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NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 360)

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES – ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF IPO AUTOMOTIVE CORPORATION LIMITED

The Board is pleased to announce that on 15 November 2012, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with IPO Automotive, the Operating Company, the Vendors and two Individual Guarantors (Mr. Zeng and Ms. Yu). Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, which represent, in aggregate, 100% of the total issued share capital of IPO Automotive, for the aggregate Consideration of NTD210,000,000 (subject to adjustment). If the Consideration is paid in full without adjustment, it shall be satisfied by cash as to NTD178,500,000 and by the allotment and issue of the Consideration Shares to the Vendors as to NTD31,500,000.

Upon completion, IPO Automotive will become a wholly-owned subsidiary of the Company.

As the applicable percentage ratios in respect of the transactions contemplated under the Share Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the transactions contemplated under the Share Purchase Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

* For identification purposes only

I. INTRODUCTION

The Board is pleased to announce that on 15 November 2012, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with IPO Automotive, the Operating Company, the Vendors and two Individual Guarantors (Mr. Zeng and Ms. Yu). Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing 100% of the issued share capital of IPO Automotive, for the aggregate Consideration of NTD210,000,000 (subject to adjustment).

Upon Completion, IPO Automotive will become a wholly-owned subsidiary of the Company through the Purchaser.

The Consideration of NTD210,000,000 (subject to adjustment) shall be satisfied in two instalments by payment in cash and allotment and issue of Consideration Shares, each subject to certain conditions precedent having been fulfilled under the Share Purchase Agreement (see below).

As the applicable percentage ratios in respect of the transactions contemplated under the Share Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the transactions contemplated under the Share Purchase Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

II. SHARE PURCHASE AGREEMENT

Date

15 November 2012

Parties

- (a) Purchaser: Taiwan New Focus Car Services Co., Ltd* (台灣新焦點汽車服務股份有限公司)
- (b) Vendors: Ai Feng Investment Company Limited* (艾豐投資股份有限公司), Mr. Zeng Xin He* (曾新和) and Ms. Yu Shu Mei* (余淑美)
- (c) IPO Automotive: IPO Automotive Corporation Limited (艾普汽車股份有限公司)
- (d) Operating Company: Magic Auto Detailer International Co., Ltd. (魔之車匠國際貿易股份有限公司)
- (e) Individual Guarantors: Mr. Zeng Xin He* (曾新和) and Ms. Yu Shu Mei* (余淑美). The Individual Guarantors undertake to unconditionally and irrevocably guarantee the performance of the respective obligations of Ai Feng, IPO Automotive and the Operating Company under the Share Purchase Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, IPO Automotive, the Operating Company and the Vendors are Independent Third Parties.

Sale Shares

Subject to the terms and conditions of the Share Purchase Agreement, the Vendors agree to sell, and the Purchaser agrees to purchase, the Sale Shares, comprising 3,900,000, 60,000 and 40,000 shares held and being sold by Ai Feng, Mr. Zeng and Ms. Yu, respectively. Upon Completion, the Company will hold 100% of the total issued share capital of IPO Automotive through the Purchaser.

Consideration

The Consideration for the Acquisition is NTD210,000,000, subject to adjustment as set out below. The Consideration was arrived at after arm's length negotiation between the Parties with reference to the operating profit of the Operating Company for the year ended 31 December 2011 and the six months ended 30 June 2012 as shown in its management accounts, the business prospect of IPO Automotive, the business synergies which could be brought by IPO Automotive to the Group upon Completion, and the price/earnings ratio used by the Company in determining the considerations for similar acquisitions in the past years.

The Consideration shall be payable in two instalments as follows: –

The first instalment comprises the following three payments:

- (a) the first payment, being NTD48,000,000, shall be paid by the Purchaser to the Vendors on the Closing Date, provided that all of the Conditions Precedent have been satisfied;
- (b) the second payment, being NTD24,000,000, shall be paid by the Purchaser to the Vendors within 3 Working Days after the date of the first payment above; and
- (c) the third payment, being NTD33,000,000, shall be payable if the 2012 Profit Target is fulfilled and within 7 Working Days after the completion of review by the Purchaser of IPO Automotive's internal financial accounts for the period from the date of establishment of IPO Automotive to 31 December 2012 pursuant to the Hong Kong Financial Reporting Standards. Such third payment will be satisfied by cash as to NTD22,500,000 and by the allotment and issue of Consideration Shares by the Company to the Vendors as to NTD10,500,000. The number of Consideration Shares to be issued shall be determined by the First Issue Price of the Consideration Shares, being the average closing price of the Shares on the Stock Exchange for the 30 trading days before and including the day on which the review of IPO Automotive's internal financial accounts was completed. If the 2012 Profit Target is not fulfilled, the amount of the third payment shall be adjusted by the following formula:

$$\text{Adjusted third payment} = \text{NTD33,000,000} - 3.5 \times (\text{2012 Profit Target} - \text{net profit of IPO Automotive for the 3 months ending 31 December 2012})$$

The second instalment, being NTD105,000,000, shall be payable if the 2013 Profit Target is fulfilled and within 10 Working Days after the issue of a financial report prepared by an accountant designated by the Purchaser for the year ending 31 December 2013. The second instalment shall be satisfied by cash as to NTD84,000,000 and by the allotment and issue of Consideration Shares by the Company to the Vendors as to NTD21,000,000. The number of Consideration Shares to be issued shall be determined by the Second Issue Price, being the average closing price of the Company's shares on the Stock Exchange for the 30 trading days before and including the day on which the abovementioned 2013 financial report was issued. If the 2013 Profit Target is not fulfilled, the amount of the second instalment shall be adjusted by the following formula:

$$\text{Adjusted second instalment} = (\text{Net profit of IPO Automotive for the year ending 31 December 2013} - \text{NTD30,000,000}) \times 3.5$$

If the First Issue Price or the Second Issue Price, as the case may be, determined pursuant to the terms of the Share Purchase Agreement was lower than HK\$0.94, the Company may choose to satisfy the relevant part of the Consideration wholly or partly by the issue of Consideration Shares or by cash. In the event that the aggregate number of Consideration Shares to be issued under the Share Purchase Agreement exceeds 10,000,000 Shares, the Company may choose to issue not more than 10,000,000 Shares to the Vendors and to settle the remaining part of the Consideration by cash.

Assuming both 2012 Profit Target and 2013 Profit Target are fulfilled, the Consideration shall be satisfied by cash as to NTD178,500,000 and by the allotment and issue of the Consideration Shares to the Vendors as to NTD31,500,000. In the event that the Company is unable to issue part or all of the Consideration Shares for whatever reason, the Purchaser shall satisfy the relevant part of the Consideration in cash.

The cash payments of the Consideration will be funded primarily by the Company's internal resources and bank loans. The Company may also consider carrying out fund raising activities it deems necessary and appropriate to raise funds to satisfy the Consideration.

Issue of Consideration Shares

The Consideration Shares will be issued at the First Issue Price or Second Issue Price (as the case may be), credited as fully paid, to satisfy part of the Consideration. The Issue Price will be determined in accordance with the terms of the Share Purchase Agreement and the total number of the Consideration Shares to be issued shall not be more than 10,000,000 Shares (the "**Consideration Shares Cap**").

The Consideration Shares shall be issued pursuant to the general mandate granted under an ordinary resolution passed at the last annual general meeting of the Company on 8 June 2012 or such later general mandate to be granted at any future annual general meetings of the Company which is effective at the time of the issue of the Consideration Shares (the “General Mandate”). As at the date of this announcement, 18,226,068 Shares have been issued under the General Mandate. Assuming a total of 10,000,000 Consideration Shares are issued, it will utilise approximately 10.32% of the remaining General Mandate.

Assuming there is no change in the issued share capital of the Company from the date of this announcement and up to the issue of the Consideration Shares, the Consideration Shares Cap represents:

- (a) approximately 1.69% of the issued share capital of the Company as at the date of this announcement; and
- (b) approximately 1.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares, when allotted, issued and fully paid, will rank equally in all aspects among themselves and with the Shares in issue on the date of allotment and issue of the Consideration Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Conditions Precedent

The Completion is conditional upon the fulfillment of, inter alia, the following conditions precedent (“**Conditions Precedent**”):

- (a) assets transfers as contemplated under the Assets Transfer Agreement have been completed and confirmed by an accountant designated by the Purchaser;
- (b) IPO Automotive has completed an increase in capital of NTD39,000,000 by the issue of 3,900,000 new ordinary shares at NTD10 per share to Ai Feng;
- (c) no material adverse changes to IPO Automotive’s assets, business or financial condition have occurred;
- (d) the Purchaser has obtained the relevant investment approval from the MOEA; and
- (e) all key employees (including the Individual Guarantors) as designated by the Purchaser and the Vendors have signed executive services agreements with IPO Automotive.

Completion

The Completion in respect of 3,900,000 Sale Shares, which are held and being sold to the Purchaser by Ai Feng, will take place upon the fulfillment of the Conditions Precedent. In view of the applicable requirements under the Taiwanese law, the Completion in respect of, in aggregate, 100,000 Sale Shares, which are held and being sold to the Purchaser by Mr. Zeng and Ms. Yu, will take place on 8 June 2013 upon the fulfillment of the Conditions Precedent.

Other Key Terms

Restraint of trade

In accordance with the Share Purchase Agreement, the Individual Guarantors shall not engage in any businesses which directly or indirectly compete with those of the Purchaser or IPO Automotive, or solicit employees, suppliers and/or clients of IPO Automotive during the term of their employment with IPO Automotive and within 3 years after the termination of their respective employment with IPO Automotive.

Further, from the date of Completion, the Vendors and the Operating Company shall not engage in any businesses which directly or indirectly compete with the Purchaser or IPO Automotive.

III. INFORMATION ON OPERATING COMPANY AND IPO AUTOMOTIVE

The Operating Company is a company incorporated in Taiwan and jointly owned by the Individual Guarantors. The Operating Company was principally engaged in professional car wash & detailing business. For the year ended 31 December 2011, sales turnover of the Operating Company consists of 40.8% from retail operations and approximately 55% from wholesaling of special car wash & detailing chemical formulation to its 41 franchised stores and other international licensed distributors. As at the date of this announcement, all substantial assets and business of the Operating Company have been transferred to IPO Automotive following the completion of the Assets Transfer Agreement and the Operating Company has ceased to engage in all of its previous business activities. The Operating Company currently holds very limited assets. The unaudited profits of the Operating Company before and after taxation and extraordinary items were NTD40,497,091 and NTD33,612,586, respectively, for the year ended 31 December 2011 and NTD20,131,662 and NTD16,709,279, respectively, for the six months ended 30 June 2012.

IPO Automotive is a company incorporated in Taiwan and co-owned by the Ai Feng (as to 97.5%), Mr. Zeng (as to 1.5%) and Ms. Yu (as to 1%). IPO Automotive was recently established in 8 June 2012 and had no operation since the time of its incorporation until the acquisition of the substantial assets and business of the Operating Company under the Assets Transfer Agreement. As of the date of this announcement, IPO Automotive has acquired all of the substantial assets and businesses of the Operating Company. As such, IPO Automotive does not have any operating profit for the last two financial years and the unaudited net asset of IPO Automotive as at 31 July 2012 was NTD40,304,967.

IPO Automotive, through acquisition of the assets and business of the Operating Company under the Assets Transfer Agreement, focuses on professional car wash & detailing business and finds its root in Taiwan, but has successfully branched to other international markets such as USA and Malaysia. IPO Automotive's special cleaning formulation is also the designated solution for aircrafts of EVA airways in Taiwan. IPO Automotive currently has three direct-owned stores in Taipei city, serving a total of approximately 7,450 of customers and has accumulated a total of approximately 3,220 members.

IV. REASONS FOR AND BENEFITS OF THE ACQUISITION

The acquisition of IPO Automotive would allow the Group to gain expertise in the high-margin professional car wash & detailing business. In the initial stage, the Group plans to convert up to 10 of its existing 21 Taiwan stores to incorporate the services operated by IPO Automotive by mid-year 2013. The Group has already converted three of its existing stores in Taipei & Luo-Dong and has seen initial success with the addition of the services operated by IPO Automotive. We expect that the services operated by IPO Automotive would enhance the profit margin of the Group's retail business in Taiwan significantly in 2014.

The Group also plans to introduce the services operated by IPO Automotive to its stores in China, with Shanghai & Shenzhen as the first two launch cities. We believe that, with the introduction of the services operated by IPO Automotive to the stores of the Group, we could expect to have significant increase in Company's operating margins and would also enhance customers' visit frequency and purchases. We also expect the introduction of the services operated by IPO Automotive will satisfy the greater needs of our customers and in return enhance the Company's financial performance.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. INFORMATION ON THE VENDORS AND THE INDIVIDUAL GUARANTORS

The Ai Feng is a company incorporated in Taiwan, co-owned by Mr. Zeng (as to 60%) and Ms. Yu (as to 40%). The Ai Feng is a holding company principally engaged in investment holding.

Mr. Zeng is the director of Ai Feng, IPO Automotive and the Operating Company. Ms. Yu is the supervisor of Ai Feng and Operating Company. Upon Completion, Mr. Zeng and Ms. Yu will be employed by IPO Automotive.

VI. INFORMATION ON THE GROUP

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

VII. DEFINITIONS

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

- “2012 Profit Target” means NTD9,724,143, being the target net profit to be achieved by IPO Automotive for the 3 months ending 31 December 2012 under the Share Purchase Agreement.
- “2013 Profit Target” means NTD60,000,000, being the target net profit to be achieved by IPO Automotive for the year ending 31 December 2013 under the Share Purchase Agreement.
- “Acquisition” means the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Share Purchase Agreement.
- “Ai Feng” means Ai Feng Investment Company Limited* (艾豐投資股份有限公司).
- “Assets Transfer Agreement” means the assets transfer agreement entered into between IPO Automotive and the Operating Company on 6 July 2012 in respect of the transfer of certain assets of the Operating Company to IPO Automotive.
- “Board” means board of Directors.
- “Closing Date” means the date of closing of the transfer of the Sale Shares under the Share Purchase Agreement.
- “Company” means New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange.
- “Completion” means completion of the Acquisition as contemplated under the Share Purchase Agreement.
- “Consideration” means NTD210,000,000, being the consideration for the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement (subject to adjustment).
- “Consideration Shares” means the new Shares to be allotted and issued by the Company to the Vendors to satisfy part of the Consideration pursuant to the Share Purchase Agreement.
- “Director(s)” means the director(s) of the Company.

“First Issue Price”	means the price per Share at which the Consideration Shares are to be issued as part of the first instalment of the Consideration, to be determined in accordance with the terms of the Share Purchase Agreement.
“Group”	means the Company and its subsidiaries.
“Independent Third Party(ies)”	means a third party(ies) who is/are independent of and is/are not connected with the Company and any of its connected persons (as defined in the Listing Rules).
“Individual Guarantor(s)”	consists of Mr. Zeng Xin He* (曾新和) and Ms. Yu Shu Mei* (余淑美).
“IPO Automotive”	means IPO Automotive Corporation Limited (艾普汽車股份有限公司).
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“MOEA”	means the Investment Commission, Ministry of Economic Affairs of the Republic of China.
“Mr. Zeng”	means Mr. Zeng Xin He* (曾新和), an Individual Guarantor.
“Ms. Yu”	means Ms. Yu Shu Mei* (余淑美), an Individual Guarantor.
“NTD”	means New Taiwan Dollar, the lawful currency of Taiwan.
“Operating Company”	means Magic Auto Detailer International Co., Ltd. (魔之車匠國際貿易股份有限公司), which is jointly owned by the Individual Guarantors.
“Parties”	means the Purchaser, Ai Feng, IPO Automotive, the Operating Company and the Individual Guarantors, being the parties to the Share Purchase Agreement.
“PRC”	means the People’s Republic of China.
“Purchaser”	means Taiwan New Focus Car Services Co., Ltd* (台灣新焦點汽車服務股份有限公司), a wholly-owned subsidiary of the Company.
“Sale Shares”	means 4,000,000 ordinary shares of IPO Automotive, comprising 3,900,000 shares held by Ai Feng, 60,000 shares held by Mr. Zeng and 40,000 shares held by Ms. Yu, representing in aggregate 100% of the total issued share capital of IPO Automotive.

“Second Issue Price”	means the price per Share at which the Consideration Shares are to be issued as part of the second instalment of the Consideration, to be determined in accordance with the terms of the Share Purchase Agreement.
“Share(s)”	means the ordinary share(s) of HK\$0.10 each in the share capital of the Company.
“Share Purchase Agreement”	means the share purchase agreement dated 15 November 2012 entered into between the Purchaser, the Vendors, IPO Automotive, the Operating Company and the Individual Guarantors for the purchase of the Sale Shares by the Purchaser from the Vendors.
“Shareholder(s)”	means the holder(s) of Shares.
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“Vendors”	means Mr. Zeng, Ms. Yu and Ai Feng Investment Company Limited* (艾豐投資股份有限公司).
“%”	means per cent.

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

Hong Kong, 15 November 2012

As at the date of this announcement, the directors of the Company are executive directors – HUNG Wei-Pi, John, WU Kwan-Hong, HUNG Ying-Lien, LU Yuan Cheng, Raymond N. Chang, Douglas Charles Stuart FRESCO and Edward B. MATTHEW; non-executive directors – LOW Hsiao-Ping, HSU Ming Chyuan and CHANG An-Li; and independent non-executive directors – DU Hai-Bo, ZHOU Tai-Ming and UANG Chii-Maw.