# 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)*

# INTERIM REPORT 2005

* For identification purpose only

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# CORPORATE INFORMATION

***Directors***

**Executive Directors:**

Hung Wei-Pi, John *(Chairman)*
Wu Kwan-Hong
Hung Ying-Lien
Lu Yuan Cheng
Jin Xiao-Yan
Douglas Charles Stuart Fresco
Norman L. Matthew

**Non-executive Director:**

Horng Jian-Bie

**Independent non-executive Directors:**

Du Haibo
Zhou Tai-Ming
Uang Chii-Maw

***Company Secretary and Qualified Accountant***

Mok Chi Yui, *FCCA, HKICPA*

***Registered Office***

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***Auditors***

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*Certified Public Accountants*
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***Legal Advisers***

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***Principal Share Registrar and Transfer Office***

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***Stock Code***

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# CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited results of New Focus Auto Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to the "Group") for the six months ended 30 June 2005 are as follows:

***Condensed Consolidated Income Statement***
*For the six months ended 30 June 2005*

| | | **Unaudited** | |
|---|---|---|---|
| | | **Six months ended 30 June** | |
| | | **2005** | 2004 |
| | *Note* | **RMB'000** | RMB'000 |
| Sales | *4* | **228,198** | 170,094 |
| Cost of goods sold | | **(172,000)** | (124,351) |
| Gross profit | | **56,198** | 45,743 |
| Other gains, net | *4* | **1,834** | 482 |
| Selling and marketing costs | | **(13,005)** | (8,804) |
| Administrative expenses | | **(14,185)** | (11,805) |
| Operating profit | *4* | **30,842** | 25,616 |
| Finance costs | *5* | **(462)** | (475) |
| Profit before income tax | | **30,380** | 25,141 |
| Income tax expense | *6* | **(4,251)** | (143) |
| Profit for the period | | **26,129** | 24,998 |
| Attributable to: | | | |
| Equity holders of the Company | | **26,468** | 25,094 |
| Minority interests | | **(339)** | (96) |
| | | **26,129** | 24,998 |
| Earnings per share for profit attributable to the equity holders of the Company during the period | | | |
| – Basic | *7* | **RMB0.072** | RMB0.084 |
| – Diluted | *7* | **RMB0.072** | Not applicable |
| Dividends | *8* | **33,072** | 25,190 |

# CONDENSED CONSOLIDATED FINANCIAL INFORMATION

***Condensed Consolidated Balance Sheet***

*As at 30 June 2005*

| | | As at | |
|---|---|---|---|
| | *Note* | **30 June 2005 Unaudited RMB'000** | 31 December 2004 Restated RMB'000 |
| Non-current assets | | | |
| Property, plant and equipment | *9* | **50,807** | 38,652 |
| Leasehold land and land use rights | *3(a), 9* | **18,146** | 18,162 |
| Goodwill | *9* | **1,254** | – |
| Intangible assets | *9* | **55** | – |
| Deferred income tax assets | | **50** | 50 |
| | | **70,312** | 56,864 |
| Current assets | | | |
| Inventories | *10* | **67,954** | 46,673 |
| Trade receivables | *11* | **92,212** | 53,045 |
| Prepayments, deposits and other receivables | | **15,536** | 7,175 |
| Amount due from a related party | *12* | **347** | 486 |
| Available-for-sale financial assets | *14* | **20,002** | – |
| Cash and bank balances | | **79,998** | 37,750 |
| | | **276,049** | 145,129 |
| Total assets | | **346,361** | 201,993 |
| Equity | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | *15* | **42,400** | 31,800 |
| Other reserves | *16* | **88,570** | 10,958 |
| Retained earnings | *16* | **69,591** | 76,195 |
| Minority interest | | **(595)** | (256) |
| Total equity | | **199,966** | 118,697 |

***Condensed Consolidated Balance Sheet*** *(continued)*

*As at 30 June 2005*

| | | As at | |
|---|---|---|---|
| | *Note* | **30 June 2005 Unaudited RMB'000** | 31 December 2004 Restated RMB'000 |
| Current liabilities | | | |
| Trade payables | *17* | **88,519** | 49,018 |
| Accruals and other payables | | **13,867** | 12,039 |
| Current income tax liabilities | | **2,876** | 58 |
| Dividends payable | | **19,131** | 7,987 |
| Short-term bank loans | *18* | **22,000** | 14,000 |
| Amounts due to directors | *13* | **2** | 194 |
| Total liabilities | | **146,395** | 83,296 |
| Total equity and liabilities | | **346,361** | 201,993 |
| Net current assets | | **129,654** | 61,833 |
| Total assets less current liabilities | | **199,966** | 118,697 |

# CONDENSED CONSOLIDATED FINANCIAL INFORMATION

***Condensed Consolidated Statement of Changes in Equity***

*For the six months ended 30 June 2005*

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | | |
| | **Share capital** RMB'000 *(Note 15)* | **Share premium and reserves** RMB'000 *(Note 16)* | **Retained earnings** RMB'000 *(Note 16)* | **Minority interest** RMB'000 | **Total** RMB'000 |
| Balance as at 1 January 2004 | 31,800 | 11,085 | 56,878 | 190 | 99,953 |
| Share issuance expenses | – | (1,965) | – | – | (1,965) |
| Profit for the period | – | – | 25,094 | – | 25,094 |
| Dividend | – | – | (25,190) | – | (25,190) |
| Minority interests' share of loss | – | – | – | (96) | (96) |
| Balance as at 30 June 2004 | 31,800 | 9,120 | 56,782 | 94 | 97,796 |

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | | |
| | **Share capital** RMB'000 *(Note 15)* | **Share premium and reserves** RMB'000 *(Note 16)* | **Retained earnings** RMB'000 *(Note 16)* | **Minority interest** RMB'000 | **Total** RMB'000 |
| Balance as at 1 January 2005 | 31,800 | 10,958 | 76,195 | (256) | 118,697 |
| Share issuance expenses | – | (11,760) | – | – | (11,760) |
| Public offering | 10,600 | 89,040 | – | – | 99,640 |
| Profit for the period | – | – | 26,468 | – | 26,468 |
| Employee share option scheme – value of employee services | – | 332 | – | – | 332 |
| Dividend | – | – | (33,072) | – | (33,072) |
| Minority interests' share of loss | – | – | – | (339) | (339) |
| Balance as at 30 June 2005 | 42,400 | 88,570 | 69,591 | (595) | 199,966 |

### *Condensed Consolidated Cash Flow Statement*

*For the six months ended 30 June 2005*

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **RMB'000** | RMB'000 |
| Net cash generated from operating activities | **5,886** | 41,051 |
| Net cash used in investing activities | **(37,175)** | (5,469) |
| Net cash generated from/(used in) financing activities | **73,537** | (19,790) |
| Net increase in cash and cash equivalents | **42,248** | 15,792 |
| Cash and cash equivalents at the beginning of the period | **37,750** | 24,325 |
| Cash and cash equivalents at the end of the period | **79,998** | 40,117 |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | **79,998** | 40,117 |

## *Notes to the Consolidated Financial Information*

**1. Group reorganisation**

New Focus Auto Tech Holdings Limited (the "Company") was incorporated in the Cayman Islands on 15 May 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 13 February 2005, the Company acquired the entire issued share capital of Perfect Progress Investment Limited ("Perfect Progress") through a share swap and became the holding company of Perfect Progress and its subsidiaries. Details of the Reorganisation are set out in section 4 headed "Corporate Reorganisation" in Appendix VI to the prospectus of the Company dated 17 February 2005 (the "Prospectus"). The Reorganisation was completed on 13 February 2005.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group.

Following the completion of the public offering, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 February 2005.

**2. Basis of preparation and accounting policies**

These unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Group resulting from the Reorganisation referred to in Note 1 above is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated financial information have been prepared on the merger basis as if the Company had been the holding company of the companies comprising the Group since 1 January 2004. In the opinion of the Directors, the unaudited condensed consolidated accounts prepared on the above basis present more fairly the results, cash flows and state of affairs of the Group as a whole.

These condensed consolidated financial information should be read in conjunction with the 2004 annual financial statement included in the Company's 2004 Annual Report.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

These interim financial information have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these information. The HKFRS standards and interpretations that will be applicable on 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 3 below:

**3. Changes in accounting policies**

***(a) Effect of adopting new HKFRS***

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

| | |
|---|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Change in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 32 | Financial Instruments: Disclosures and Presentation |
| HKAS 33 | Earnings per Share |
| HKAS 36 | Impairment of Assets |
| HKAS 38 | Intangible assets |
| HKAS 39 | Financial Instruments: Recognition and Measurement |
| HKFRS 2 | Share-based Payments |
| HKFRS 3 | Business Combinations |

*(i) New HKFRS did not result in substantial change:*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, and 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 33 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities have been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity's financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

*(ii)* *HKAS17*

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is an impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of the revised HKAS 17 resulted in a reclassification of balance sheet as at 30 June 2005 and 31 December 2004 by:

| | **As at** | |
|---|---|---|
| | **30 June 2005 RMB'000** | 31 December 2004 RMB'000 |
| Decrease in property, plant and equipment | **(18,146)** | (18,162) |
| Increase in leasehold land and land use rights | **18,146** | 18,162 |

*(iii)* *HKFRS 2*

Prior to 2005, the Group had no share option scheme. HKFRS 2 was adopted since grant of share options on 28 February 2005, from when the Group expenses the cost of share options in the income statement during the vesting period.

*(iv)* *HKAS 32 and HKAS 39*

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurement. HKAS 32 requires retrospective application while HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis.

Available-for-sale financial assets are carried at fair value, where an active market exists, with any unrealised gains and losses recognised in equity. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques are carried at cost less impairment.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Trade and other receivables were previously carried at cost less provision for doubtful debts.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings were previously carried at cost.

The above changes in accounting policy do not have any material effect on the accounts.

*(v)* *HKFRS 3, HKAS 36 and HKAS 38*

The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in a change in the accounting policy for goodwill. Until 31 December 2004, the Group's accounting policy on goodwill was:

– Amortised on a straight line basis over its estimated useful life; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provision of HKFRS 3:

– Effective from 1 January 2005, goodwill is not subject to amortization;

– From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

This change in accounting policy has resulted in no charge for goodwill in the income statement for the six months ended 30 June 2005.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted for at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after the adoption date on 1 January 2005.

**(b) *New accounting policies***

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in Note 3 to the 2004 annual financial statements except for the following:

*(i) Acquisition of subsidiaries*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

*(ii) Foreign currency translation*

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

*(iii)* *Intangible assets – Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

*(iv)* *Impairment of assets*

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

*(v)* *Investments*

The Group classifies its investments according to the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date. Until 31 December 2004, the Group had no investments other than subsidiaries.

The Group did not hold investments in other categories except available-for-sale financial assets during the six months ended 30 June 2005. The accounting policies for available-for-sale financial assets is as follows:

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments classified as available-for-sale financial assets are carried at fair value, where an active market exists. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities. Those investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques are carried at cost less impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

*(vi)* *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

*(vii)* *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-marketing vesting conditions are included in assumptions about the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

*(viii) Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**4. Turnover, revenue and segment information**

The Group is principally engaged in the manufacturing and sales of automobile accessories and the provision of automobile repair, maintenance and restyling services. Revenues recognised during the period are as follows:

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **RMB'000** | RMB'000 |
| Turnover | | |
| Sales of goods | **219,245** | 163,487 |
| Render of services | **8,953** | 6,607 |
| | **228,198** | 170,094 |
| Other gains, net | | |
| Interest income | **83** | 35 |
| Government subsidies | | |
| – PRC income tax refund | **1,700** | – |
| – Rewards for export sales | **–** | 9 |
| – Enterprise development fund | **–** | 60 |
| – Rewards for increase in export sales | **–** | 353 |
| Others | **51** | 25 |
| | **1,834** | 482 |
| Total revenues | **230,032** | 170,576 |

***(a) Primary reporting format – business segments***

The Group operates in two business segments, the manufacturing and sales of automobile accessories, and the provision of automobile repair, maintenance and restyling services.

There are no sales or other transactions between the business segments during the six months period ended 30 June 2005 and 2004.

Analysis of the segment turnover and results is as follows:

| | Unaudited Six months ended 30 June 2005 | | |
|---|---|---|---|
| | **Manufacturing and sales of automobile accessories RMB'000** | **Provision of automobile repair, maintenance and restyling services RMB'000** | **Group RMB'000** |
| Segment revenues | | | |
| Turnover | **219,245** | **8,953** | **228,198** |
| Other gains, net | **1,834** | **–** | **1,834** |
| | **221,079** | **8,953** | **230,032** |
| Segment results | **39,306** | **(4,375)** | **34,931** |
| Unallocated costs | | | **(4,089)** |
| Operating profit | | | **30,842** |
| Finance costs | | | **(462)** |
| Profit before income tax | | | **30,380** |
| Income tax expense | | | **(4,251)** |
| Profit for the period | | | **26,129** |
| Segment assets | **261,601** | **16,952** | **278,553** |
| Unallocated corporate assets | | | **67,808** |
| Total assets | | | **346,361** |
| Segment liabilities | **113,688** | **10,707** | **124,395** |
| Unallocated corporate liabilities | | | **22,000** |
| Total liabilities | | | **146,395** |
| Capital expenditure | **14,833** | **3,052** | **17,885** |
| Depreciation and amortisation charge | **2,136** | **844** | **2,980** |

| | Unaudited Six months ended 30 June 2004 | | |
|---|---|---|---|
| | Manufacturing and sales of automobile accessories RMB'000 | Provision of automobile repair, maintenance and restyling services RMB'000 | Group RMB'000 |
| Segment revenues | | | |
| Turnover | 163,487 | 6,607 | 170,094 |
| Other gains, net | 482 | – | 482 |
| | 163,969 | 6,607 | 170,576 |
| Segment results | 28,238 | (2,526) | 25,712 |
| Unallocated costs | | | (96) |
| Operating profit | | | 25,616 |
| Finance costs | | | (475) |
| Profit before income tax | | | 25,141 |
| Income tax expense | | | (143) |
| Profit for the period | | | 24,998 |
| Depreciation and amortisation charge | 2,188 | 417 | 2,605 |

| | Audited As of 31 December 2004 | | |
|---|---|---|---|
| | Manufacturing and sales of automobile accessories RMB'000 | Provision of automobile repair, maintenance and restyling services RMB'000 | Group RMB'000 |
| Segment assets | 170,990 | 21,795 | 192,785 |
| Unallocated corporate assets | | | 9,208 |
| Total assets | | | 201,993 |
| Segment liabilities | 68,224 | 1,072 | 69,296 |
| Unallocated corporate liabilities | | | 14,000 |
| Total liabilities | | | 83,296 |
| Capital expenditure | 5,468 | 5,616 | 11,084 |

*(b)* ***Secondary reporting format – geographical segments***

The Group operates in four main geographical areas. An analysis of the geographical segment turnover and results is as follows:

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **RMB'000** | RMB'000 |
| Segment revenues | | |
| North America | **165,878** | 109,192 |
| Europe | **20,323** | 14,311 |
| Asia Pacific | **12,700** | 21,412 |
| Greater China (including Taiwan) | **29,297** | 25,179 |
| Total | **228,198** | 170,094 |
| Segment results | | |
| North America | **26,266** | 21,809 |
| Europe | **4,433** | 3,053 |
| Asia Pacific | **4,353** | 5,022 |
| Greater China (including Taiwan) | **9,368** | 7,502 |
| Total | **44,420** | 37,386 |
| Unallocated income | **607** | 35 |
| Unallocated costs | **(14,185)** | (11,805) |
| Operating profit | **30,842** | 25,616 |

No geographical segment information regarding the Group's assets and capital expenditure is presented as all of the Group's assets are located and capital expenditure are incurred in the PRC.

There are no sales between the geographical segments during the six months period ended 30 June 2005 and 2004.

## 5. Finance costs

| | Unaudited Six months ended 30 June 2005 RMB'000 | Unaudited Six months ended 30 June 2004 RMB'000 |
|---|---|---|
| Interest on short-term bank loans | **462** | 475 |

## 6. Income tax expense

The amount of taxation charged to the condensed consolidated income statement represents:

| | Unaudited Six months ended 30 June 2005 RMB'000 | Unaudited Six months ended 30 June 2004 RMB'000 |
|---|---|---|
| Current taxation-PRC income tax | **4,251** | 73 |
| Deferred taxation | **–** | 70 |
| | **4,251** | 143 |

(a) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong during the period ended 30 June 2005 (2004: nil).

(b) (i) Shanghai New Focus Auto Parts Co., Ltd. ("NFA Parts")

In accordance with the relevant tax laws and regulations in the PRC, NFA Parts is qualified as an Export Oriented Enterprise if it has over 70% export sales per annum and will therefore be entitled to a 50% reduction in corporate income tax for the year. Although Export Oriented Enterprise Status has not been approved by the relevant authorities for the year ending 31 December 2005, the Directors believe that NFA Parts should be qualified as an Export Oriented Enterprise for the year ending 31 December 2005 as according to the sales plan and prior year experience, the export sales of NFA Parts for the year ending 31 December 2005 will be accounted for over 70% of NFA Part's total sales for the year. Accordingly, corporate income tax was provided at a rate of 12% for the six months ended 30 June 2005 (2004: 12%). NFA Parts incurred loss for the period ended 30 June 2005, hence no corporate income tax was provided for the period.

(ii) New Focus Light and Power Technology (Shanghai) Co., Ltd. ("NF Light & Power")
Being qualified as a foreign investment production enterprise in an industrial development zone in the PRC, NF Light & Power is exempted from local income tax and is subject to an applicable corporate income tax rate of 24%. In accordance with the approval from the relevant tax authorities, NF Light & Power is entitled to two years exemption from corporate income tax followed by three years of 50% reduction in corporate income tax commencing from the first profit-making year net of losses carried forward. The year ended 31 December 2003 is NF Light & Power's first profit-making year net of losses brought forward from previous years, and hence NF Light & Power is entitled to enjoy 50% reduction in corporate income tax at a rate of 12% for the period ended 30 June 2005 (2004: nil).

(iii) Shanghai New Focus Auto Repair Services Co., Ltd. ("NFA Service")
As a domestic enterprise, NFA Service is subject to an applicable corporate income tax rate of 33%. For the six months ended 30 June 2005, NFA Service was in loss-making position, accordingly, no income tax has been provided.

**7. Earnings per share**

– ***Basic***

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2005** | 2004 |
| Profit attributable to equity holders of the Company (RMB thousands) | **26,468** | 25,094 |
| Weighted average number of ordinary shares in issue (thousands) | **366,667** | 300,000 |
| Basic earnings per share (RMB per share) | **0.072** | 0.084 |

– ***Diluted***

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and share options. For the share options, a calculation is carried out to determine the number of shares that could have been acquired at fair value (determined as the average period market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above compared with the number of shares that would have been issued assuming the exercise of the share options.

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2005** | 2004 |
| Profit attributable to equity holders of the Company and used to determine diluted earnings per share (RMB thousands) | **26,468** | 25,094 |
| Weighted average number of ordinary shares in issue (thousands) | **366,667** | 300,000 |
| Adjustments for – share options (thousands) | **1,078** | Not applicable |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **367,745** | Not applicable |
| Diluted earnings per share (RMB per share) | **0.072** | Not applicable |

**8. Dividends**

At a meeting held on 25 April 2005, the directors proposed a special dividend of HK$0.078 per ordinary share and HK$31,200,000 (equivalent to RMB33,072,000) in total for 2005, this dividend has been reflected as an appropriation of retained earnings for the six months ended 30 June 2005.

The dividends paid prior to the initial public offering of the Company's shares for the six months period ended 30 June 2004 represented the dividends paid by the Company's subsidiaries to its then shareholders.

The dividend appropriation is recorded in the period as dividend was declared.

## 9. Capital expenditure

| | Goodwill RMB'000 | Intangible assets RMB'000 | Property, plant & equipment RMB'000 | Leasehold land and land use rights RMB'000 |
|---|---|---|---|---|
| Opening net book amount as at 1 January 2005 (restated) | – | – | 38,652 | 18,162 |
| Acquisition of a subsidiary and businesses *(Note 19(a) and (b))* | 1,254 | – | 226 | – |
| Other additions | – | 57 | 16,348 | – |
| Disposals | – | – | (1,457) | – |
| Depreciation/amortisation charge | – | (2) | (2,962) | (16) |
| Closing net book amount as at 30 June 2005 (unaudited) | 1,254 | 55 | 50,807 | 18,146 |
| Opening net book amount as at 1 January 2004 (restated) | – | – | 32,961 | 18,423 |
| Additions | – | – | 5,489 | 14,357 |
| Disposals | – | – | – | (14,343) |
| Depreciation/amortisation charge | – | – | (2,501) | (104) |
| Closing net book amount as at 30 June 2004 (unaudited) | – | – | 35,949 | 18,333 |
| Additions | – | – | 5,581 | – |
| Disposals | – | – | (158) | – |
| Depreciation/amortisation charge | – | – | (2,720) | (171) |
| Closing net book amount as at 31 December 2004 (restated) | – | – | 38,652 | 18,162 |

As at 1 January 2004, there was included an acquisition amount of RMB14,343,000 for a parcel of land located in Qingpu District with an area of approximately 86,646 square metres (the "Land"), which was acquired by NF Light & Power for the purpose of building a new production plant thereon, in the expenditure for leasehold land and land use rights.

On 18 September 2003, NF Light & Power and Shanghai Qingpu Export Processing Development Company Limited ("Shanghai Qingpu") entered into a land exchange agreement, pursuant to which NF Light & Power agreed with Shanghai Qingpu to exchange the Land with another parcel of land of similar value and with similar area (the "New Land"). The expenditure for leasehold land and land use rights as at 30 June 2005 and 31 December 2004 includes the acquisition amount of the New Land. As of the date of this report, the New Land was granted by Shanghai Qingpu however the issuance of the land use rights certificate is still in process.

The Group's interests in land use rights are held in Shanghai, the PRC and on leases over the period of 50 years.

As at 30 June 2005, the net book values of property, plant & equipment and leasehold land and land use rights pledged as security for the Group's short-term bank loans amounted to RMB6,123,000 (2004: RMB19,748,000) (Note 18).

**10. Inventories**

| | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|
| Raw materials | **33,944** | 21,168 |
| Work in progress | **12,400** | 8,324 |
| Finished goods | **1,168** | 627 |
| Merchandise goods | **20,977** | 17,101 |
| | **68,489** | 47,220 |
| Less: Inventory provision | **(535)** | (547) |
| | **67,954** | 46,673 |

There were no inventories stated at net realizable value as at 30 June 2005 (2004: nil).

**11. Trade receivables**

Details of the aging analysis are as follows:

| | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|
| Current to 30 days | **57,651** | 29,851 |
| 31 to 60 days | **27,745** | 18,405 |
| 61 to 90 days | **3,833** | 2,111 |
| Over 91 days | **4,093** | 3,431 |
| | **93,322** | 53,798 |
| Less: provision for doubtful debts | **(1,110)** | (753) |
| | **92,212** | 53,045 |

Credit terms generally range from 30 days to 90 days.

12. **Amount due from a related party**

| **Name** | | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|---|
| Custom Accessories Asia Limited ("Custom Accessories") | Balance at 1 January | **486** | 640 |
| | Balance at period/year end | **347** | 486 |
| | Maximum amount outstanding during the period/year | **1,091** | 2,015 |

Majority interests of Custom Accessories are mainly held by two of its directors, Mr. Fresco, who and his wife held 50% of its equity interest, and Mr. Matthew, who and his family members, held 48% of its equity interest. Mr. Fresco and Mr. Matthew are also directors of the Company and have beneficial interests in the Company.

Amount due from Custom Accessories arising from trading activities with aging from current to 90 days is unsecured, interest-free and has no fixed terms of repayment.

13. **Amount due from a director and amounts due to directors**
***Amount due from a director***

| **Name** | | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|---|
| Hung Wei-Pi, John | Balance at 1 January | **–** | 3,022 |
| | Balance at period/year end | **–** | – |
| | Maximum amount outstanding during the year | **–** | 3,022 |

Amount due from the director of the Company is unsecured, interest-free and has no fixed terms of repayment.

***Amounts due to directors***
Amounts due to directors are unsecured, interest free and have no fixed terms of repayment.

**14. Available-for-sale financial assets**

As at 30 June 2005, NF Light & Power entrusted AFG Investment Management (Shanghai) Limited to manage and invest RMB20,000,000 on its behalf for a term commencing on 14 June 2005 and expiring on 14 September 2005.

AFG Investment Management (Shanghai) Limited guarantees the principal repayment to NF Light & Power upon expiry of the term of management.

Management fee is charged at 0.5% per annum of the principal.

**15. Share capital**

As discussed in Note 1, for the purpose of this report, the Group is considered as a continuing entity as if the Group structure after the Reorganisation had been in existence from 1 January 2004.

Details of the movements of authorised and issued share capital of the Company are as follows:

| | **Number of shares** | **Nominal value** |
|---|---|---|
| | | HK$'000 |
| Authorised: | | |
| Ordinary shares of HK$0.1 each upon incorporation (i) | 3,500,000 | 350 |
| Increased in authorised share capital (ii) | 1,996,500,000 | 199,650 |
| Ordinary shares of HK$0.1 each | 2,000,000,000 | 200,000 |

| | **Number of shares** | **Nominal value** | |
|---|---|---|---|
| | | HK$'000 | RMB'000 |
| Issued and fully paid: | | | |
| Ordinary shares of HK$0.1 each allotted and issued nil paid (i) | 1 | – | – |
| Ordinary shares of HK$0.1 each allotted and issued (iii) | 9 | – | – |
| On acquisition of Perfect Progress (iv) | 90 | – | – |
| Capitalisation of reorganisation reserve (v) | 299,999,900 | 30,000 | 31,800 |
| Public offering (vi) | 100,000,000 | 10,000 | 10,600 |
| Employee share option scheme (value of service provided) (vii) | – | – | – |
| Ordinary shares of HK$0.1 each | 400,000,000 | 40,000 | 42,400 |

(i) The Company was incorporated in the Cayman Islands on 15 May 2002 with an authorised share capital of HK$350,000 divided into 3,500,000 ordinary shares of HK$0.1 each. As at 1 January 2003, 1 out of the 3,500,000 ordinary shares was issued. On 2 April 2003, additional 9 shares were issued, therefore, by 31 December 2004, a total of 10 shares out of the 3,500,000 ordinary shares were issued.

(ii) On 13 February 2005, the authorised number of shares of the Company was increased from 3,500,000 to 2,000,000,000 by the creation of additional 1,996,500,000 new shares of HK$0.1 each.

(iii) At the date of incorporation of the Company, one subscriber share was allotted to Codan Trust Company (Cayman) Limited at par and was subsequently transferred to Sharp Concept Industrial Limited ("Sharp Concept") on 2 April 2003 with nil paid. On 2 April 2003, an aggregate of 9 shares were allotted and issued at par, credited as fully paid, with 5 shares to Sharp Concept, 2 shares to Golden Century Industrial Limited ("Golden Century") and 2 shares to Norman Matthew LLC ("NMLLC").

(iv) On 13 February 2005, an aggregate of 90 shares were allotted and issued by the Company at par, credited as fully paid, with 54 shares to Sharp Concept, 18 shares to Golden Century and 18 shares to NMLLC, in exchange for the 500 shares of USD1.00 each in Perfect Progress, representing the entire issued share capital of Perfect Progress.

(v) On 13 February 2005, the Directors of the Company were authorised to capitalise HK$29,999,990 standing to the credit of the Company's share premium account towards paying up in full at par 299,999,900 shares for allotment and issue to Sharp Concept, Golden Century and NMLLC in proportion.

(vi) On 28 February 2005, the Company completed its public offering of 100,000,000 shares and the Company's shares were listed on the Main Board of The Stock Exchange Hong Kong Limited.

(vii) Share options
The Company adopted a share option scheme (the "Scheme") which became effective on 28 February 2005 for the purpose of providing incentives and rewards to employees who contribute to the success of the Group's operation. The exercise price of the granted options is equal to the closing price of the shares on the date of grant. The options are exercisable starting from 1 January 2006 to 12 February 2015 subject to vesting periods and accomplishing certain performance targets or conditions, as determined by the board of directors of the Company.

Movements in the number of share options outstanding are as follows:

| | **Options (thousands)** |
|---|---|
| At 1 January 2005 | – |
| Granted on 28 February 2005 | 23,780 |
| Lapsed | (450) |
| At 30 June 2005 | 23,330 |

Share options outstanding (in thousands) at the end of the period have the following exercise periods and exercise prices:

| **Exercise period** | **Exercise price** HK$ | **Number of underlying shares subject to share options (thousands)** |
|---|---|---|
| 1 January 2006 to 31 December 2006 | 0.94 | 6,814 |
| 1 January 2007 to 31 December 2007 | 0.94 | 3,518 |
| 1 January 2008 to 31 December 2008 | 0.94 | 3,518 |
| 1 January 2009 to 31 December 2009 | 0.94 | 2,140 |
| 1 January 2010 to 31 December 2010 | 0.94 | 2,140 |
| 1 January 2011 to 31 December 2011 | 0.94 | 1,040 |
| 1 January 2012 to 31 December 2012 | 0.94 | 1,040 |
| 1 January 2013 to 31 December 2013 | 0.94 | 1,040 |
| 1 January 2014 to 31 December 2014 | 0.94 | 1,040 |
| 1 January 2015 to 12 February 2015 | 0.94 | 1,040 |
| | | 23,330 |

The fair value of options granted of during the six months ended 30 June 2005 are determined at RMB332,000 by using the Black-Scholes valuation model. The significant inputs into the model were share price of HK$0.94 at the grant date, exercise price shown above, standard deviation of expected share price returns of 2.68%, expected life of options of 1.8 years to 10 years and annual risk-free interest rate of 2.45% to 3.85%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the period from 28 February 2005 (date of listing) to 30 June 2005.

The valuation of the fair value of the share options granted requires judgment in determining the expected volatility of the share price, the risk-free interest rate for the life of the option and the number of share options that are expected to become exercisable as stated above. Where the outcome of the number of options that are exercisable is different, such difference will have an impact on the income statement in the subsequent remaining vesting period of the relevant share options.

## 16. Reserves

| | Share premium | Reor–ganisation reserve *(Note b)* | Statutory reserve fund *(Note a)* | Enterprise expansion fund | Others | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2004 (audited) | (2,050) | 34,534 | 7,641 | 2,756 | – | 56,878 | 99,759 |
| Group reorganisation | – | 4 | – | – | – | – | 4 |
| Transfer to share capital *(Note 15(v))* | – | (31,800) | – | – | – | – | (31,800) |
| At 1 January 2004 – restated on merger basis | (2,050) | 2,738 | 7,641 | 2,756 | – | 56,878 | 67,963 |
| Share issuance expenses | (1,965) | – | – | – | – | – | (1,965) |
| Profit for the period | – | – | – | – | – | 25,094 | 25,094 |
| Dividends *(Note 8)* | – | – | – | – | – | (25,190) | (25,190) |
| At 30 June 2004 (unaudited) | (4,015) | 2,738 | 7,641 | 2,756 | – | 56,782 | 65,902 |
| Share issuance expenses | (3,982) | – | – | – | – | – | (3,982) |
| Profit for the period | – | – | – | – | – | 25,233 | 25,233 |
| Transfer to reserves | – | – | 5,820 | – | – | (5,820) | – |
| At 31 December 2004 (audited) | (7,997) | 2,738 | 13,461 | 2,756 | – | 76,195 | 87,153 |
| Share issuance expenses | (11,760) | – | – | – | – | – | (11,760) |
| Public offering *(Note 15 (vi))* | 89,040 | – | – | – | – | – | 89,040 |
| Profit for the period | – | – | – | – | – | 26,468 | 26,468 |
| Employee share option scheme – value of employee services | – | – | – | – | 332 | – | 332 |
| Dividends *(Note 8)* | – | – | – | – | – | (33,072) | (33,072) |
| At 30 June 2005 (unaudited) | 69,283 | 2,738 | 13,461 | 2,756 | 332 | 69,591 | 158,161 |

(a) NFA Parts and NF Light & Power are wholly foreign owned enterprises established in the PRC and hence are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the accounting principles and relevant financial regulations applicable to enterprise established in the PRC, to statutory reserve fund until the fund aggregates to 50% of their registered capital.

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

(b) The reorganisation reserve of the Group represents:

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

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

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

(iv) on 13 February 2005, an aggregate of 90 shares were allotted and issued by the Company in exchange for the 100% of share interest in Perfect Progress (the "Perfect Progress Transferring Interest") (Note 15(iv)). The difference of RMB4,000 between the nominal value of the shares of issued by the Company and the Perfect Progress Transferring Interests' share of the fair value of Perfect Progress pursuant to the Reorganisation is accounted for as reorganisation reserve of the Group; and

(v) on 13 February 2005, the Directors of the Company were authorised to capitalise HK$29,999,990 towards paying up in full at par 299,999,900 shares for allotment (Note 15(v)).

**17. Trade payables**

Details of the aging analysis are as follows:

| | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|
| Current to 30 days | **74,491** | 31,881 |
| 31 to 60 days | **11,988** | 15,897 |
| 61 to 90 days | **28** | 533 |
| Over 91 days | **2,012** | 707 |
| | **88,519** | 49,018 |

### 18. Short-term bank loans

| | | Unaudited 30 June 2005 RMB'000 | Audited 31 December 2004 RMB'000 |
|---|---|---|---|
| Secured | *(b)* | **6,000** | 14,000 |
| Unsecured | *(a)* | **16,000** | – |
| | | **22,000** | 14,000 |

(a) Unsecured bank loans as at 30 June 2005 represent (i) loan of RMB6,000,000 granted to NFA Parts at an interest rate of 4.7% per annum, guaranteed by NF Light & Power and repayable on 15 August 2005, and (ii) loan of RMB10,000,000 granted to NF Light & Power at an interest rate of 4.7% per annum, guaranteed by NFA Parts and repayable on 15 August 2005.

(b) The interest rates, repayment terms and securities of the secured loans as at the respective balance sheet dates are as follows:

| | Unaudited 30 June 2005 RMB'000 | Audited 31 December 2004 RMB'000 |
|---|---|---|
| Interest rate per annum | **4.7%** | 4.78% to 5.31% |
| Repayment term | **6 months** | 6 to 12 months |
| Securities | **Property, plant & equipment and land use rights with aggregate net book value of RMB6,123,000 *(Note 9)*** | Property, plant & equipment and land use rights with aggregate net book value of RMB19,748,000 |

**19. Business combination**

***(a) Acquisition of a subsidiary – Shanghai Hualiang Vocational and Technical Training School (the "School")***

On 1 May 2005, the Group acquired 100% of the share capital of the School from Shanghai You Cheng Auto Service Company Ltd. ("You Cheng"), which is the former shareholder of the School and a company incorporated in the PRC.

Details of net assets acquired and goodwill are as follows:

| | RMB'000 |
|---|---|
| Purchase consideration: | |
| Cash paid | 120 |
| Fair value of net liabilities acquired – shown as below | (35) |
| Goodwill *(Note 9)* | 155 |

The assets and liabilities arising from the acquisition are as follows:

| | **Net liability acquired** |
|---|---|
| Cash and cash equivalents | 53 |
| Property, plant and equipment *(Note 9)* | 96 |
| Prepaid operating lease payments | 6 |
| Inventories | 80 |
| Receivables | 10 |
| Payables | (280) |
| Net liabilities acquired | (35) |
| Purchase consideration settled in cash | 120 |
| Cash and cash equivalents in subsidiary acquired | (53) |
| Cash outflow on acquisition | 67 |

*(b)* ***Acquisition of business from You Cheng:***

On 1 May 2005, the Group acquired business and related assets from You Cheng.

Details of net assets acquired and goodwill are as follows:

| | RMB'000 |
|---|---|
| Purchase consideration: | |
| Cash paid | 1,380 |
| Fair value of net assets acquired | 281 |
| Goodwill *(Note 9)* | 1,099 |

The assets and liabilities arising from the acquisition are as follows:

| | **Net assets acquired** |
|---|---|
| Property, plant and equipment *(Note 9)* | 130 |
| Inventories | 80 |
| Receivables | 71 |
| Net assets acquired | 281 |
| Purchase consideration settled in cash | 1,380 |
| Cash and cash equivalents acquired | – |
| Cash outflow on acquisition | 1,380 |

There were no acquisitions for the year ended 31 December 2004.

*(c)* See Note 24 for disclosures regarding the business combination that took place after the balance sheet date but before the approval of these financial information.

**20. Commitments**

***(a) Commitments under operating leases***

The Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings as follows:

| | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|
| Within one year | **5,401** | 5,058 |
| In the second to fifth year inclusive | **15,600** | 18,852 |
| After the fifth year | **5,448** | 6,745 |
| | **26,449** | 30,655 |

***(b) Capital commitments***

| | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|
| Property, plant and equipment | | |
| – Contracted but not provided for | **3,879** | – |

**21. Related party transactions**

Apart from the transactions or balances as disclosed in Notes 12 and 13, the Group had the following significant related party transactions:

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2005 RMB'000** | 2004 RMB'000 |
| Sales of goods to Custom Accessories | **2,374** | 2,441 |
| Directors' emoluments | | |
| – Basic salary and other allowances | **1,917** | 458 |
| – Share option scheme | **163** | – |
| | **2,080** | 458 |

Sales to Custom Accessories were conducted in the normal course of business at prices and terms determined by reference to those charged to and contracted with other third party customers of the Group.

**22. Contingent liabilities**

The Group had no material contingent liabilities as at 30 June 2005 (2004: nil).

**23. Banking facilities**

The Group's banking facilities are as follows:

| | **Unaudited 30 June 2005 RMB'000** | Audited 31 December 2004 RMB'000 |
|---|---|---|
| Total banking facilities available | **181,000** | 163,000 |
| Less: amounts utilised | **(22,000)** | (14,000) |
| Unused facilities | **159,000** | 149,000 |

For details of the securities for the banking facilities, please refer to Note 18.

**24. Events after the balance sheet date**

On 30 August 2004, NF Light & Power entered into an agreement with Ms. Jin Xiao Yan (Ms. Jin), a director of the Company, whereby Ms. Jin agreed to transfer 10% equity interest in NFA Service to NF Light & Power for a consideration of RMB190,000. On 12 July 2005, NFA Service had obtained regulatory approval and completed such transfer.

Details of net assets acquired and goodwill are as follows:

| | RMB'000 |
|---|---|
| Purchase consideration – Cash paid | 190 |
| Fair value of net liabilities acquired | (590) |
| Goodwill | 780 |

**25. Ultimate holding company**

The Directors of the Company regard Sharp Concept Industrial Limited as the ultimate holding company of the Company prior to the completion of the public offering of the Company's shares. Upon the completion of the public offering of the Company's shares, Sharp Concept Industrial Limited held 45% equity interest of the Company.

**26. Approval of accounts**

The accounts were approved by the board of directors on 5 September 2005.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2005 (the "period"), the Group recorded a turnover of approximately RMB228,198,000, representing an increase of approximately 34% as compared to the corresponding period of the previous year. Profit before income tax was approximately RMB30,380,000 (2004: RMB25,141,000). Profit attributable to equity holders reached approximately RMB26,468,000 (2004: RMB25,094,000).

**Business Review**

Leveraging on its market driven business strategy and strong design and research capabilities, the Group has made great business development in the manufacturing business as the continuous growth of the North American automotive aftermarket provides lucrative opportunities. Meanwhile, the constant growth of automobile ownerships in the PRC brings great potential for the development and expansion of the domestic market by the Group.

During the period, apart from sustaining and developing the markets located across North America, Europe and the Asia Pacific regions, the Group was dedicated to expand its domestic distribution network under the brand name of "Autolife" for the sales of various types of "NFA" auto-related products by increasing the number of its automotive aftermarket services chain stores in the PRC through direct operation and franchise arrangement. As at the date of this interim report, there are 66 stores operating under the brand name of "Autolife" forming a comprehensive sales and distribution network comprising area agents, hypermarket and chain stores.

Relying on the Group's strong design and research capabilities, it is the Group's strategy to maintain its competitive edge by continuously launching new products according to the customers' needs and market trends. During the period, the Group acquired additional 28 patents and successfully launched 96 newly developed products, such as the pocket inverters and HID working lights. Among the new products, the pocket series inverters were remarkably popular for their appearances and their convenient sizes and these products are expected to stimulate growth in the Group's revenue from the sales of automotive electronic products. In addition, the HID series with higher light output, wider coverage, energy conservation feature and longer life, can be widely applied in different working environment at night.

### Sales

During the period, the Group recorded a turnover of approximately RMB228,198,000 (2004: RMB170,094,000). The turnover attributable to product sales accounted for approximately RMB219,245,000 (2004: RMB163,487,000), and such increase was attributable to the Group's ability to respond and adapt quickly to market trends and changes in customers' needs, enhance product features and functions and develope new products to meet the increasing market demand. The turnover attributable to the provision of automobile aftermarket services accounted for approximately RMB8,953,000 (2004: RMB6,607,000), and such increase was attributable to the increase in the number of automotive aftermarket chain stores operated by the Group.

### Gross Profit

Gross profit margin for the period was approximately 25%, slightly lower than the 27% for the corresponding period of last year, which was principally affected by the following factors: (1) the upsurge in the costs of certain raw materials as a result of the high international oil prices during the period; (2) the intensifying competition in the international automotive electronic products industry which rendered the increase in the selling prices of products unfavourable. Faced with these unfavorable factors, the Group is committed to explore more market opportunities and has also strengthened its research and development capabilities for launching more new products in order to maintain the profit margin.

### Profit Attributable to Equity Holders

The Group's profit attributable to equity holders for the period was approximately RMB26,468,000 (2004: RMB25,094,000). Although there had been a larger increase in selling and marketing costs and administrative expenses than the increase in turnover, and the applicable tax rates for the period were higher than that of the corresponding period in 2004, the Group's profit attributable to equity holders nevertheless increased by approximately 5.5%.

### Expenses

Selling and marketing costs during the period amounted to approximately RMB13,005,000 (2004: RMB8,804,000), representing approximately 6% of the turnover for the same period (2004: 5%) and an increase of approximately 48% as compared with the corresponding period in 2004. The increase in selling and marketing costs was mainly due to the expansion of the automotive aftermarket service network.

Administrative expenses amounted to approximately RMB14,185,000 (2004: RMB11,805,000), representing approximately 6% of turnover of the period (2004: 7%) and an increase of approximately 20% as compared with the corresponding period in 2004. The increase in administrative expenses was attributable to the higher management costs resulting from the expansion of sales network in the PRC and the compliance of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") following the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Finance cost of approximately RMB462,000 (2004: RMB475,000) for the period was roughly at the same level as the same period in 2004.

**Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005.

**Liquidity and Financial Resources**

During the period, apart from the internally generated resources and banking facilities, the Group also raised net proceeds of HK$74,700,000 from the public offer and placing of new shares (the "IPO"). As at 30 June 2005, the Group's cash and bank balances had increased to approximately RMB79,998,000 (2004: RMB37,750,000). As at 30 June 2005, the total bank borrowings were approximately RMB22,000,000, which will be repaid within one year.

The Group's financial position was solid throughout the period. As at 30 June 2005, the net current assets and current ratio were approximately RMB129,654,000 (2004: RMB61,833,000) and 1.88 (2004: 1.74), respectively. Gearing ratio (total liabilities/total assets) as at 30 June 2005 was 42% (2004: 41%).

The Group will continue to maintain a sound financial position. With the current cash position, the cash inflow from operating activities and its banking facilities, the Group has sufficient financial resources to meet its commitments, working capital requirements, future investments and expansion plans.

**Capital Expenditure**

During the period, the Group had invested approximately RMB12,000,000 in an additional office property located at Rooms 1601 and 1604, No. 922 Hengshan Road, Xuhui District, Shanghai, the PRC.

**Issue of Shares and Use of the Proceeds from the IPO**

In February 2005, the Company issued 100,000,000 ordinary shares pursuant to the IPO, raising net proceeds of approximately HK$74,700,000. During the period, the proceeds were used in the following manner:

– approximately RMB3.4 million was used for the research and development of automotive lights and automotive electronic products;

– approximately RMB1.5 million was used for the expansion of production plant and the installation of new production lines;

– approximately RMB2.5 million was used for the expansion of the automotive aftermarket services business and the establishment of automotive aftermarket service chain stores;

– approximately RMB3.5 million was used as the Group's general working capital;

– the remaining portion of the net proceeds was placed with banks in Hong Kong and in the PRC as short-term deposits.

**Charges on Assets**

As at 30 June 2005, the Group had bank borrowings of approximately RMB6,000,000 which were secured by the pledge of the Group's land use rights and buildings with a net book value of approximately RMB1,335,000 and RMB4,789,000 respectively.

**Foreign Exchange Exposure**

The Group's sales and purchases are principally denominated in US dollars with over 87% of the total sales and 27% of purchases were conducted with overseas customers and suppliers respectively. Since exchange rate of US dollar to Renminbi was relatively stable during the period, the Group did not subject to any significant exposure to foreign exchange risk and thus no hedging arrangement had been employed. Since 21 July 2005, Renminbi has been pegged to a basket of currencies and this resulted in Renminbi appreciating against the US dollar by approximately 2%. The Group is considering appropriate solutions to minimize its risks in foreign exchange exposure, such as maintaining a higher percentage of purchase from overseas, greater cost control, enhancing sales in domestic market and entering into forward exchange rate contracts.

**Contingent Liability**

As at 30 June 2005, the Group had no material contingent liabilities or guarantee.

**Staff Policy**

As at 30 June 2005, the Group employed a total of 1948 full-time employees. The Group has been persistent in recruiting elites for enriching its staff base. In order to attract and retain high calibre employees, the Group not only participates in various retirement plans mandated by the municipal government, but also provides other fringe benefits such as medical insurance and housing allowances. The Group also participates in provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. Discretionary bonuses or share options may also be awarded to distinguished staff.

***OUTLOOK***

In July 2005, the Group entered into a five-year co-operation agreement with Carrefour China. Pursuant to this agreement, the Group will establish sales corners and workshops in Carrefour's existing and future stores. The Board believes that this cooperation will facilitate further development in the Group's sales and distribution network in the PRC.

On the other hand, supported by its strong research and development capabilities and its extensive experience in the automotive electronic products industry, the Group is collaborating with domestic automotive parts manufacturers and expects to become an original equipment manufacturer (OEM) in the PRC automobile industry and is going to develop electronic parts and accessories for new cars and launch energy saving products to accommodate new market trends.

In June 2005, the Group was engaged by a North American customer to manufacture automotive electronic products with a purchase commitment of not less than USD15,000,000 each year for a term of five years. The directors of the Company (the “Directors”) believe that this is a golden opportunity for the Group which would further enhance its earnings and strengthen the market presence of the Group in North American region.

The Group will continue to maintain a leading market position by developing new technologies and enhancing its existing product lines. On the basis of its pocket series products, the Group plans to develop custom made I-series products which are designed to cater to the needs of different customer groups, and would include I-series inverter, I-series charger, etc.

# OTHER INFORMATION

***Directors' and Chief Executives' Interest and Short Positions in the Shares of the Company and its Associated Corporations***

(i) The Company

(a) *Interest in shares of the Company*

As at 30 June 2005, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he or she is taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

| Name | Capacity/ Nature of interest | Number of shares in which interested (other than under equity derivatives) *(Note 1)* | Number of shares in which interested under equity derivatives | Total number of shares | Percentage of issued shares |
|---|---|---|---|---|---|
| Mr. Hung Wei-Pi, John | Interest in a controlled corporation *(Note 2)* | 180,000,000 (L) | Nil | 180,000,000(L) | 45% |
| Mr. Douglas Charles Stuart Fresco | Interest in a controlled corporation *(Note 3)* | 60,000,000 (L) | Nil | 60,000,000(L) | 15% |
| Ms. Jin Xiao-Yan | Family interest *(Note 4)* | 180,000,000 (L) | Nil | 180,000,000(L) | 45% |
| Mr. Lu Yuan Cheng | Beneficial Owner | Nil | 4,000,000 (L) *(Note 5)* | 4,000,000(L) | 1% |
| Ms. Hung Ying-Lien | Beneficial Owner | Nil | 4,000,000 (L) *(Note 5)* | 4,000,000(L) | 1% |
| Mr. Wu Kwan-Hong | Beneficial Owner | Nil | 4,000,000 (L) *(Note 5)* | 4,000,000(L) | 1% |

*Notes:*

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

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

3. *These 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.*

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

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

### *(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 of the Company dated 13 February 2005. Share options granted to the Directors to subscribe for shares of the Company which were outstanding on 30 June 2005 were as follows:

| Name | Nature of interest | Number of underlying shares in respect of options granted | Exercise period | Price for grant | Exercise price |
|---|---|---|---|---|---|
| Mr. Lu Yuan Cheng | Beneficial Owner | 4,000,000 (L) | 1 January 2006 to 12 February 2015 | HK$10.00 (for all) | HK$0.94 (per share) |
| Ms. Hung Ying-Lien | Beneficial Owner | 4,000,000 (L) | 1 January 2006 to 12 February 2015 | HK$10.00 (for all) | HK$0.94 (per share) |
| Mr. Wu Kwan-Hong | Beneficial Owner | 4,000,000 (L) | 1 January 2006 to 12 February 2015 | HK$10.00 (for all) | HK$0.94 (per share) |

**(ii) The associated corporation**

***Shanghai New Focus Auto Repair Services Co., Limited ("NFA Service") (a subsidiary of the Company established in the PRC)***

| Name of Substantial Shareholder | Capacity/ Nature of interest | Number of shares in which interested (other than under equity derivatives) *(Note 1)* | Number of shares in which interested under equity derivatives | Total number of shares | Percentage of equity interest *(Note 1)* |
|---|---|---|---|---|---|
| Ms. Jin Xiao-Yan | Beneficial owner | 10%(L) *(Note 2)* | Nil | 10%(L) *(Note 2)* | 10%(L) *(Note 2)* |

*Notes:*

1. *The letter "L" denotes a long position in the registered capital of NFA Service.*

2. *On 30 August, 2004, a transfer of equity interest agreement was entered into between Ms. Jin Xiao-Yan, pursuant to which Ms. Jin Xiao-Yan would transfer her 10% equity interest in NFA Service to New Focus Light and Power Technology (Shanghai) Co., Limited ("NF Light & Power") at a consideration of 10% of the audited net asset value of NFA Service as at 31 December 2003. The completion of the said transfer was conditional on and would take place upon NFA Service having obtained all the necessary approvals for the transfer of the said equity interest from the relevant government authorities in the PRC and completed all relevant filings and registration procedures with the State Administration for Industry and Commerce (the "Approval and Registration Procedures"). On 12 July 2005, the Approval and Registration Procedures were completed and completion of the transfer of the 10% equity interest in NFA Service took place on the same date whereupon Ms. Jin Xiao Yan ceased to hold any interest in NFA Service.*

Save as disclosed above, as at 30 June 2005, to the knowledge 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 and 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 the Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

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

As at 30 June 2005, 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 who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group, were as follows:

| Name of Substantial Shareholder | Capacity/ Nature of interest | Number of shares in which interested (other than under equity derivatives) *(Note 1)* | Number of shares in which interested under equity derivatives | Total number of shares | Percentage of issued shares |
|---|---|---|---|---|---|
| Sharp Concept Industrial Limited | Beneficial owner | 180,000,000 (L) | Nil | 180,000,000 | 45% |
| Golden Century Industrial Limited | Beneficial owner | 60,000,000 (L) | Nil | 60,000,000 | 15% |
| The Norman Matthew LLC | Beneficial owner *(Note 2)* | 60,000,000 (L) | Nil | 60,000,000 | 15% |
| Mrs. Linda Fresco | Family interest *(Note 3)* | 60,000,000 (L) | Nil | 60,000,000 | 15% |

*Notes:*

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

2. *The Norman Matthew LLC is owned by Mr. Norman L. Matthew as to 28.20%, Mr. Kenneth S. Matthew as to 28.20%, Mr. Edward B. Matthew as to 28.20%, Mr. Abe J. Matthew as to 5.98%, Ms. Nettie Matthew as to 4.43%, Mr. Vince Alesi as to 2.99% and Mr. Glenn Fingerhurt as to 2.00%.*

3. *Mrs. Linda Fresco is the wife of Mr. Douglas Charles Stuart Fresco, an executive Director. Under the SFO, she is deemed to be interested in all the shares of the Company held by Golden Century Industrial Limited which is wholly and beneficially owned by Mr. Douglas Charles Stuart Fresco.*

# OTHER INFORMATION

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 who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at 30 June 2005.

***Share Option Scheme***

The Company conditionally adopted a share option scheme (the “Scheme”) on 13 February 2005 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

There have been no changes in the terms of Scheme during the six months ended 30 June 2005. The detailed terms of the Scheme were disclosed in the 2004 annual report of the Company.

As at 30 June 2005, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 23,330,000 shares. The total number of shares available for issue under the Scheme (excluding options already granted) was 16,670,000 shares, representing approximately 4.17% of the total issued share capital of the Company on that date.

Details of the share options granted under the Scheme as at 30 June 2005 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 at 1 January 2005 | Number of underlying shares subject to options granted since 1 January 2005 | Number of underlying shares subject to options exercised since 1 January 2005 | Lapsed/ cancelled since 1 January 2005 | Number of underlying shares subject to outstanding options at 30 June 2005 |
|---|---|---|---|---|---|---|---|---|---|
| Ms. Hung Ying-Lien<br>Executive Director | 28/2/2005 | 1/1/2006 – 12/2/2015<br>*(Note 1)* | HK$0.94 | HK$0.94 | – | 4,000,000 | – | – | 4,000,000 |
| Mr. Wu Kwan-Hong<br>Executive Director | 28/2/2005 | 1/1/2006 – 12/2/2015<br>*(Note 2)* | HK$0.94 | HK$0.94 | – | 4,000,000 | – | – | 4,000,000 |
| Mr. Lu Yuan Cheng<br>Executive Director | 28/2/2005 | 1/1/2006 – 12/2/2015<br>*(Note 3)* | HK$0.94 | HK$0.94 | – | 4,000,000 | – | – | 4,000,000 |
| Continuous contract employees in aggregate | 28/2/2005 | From 1/1/2006<br>*(Note 4)* | HK$0.94 | HK$0.94 | – | 11,780,000 | – | (450,000) | 11,330,000 |
| Total | | | | | – | 23,780,000 | – | (450,000)<br>*(Note 5)* | 23,330,000 |

*Notes:*

1. *Share options in respect of 600,000 underlying shares are exercisable during the period from 1 January 2006 to 31 December 2006 and the remaining 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.*

2. *Share options in respect of 600,000 underlying shares are exercisable during the period from 1 January 2006 to 31 December 2006 and the remaining 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.*

3. *Share options in respect of 400,000 underlying shares are exercisable during the period from 1 January 2006 to 31 December 2006 and the remaining 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.*

4. *Share options to other employees are exercisable within periods ranging from 1 year to 5 years subject to such performance targets or conditions as determined by the Board.*

5. *Options lapsed in accordance with the terms of the Scheme due to the resignation of an employee.*

### ***Completion of Transfer of Equity Interest in NFA Service***

On 30 August, 2004, a transfer of equity interest agreement was entered into between Ms. Jin Xiao-Yan and NF Light & Power, pursuant to which Ms. Jin Xiao-Yan would transfer her 10% equity interest in NFA Service to NF Light & Power at a consideration of 10% of the audited net asset value of NFA Service as at 31 December 2003. The completion of the said transfer was conditional on and would take place upon NFA Service having completed the Approval and Registration Procedures. On 12 July 2005, the Approval and Registration Procedures were completed and completion of the transfer of the 10% equity interest in NFA Service took place on the same date whereupon Ms. Jin Xiao Yan ceased to hold any interest in NFA Service and NFA Service is currently a wholly-owned subsidiary of the Company.

### ***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.

# OTHER INFORMATION

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

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

***Corporate Governance***

In the opinion of the Directors, throughout the period from the date of listing on the Stock Exchange to 30 June 2005, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

***Directors' securities Transactions***

The Company has adopted a code of conduct regarding securities transactions of directors (the "Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, the Directors have complied with the Code throughout the period from the date of listing on the Stock Exchange to 30 June 2005.

***Audit Committee***

The accounting information given in this interim report has not been audited but has been reviewed by the Audit Committee of the Company.

By Order of the Board
**New Focus Auto Tech Holdings Limited**
**Hung Wei-Pi, John**
*Chairman*

Hong Kong, 5 September 2005