the end of the reporting period and therefore is recognised as liabilities of the Group. Included in the amounts are aggregate consideration payables with carrying values of RMB3,557,000 as at 31 December 2012 which are repayable beyond one year after the end of the reporting period and therefore are classified under non-current liabilities of the Group as at 31 December 2012.

The directors consider that the acquisitions are synergistic to the Group's overall auto after-sales services and retail business. The directors considered that the acquisition of Shandong AYH can extend operations in the Jinan region and strengthen the Group's leading position in Shandong Province and expected that the acquisition of Changchun Guangda to strengthen the Group's leading position and sales in the auto after-sale services market in the PRC.

The directors consider that the acquisition of IPO Automotive would allow the Group to gain expertise in the high-margin professional car wash and detailing business in Taiwan in the near future.

The fair values of trade receivables of Changchun Guangda, IPO Automotive and Shandong AYH as at the respective dates of acquisitions amounted to RMB5,532,000, RMB1,500,000 and RMB8,000, respectively. The gross contractual values of trade receivables of Changchun Guangda, IPO Automotive and Shandong AYH were RMB5,532,000, RMB1,500,000 and RMB8,000, respectively, of which no trade receivables are expected to be uncollectible.

33. *BUSINESS COMBINATIONS (Continued)*

Since the acquisitions in 2012, Changchun Guangda, IPO Automotive and Shandong AYH contributed RMB23,942,000, RMB2,123,000 and RMB42,612,000 to the Group's turnover and the profit of RMB5,448,000, profit of RMB1,101,000 and loss of RMB3,356,000 to the Group's results for the current year, respectively. Had the acquisitions taken place at the beginning of the current year, the turnover and the loss of the Group for the year ended 31 December 2012 would have been RMB1,465,631,000 and RMB356,293,000, respectively.

As part of the acquisition agreements, the acquisition considerations of equity interests in Changchun Guangda and IPO Automotive are subject to adjustments by amounts equal to the difference between the respective initial considerations and the actual prices.

(i) For acquisition of Changchun Guangda, actual price is determined in accordance with actual net profit of Changchun Guangda attributable to the Group for the twelve calendar months after the date of acquisition with adjusted price/earnings ratios of effective 8 to 15 times depending on the level of actual net profit and the number of new branches. The final consideration of the acquisition is capped at RMB198,900,000. At 31 December 2012 and the date of approval of these financial statements, no significant change to the consideration is expected.

(ii) For acquisition of IPO Automotive, actual price is determined in accordance with the difference between actual net profit of IPO Automotive attributable to the Group for the approximately fifteen calendar months after the date of acquisition less an amount of approximately RMB2,104,000, with a ratio of 3.5 times. The final consideration of the acquisition is capped at NTD210,000,000 (or equivalent to approximately RMB45,444,000). At 31 December 2012 and the date of approval of these financial statements, no significant change to the consideration is expected.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Changchun Guangda RMB'000	**IPO Automotive** RMB'000	**Shandong AYH** RMB'000
Purchase considerations settled in cash in the current year	86,190	15,581	835
Cash and cash equivalents in the subsidiaries acquired	(15,695)	(1,954)	(916)
Net cash outflow/(inflow) on acquisitions	70,495	13,627	(81)

33. BUSINESS COMBINATIONS *(Continued)*

The above goodwill, which was not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired businesses with the existing operations of the Group.

The acquisition-related costs of RMB1,652,000 had been expensed for the acquisition of Changchun Guangda, IPO Automotive and Shandong AYH and were included in administrative expenses.

In July 2011, the Group acquired 51% equity interest in Shanghai Astrace Trade Development Co., Limited ("Shanghai Astrace"), a company established in Shanghai, the PRC, for a total nominal consideration of approximately RMB64,260,000 which is payable as to RMB36,757,000 by cash and as to RMB27,503,000 by issue of consideration shares of the Company. Shanghai Astrace is engaged in the trading of automobile products mainly including glass window tinting and paint filming ("Filming") in Shanghai, the PRC.

In September 2011, the Group acquired 51% equity interest in Hubei Autoboom Auto Accessories Supermarket Co., Ltd. ("Hubei Autoboom"), a company established in Hubei Province, the PRC, for a total consideration of approximately RMB87,258,000 in cash. Hubei Autoboom is engaged in trading of automobile products in Hubei Province, the PRC.

In the prior year, the Group elected to measure the non-controlling interests in Shanghai Astrace and Hubei Autoboom at the non-controlling interests' proportionate share of fair values of Shanghai Astrace's and Hubei Autoboom's identifiable net assets, respectively.

33. BUSINESS COMBINATIONS *(Continued)*

The fair values of identifiable assets and liabilities of the acquirees as at the respective dates of acquisitions were as follow:

		Shanghai Astrace		Hubei Autoboom	
		Carrying value	Fair value	Carrying value	Fair value
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	*16*	2,255	2,255	1,571	1,571
Other intangible assets	*20*	18	50,972	–	30,460
Inventories		12,622	12,622	18,139	18,139
Trade receivables		2,825	2,825	13,358	13,358
Other receivables		1,913	1,913	4,965	4,965
Cash and cash equivalents		7,177	7,177	4,618	4,618
Trade payables		(1,044)	(1,044)	(9,553)	(9,553)
Accruals and other payables		(9,881)	(9,881)	(4,087)	(4,087)
Tax payable		(117)	(117)	(484)	(484)
Amounts due to non-controlling owners		–	–	(4,750)	(4,750)
Bank borrowings		–	–	(2,200)	(2,200)
Deferred tax liabilities recognised upon fair value adjustments	*30*	–	(12,739)	–	(7,615)
			53,983		44,422
Less: Non-controlling interests			(26,467)		(21,767)
Total identifiable net assets at fair value			27,516		22,655
Goodwill on acquisition	*19*		36,713		64,603
Total consideration			64,229		87,258
Cash paid during the year			31,506		8,726
Shares of the Company issued *(Note (a))*			27,472		–
Consideration payable by cash *(Note (b))*			5,251		78,532
Total consideration			64,229		87,258

33. BUSINESS COMBINATIONS *(Continued)*

Notes:

(a) The balances represented fair values of considerations settled by the issue of fixed number of the Company's approximately 13,789,000 ordinary shares for the acquisition of Shanghai Astrace, with nominal value of RMB27,503,000 in accordance with the acquisition agreement. The fair value of the consideration shares of RMB27,472,000 for acquisition of Shanghai Astrace was determined with reference to the market share price of the Company's shares as at the date of the acquisition and was credited to the equity of the Company and the Group. Approximately 13,789,000 consideration shares have been allotted and issued in the prior year. Such shares rank pari passu with the existing issued shares.

(b) The balances were consideration payables to be settled in cash which included contingent considerations subject to the achievement of respective target earnings of Shanghai Astrace and Hubei Autoboom. Included in the amounts are aggregate consideration payables with carrying value of RMB7,002,000 as at 31 December 2011 which was repayable beyond one year after the end of the reporting period and therefore were classified under non-current liabilities of the Group as at 31 December 2011.

The Group had no presence in the trading of Filming in Shanghai and the wholesale of automobile products in Hubei Province before the acquisitions of equity interests in Shanghai Astrace and Hubei Autoboom, respectively. Shanghai Astrace is engaged in the trading of Filming in PRC. Hubei Autoboom has been operating in the cities with well established network and reputation. It has been the Group's plan to explore the opportunity to diversify its trading products and to extend operations in the above regions and strengthen establishment in other major provinces in the Greater China Region. Given the vast differences in the level of economic development and consumer behaviours and preference in different cities in the Greater China Region, entry into such provinces through acquisitions of Shanghai Astrace and Hubei Autoboom, companies already operating there, would be the most efficient and effective way in terms of both time and costs.

The fair values of trade and other receivables of Shanghai Astrace and Hubei Autoboom amounted to RMB4,738,000 and RMB18,323,000, respectively. The gross contractual values of trade and other receivables were RMB4,738,000 and RMB18,323,000, respectively, of which no trade and other receivables are expected to be uncollectible.

Since the acquisitions in 2011, Shanghai Astrace and Hubei Autoboom contributed RMB34,217,000 and RMB28,067,000 to the Group's turnover and the profit of RMB7,664,000 and RMB4,596,000 to the Group's results for the prior year, respectively. Had the acquisitions taken place at the beginning of the prior year, the turnover and the profit of the Group for the year ended 31 December 2011 would have been RMB1,574,178,000 and RMB63,102,000, respectively.

33. BUSINESS COMBINATIONS *(Continued)*

As part of the acquisition agreements, the acquisition considerations of equity interests in Shanghai Astrace and Hubei Autoboom are subject to adjustments by amounts equal to the difference between the respective initial considerations and the actual prices. Actual price is determined in accordance with actual net profits of the acquired subsidiaries attributable to the Group for the twelve calendar months after the respective dates of acquisition agreements with price/earnings ratios of 9.0 to 9.5 times. If the respective actual price is greater than the respective initial consideration, the Group shall not pay the difference to the respective vendors. If the actual price is smaller than the respective initial consideration, the vendors shall pay the differences to the Group. At the date of approval of these financial statements, no significant change to the consideration is expected.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Shanghai Astrace RMB'000	**Hubei Autoboom** RMB'000
Purchase considerations settled in cash in the prior year	31,506	8,726
Cash and cash equivalents in the subsidiaries acquired	(7,177)	(4,618)
Net cash outflow on acquisitions	24,329	4,108

The above goodwill, which was not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired businesses with the existing operations of the Group.

The acquisition-related costs of RMB480,000 had been expensed and were included in administrative expenses.

34. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged time deposits approximate their fair values.

The Group

	2012	2011
	RMB'000	RMB'000
Cash and cash equivalents were denominated in:		
RMB	**91,203**	156,411
US$	**12,804**	150,205
HK$	**2,175**	3,614
NTD	**27,544**	16,576
Others	**–**	34
	133,726	326,840

	2012	2011
	RMB'000	RMB'000
Pledged time deposits were denominated in:		
RMB	**5,180**	1,282
US$	**1,889**	1,260
NTD	**1,519**	1,045
	8,588	3,587

The Company

As at 31 December 2011 and 2012, most of the cash and cash equivalents and pledged time deposits of the Company were denominated in NTD and US$.

35. MAJOR NON-CASH TRANSACTIONS

During the year, prepayment for proposed acquisition of subsidiaries in the amount of RMB1,500,000 was utilised as part of the acquisition consideration upon completion of the acquisition.

During the year, prepayments for acquisition of land use right and property, plant and equipment of RMB14,108,000 were utilised as part of the acquisition consideration upon completion of the acquisitions, out of which RMB8,800,000 and RMB5,308,000 were transferred to leasehold land and land use rights, and property, plant and equipment, respectively.

In the prior year, partial considerations for acquisition of subsidiaries in the aggregate amount of RMB83,783,000 had not been settled by the Group and was included in the Group's accruals and other payables and consideration payables as at 31 December 2011, and partial considerations of RMB27,472,000 was settled by issue of consideration shares in the prior year.

36. COMMITMENTS

Capital commitments outstanding at the end of reporting period not provided for in the financial statements were as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Capital commitments		
Construction of buildings, contracted but not provided for	**41,545**	41,900
Purchase of other items of properties, plant and equipment	**3,093**	3,155
	44,638	45,055
Other commitment		
Acquisition of subsidiaries	**2,000**	4,500

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	The Group	
	2012	2011
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	**49,674**	43,383

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**54,643**	42,504
After one year but within five years	**140,605**	104,170
After five years	**71,738**	34,687
	266,986	181,361

The Group as lessor

As at 31 December 2011 and 2012, the Group leased out its investment properties under operating leases.

At the end of reporting period, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**3,893**	5,193
After one year but within five years	**7,774**	9,263
After five years	**4,972**	6,065
	16,639	20,521

38. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to employees and other parties who contribute to the success of the Group's operations.

On 28 February 2005, the Company granted share options of 23,780,000 to its employees. The exercise price of the granted options is equal to the closing price of the shares on the date of grant. There are 10 vesting periods ending on consecutive years from 31 December 2006 to 31 December 2014 and the period ending 12 February 2015. The options are exercisable starting from 1 January 2006 to 12 February 2015 subject to accomplishing performance targets or conditions, as determined by the board of directors of the Company.

The Group amortises the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of RMB150,000 was charged as an equity-settled share-based payment (2011: RMB250,000) to profit or loss for the year.

The number of the share options as at 1 January 2011, 31 December 2011 and 31 December 2012 is 10,040,000.

At the end of reporting period and the date of approval of these financial statements, the Company had 10,040,000 (2011: 10,040,000) share options outstanding under the Scheme, which represented 1.7% (2011: 1.7%) of the Company's shares in issue as at 31 December 2012. Of the total number of options outstanding at the end of the reporting period, 6,920,000 (2011: 6,240,000) were exercisable at the end of the reporting period. The exercise in full of the remaining outstanding exercisable and unexercisable share options would, under the present capital structure of the Company, result in the issue of 10,040,000(2011: 10,040,000) additional ordinary shares of the Company and additional share capital of RMB850,000 (2011: RMB850,000) and share premium of RMB7,142,000 (2011: RMB7,142,000) (before issue expenses and transfer from share options reserve).

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

Share options outstanding as at 31 December 2011 and 2012 have the following expiry dates and exercise prices:

2012

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

2011

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

39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in full and are not disclosed in this note. Except for disclosed elsewhere in the notes to financial statements, details of transactions between the Group and other related parties are disclosed below.

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

		2012 RMB'000	2011 RMB'000
(i)	Sale of goods to Custom Accessories	**5,153**	6,390
(ii)	Sale of goods to Custom Accessories Europe	**1,370**	776
(iii)	Sale of goods to XTC Business Management	**9,524**	9,394

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

(b) As at 1 January 2012, Zhejiang Autoboom Industrial Co., Limited ("Zhejiang Autoboom") was a 51%-owned subsidiary of the Group. On 30 March 2012, the Group entered into an equity transfer agreement to acquire additional 12% equity interest in Zhejiang Autoboom from the non-controlling owners at a cash consideration of approximately RMB37,247,000. The Group paid first instalment of RMB14,898,800 for the acquisition. On 7 December 2012, the Group entered into a revocation agreement with the non-controlling owners to revoke the equity transfer agreement and the non-controlling owners fully refunded RMB14,898,800 to the Group accordingly. Zhejiang Autoboom remained as a 51%-owned subsidiary of the Group as at 31 December 2012.

(c) On 28 June 2012, the Group acquired additional 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd. ("Shenzhen Yonglonghang") from non-controlling owners of this subsidiary at a cash consideration of approximately RMB37,240,000, and thereafter Shenzhen Yonglonghang became a wholly-owned subsidiary of the Group.

(d) In the prior year, the Group acquired additional 9% equity interest in Aiyihang from non-controlling owner of this subsidiary (who is also the senior management of Aiyihang) at a cash consideration of approximately RMB22,634,000, and thereafter Aiyihang became a 60%-owned subsidiary of the Group.

(e) Members of key management during the year comprised only the executive directors and non-executive directors whose remuneration is set out in Note 10(a).

40. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of (i) debts, which includes the borrowings, Renminbi-denominated bonds and the CBs as disclosed in Notes 26, 28 and 29, respectively; (ii) cash and cash equivalents and pledged time deposits in Note 34; (iii) equity attributable to owners of the Company, comprising share capital disclosed in Note 31 and reserves as disclosed in consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debts.

The gearing ratio at end of the reporting period was as follows:

	2012 **RMB'000**	2011 RMB'000
Debts	**592,208**	507,587
Cash and cash equivalents and pledged time deposits	**(142,314)**	(330,427)
Net debt position	**449,894**	177,160
Equity attributable to owners of the Company	**284,356**	617,653
Net debt to equity ratio	**158.2%**	28.7%

41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers and debtors as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 9% (2011: 21%) and 24% (2011: 45%) of the total gross trade receivables that were due from the Group's largest customer and the five largest customers respectively within the manufacture and sale of automobile accessories business segment.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 24.

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

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

The Group

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000
2012						
Bank borrowings, secured	**262,955**	**270,749**	**255,618**	**1,826**	**5,477**	**7,828**
Trade payables	**241,484**	**241,484**	**241,484**	**–**	**–**	**–**
Other payables	**104,280**	**104,280**	**104,280**	**–**	**–**	**–**
Renminbi-denominated bonds	**199,372**	**207,500**	**207,500**	**–**	**–**	**–**
Convertible bonds	**129,881**	**154,879**	**–**	**–**	**154,879**	**–**
Amount due to a related party	**10,998**	**10,998**	**10,998**	**–**	**–**	**–**
Amounts due to non-controlling owners of subsidiaries	**14,704**	**14,704**	**14,704**	**–**	**–**	**–**
Consideration payables	**78,346**	**95,652**	**–**	**95,652**	**–**	**–**
Total	**1,042,020**	**1,100,246**	**834,584**	**97,478**	**160,356**	**7,828**
2011						
Bank borrowings, secured	187,447	191,777	179,645	1,233	10,899	–
Trade payables	215,701	215,701	215,701	–	–	–
Other payables	174,992	174,992	174,992	–	–	–
Renminbi-denominated bonds	197,879	215,000	7,500	207,500	–	–
Convertible bonds	122,261	154,879	–	–	154,879	–
Amount due to a related party	1,000	1,000	1,000	–	–	–
Amounts due to non-controlling owners of subsidiaries	10,957	10,957	10,957	–	–	–
Consideration payables	7,002	7,002	–	7,002	–	–
Total	917,239	971,308	589,795	215,735	165,778	–

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

(b) Liquidity risk *(Continued)*

The Company

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000
2012					
Bank borrowing, secured	**3,143**	**3,172**	**3,172**	**–**	**–**
Other payables and amounts due to subsidiaries	**8,107**	**8,107**	**8,107**	**–**	**–**
Renminbi-denominated bonds	**199,372**	**207,500**	**207,500**	**–**	**–**
Convertible bonds	**129,881**	**154,879**	**–**	**–**	**154,879**
	340,503	**373,658**	**218,779**	**–**	**154,879**
Financial guarantees issued					
Maximum amount guaranteed	**–**	**–**	**87,922**	**–**	**–**
2011					
Bank borrowing, secured	6,300	6,337	6,337	–	–
Other payables and amounts due to subsidiaries	5,991	5,991	5,991	–	–
Renminbi-denominated bonds	197,879	215,000	7,500	207,500	–
Convertible bonds	122,261	154,879	–	–	154,879
	332,431	382,207	19,828	207,500	154,879
Financial guarantees issued					
Maximum amount guaranteed	–	–	12,602	–	–

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

(c) Interest rate risk

The Group's fair value interest-rate risk mainly arises from Renminbi-denominated bonds and liability component of CBs as disclosed in Notes 28 and 29 respectively. Most of bank borrowings were issued at variable rates which expose the Group to cash flow interest rate risk.

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses as at 31 December 2012 by RMB1,971,000 (2011: decrease/increase profit and retained profits by RMB1,026,000). The Group has not used any financial instrument to hedge potential fluctuations in interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in Notes 26, 28 and 29.

The Company's fair value interest-rate risk mainly arises from Renminbi-denominated bonds and liability component of CBs as disclosed in Notes 28 and 29 respectively. The bank borrowing was issued at variable rates which expose the Company to cash flow interest rate risk.

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Company's loss for the year and accumulated losses as at 31 December 2012 by RMB26,000 (2011: RMB63,000). The Company has not used any financial instrument to hedge potential fluctuations in interest rate.

The interest rates and terms of repayment of the Company's borrowings are disclosed in Notes 26, 28 and 29.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US$.

The Group and Company are also exposed to foreign currency exchange risk arising from the cash and cash equivalents denominated in US$.

The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

41. *FINANCIAL RISK MANAGEMENT (Continued)*

(d) Currency risk *(Continued)*

The Group

	2012	2011
	US$'000	US$'000
Trade and other receivables	**10,631**	14,392
Cash and cash equivalents and pledged time deposits	**2,338**	23,839
Bank borrowings	**(500)**	(974)
Overall net exposure	**12,469**	37,257

The Company

	2012	2011
	US$'000	US$'000
Cash and cash equivalents and pledged time deposits	**335**	22,404
Bank borrowings	**(500)**	(974)
Overall net exposure	**(165)**	21,430

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

The following table indicates the approximate change in the Group's loss for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates a decrease in loss or an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity, and the balances below would be negative.

The Group	2012 Increase in foreign exchange rate	2012 Effect on loss for the year and accumulated losses RMB'000	2012 Effect on other components of equity RMB'000	2011 Increase in foreign exchange rate	2011 Effect on profit for the year and retained profits RMB'000	2011 Effect on other components of equity RMB'000
US$	5%	3,941	–	5%	11,738	–

The Company	2012 Increase in foreign exchange rate	2012 Effect on loss for the year and accumulated losses RMB'000	2012 Effect on other components of equity RMB'000	2011 Increase in foreign exchange rate	2011 Effect on profit for the year retained profits RMB'000	2011 Effect on other components of equity RMB'000
US$	5%	(52)	–	5%	7,057	–

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the end of the next reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' results for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2011.

(e) Fair values

All financial instruments of the Group and Company are carried at amounts not materially different from their fair values as at 31 December 2011 and 2012.

(f) Fair values estimation

Save as the contingent considerations payables as detailed in Notes 33 and 42, the following summarises the major methods and assumptions used in estimating the fair values of financial instruments of the Group set out in Notes 22, 26, 28 and 29.

(i) Trading securities

Fair values are based on quoted market prices at the end of reporting period without any deduction for transaction costs.

(ii) Interest-bearing bank borrowings, Renminbi-denominated bonds and liability component of CBs

The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts and fair values of the Group's financial assets and financial liabilities as recognised at 31 December 2011 and 2012 may be categorised as follows:

	2012		2011	
	Carrying value RMB'000	**Fair value RMB'000**	Carrying value RMB'000	Fair value RMB'000
Financial assets				
Trading securities, at fair value	**243**	**243**	243	243
Loans and receivables (including cash and cash equivalents and pledged time deposits), at amortised cost	**418,619**	**417,333**	670,139	670,139
Financial liabilities				
Contingent consideration payables, at fair value	**105,377**	**105,377**	83,783	83,783
Financial liabilities, at amortised cost	**936,643**	**936,643**	847,677	847,677

(a) The fair values of financial assets and liabilities are determined as follows:

– The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

– The fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments and forecast on the financial performance and other measures of the acquirees under the contingent consideration arrangements as further detailed in Note 33. The directors are of the opinion that there are no reasonably possible alternative assumptions to the inputs in the fair value measurement.

At 31 December 2012, it is estimated that a decrease of 15% in forecasted net profits of the acquirees under the contingent consideration arrangements, with all other variables held constant, would decrease the fair value of contingent consideration payables as at 31 December 2012 by approximately RMB83,927,000 (2011: RMB22,728,000). The increase in forecast net profits of the acquirees would have no significant impact on the fair value of contingent consideration payables as at 31 December 2011 and 2012. The 15% fluctuation represents directors' assessment of a reasonably possible alternative assumption in the forecasted net profits of the acquirees under the contingent consideration arrangements as at the end of reporting periods.

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group			
	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contingent consideration payables	**–**	**–**	**105,377**	**105,377**
Trading securities, listed	**243**	**–**	**–**	**243**
	2011			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Contingent consideration payables	–	–	83,783	83,783
Trading securities, listed	243	–	–	243

Contingent consideration payables are included in accruals and other payables, and consideration payables as at the end of the reporting period.

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

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

	2012 RMB'000	2011 RMB'000
At 1 January	**83,783**	32,990
Total gain recognised in the profit or loss included in other revenue and gains and losses	**(3,281)**	–
Payments	**(46,254)**	–
Transfer to liabilities at amortised cost, upon contingent considerations confirmed	**(34,248)**	(32,990)
Contingent consideration payables arising from acquisitions during the year	**105,377**	83,783
Overall net exposure	**105,377**	83,783

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

43. CONTINGENT LIABILITIES

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

The Company

	2012 RMB'000	2011 RMB'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**87,922**	12,602

The banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMBNil and RMB44,544,000 as at 31 December 2011 and 2012, respectively.

44. SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

(i) On 18 February 2013, the Group entered into a share purchase agreement with non-controlling owners of Richahaus to acquire additional approximately 18.68% of the total issued share capital of Richahaus at the aggregate consideration of NTD42,029,326 (equivalent to approximately RMB9,095,000) in cash. Upon completion, the Group will hold 100% equity interest in Richahaus. Please refer to the Company's announcement dated 18 February 2013 for further details.

(ii) On 18 February 2013, the Group entered into a supplemental agreement with the vendors of equity interest in Hubei Autoboom which was a 51%-owned subsidiary of the Group as at the end of the reporting period, pursuant to which, the Group and the vendors agreed that the remaining consideration payable amount of approximately RMB27,621,000 is to be satisfied by RMB4,000,000 in cash and the remaining approximately RMB23,621,000 by way of issuance of 29,749,744 new shares of the Company. On 1 March 2013, 29,749,744 new shares of the Company have been issued. Please refer to the Company's announcement dated 18 February 2013 for further details.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	1.1.2012 to 31.12.2012 RMB'000	1.1.2011 to 31.12.2011 RMB'000	1.1.2010 to 31.12.2010 RMB'000	1.1.2009 to 31.12.2009 RMB'000	1.1.2008 to 31.12.2008 RMB'000
Turnover	**1,397,885**	1,493,140	1,076,842	642,349	707,426
(Loss)/profit before income tax expense	**(373,877)**	85,766	61,821	24,637	17,791
Income tax expense	**16,017**	(25,251)	(14,183)	(7,496)	(4,996)
(Loss)/profit for the year	**(357,860)**	60,515	47,638	17,141	12,795
Attributable to:					
Owners of the Company	**(324,262)**	28,127	34,129	11,533	10,922
Non-controlling interests	**(33,598)**	32,388	13,509	5,608	1,873
	(357,860)	60,515	47,638	17,141	12,795

ASSETS AND LIABILITIES

	31.12.2012 RMB'000	31.12.2011 RMB'000	31.12.2010 RMB'000	31.12.2009 RMB'000	31.12.2008 RMB'000
Total assets	**1,694,039**	1,903,760	1,354,184	686,995	617,821
Total liabilities	**(1,168,351)**	(1,028,162)	(687,569)	(242,234)	(331,451)
Net assets	**525,688**	875,598	666,615	444,761	286,370