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NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of New Focus Auto Tech Holdings Limited (the “**Company**”) dated 26 June 2013, the circular of the Company to its shareholders dated 17 July 2013 (the “**Circular**”), the announcement of the Company on the results of the voting in the extraordinary general meeting of the shareholders of the Company dated 9 August 2013, the announcement of the Company dated 13 August 2013, the announcement of the Company dated 28 August 2013 and the announcement of the Company dated 12 June 2014. Terms used in this announcement shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 25 June 2013, the Company and the Investor entered into the Investment Agreement pursuant to which the Company agreed to issue and the Investor agreed to subscribe for 1,262,564,333 Investor Subscription Shares for an aggregate consideration of US\$48,685,000 at the Investor Subscription Price of HK\$0.30 per Share together with Convertible Bonds in the aggregate principal amount of US\$48,685,000 for a consideration equal to the principal amount of such Convertible Bonds, in each case with payment to be settled in US dollars. The completion of the Investment Agreement took place on 28 August 2013. Upon the receipt of a conversion notice on 11 June 2014 from the Investor for partial conversion of the Convertible Bonds in the principal amount of US\$24,342,500 (approximately HK\$189,384,650), the Company allotted and issued a total of 813,507,946 Conversion Shares to the Investor at the Conversion Price of HK\$0.2328 per Conversion Share on 12 June 2014.

* For identification purposes only

The net proceeds from the issuance of the Investor Subscription Shares and the Convertible Bonds were approximately US\$92.5 million (equivalent to approximately HK\$719.6 million). As of the date of this announcement, approximately US\$78.5 million (equivalent to approximately HK\$610.7 million) have been used. The proposed use of proceeds as disclosed in the Circular are provided in the table below for comparison with the actual use of proceeds.

	Approximate amount of planned use of proceeds (in millions)	Approximate amount of actual use of proceeds (in millions)
Expansion of the Group's auto chain services network	US\$56.8 (HK\$441.9)	US\$11.8 (HK\$91.8)
Improvement of information technology and operation infrastructure	US\$16.2 (HK\$126.0)	Nil
Repayment of bank borrowings and RMB Bonds	US\$19.5 (HK\$151.7)	US\$61.8 (HK\$480.8)
Operation of the Group's manufacturing business	N/A	US\$4.9 (HK\$38.1)

As disclosed above, less proceeds were actually applied for the expansion of the Group's auto chain services network, which reflected the Group's adjusted business strategy of focusing on the improvement of contribution from its existing service stores at the current stage rather than the pursuit of increase in the number of service stores. On the other hand, a higher amount of proceeds were used for the repayment of bank borrowings and RMB Bonds in order to improve the Group's liquidity position and reduce the future interests payable to the banks. Given the Group has already established relatively complete information technology and operation infrastructure which can meet the current requirements of the Group's business, the Directors decided not to invest further in this area and re-allocated part of the proceeds for meeting the operational needs of the Group's manufacturing business. The Directors intend to apply the remaining proceeds of approximately US\$14 million (equivalent to approximately HK\$108.9 million) for (i) the settlement of the outstanding RMB20,000,000 payable to the vendor under a supplement agreement related to the acquisition of 51% equity interest in Chuangchun Guangda Automobile Trading Co., Ltd. (長春市廣達汽車貿易有限公司) as disclosed in the announcement of the Company dated 29 January 2014, (ii) potential mergers and acquisitions of the Group's service business and (iii) general working capital of the Group.

The Directors are of the view that the actual use of proceeds are in the interest of the Company and the Shareholders as a whole. Despite that the Investor has not imposed restrictions on the actual use of proceeds from the issuance of the Investor Subscription Shares and the Convertible Bonds under the Investment Agreement, the Directors will closely monitor the application of the proceeds and keep the Shareholders informed of the latest developments.

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

Hong Kong, 28 July 2014

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