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

INTERIM REPORT 2013

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Zhang Jianxing *(Chief Executive Officer)*

Non-executive Directors

Wang Zhenyu *(Chairman)*
Hung Wei-Pi, John *(Vice Chairman)*
Ying Wei
Du Jinglei

Independent Non-executive Directors

Hu Yuming
Lin Lei
Zhang Jie

Company Secretary

Liu Xiao Hua

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Auditor

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Principal Share Registrar and Transfer Office

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Stock Code

360

Websites

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INTERIM FINANCIAL REPORT

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2013** **RMB'000** **(Unaudited)**	2012 RMB'000 (Unaudited)
Turnover	*4*	**655,612**	660,249
Cost of sales and services		**(456,293)**	(472,324)
Gross profit		**199,319**	187,925
Other revenue and gains or losses		**5,724**	10,676
Distribution costs		**(169,769)**	(124,472)
Administrative expenses		**(86,308)**	(66,602)
Impairment loss on goodwill	*9*	**(7,164)**	–
Impairment loss on other intangible assets	*9*	**(6,836)**	–
Finance costs	*5*	**(15,606)**	(12,288)
Loss before taxation		**(80,640)**	(4,761)
Income tax expenses	*6*	**(1,387)**	(5,546)
Loss for the period		**(82,027)**	(10,307)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(5,755)**	796
Other comprehensive income for the period, net of tax		**(5,755)**	796
Total comprehensive income for the period		**(87,782)**	(9,511)

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

Unaudited Consolidated Statement of Comprehensive Income *(Continued)*

For the six months ended 30 June 2013

(Expressed in Renminbi)

	Note	**Six months ended 30 June** **2013** **RMB'000** **(Unaudited)**	2012 RMB'000 (Unaudited)
(Loss)/Profit for the period attributable to			
– Owners of the Company		**(82,238)**	(19,226)
– Non-controlling interests		**211**	8,919
		(82,027)	(10,307)
Total comprehensive income attributable to			
– Owners of the Company		**(87,993)**	(18,558)
– Non-controlling interests		**211**	9,047
		(87,782)	(9,511)
Loss per share	*7*		
Basic (RMB)		**(0.114)**	(0.028)
Diluted (RMB)		**(0.114)**	(0.028)

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

INTERIM FINANCIAL REPORT

Unaudited Consolidated Statement of Financial Position

As at 30 June 2013

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**242,776**	247,137
Leasehold land and land use rights	*9*	**42,423**	43,053
Investment properties	*9*	**47,141**	47,141
Goodwill	*9*	**293,152**	302,244
Other intangible assets	*9*	**253,766**	261,210
Prepayments for acquisition of land use right and property, plant and equipment		**3,610**	1,133
Prepayment for proposed acquisition of subsidiaries		**–**	1,000
Deferred tax assets		**8,417**	2,859
		891,285	905,777
Current assets			
Inventories	*10*	**306,703**	293,834
Tax recoverable		**113**	113
Trade receivables	*11*	**204,900**	193,200
Deposits, prepayments and other receivables		**154,270**	149,758
Amounts due from related parties	*19*	**3,533**	8,800
Trading securities		**243**	243
Pledged time deposits		**10,607**	8,588
Cash and cash equivalents		**103,578**	133,726
		783,947	788,262
Current liabilities			
Bank borrowings	*12*	**293,005**	249,307
Trade payables	*13*	**231,789**	241,484
Accruals and other payables		**247,405**	155,091
Amounts due to related parties	*19*	**14,167**	10,998
Amounts due to non-controlling owners of subsidiaries	*19*	**12,852**	14,704
Renminbi-denominated bonds	*14*	**200,132**	199,372
Tax payable		**5,000**	7,728
		1,004,350	878,684

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

Unaudited Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2013

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Net current liabilities		**(220,403)**	(90,422)
Total assets less current liabilities		**670,882**	815,355
Non-current liabilities			
Bank borrowings	*12*	**13,670**	13,648
Convertible bonds	*15*	**133,860**	129,881
Deferred tax liabilities		**65,994**	67,792
Other non-current liabilities		**2,048**	–
Consideration payables		**–**	78,346
		215,572	289,667
NET ASSETS		**455,310**	525,688
CAPITAL AND RESERVES			
Share capital	*16*	**62,121**	59,443
Reserves		**160,061**	224,913
Total equity attributable to owners of the Company		**222,182**	284,356
Non-controlling interests		**233,128**	241,332
TOTAL EQUITY		**455,310**	525,688

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

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

(Expressed in Renminbi)

	Share capital RMB'000 (note 16)	Share premium and other reserve RMB'000 (note 17)	Accumulated losses RMB'000	Attributable to owners of the Company RMB'000	Non controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2013	59,443	455,091	(230,178)	284,356	241,332	525,688
(Loss)/profit for the period	–	–	(82,238)	(82,238)	211	(82,027)
Other comprehensive income for the period	–	(5,755)	–	(5,755)	–	(5,755)
Total comprehensive income for the period	–	(5,755)	(82,238)	(87,993)	211	(87,782)
Consideration issues	2,678	23,109	–	25,787	–	25,787
Acquisition of additional interests in subsidiaries	–	32	–	32	(9,080)	(9,048)
Disposal of a subsidiary#	–	–	–	–	809	809
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	(144)	(144)
Balance at 30 June 2013	62,121	472,477	(312,416)	222,182	233,128	455,310

In the current period, the Group sold out all the equity interest in Xinjiaodian (Chengdu) Auto Maintain Co., Ltd., a previous subsidiary.

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

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

For the six months ended 30 June 2013

(Expressed in Renminbi)

	Share capital RMB'000 (note 16)	Share premium and other reserve RMB'000 (note 17)	(Accumulated losses)/ Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2012	58,256	439,281	120,116	617,653	257,945	875,598
(Loss)/profit for the period	–	–	(19,226)	(19,226)	8,919	(10,307)
Other comprehensive income for the period	–	668	–	668	128	796
Total comprehensive income for the period	–	668	(19,226)	(18,558)	9,047	(9,511)
Repurchase and cancellation of share	(291)	(4,924)	(291)	(5,506)	–	(5,506)
Acquisition of additional interests in subsidiaries	–	–	(41,841)	(41,841)	(32,646)	(74,487)
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	(2,176)	(2,176)
Balance at 30 June 2012	57,965	435,025	58,758	551,748	232,170	783,918

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

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

(Expressed in Renminbi)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (outflow)/inflow from operating activities	**(21,605)**	30,836
Net cash outflow from investing activities	**(26,928)**	(205,398)
Net cash inflow/(outflow) from financing activities	**19,956**	(23,180)
Net decrease in cash and cash equivalents	**(28,577)**	(197,742)
Cash and cash equivalents, beginning of period	**133,726**	326,840
Effect of foreign exchange rate changes	**(1,571)**	(180)
Cash and cash equivalents, end of period	**103,578**	128,918
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**103,578**	138,871
Bank overdrafts	**–**	(9,953)
	103,578	128,918

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

Notes to the Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1. Organisation and principal activities

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

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

On 25 June 2013, with a view to improving its liquidity position and secure funding to carry out its business plans, the Company entered into various agreements as set out below:

Placing Agreement: the Company entered into a placing agreement with Morgan Stanley & Co. International plc ("the Placing Agent") pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 1,060,673,334 ordinary shares at HK$0.30 per share.

Management Subscription Agreement: the Company and Mr. Raymond N. Chang ("Mr. Chang"), a previous director of the Company entered into a management subscription agreement pursuant to which Mr. Chang agreed to subscribe, or procure his associates (either Ms. Wang Chin-wei, Mr. Chang's spouse, or Full Chance Finance Limited, a company wholly-owned by Ms. Wang Chin-wei) to subscribe, for 51,866,667 new ordinary shares at HK$0.30 per share.

STIC Amendment Deed: the Company entered into a STIC Amendment Deed with investors for the amendments to the terms and conditions of the convertible bonds (the "CBs") which were issued in the year 2011. Under the STIC Amendment Deed, the Company shall have the right and obligation to redeem the CBs in full with an aggregate redemption amount of US$40 million ("Redemption of the CBs") subject to the approval by the Hong Kong Stock Exchange and the completion of the placing under the Placing Agreement.

Investment Agreement: the Company and CDH Fast Two Limited ("the Investor") entered into an investment agreement pursuant to which i) the Company agreed to issue and the Investor agreed to subscribe for 1,262,564,333 ordinary shares at HK$0.30 per share and ii) the Company will issue zero coupon convertible bonds in the aggregate principal amount of US$48,685,000 to the Investor.

On 28 August 2013, all the conditions precedent set out in the Placing Agreement, the Management Subscription Agreement, the STIC Amendment Deed and the Investment Agreement have been satisfied or otherwise waived (where permissible) and completion of the transactions took place on the same day.

2. Basis of preparation

The Interim Financial Report of the Group for the six months ended 30 June 2013 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issue on 30 August 2013.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

During the current period, the Group has incurred a loss of approximately RMB82,027,000 and at the end of the reporting period, the Group's current liabilities exceeded the current assets by approximately RMB220,403,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and therefore the Group may not be able to realise its assets and discharge liabilities in the normal course of business. However, as detailed in note 1, the directors are of the opinion that after the completion of the Placing Agreement, the Management Subscription Agreement, the STIC Amendment Deed and the Investment Agreement, the Group will have sufficient resources to satisfy future working capital and other financing requirements for the next twelve months from the end of the reporting period. Accordingly, the financial report has been prepared on a going concern basis.

The Consolidated Interim Financial Report is unaudited, but has been reviewed by the Company's auditors, KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Engagements to review financial statements*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in pages 29 to 30.

3 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*

Amendments to HKAS 1, Presentation of financial statements – presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 20. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

3 Changes in accounting policies *(Continued)*

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

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

4 Turnover and segment information

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

	Six months ended 30 June	
	2013 **RMB'000**	2012 RMB'000
Sale of goods	**412,882**	417,871
Service income	**242,730**	242,378
	655,612	660,249

(a) Reportable segment

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

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

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.

4 **Turnover and segment information** *(Continued)*

(a) ***Reportable Segment*** *(Continued)*

Set out below is an analysis of segment information:

For the six months ended 30 June 2013	The Manufacture segment RMB'000	The Service and Trading segment RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	169,576	486,036	–	655,612
Internal revenue	334	–	(334)	–
Segment revenue	169,910	486,036	(334)	655,612
Reportable segment results	(8,150)	(56,589)	–	(64,739)
Interest income	85	1,329		1,414
Unallocated interest income				–
Total interest income				1,414
Interest expenses	(467)	(353)		(820)
Unallocated interest expenses				(14,786)
Total interest expenses				(15,606)
Impairment loss on goodwill	–	(7,164)		(7,164)
Impairment loss on other intangible assets	–	(6,836)		(6,836)
Depreciation and amortisation charges	(8,614)	(13,316)		(21,930)
Unallocated depreciation and amortisation charges				(15)
Total depreciation and amortisation charges				(21,945)
Income tax expenses	(284)	(1,103)		(1,387)

4 Turnover and segment information *(Continued)*

(a) Reportable Segment *(Continued)*

For the six months ended 30 June 2012	The Manufacture segment RMB'000	The Service and Trading segment RMB'000	Elimination RMB'000	Total RMB'000
Revenue				
External revenue	152,670	507,579	–	660,249
Internal revenue	13,218	–	(13,218)	–
Segment revenue	165,888	507,579	(13,218)	660,249
Reportable segment results	(8,184)	18,186	–	10,002
Interest income	69	952		1,021
Unallocated interest income				356
Total interest income				1,377
Interest expenses	(4,213)	(312)		(4,525)
Unallocated interest expenses				(7,763)
Total interest expenses				(12,288)
Depreciation and amortisation charges	(8,391)	(7,978)		(16,369)
Unallocated depreciation and amortisation charges				(14)
Total depreciation and amortisation charges				(16,383)
Income tax benefit/(expenses)	936	(6,482)		(5,546)

4 **Turnover and segment information** *(Continued)*

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
(Loss)/profit before income tax expense		
Reportable segment (loss)/profit	**(64,739)**	10,002
Unallocated other revenue and gains or losses	**6,496**	356
Unallocated corporate expenses	**(7,611)**	(7,356)
Unallocated finance costs	**(14,786)**	(7,763)
Consolidated loss before income tax expense	**(80,640)**	(4,761)

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Assets:		
Reportable segment assets	**1,626,608**	1,643,090
Unallocated corporate assets	**48,624**	50,949
Consolidated total assets	**1,675,232**	1,694,039
Liabilities:		
Reportable segment liabilities	**871,959**	832,607
Unallocated corporate liabilities	**347,963**	335,744
Consolidated total liabilities	**1,219,922**	1,168,351

4 **Turnover and segment information** *(Continued)*

(c) *Geographical segments*

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

	Revenue from external customers		Specified non-current assets	
	At 30 June 2013 RMB'000	At 30 June 2012 RMB'000	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
PRC (Place of domicile)	**443,851**	396,069	**808,137**	824,465
America	**109,267**	134,380	**–**	–
Europe	**15,091**	10,017	**–**	–
Asia Pacific	**13,707**	18,801	**–**	–
Taiwan	**73,696**	100,982	**74,731**	78,453
	655,612	660,249	**882,868**	902,918

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

(d) *Major customers*

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

5 **Finance costs**

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interests on bank borrowings		
– wholly repayable within five years	**7,086**	4,113
Interest on Renminbi-denominated bonds	**4,541**	4,489
Imputed interest on convertible bonds	**3,979**	3,686
	15,606	12,288

6 Income tax expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax – PRC and Taiwan corporate income tax	**8,743**	5,887
Deferred taxation	**(7,356)**	(341)
	1,387	5,546

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

7 Loss per share

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Loss		
Loss for the year attributable to the owners of the Company, used in the basic and diluted loss per share calculation	**(82,238)**	(19,226)
Shares		
Weighted average number of ordinary shares for the basic loss per share calculation	**718,464**	681,194
Effect of dilution – weighted average number of ordinary shares:		
– Share options#	**–**	–
– Convertible bonds*	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**718,464**	681,194

The computation of diluted loss per share for the six months ended 30 June 2013 and 2012 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction 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 and diluted loss per share for the six months ended 30 June 2013 and 2012.*

8 Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

9 Capital expenditure

	Property, Plant and Equipment RMB'000	Leasehold land and land use rights RMB'000	Investment properties RMB'000	Goodwill RMB'000	other intangible assets RMB'000
Beginning net carrying amount as at 1 January 2013	**247,137**	**43,053**	**47,141**	**302,244**	**261,210**
Additions	**22,133**	**–**	**–**	**–**	**30**
Disposals	**(2,342)**	**–**	**–**	**–**	**–**
Depreciation/amortisation charge for the period	**(21,329)**	**(630)**	**–**	**–**	**14**
Disposal of a subsidiary	**(809)**	**–**	**–**	**–**	**–**
Impairment#	**–**	**–**	**–**	**(7,164)**	**(6,836)**
Exchange realignments	**(2,014)**	**–**	**–**	**(1,928)**	**(652)**
Ending net carrying amount as at 30 June 2013	**242,776**	**42,423**	**47,141**	**293,152**	**253,766**
Beginning net carrying amount as at 1 January 2012	219,100	17,688	46,764	285,992	336,275
Additions	24,549	–	–	–	–
Disposals	(461)	–	–	–	–
Depreciation/amortisation charge for the period	(15,982)	(258)	–	–	(143)
Acquisition of subsidiaries	4,672	–	–	13,887	–
Exchange realignments	225	–	–	–	53
Ending net carrying amount as at 30 June 2012	232,103	17,430	46,764	299,879	336,185

\# *In the current period, the growth rates of revenue and profitability of Shenzhen Yonglonghang Auto Service Ltd. ("Yonglonghang") had been significantly lower than expected. Based on value-in-use calculations, the goodwill and other intangible assets (trademark) associated with Yonglonghang were further impaired by approximately RMB7,164,000 and RMB6,836,000 respectively.*

10 Inventories

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Raw Material	**25,733**	23,162
Work in Progress	**18,575**	28,000
Finished Goods	**44,409**	29,104
Merchandise Goods	**217,986**	213,568
	306,703	293,834

11 Trade receivables

Details of ageing analysis are as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current to 30 days	**62,679**	49,702
31 to 60 days	**47,525**	56,517
61 to 90 days	**41,656**	30,488
Over 90 days	**68,411**	71,410
	220,271	208,117
Less: allowance for doubtful debts	**(15,371)**	(14,917)
	204,900	193,200

12 Bank borrowings

Bank borrowings are repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year	**293,005**	249,307
After one year but within two years	**1,541**	1,629
After two years but within five years	**12,129**	4,872
After five years	**–**	7,147
	306,675	262,955
Amount due within one year included in current liabilities	**(293,005)**	(249,307)
Amount included in non-current liabilities	**13,670**	13,648

13 Trade payables

Details of the ageing analysis are as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current to 30 days	**108,047**	109,282
31 to 60 days	**33,690**	40,104
61 to 90 days	**33,372**	37,524
Over 90 days	**56,680**	54,574
	231,789	241,484

14 Renminbi-denominated bonds

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Beginning of period	**202,185**	200,692
Interest expense and amortisation of issuance cost	**4,541**	4,489
Interest payment during the period	**(3,781)**	(3,750)
	202,945	201,431
Less: interest payable included in other payables under current liabilities	**(2,813)**	(2,813)
End of period	**200,132**	198,618
Portion classified as current liabilities	**(200,132)**	–
Non-current portion	**–**	198,618

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 issuance costs. The effective interest rate of the bonds is determined to be 4.60% per annum.

By the date of this report, the Company has repaid off the Renminbi dominated bonds.

15 Convertible bonds

In December 2011, the Company issued convertible bonds (the "CBs") in the principal amount of US$38,201,001 (equivalent to RMB241,999,000) to international institutional investors. 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 (i.e. December 2015) of the CBs.

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 ("Fixed Payment").

15 Convertible bonds *(Continued)*

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 issuance costs on a pro-rata basis.

The convertible bonds recognised in the interim financial report are calculated as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Movement of liability component		
Beginning of period	**129,881**	122,261
Imputed interest expense	**3,979**	3,668
End of period	**133,860**	125,929

On 25 June 2013, The Company entered into the STIC Amendment Deed with the investors for the amendments to the terms and conditions of the CBs as detailed in note 1. The STIC Amendment Deed was completed on 28 August 2013 and the Company has redeemed the CBs at an aggregate redemption price of US$40 million. After that, the Company would no longer be subject to the Fixed Payment.

16 Share capital

	Number of shares	**Nominal Value**	
	'000	HK$'000	RMB'000
Balance at 1 January 2012	576,717	57,672	58,256
Consideration issues	18,226	1,822	1,478
Repurchases and cancellation of shares	(3,640)	(364)	(291)
Balance at 31 December 2012	591,303	59,130	59,443
Consideration issues	33,119	3,312	2,678
Balance at 30 June 2013	**624,422**	**62,442**	**62,121**

17 Share premium and other reserves

	Share premium RMB'000	Statutory reserve fund RMB'000	Re-organisation reserve RMB'000	Enterprise expansion fund RMB'000	Convertible bonds reserve RMB'000	Others RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2013	**296,192**	**40,943**	**2,738**	**2,756**	**110,427**	**6,230**	**1,545**	**(5,740)**	**455,091**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,755)**	**(5,755)**
Consideration issues	**23,109**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,109**
Acquisition of additional interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**32**	**–**	**–**	**32**
Balance at 30 June 2013	**319,301**	**40,943**	**2,738**	**2,756**	**110,427**	**6,262**	**1,545**	**(11,495)**	**472,477**
Balance at 1 January 2012	286,471	37,432	2,738	2,756	110,427	6,080	1,254	(7,877)	439,281
Other comprehensive income for the period	–	–	–	–	–	–	–	668	668
Repurchases and cancellation of shares	(5,215)	–	–	–	–	–	291	–	(4,924)
Balance at 30 June 2012	281,256	37,432	2,738	2,756	110,427	6,080	1,545	(7,209)	435,025

18 Commitments

(a) Capital commitments

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Capital expenditure in respect of acquisition project, property, plant and equipment:		
– Contracted but not provided for	**–**	3,093
– Authorized but not contracted for	**41,545**	41,545
	41,545	44,638

18 Commitments *(Continued)*

(b) Operating lease commitments

The Group as lessee

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**52,280**	54,643
Over 1 year but within 5 years	**117,733**	140,605
Over 5 years	**49,384**	71,738
	219,397	266,986

The Group as lessor

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**2,173**	3,893
Over 1 year but within 5 years	**7,882**	7,774
Over 5 years	**4,243**	4,972
	14,298	16,639

19 Related party transactions

(a) *Transactions with related parties*

During the reporting period, transactions with related parties mainly refer to sales to Mei Che Yi Zhan Co., Ltd. ("Mei Che Yi Zhan") of RMB1,304,000 (30 June 2012: 6,352,000).

The equity interests of Mei Che Yi Zhan 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.

(b) *Amounts due from related parties*

As at the end of the reporting period, the group had the following material account receivable balance with its related parties:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Mei Che Yi Zhan	**2,678**	7,989
Others	**855**	811
	3,533	8,800

(c) *Amounts due to related parties*

The amounts due to related parties are mainly due to a close family member of a non-controlling owner of a subsidiary, which is unsecured, interest-free and has no fixed terms of repayment.

(d) *Amounts due to non-controlling owners of subsidiaries*

As at 31 December 2012 and 30 June 2013, the amounts due to non-controlling owners of subsidiaries are unsecured, interest-free and repayable on demand.

20 Financial instruments carried at fair value

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

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities;

Level 2: fair values measured using quoted prices in active markets for similar financial assets or liabilities, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Fair value measurements as at 30 June 2013 using		
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement:			
– Contingent consideration payables	**–**	**–**	**105,116**
– Trading securities	**243**	**–**	**–**

	Fair value measurements as at 31 December 2012 using		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:			
– Contingent consideration payables	–	–	105,377
– Trading securities	243	–	–

Contingent consideration payables are included in accruals and other payables and consideration payables as at the end of the reporting period and the fair value are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from forecast on the financial performance and other measures of the acquirees under the contingent consideration arrangements. As at 30 June 2013, the directors estimates that the acquirees' forecast net profits and other measures can meet the criteria set in the arrangements and the final considerations will be the capped amounts.

At 30 June 2013, it is estimated that a decrease of 15% in forecasted net profits of the acquirees, with all other variables held constant, would decrease the fair value of contingent consideration payables as at 30 June 2013 by approximately RMB92,641,000. The 15% fluctuation represents directors' assessment of a reasonably possible alternative assumption in the forecasted net profits of acquirees as at the end of reporting end.

20 Financial instruments carried at fair value *(Continued)*

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

	Six months ended 30 June 2013 RMB'000
At 1 January 2013	**105,377**
Total loss recognised in the profit or loss included in other revenue and gains or losses	**6,773**
Payments	**(7,034)**
Overall net exposure at 30 June 2013	**105,116**

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

21 Events after the reporting period

As detailed in note 1, the completion of the Placing Agreement, the Management Subscription Agreement, the STIC Amendment Deed and the Investment Agreement took place on 28 August 2013. As a result of the completion, the Company

i) issued 2,323,235,000 new ordinary shares at the price of HK$0.30 per share;

ii) issued the convertible bonds in the aggregate principal amount of US$48,685,000 at the same principal amount; and

iii) redeemed the CBs in full at an aggregate redemption price of US$40,000,000.

22 Comparative figures

Certain comparative figures in disclosure have been adjusted to conform to current period's presentation.

REVIEW REPORT ON INTERIM FINANCIAL REPORT

To the Board of Directors

of New Focus Auto Tech Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report, set out on pages 3 to 28 which comprises the consolidated statement of financial position of New Focus Auto Tech Holdings Limited (the Company) and its subsidiaries (together, the "Group") as of 30 June 2013 and the related consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

Results Highlights

Revenue

For the six months ended 30 June 2013 (the "Period"), the Group recorded a consolidated turnover of approximately RMB655,612,000, representing a decrease of approximately RMB4,637,000 compared to the corresponding period of 2012 (corresponding period of 2012: approximately RMB660,249,000). The turnover of services business amounted to approximately RMB486,036,000, accounting for approximately 74.13% of the Group's consolidated turnover and a decrease of approximately RMB21,543,000 compared to the corresponding period of 2012 (corresponding period of 2012: approximately RMB507,579,000). The decrease was mainly attributable to the decreasing demand of car owners due to sluggish economy in the PRC. The turnover of manufacturing business amounted to approximately RMB169,576,000, accounting for approximately 25.87% of the Group's consolidated turnover and an increase of approximately RMB16,906,000 compared to the corresponding period of 2012 (corresponding period of 2012: approximately RMB152,670,000). The increase was mainly originated from orders re-gained from global OEM customers and the expansion into new markets.

Gross profit and gross margin

Gross profit for the Period was approximately RMB199,319,000, up approximately RMB11,394,000 compared to the corresponding period of 2012 (corresponding period of 2012: approximately RMB187,925,000). The increase was mainly attributable to the increase of gross margin of the Group's service business arising from improved cost control, store layout and products mix. Gross margin for the Period was approximately 30.40%, representing an increase of approximately 1.94 percentage point as compared to that of the corresponding period of 2012 (corresponding period of 2012: approximately 28.46%).

Expenses

Distribution costs for the Period were approximately RMB169,769,000 (corresponding period of 2012: approximately RMB124,472,000), representing an increase of approximately RMB45,297,000. The increase was mainly attributable to the growth of the Group's distribution costs in the service business, which included:

1) distribution costs of approximately RMB17,000,000 from Changchun Guangda Automobile Trading Co., Ltd ("Changchun Guangda") and IPO Automotive Corporation Limited ("IPO Automotive") incurred during the Period were consolidated into the Group;

2) additional rental, exhibition expenses, advertising expenses and labour costs of approximately RMB26,000,000 in aggregate incurred from certain retail stores newly established for the retail business of the Group and business expansion.

Administrative expenses for the Period were approximately RMB86,308,000 (corresponding period of 2012: approximately RMB66,602,000), representing an increase of approximately RMB19,706,000 as compared to the corresponding period of 2012. The increase was mainly due to the growth of the Group's administrative expenses in service business which included:

1) administrative expenses of approximately RMB3,210,000 from Changchun Guangda and IPO Automotive incurred during the Period were consolidated into the Group; and

2) additional labour, office and IT system expenses of approximately RMB20,500,000 incurred in strengthening the service business's operation and management team by establishing additional marketing and sales departments;

Operating loss

Operating loss for the Period was approximately RMB65,034,000 (corresponding period of 2012: operating profit of approximately RMB7,527,000), representing a decline in operating profit of approximately RMB72,561,000. It was mainly attributable to the increase in distribution costs and administrative expenses of approximately RMB65,003,000 and the impairment of approximately RMB14,000,000 on goodwill and intangible assets allocated to Shenzhen Yonglonghang Auto Service Ltd ("Shenzhen Yonglonghang") during the Period.

Finance costs

Net finance costs for the Period amounted to approximately RMB15,606,000 (corresponding period of 2012: approximately RMB12,288,000), up approximately RMB3,318,000 as compared to the corresponding period of 2012. The increase was mainly due to the increase in interests paid for bank borrowings which had been used to settle part of the considerations for the acquisitions conducted by the Group.

Taxation

Income tax expenses for the Period were approximately RMB1,387,000 (corresponding period of 2012: approximately RMB5,546,000), representing a decrease of approximately RMB4,159,000, which was mainly due to the decrease in the profit before tax of the Group.

Loss Attributable to Shareholders

Loss attributable to shareholders for the Period was approximately RMB82,238,000 (corresponding period of 2012: loss of approximately RMB19,226,000), representing an increase of approximately RMB63,012,000. The loss attributable to shareholders excluding the impairment on goodwill and intangible assets during the Period was approximately RMB69,947,000, which was close to RMB61,593,000, being the loss attributable to shareholders excluding the impairment on goodwill and intangible assets during the second half of 2012. Loss per share was approximately RMB11.4 cents (corresponding period of 2012: loss per share of approximately RMB2.8 cents).

Financial Position and Liquidity

As at 30 June 2013, net current liabilities of the Group amounted to approximately RMB220,403,000 (31 December 2012: net current liabilities of approximately RMB90,422,000) and current ratio was approximately 0.78 (31 December 2012: approximately 0.90).

Gearing ratio, calculated by dividing total liabilities by total assets, was approximately 72.81% as at 30 June 2013 (31 December 2012: approximately 68.97%).

Total bank borrowings of the Group were approximately RMB306,675,000 as at 30 June 2013 (31 December 2012: approximately RMB262,955,000). Bank overdrafts of the Group were zero as at 30 June 2013 (31 December 2012: approximately RMB169,000). Most bank borrowings are denominated in Renminbi ("RMB") and New Taiwan Dollar ("NTD") with floating interest rate.

Capital Structure

As at 30 June 2013, the Group's total assets were approximately RMB1,675,232,000 (31 December 2012: approximately RMB1,694,039,000), comprising (1) share capital of approximately RMB62,121,000 (31 December 2012: approximately RMB59,443,000), (2) reserves of approximately RMB393,189,000 (31 December 2012: approximately RMB466,245,000), and (3) debts of approximately RMB1,219,922,000 (31 December 2012: approximately RMB1,168,351,000).

Financial Guarantees and Pledge of Assets

As at 30 June 2013, the net book values of property, plant and equipment and leasehold land and land use rights and time deposits pledged as securities for the Group's bank borrowings totalled approximately RMB151,998,000 (31 December 2012: approximately RMB138, 679,000).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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%.

On 23 September 2011, the Company and Mr. Chen Bing Yu (陳炳煜), Ms. Li Zhen Fei (李貞斐) and Mr. 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. The said sum of RMB4,000,000 has been settled and the new shares have been issued within the Period.

In relation to the acquisitions of 51% equity interest in Shenzhen Yonglonghang on 25 November 2009, 51% equity interest in Shanghai Astrace on 28 June 2011 and 100% equity interest in IPO Automotive on 15 November 2012, the Company has updated on the determination and settlement of consideration. Details can be referred to the Company's announcements dated 26 July 2013 and 13 September 2013.

Significant Investments

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

Exchange Risk

During the Period, the settlement currency of the Group was mainly USD. In order to minimise foreign exchange risk, the Group fixed exchange rate with procurement contracts and adjusted the quotation policy, which enabled the transfer of the exchange rate risk to both up and down streams. The Directors are of the view that there was no significant exchange risk for the Group.

Contingent Liabilities

As at 30 June 2013, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2013, the Group employed a total of 5,405 (30 June 2012: 4,425) full-time employees, of which 739 (30 June 2012: 623) were managerial staff. The Group is committed to the recruitment of talented staff to enrich its expertise. In order to attract and retain outstanding employees, the Group also provides benefits such as medical insurance and housing allowances in addition to the various mandatory pension schemes stipulated by the state. Outstanding employees may also be granted discretionary bonuses and share options as incentive.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (corresponding period of 2012: nil).

Significant Events After the End of the Period

The Company proposed several transactions separately under the placing agreement, the management subscription agreement, the STIC amendment deed and the investment agreement as disclosed in the Company's announcement dated 26 June 2013 and the circular of the Company to its shareholders dated 17 July 2013 (the "Transactions"). The completion of the Transactions took place on 28 August 2013. More details about the Transactions were disclosed in the Company's announcement dated 28 August 2013.

Business Progress

Being a country that owns a car count of over 100 million, China is becoming the largest prime destination for auto after-sales service providers over the world. According to the statistics by the China Automobile Dealers Association (CADA) (中國汽車流通協會), the market scale of auto after-sales in China will still maintain an annual growth of about 20%, representing an increase of RMB100 billion in terms of output value every year. It is expected that the scale of output value will reach over RMB800 billion after three years, surpassing the United States to become the biggest auto after-sales market in the world. Not only do the multi-national auto parts giants over the world expedite their layout in China, the local auto chain repair brands and traditional 4S stores in China also actively join to share this valuable opportunity. With the rapid growth of China automotive market and the gradual aging of its average vehicle age, the frequency and demand for automotive repair and maintenance will keep increasing. Chain stores that provide high quality and cost-effective automotive after-sales services will serve as the mainstream for the future automotive after-sales market.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2013, the Group has 88 consumer service retail centres and 18 B2B mega stores across the Greater China region, being the outstanding player with the largest scale and most stores among the industry peers. The extensively spread store scale receives widely recognition of the leading enterprises over the globe, enabling the Group to become the first preference of partner when they enter the rapid-developing China automotive after-sales market.

In 2012, measures such as the significant layout design of stores, introduction of new management team and brand integration indeed created financial burden to the Group, and the huge expenses affected the profit level in the first half of 2013. In the first half of 2013, the Group has actively taken measures which would improve the operation performance of service retail business in the long term, enhanced the product structure of B2B Mega Store system and won OEM orders from the world-class clients. The Group has entered a recovery stage and it is expected it will get back on track in the second half of 2013.

Within the Period, the following progress was achieved by the Group:

Continue to introduce strategic partnership

In January 2013, the Group entered into a strategic partnership agreement with Castrol (Shenzhen) Co., Limited ("Castrol"), a wholly-owned subsidiary of British Petroleum Group, under which the Group will work together with Castrol to create a "Castrol" branded oil charge station at our service and retail outlets to provide our customers with rapid and reliable oil change services.

Enhance the product structure of wholesale business

The Group further increased the proportion of products with rigid demand sold by the Group's wholesale business except Shanghai Astrace Trade Development Company Limited, such as motor oil, tyres and easily damaged parts, with an aim to expand the realm of quick maintenance market. In the meanwhile, it conducted the integration and selection of product brands in order to optimize the allocation of product resources and to reduce the cost consumption incurred by ineffective products while increased the satisfaction and recognition from customers. Through the transactions with 4S stores and street side stores, it explored the potential customers with high quality in the market to increase its market share.

Manufacturing business

During the period under review, the Group re-gained orders from world-class clients, strived to involve in product design, research and development and at the same time to explore new clients. It adopted the cutting-edge technology from domestic and overseas, aiming to enter the consumer market with the features of "light, thin, short, small, intelligent and green". Currently certain products have already entered the domestic and overseas OEM market and been well recognized by the automotive consumer market.

Prospects

Apart from continuing to implement the operation strategies which have been proved to be effective, focus will also be placed on the following strategies:

Termination of loss and reduction of expenses

After the implementation of new operation mode in Eastern China, Southern China and Taiwan in 2012, due to a huge expense from re-design, operations in these three regions failed to make contribution to the Group's net profit performance in the first half of this year even there was an increase in gross margin. The Group plans to streamline its organization in the second half of 2013 in order to reduce the cost of headquarters for the three regions. In order to enhance its management efficiency, the Group will overcome the weaknesses in each region one by one to focus on the important issues such as how to enhance the product portfolio and promotion solution in Eastern China, how to create clients centralization and attract secondary consumption in Taiwan, and how to achieve profitability in Southern China after the formation of management system. Once these key issues have been improved, the new operation mode will generate positive effects.

Resources inclination and prioritized development

Northern and Northeastern China are the core strategic markets of the Group. The performance of Beijing Aiyihang Auto Service Ltd ("Beijing Aiyihang") and Changchun Guangda has always shown an overall upward trend. It can be noted that the development potential in Northern and Northeast in China is unprecedented. In the second half of 2013, the Group will realize the resources inclination to devote limited resources in focus on developing businesses of Beijing Aiyihang and Changchun Guangda, while at the same time, strive to maintain profitability in the other regions, with an aim to drive the joint development in other regions by the force of the success of Beijing Aiyihang and Changchun Guangda.

Co-operation with the industry peers and alliance with different industries

In July 2013, the Group entered into a strategic co-operation agreement with ExxonMobil (China) Investment Co., Ltd to launch the state-of-art "Focus Oil Change" program. The fully automatized "central monitoring refuel equipment" will be launched in designated repair and maintenance spots in the stores of the Group across the country. The standard SOP examination procedure and fully automatized refuel equipment will not only provide car owners with preventive maintenance services, but also offer them the rapid and convenient experience with fastest and the most price competitive service.

The auto after-sales services market in China will enter the era of mass-scale operations from small-scale and separated mode of operations. The Group will follow this trend of industry integration and capture the huge merger and acquisition opportunities in order to further raise its market share of retailing business in Greater China region and consolidate the long term leading position of the Group in the industry. The Group will leverage its previously accumulated operation experience to fully improve the performance of the acquired stores, maximize the effects of synergies among the domestic service retailing business and B2B mega stores so as to significantly enhance its operation capability.

Creation of demand and enhancement of efficiency

Under the duo expansion of overseas trading and domestic sales in the manufacturing business, the Group will focus on achieving good result, actively soliciting new clients, seeking new projects and orders, aiming for re-gaining lost clients as well as developing new markets (including regions such as Middle East, Africa, Latin America). As for domestic sales, it will enhance the organic development and introduce OEM processing business. In addition, it will also attach an importance to the price competitiveness and flexibility of design, leveraging the common platform, models and spare parts for realizing the efficiency.

After the integration in 2012 and the adjustment in the first half of 2013, we firmly believe that the future development potential of the Group is substantial. On 28 August 2013, the Group successfully obtained capital injection of about RMB600 million from the CDH Investments (鼎暉投資), an investment giant in China. It also completed the financing of approximately RMB240 million through placing by Morgan Stanley as placing agent. Such fund raising activities improved the Group's short-term liquidity position, strengthened its overall finance capability and provided the Group with sufficient capital for potential acquisition and establishing new stores as part of its expansion strategy. By leveraging the reputation of CDH Investments in China and its insight and understanding of the local market, the Group will further develop its business plans, aiming to actively establish an enterprise that makes shareholders satisfied and staff proud, and that receives recognition from partners and gains respect from competitors.

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

As at 30 June 2013, the interests and short positions of each of the directors of the Company (the "Directors") and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Interests in shares of the Company

Name	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives	Total number of shares	Approximate percentage of issued shares
Mr. Hung Wei-Pi, John *(Note 2)*	Interest in a controlled corporation *(Note 3)*	169,506,120 (L)	Nil	169,506,120 (L)	27.15%
Mr. Douglas Charles Stuart Fresco *(Note 4)*	Interest in a controlled corporation *(Note 5)*	53,590,690 (L)	Nil	53,590,690 (L)	8.58%
	Beneficial Owner	3,665,115 (L)	Nil	3,665,115 (L)	0.59%
Mr. Edward B. Matthew *(Note 4)*	Beneficial Owner	21,922,350 (L)	Nil	21,922,350 (L)	3.51%
Ms. Hung Ying-Lien *(Note 6)*	Beneficial Owner	383,145 (L)	3,400,000 (L) *(Note 7)*	3,783,145 (L)	0.61%
Mr. Raymond N. Chang *(Note 8)*	Family Interest *(Note 9)*	59,766,667 (L)	Nil	59,766,667 (L)	9.57%

Notes:

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

2. *Mr. Hung Wei-Pi John has been re-designated as a non-executive director and vice Chairman of the Company effective from 28 August 2013.*

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

4. *Mr. Douglas Charles Stuart Fresco and Mr. Edward B. Matthew resigned as executive directors of the Company effective from 28 August 2013.*

5. *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.*

6. *Ms. Hung Ying-Lien resigned as an executive director of the Company effective from 28 August 2013. Ms. Hung Ying-Lien has been appointed as Chief Operational Officer of the Company on the same date.*

7. *Details of these equity derivatives are set out in sub-section (b) below.*

8. *Mr. Raymond N. Chang resigned as an executive director and the chief executive officer of the Company effective from 11 August 2013.*

9. *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. On 25 June 2013, Mr. Raymond N. Chang entered into a management subscription agreement with the Company for the subscription of 51,866,667 new shares, which was completed on 28 August 2013. 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.*

(b) **Interests in the underlying shares of the Company through unlisted and physically settled equity derivatives (as defined in the SFO)**

Certain Directors were granted share options under the share option scheme adopted by the Company on 13 February 2005 (the "Scheme"). Share options granted to the Directors by the Group to subscribe for shares of the Company which were outstanding as at 30 June 2013 are as follows:

Name	Number of options granted but not exercised as at 30 June 2013	Exercise period	Grant price	Exercise price
Ms. Hung Ying-Lien *(Note 1)*	3,400,000 (L)	1 January 2006 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)

Note:

1. *Ms. Hung Ying-Lien resigned as an executive director of the Company effective from 28 August 2013. Ms. Hung Ying-Lien has been appointed as chief operational officer of the Company on the same date.*

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

Save as disclosed above, as at 30 June 2013, to the best knowledge of the Directors and chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

OTHER INFORMATION

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

So far as the Directors and chief executives of the Company are aware, as at 30 June 2013, the interests and short positions of the persons, other than Directors and chief executives of the Company, in the shares and underlying shares of the Company, as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of Substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives	Total number of shares	Approximate percentage of issued shares
Sharp Concept Industrial Limited	Beneficial owner *(Note 2)*	169,506,120 (L)	Nil	169,506,120 (L)	27.15%
Ms. Jin Xiao-Yan	Family interest *(Note 2)*	169,506,120 (L)	Nil	169,506,120 (L)	27.15%
Golden Century Industrial Limited	Beneficial owner *(Note 3)*	53,590,690 (L)	Nil	53,590,690 (L)	8.58%
STIC Korea Integrated – Technologie New Growth Engine Private Equity Fund	Beneficial owner	Nil	78,923,254 (L) *(Note 4)*	78,923,254 (L)	12.64%
CDH Fast Two Limited	Beneficial owner *(Note 5)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 6)*	2,889,580,226 (L)	462.76%
CDH Fast One Limited	Interest in a controlled corporation *(Note 5)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 6)*	2,889,580,226 (L)	462.76%
CDH Fund IV, L.P.	Interest in a controlled corporation *(Note 5)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 6)*	2,889,580,226 (L)	462.76%
CDH IV Holdings Company Limited	Interest in a controlled corporation *(Note 5)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 6)*	2,889,580,226 (L)	462.76%

Name of Substantial shareholder	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives	Total number of shares	Approximate percentage of issued shares
China Diamond Holdings IV, L.P.	Interest in a controlled corporation *(Note 5)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 6)*	2,889,580,226 (L)	462.76%
China Diamond Holdings Company Limited	Interest in a controlled corporation *(Note 5)*	1,262,564,333 (L)	1,627,015,893 (L) *(Note 6)*	2,889,580,226 (L)	462.76%

Notes:

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

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

3. *Golden Century Industrial Limited is wholly and beneficially owned by Mr. Douglas Charles Stuart Fresco. Golden Century Industrial Limited ceased to be substantial shareholder of the Company since 28 August 2013.*

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. As the said convertible bonds have been redeemed in full by the Company on 28 August 2013, STIC Korea Integrated – Technologies New Growth Engine Private Equity Fund ceased to be a substantial shareholder of the Company since 28 August 2013.*

5. *CDH Fast Two Limited entered into an investment agreement (the "Investment Agreement") with the Company on 25 June 2013 pursuant to which CDH Fast Two Limited agreed to subscribe for 1,262,564,333 new shares and convertible bonds in principal amount of US$48,685,000 (the "Convertible Bonds") issued by the Company. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); CDH Fund IV, L.P. (as the sole shareholder of CDH Fast One Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be interested in the shares of the Company. Transactions contemplated under the Investment Agreement were completed on 28 August 2013.*

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

Save as disclosed above, the Directors are not aware of any person, other than the Directors or chief executives of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2013.

Share Option Scheme

The principal purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

There have been no changes in the terms of the Scheme during the six months ended 30 June 2013. Detailed terms of the Scheme were disclosed in the 2005 annual report of the Company.

As at 30 June 2013, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 3,400,000 shares. The total number of shares available for issue under the Scheme (excluding options already granted) is 30,645,000 shares, representing approximately 4.91% of the total issued share capital of the Company as at that date. Options in respect of 6,640,000 shares had lapsed in accordance with the terms of the Sheme during the Period.

Details of the share options granted under the Scheme as at 30 June 2013 are as follows:

Name of option holder	Date of grant of share option	Exercise period of share option	Exercise price of share option (per share)	Closing price on date of grant (per share)	Number of underlying shares subject to outstanding options as at 1 January 2013	Number of underlying shares subject to options granted since 1 January 2013	Number of underlying shares subject to options exercised/ lapsed/ cancelled since 1 January 2013	Number of underlying shares subject to outstanding options as at 30 June 2013
Ms. Hung Ying-Lien Executive Director *(Note 1)*	28/2/2005	1/1/2006– 12/2/2015 *(Note 2)*	HK$0.94	HK$0.94	3,400,000	–	–	3,400,000
Total					3,400,000	–	–	3,400,000

Note:

1. *Ms. Hung Ying-Lien resigned as an executive director of the Company effective from 28 August 2013. Ms. Hung Ying-Lien has been appointed as chief operational officer of the Company on the same date.*

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

Arrangements to Purchase Shares or Debentures

Save as disclosed above and save as disclosed in the section headed "Share Option Scheme", at no time during the Period were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, any of its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

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

Changes in Information of Directors

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2012 Annual Report are set out below:

Name of Director	Details of Changes
Mr. Hung Wei-Pi, John	Re-designation from an executive Director and the chairman of the Board to a non-executive Director and the vice chairman of the Board.

OTHER INFORMATION

Corporate Governance

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

Save for Mr. Hung, a former executive Director (re-designated as a non-executive Director and the vice-chairman of the Board effective from 28 August 2013), and Mr. Du Haibo, a former independent non-executive Director, the other former Directors did not attend the Company's 2013 annual general meeting ("AGM") as provided for in code 6.7 of the CG Code as the majority of them were engaged in other commitments. The Company is of the view that Mr. Hung, being the former Chairman of the Board and the nomination committee, and Mr. Du Haibo, being the former chairman of the audit committee, were able to answer questions from the shareholders at the AGM and to develop a balanced understanding of the shareholders' view.

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

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

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

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

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

OTHER INFORMATION

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions of Directors on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). To ensure the Directors' dealings in the securities of the Company during the Period were conducted in accordance with the Model Code, a committee (the "Securities Committee") of the Board comprising Mr. Hung as chairman and Ms. Hung Ying-Lien was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a Director was required to notify the chairman of the Securities Committee or in the case of dealings by Mr. Hung himself, notify Ms. Hung Ying-Lien in writing and obtain a written acknowledgement from the Securities Committee. Having made specific enquiry of all Directors by the Securities Committee of the Company, all Directors confirmed that they had complied with the Model Code regarding Directors' securities transactions throughout the Period.

Audit Committee

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

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2013. The accounting information given in this interim report has not been audited but has been reviewed by the auditors of the Company.

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

Hong Kong, 30 August 2013