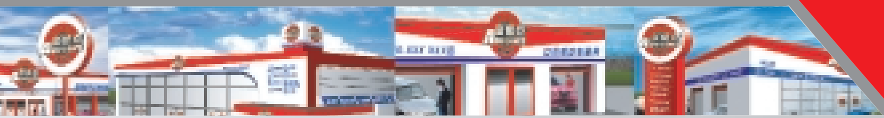
New Focus Auto Tech Holdings Limited

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0360)



AUTOLIFE 新焦点 汽車生活時尚館

INTERIM REPORT 2006

* For identification purpose only

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CORPORATE INFORMATION

Directors

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

Non-executive Director

Low Hsiao-Ping

Independent non-executive Directors

Du Haibo
Zhou Tai-Ming
Uang Chii-Maw

Company Secretary and Qualified Accountant

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360

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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 as the "Group") for the six months ended 30 June 2006 (the "Period") are as follows:

Condensed Consolidated Income Statement
For the six months ended 30 June 2006

	Note	**Unaudited Six months ended 30 June 2006 RMB'000**	2005 RMB'000
Sales	*4*	**197,401**	228,198
Cost of goods sold		**(155,016)**	(172,000)
Gross profit		**42,385**	56,198
Other gains, net	*4*	**12,461**	1,834
Selling and marketing costs		**(13,147)**	(13,005)
Administrative expenses		**(22,193)**	(14,185)
Operating profit	*4*	**19,506**	30,842
Finance costs	*5*	**(290)**	(462)
Profit before income tax		**19,216**	30,380
Income tax expense	*6*	**(2,007)**	(4,251)
Profit for the period		**17,209**	26,129
Attributable to:			
Equity holders of the Company		**17,273**	26,468
Minority interests		**(64)**	(339)
		17,209	26,129
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	*7*	**RMB0.043**	RMB0.072
– Diluted	*7*	**RMB0.043**	RMB0.072
Dividends	*8*	**33,433**	33,072

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Balance Sheet

As at 30 June 2006

	Note	**As at 30 June 2006 RMB'000 (unaudited)**	As at 31 December 2005 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**64,006**	50,112
Investment properties	*9*	**14,419**	20,985
Leasehold land and land use right	*9*	**21,841**	17,769
Intangible assets	*9*	**4,358**	4,481
Deferred tax assets		**32**	32
		104,656	93,379
Current assets			
Inventories	*10*	**60,805**	58,069
Trade receivables	*11*	**74,954**	61,875
Prepayments, deposits and other receivables	*12*	**43,742**	17,898
Amount due from a related party	*13*	**406**	68
Amount due from a director	*14*	**5**	5
Term deposits with initial term of over three months		**–**	20,000
Cash and cash equivalents		**76,582**	74,616
		256,494	232,531
Total assets		**361,150**	325,910
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**42,967**	42,400
Reserves	*16*	**177,828**	189,269
Minority interests		**8,285**	–
Total equity		**229,080**	231,669

Condensed Consolidated Balance Sheet *(continued)*

As at 30 June 2006

	Note	**As at 30 June 2006 RMB'000 (unaudited)**	As at 31 December 2005 RMB'000 (audited)
Non-current liabilities			
Deferred tax liabilities		**167**	769
		167	769
Current liabilities			
Trade payables	*17*	**62,134**	60,292
Accruals and other payables		**17,682**	21,979
Current tax liabilities		**2,955**	975
Dividends payable		**273**	297
Short term bank loans	*18*	**39,835**	9,927
Amount due to a director	*14*	**2**	2
Amounts due to related parties	*13*	**9,022**	–
		131,903	93,472
Total liabilities		**132,070**	94,241
Total equity and liabilities		**361,150**	325,910
Net current assets		**124,591**	139,059
Total assets less current liabilities		**229,247**	232,438

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2006

	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 interests RMB'000	Total RMB'000
Balance as at 1 January 2006	**42,400**	**96,936**	**92,333**	**–**	**231,669**
Release of reserve on disposal of investment properties	**–**	**(557)**	**–**	**–**	**(557)**
Profit for the period	**–**	**–**	**17,273**	**–**	**17,273**
Employee share option scheme: – value of employee services	**–**	**498**	**–**	**–**	**498**
Proceeds from shares issued	**567**	**4,778**	**–**	**–**	**5,345**
Dividend	**–**	**–**	**(33,433)**	**–**	**(33,433)**
Minority interest arising on acquisition of subsidiaries	**–**	**–**	**–**	**8,299**	**8,299**
Minority interests' share of loss	**–**	**–**	**–**	**(14)**	**(14)**
Balance as at 30 June 2006	**42,967**	**101,655**	**76,173**	**8,285**	**229,080**

Condensed Consolidated Statement of Changes in Equity *(continued)*
For the six months ended 30 June 2006

	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 interests** 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 FINANCIAL INFORMATION

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Unaudited	
	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(2,043)**	5,886
Net cash used in investing activities	**(5,446)**	(37,175)
Net cash generated from financing activities	**9,455**	73,537
Net increase in cash and cash equivalents	**1,966**	42,248
Cash and cash equivalents at the beginning of the period	**74,616**	37,750
Cash and cash equivalents at the end of the period	**76,582**	79,998
Analysis of cash and cash equivalents		
Cash and bank balances	**76,582**	79,998

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.

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

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

These unaudited condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial information should be read in conjunction with the 2005 annual financial statement included in the Company's 2005 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 2005 except that the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after 1 December 2005 or 1 January 2006.

The application of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

3. **New standard, amendment and interpretations**

The Group has not yet early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment and interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]

[1] Effective for annual period beginning on or after 1 January 2007.
[2] Effective for annual period beginning on or after 1 March 2006.
[3] Effective for annual period beginning on or after 1 May 2006.
[4] Effective for annual period beginning on or after 1 June 2006.

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 2006 RMB'000	2005 RMB'000
Turnover	**197,401**	228,198
Other gains, net		
Interest income	**531**	83
Government subsidies	**196**	1,700
Gain on disposal of property, plant and equipment *(note a)*	**7,155**	–
Gain on disposal of investment properties	**232**	–
Tax refund on capitalized profit *(note b)*	**4,300**	–
Others	**47**	51
	12,461	1,834
Total revenues	**209,862**	230,032

(a) In June 2006, a subsidiary of the Group entered into a sale and purchase agreement with an unrelated party to dispose of factory premises and the associated land use right at a consideration of RMB14.8 million ("Disposal"). The Disposal was completed on 30 June 2006.

Subsequent to the Disposal, the Group entered into two lease agreements with the same unrelated party to lease back portions of the factory premises for one year as transitional arrangement for the move.

(b) The tax refund is a refund of tax on capitalized profits on which Enterprise Income Tax was previously charged.

(c) ***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.

Analysis of the segment revenues and results is as follows:

	Unaudited Six months ended 30 June 2006			
	Manufacturing and sales of automobile accessories RMB'000	**Provision of automobile repair, maintenance and restyling services RMB'000**	**Eliminations RMB'000**	**Group RMB'000**
Segment revenues				
External sales	**177,610**	**19,791**	**–**	**197,401**
Inter-segment sales	**1,875**	**76**	**(1,951)**	**–**
Other gains, net	**597**	**144**	**–**	**741**
Inter-segment other gains	**38**	**–**	**(38)**	**–**
	180,120	**20,011**	**(1,989)**	**198,142**
Segment results	**18,233**	**(3,899)**		**14,334**
Unallocated other gains				**11,720**
Unallocated costs				**(6,548)**
Operating profit				**19,506**
Finance costs				**(290)**
Profit before income tax				**19,216**
Income tax expense				**(2,007)**
Profit for the period				**17,209**
Segment assets	**287,936**	**53,145**		**341,081**
Unallocated corporate assets				**20,069**
Total assets				**361,150**
Segment liabilities	**126,494**	**4,796**		**131,290**
Unallocated corporate liabilities				**780**
Total liabilities				**132,070**
Capital expenditure	**28,946**	**2,224**		**31,170**
Unallocated capital expenditure				**21**
				31,191
Depreciation and amortisation charge	**4,529**	**1,288**		**5,817**
Unallocated depreciation and amortisation charge				**11**
				5,828

Analysis of the segment revenues and results is as follows:

	Manufacturing and sales of automobile accessories** RMB'000	Provision of automobile repair, maintenance and restyling services** RMB'000	Eliminations RMB'000	Group RMB'000
	Unaudited Six months ended 30 June 2005			
Segment revenues				
External sales	212,202	15,996	–	228,198
Inter-segment sales	2,778	–	(2,778)	–
Other gains, net	1,834	–	–	1,834
	216,814	15,996	(2,778)	230,032
Segment results	37,190	(2,259)		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

** *The Company has reclassified the sale of merchandise previously included in Manufacturing and Sale of Automobile Accessories to Provision of Automobile Repair, Maintenance and Restyling Services for the six months ended 30 June 2006. Comparative figures have been reclassified to conform with this presentation.*

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

The Group operates in five geographical areas. An analysis of the geographical segment turnover is as follows:

	Unaudited Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Segment turnover		
North America	**119,953**	165,878
Europe	**23,902**	20,323
Asia Pacific	**21,281**	12,700
Greater China (including Taiwan)	**32,223**	29,297
Africa	**42**	–
Total	**197,401**	228,198

There are no sales between the geographical segments during the six months period ended 30 June 2006 and 2005.

5. Finance costs

	Unaudited Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Interest on short-term bank loans	**290**	462

6. Income tax expense

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

	Unaudited Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Current tax – PRC income tax	**2,608**	4,251
Deferred tax	**(601)**	–
	2,007	4,251

(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 2006 (2005: 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 2006, the Directors believe that NFA Parts should qualify as an Export Oriented Enterprise for the year ending 31 December 2006 as according to the sales plan and prior year experience, the export sales of NFA Parts for the year ending 31 December 2006 will account 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 2006 (2005: 12%).

(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 2006 (2005: 12%).

(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 2006, 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	
	2006	2005
Profit attributable to equity holders of the Company (RMB thousands)	**17,273**	26,468
Weighted average number of ordinary shares in issue (thousands)	**401,459**	366,667
Basic earnings per share (RMB per share)	**0.043**	0.072

– ***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	
	2006	2005
Profit attributable to equity holders of the Company and used to determine diluted earnings per share (RMB thousands)	**17,273**	26,468
Weighted average number of ordinary shares in issue (thousands)	**401,459**	366,667
Adjustments for – share options (thousands)	**2,288**	1,078
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**403,747**	367,745
Diluted earnings per share (RMB per share)	**0.043**	0.072

8. Dividends

The directors do not recommend the payment of an interim dividend for the six months period ended 30 June 2006.

At the annual general meeting held on 22 May 2006, the directors approved the 2005 proposed final dividend of HK$0.08 (2004: Nil) per ordinary share and HK$32,337,000 (equivalent to RMB33,433,000), this dividend has been reflected as an appropriation of retained earnings for the six months ended 30 June 2006.

9. Capital expenditure

	Goodwill	Other intangible assets	Property, plant & equipment	Leasehold land and land use rights	Investment properties
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount as at 1 January 2006	2,787	1,694	50,112	17,769	20,985
Acquisition of a subsidiary	102	–	737	–	–
Other additions	–	–	24,250	6,204	–
Disposals	–	–	(5,440)	(2,042)	(6,566)
Depreciation/amortisation charge	–	(85)	(5,653)	(90)	–
Adjustment*	(140)	–	–	–	–
Closing net book amount as at 30 June 2006 (unaudited)	2,749	1,609	64,006	21,841	14,419
Opening net book amount as at 1 January 2005	–	–	38,652	18,162	–
Acquisition of a subsidiary and businesses	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	–

* *A downward adjustment of RMB140,000 was made to the purchase consideration in relation to the acquisition of a subsidiary, Shanghai Beforly Investment Management Limited, upon finalisation of the acquisition during the period.*

As at 30 June 2006, the net book values of property, plant & equipment and leasehold land and land use rights and investment properties pledged as security for the Group's short-term bank loans totalled to RMB35,466,000 (2005: Nil) (Note 18).

10. Inventories

	Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
Raw materials	**21,033**	22,423
Work in progress	**15,219**	12,830
Finished goods	**7,154**	8,113
Merchandise goods	**17,372**	15,567
Goods in transit	**811**	–
	61,589	58,933
Less: Write down of inventories	**(784)**	(864)
	60,805	58,069

11. Trade receivables

Details of the aging analysis are as follows:

	Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
Current to 30 days	**43,648**	30,964
31 to 60 days	**10,791**	25,115
61 to 90 days	**10,302**	2,859
Over 91 days	**11,584**	3,987
	76,325	62,925
Less: Impairment on receivables	**(1,371)**	(1,050)
	74,954	61,875

Credit terms generally range from 30 days to 90 days.

12. Prepayments, deposits and other receivables

Included in the prepayments, deposits and other receivables was a total of RMB8,750,000 prepaid to the suppliers in three arrangements with three different suppliers:

RMB5,000,000 related to one of the suppliers and the amount was used to set off against the relevant subcontracting fee from one of the suppliers and if the set off is not completed by March 2007, the balance will be repaid to the group in full.

RMB1,500,000 related to one of the suppliers and the amount was used to set off against future purchase and the balance will be fully set off by 12 May 2007.

Both of these suppliers were to offer the Group with a 6% discount on all the purchase from the relevant suppliers.

RMB2,250,000 related to one of the suppliers and the amount was used to set off against subcontracting fees and material costs until 31 May 2006, any balance after that day will be repaid in cash. Subsequent to the balance sheet date, the remaining balance has been repaid.

13. Amount due from a related party and amounts due to related parties

(a) Amount due from a related party

Name		**Unaudited 30 June 2006 RMB'000**	Audited 31 December 2005 RMB'000
Custom Accessories Asia Limited ("Custom Accessories")	Balance at 1 January	**68**	486
	Balance at period/year end	**406**	68
	Maximum amount outstanding during the period/year	**675**	4,337

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 repayable on demand.

(b) Amounts due to related parties

The amounts due to related parties are unsecured, interest-free and repayable on demand.

14. Amount due from a director and amount due to a director

(a) Amount due from a director

Name		**Unaudited 30 June 2006 RMB'000**	Audited 31 December 2005 RMB'000
Wu Kwan-Hong	Balance at 1 January	**5**	–
	Balance at period/year end	**5**	5
	Maximum amount outstanding during the year	**5**	5

Amount due from the director of the Company is unsecured, interest-free and repayable on demand.

(b) Amount due to a director

Amount due to a director of the Company is unsecured, interest free and repayable on demand.

15. Share capital

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	3,500,000	350
Increased in authorised share capital	1,996,500,000	199,650
Ordinary shares of HK$0.1 each	2,000,000,000	200,000

	Number of shares	Nominal Value	
		HKD'000	RMB'000
At 1 January 2005	300,000,000	30,000	31,800
Public offering	100,000,000	10,000	10,600
At 30 June 2005	400,000,000	40,000	42,400
At 1 January 2006	400,000,000	40,000	42,400
Employee share option scheme:			
– proceeds from shares issued	5,510,000	551	567
At 30 June 2006	405,510,000	40,551	42,967

During the six months ended 30 June 2006, 5,510,000 shares of HK$0.1 each in the Company were issued at prices ranging from HK$0.94 to HK$1.01 per share for cash as a result of exercise of share options granted to employees.

15. Share capital *(continued)*

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

	Options (thousands)
At 1 January 2006	23,540
Exercised	(5,510)
Lapsed	(155)
At 30 June 2006	17,875

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

Expiry date	Exercise price HK$ per share	Granted to Directors (thousands)	Granted to Consultant (thousands)	Granted to Employees (thousands)	Total (thousands)
31 December 2008	0.94	–	–	2,300	2,300
31 December 2008	1.01	–	300	1,155	1,455
31 December 2010	0.94	–	–	4,080	4,080
12 February 2015	0.94	10,040	–	–	10,040
		10,040	300	7,535	17,875

There was no new grant during the period ended 30 June 2006.

16. Reserves

	Share premium RMB'000	Re-organization reserve RMB'000	Statutory reserve fund RMB'000	Enterprise expansion fund RMB'000	Others RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2005 (audited)	(7,997)	2,738	13,461	2,756	–	76,195	87,153
Share issuance expenses	(11,760)	–	–	–	–	–	(11,760)
Public offering	89,040						89,040
Profit for the period	–	–	–	–	–	26,468	26,468
Employee share option scheme – value of employee services	–	–	–	–	332	–	332
Dividends	–	–	–	–	–	(33,072)	(33,072)
At 30 June 2005 (unaudited)	69,283	2,738	13,461	2,756	332	69,591	158,161
Fair value gains arising from transfer from property, plant and equipment to investment properties	–	–	–	–	1,213	–	1,213
Release of fair value gains due to disposal of investment properties	–	–	–	–	(202)	–	(202)
Profit for the period	–	–	–	–	–	29,150	29,150
Transfer to reserves	–	–	6,408	–	–	(6,408)	–
Employee share option scheme: – value of employee services	–	–	–	–	947	–	947
At 31 December 2005 (audited)	69,283	2,738	19,869	2,756	2,290	92,333	189,269
Release of fair value gains due to disposal of investment properties	–	–	–	–	(557)	–	(557)
Profit for the period	–	–	–	–	–	17,273	17,273
Employee share option scheme: – value of employee services	–	–	–	–	498	–	498
Proceeds from shares issued	4,778	–	–	–	–	–	4,778
Dividends	–	–	–	–	–	(33,433)	(33,433)
At 30 June 2006 (unaudited)	74,061	2,738	19,869	2,756	2,231	76,173	177,828

17. Trade payables

Details of the aging analysis are as follows:

	Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
Current to 30 days	**35,670**	38,829
31 to 60 days	**17,045**	20,352
61 to 90 days	**7,011**	253
Over 91 days	**2,408**	858
	62,134	60,292

18. Short-term bank loans

		Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
Secured	*(a)*	**30,000**	–
Unsecured	*(b)*	**9,835**	9,927
		39,835	9,927

18. Short-term bank loans *(continued)*

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

	Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
Interest rate per annum	**4.86% to 5.265%**	–
Repayment term	**6 to 12 months**	–
Securities	**Property, plant & equipment and land use rights with aggregate net book value of RMB23,085,000 and Investment properties with the carrying value of RMB12,381,000 at 30 June 2006.**	–

(b) Unsecured bank loans as at 30 June 2006 represent a loan of USD1,230,000 granted to NF Light & Power at an interest rate of 5.05% per annum, guaranteed by NFA Parts and repayable on 21 September 2006.

19. Business combination

Acquisition of a subsidiary – Xinjiaodian (Chengdu) Auto Maintain Co., Ltd. (the "Chengdu")

On 31 March 2006, the Group acquired 80% of the equity of the Chengdu from Seven Fortune Group Limited.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid	1,497
Fair value of net assets acquired – shown as below	(1,395)
Goodwill	102

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

	Net liability acquired
Cash and cash equivalents	404
Property, plant and equipment *(Note 9)*	737
Inventories	636
Prepayments	13
Accruals	(46)
Net assets acquired	1,744
Less: 20% owned by minority shareholder	(349)
Fair value of net assets acquired	1,395
Purchase consideration settled in cash	1,497
Cash and cash equivalents in subsidiary acquired	(404)
Cash outflow on acquisition	1,093

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 2006 RMB'000	Audited 31 December 2005 RMB'000
Within one year	**5,010**	3,847
In the second to fifth year inclusive	**12,051**	14,803
After the fifth year	**3,926**	–
	20,987	18,650

(b) Capital commitments

	Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**–**	6,250

21. Related party transactions

Apart from the transactions or balances as disclosed in Notes 13 and 14, the Group had the following significant related party transactions:

	Unaudited Six months ended 30 June 2006 RMB'000	2005 RMB'000
Sales of goods to Custom Accessories	**686**	2,374
Purchases of raw materials from Custom Accessories	**157**	–
Purchases of raw materials from Longkou Longsheng Wire And Cable Co., Ltd	**5,595**	–
Purchases of fixed assets from Longkou Longsheng Wire And Cable Co., Ltd	**7,800**	–
Purchases of fixed assets from Longkou Anbo Trading Co., Ltd	**2,060**	–
	15,612	–

The directors consider the above transactions 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 or suppliers of the Group.

22. Banking facilities

The Group's banking facilities are as follows:

	Unaudited 30 June 2006 RMB'000	Audited 31 December 2005 RMB'000
Total banking facilities available	**175,000**	150,000
Less: amounts utilised	**(39,835)**	(9,927)
Unused facilities	**135,165**	140,073

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

23. Events after the balance sheet date

On 8 September 2006, the Group entered into a Sale and Purchase Agreement with the owners of Richahaus business, pursuant to which, the Group has conditionally agreed to acquire through a new operating entity certain assets of Richahaus business in Taiwan for an aggregate consideration of NT$172.8 million (equivalent to approximately HK$41 million) subject to certain post-completion adjustments. The consideration is to be satisfied by the internal resources available to the Group. Details of the acquisition are set out in the announcement of the Company dated 22 September 2006.

24. 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.

25. Approval of accounts

The accounts were approved by the board of directors on 25 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months period ended 30 June 2006, the Group was committed to the development of business operations in the automotive aftermarket. On the foundation of the business of manufacturing and distribution of automotive electronic and power-related parts and accessories (the "Manufacturing Business"), the Group strategically entered the automotive aftermarket service chain store business in 2002 (the "Chain Store Business"). Presently, the Manufacturing Business is still the core business of the Group with its turnover accounted for approximately 89.97% of the Group's total turnover during the Period (corresponding period in 2005: 92.99%). At the same time, the Chain Stores Business also grew rapidly with its turnover accounted for approximately 10.03% of the Group's total turnover during the Period (corresponding period in 2005: 7.01%), representing an increase of approximately 3.02%.

Review of operation

It was a hard time for Chinese export-oriented manufacturers. During the Period, the Group faced series of challenges. Impacted by many unfavorable macro-environmental factors, the Manufacturing Business showed decline after five years of continuous growth. Although the Chain Store Business achieved significant progresses, the Group's turnover and profit attributable to shareholders declined by 13.50% and 34.74% respectively as compared to the corresponding period in 2005.

Turnover

During the Period, the Group recorded a turnover of RMB197,401,000 (corresponding period in 2005: approximately RMB228,198,000), representing a decline of 13.50%, in which the turnover of the Manufacturing Business and Chain Store Business declined by 16.30% and increased by 23.72% respectively.

The Manufacturing Business was mainly impacted by the policy issues such as the prospective rise of interest rate, some major North American retailers took negative stock policy of reducing stocks and delaying the purchase in order to reduce the working capital cycle and finance cost which resulted in a vast drop of sales in North American market, the primary market of the Group's Manufacturing Business.

In relation to the Chain Store Business, with the effective implementation of various business expansion strategies, this operation showed favorable growth. The number of chain stores had increased exponentially from 65 as at 30 June 2005 to 257 as at 30 June 2006. However, the turnover contributed by the network expansion was not obvious as a result of the following factors: (1) the increase in the number of chain stores was primarily attributable to the acquisitions of franchised stores taken place by the end of 2005, and the percentage of merchandise sold by such acquired franchised stores were in the process of increasing and (2) under the strategy that small and medium sized stores are principally operated under franchise arrangement, the Group had strategically disposed of or closed 15 of its directly-operated stores since the second half of 2005. As a result, the revenue growth contributed by the growth of network expansion was limited.

Gross profit

The gross profit of Manufacturing Business continued to be adversely impacted by the appreciation of Renminbi and the persistent rise of the costs of raw materials and hence the Group's gross profit margin during the Period reduced to 21.47% from 24.63% as recorded in the corresponding period in 2005.

Other revenue

During the Period, the Group recorded other revenue of approximately RMB12,461,000 (corresponding period in 2005: approximately RMB1,834,000), which was mainly attributable to (1) the gain of approximately RMB7,155,000 from the disposal of the eastern plant and the associated land use right, the reason for selling the production plant was due to the reallocation of the headquarters of the Chain Store Business to the urban area of Shanghai and (2) the tax refund of approximately RMB4,300,000 on capitalized profits on which income tax was previously charged.

Expenses

During the Period, the sales and marketing expenses were approximately RMB13,147,000 (corresponding period in 2005: approximately RMB13,005,000), which was in line with that of the corresponding period in 2005.

The administrative costs during the Period was approximately RMB22,193,000 (corresponding period in 2005: approximately RMB14,185,000), representing a growth of 56.45% in which the upward adjustment of staff's salary, expansion of the asset base and the increase of the integration costs from acquisition has caused an increase of 54.96% compared with the corresponding period of 2005.

Profit attributable to shareholders

During the Period, the profit attributable to shareholders as recorded by the Group amounted to approximately RMB17,273,000 (corresponding period in 2005: approximately RMB26,468,000), representing a decline of 34.74% due to the decline in turnover and gross profit margin and the increase in administrative costs.

Analysis of Progress of Manufacturing Business

During the Period, the Group was committed to implement the business development strategy that has been formulated in 2005. Under the strategy, the Group focused on the development of OEM (Original Equipment Manufacture) market and high margin product like HID (High Intensity Discharge) ballast. The Group achieved significant progress in the development of new customers base while both the product mix and turnover recorded a healthy growth. Although such businesses have not significantly contributed to profit in the Period, taken into account its potential future, it is expected that they will bring considerable contribution in the next six to twelve months.

Progress of OEM market business

Subsequent to the appointment by Volkswagen (Germany) and Dongfeng Peugeot Citroen Automobile as their OEM supplier, during the Period, the Group was further appointed as the OEM supplier of inverter or refrigerator for Brilliance Jinbei, Dongfeng and Chery Auto Group. Moreover, on top of the progress achieved in the German OEM market and the fact that China has become the world's fourth largest automobile manufacturing country, the Group has been in active negotiations with AUDI (Germany) and many other Chinese automobile manufacturers. During the Period, both the product items and the models of automobile involved under the OEM market developed by the Group increased. The OEM sales volume raised to approximately RMB2,239,000 (corresponding period in 2005: RMB848,000), representing an increase of 164.03% as compared to the corresponding period in 2005.

Since time is required for the automobile manufacturers to conduct road test and other tests before the products can be supplied, the sales volume only increased by 51% during the Period as compared to the corresponding period of 2005. However, as the competition in the global automotive market becomes intense, automotive assemblers will upgrade their equipment and resort to external procurement of parts and accessories to reduce costs. This situation offers more opportunities for the Group to cooperate with automobile manufacturers in the area of electronic instrument-related parts and accessories. Presently, the Group's OEM product line includes inverters, HID ballast, refrigerator and stoplight etc..

Progress of HID ballast business

HID light ballast, a high profit margin product with technical edge, is a key product developed by the Group. Along with the higher requirement on safety and easiness, HID light has gradually become a standard configuration for middle and top grade automobiles. This creates a boom for HID ballast market. During the Period, this product accounted for approximately 4.91% and 10.67% (corresponding period in 2005: 3.01% and 4.59% respectively) respectively of the turnover and gross profit of the Manufacturing Business, representing a 34.71% and 70.97% increase to the corresponding period in 2005. The HID ballast has become the third major products of the Group after inverter and multi-function power packs.

In order to grasp the business opportunity brought by the expansion of market share, the Group has already formulated a comprehensive expansion plan with a view to capture the potential development and the opportunity arising from the fact that there is currently no dominant brand name in the PRC's HID ballast market, in addition, the well-developed distribution channel of overseas automotive aftermarket. Besides extending the marketing effort on HID light ballast through the self-owned chain store network and regional retailers in automotive aftermarket, the Group has also started to operate a vertical integration business strategy with existing HID light OEM suppliers in order to enter this OEM market with low cost and extend the cooperation to the Group's other products. The HID ballast jointly manufactured with two other Chinese automobile manufacturers were under testing stage and such cooperation may extend to other products.

Analysis of progress of chain store business

The Group is the pioneer of China aftermarket service chain store business and has resolved to establish the leading position not only in China but also in the Greater China market. During the Period, China's GDP and its retail volume of social consumer goods maintained a steady growth. As the world's third largest automobile consumption country, China's retail volume on automobile consumables reported a 27.7% year on year increase during the Period. The industrial situation was exciting but at the same time, the market competition has become even fiercer with the intention of market players to achieve rapid growth.

The Group was committed to implement the strategy of perfecting operation support function to establish long-term core competitive edge by business growth and acquiring more market share under the expansion of the chain store network. The year 2006 has been the year of expansion for the Group's Chain Store Business. Benefited from the effect of this expansion, the Group's beauty care and fast repair and maintenance network have become one of the largest network of such business in China. Along with the establishment of Shanghai Super store and the acquisition of business from Richahaus business in Taiwan, the Group has gradually attained the dominant position in the Super stores operation.

Expansion progress of chain store network

In order to provide convenient, professional, and low priced services, and rapidly acquire more market share, the Group was committed to carry out multi-level (being the four store models, namely Super, Creative, Express and Beauty) and multi-mode (namely, acquisition, cooperation, direct operation and franchise operation) network expansion strategy. Based on the characteristic of the industry, the Group implemented the strategy by establishing model stores under direct operation, while adopting franchise operation as the primary means of chain store network expansion. Under such strategy, the Super stores are primarily under direct operation and other stores would be operated under franchise arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, according to China's special characteristic of vast territory, unbalanced economy development and huge differences in market environment, the Group has planned to established District Center in each area step by step. Relied on the directly-operated Super stores, these District Centers have effectively provided the support and control to the network stores within their region and expanded new chain stores. The Shanghai and Chengdu District Centers were established during the Period and after the acquisition of Richahaus business in Taiwan, the Taiwan District Center has been established in September 2006.

At the same time, while strategically closing down some small directly operated stores, the Group also expedited its pace in expanding new Super stores and franchised stores. Presently, the first one-stop service Super store has already commenced operation in Shanghai and the acquisition of one Chengdu Super store & seven Taiwan Super stores was also confirmed. This expanded the Group's store model to "Super". In addition, benefited from a small-scale acquisition at the end of 2005 and strategic cooperation with Carrefour China, the chain stores network has expanded rapidly. As at 30 June 2006, the number of chain stores had increased from 65 (37 directly-operated stores and 28 franchised stores) as at 30 June 2005 to 257 (29 directly-operated stores and 228 franchised stores).

The analysis of chain stores distribution based on geographical locations and models (as at 30 June 2006):

Area	Beauty	Express	Creative	Super	Others
Shanghai	58	42	19	–	4
Jiangsu	42	3	–	–	–
Guangdong	34	–	–	–	–
Zhejiang	15	–	–	–	–
Shandong	9	–	–	–	–
Others	25	5	–	1	–
Total	183	50	19	1	4

Note: Service of the Beauty includes car beauty; service of the Express includes car beauty and maintenance; service of the Creative includes car beauty, maintenance and body job; Super provides one stop solution service and others mainly refers to the accessories shops established in Carrefour.

Progress of the establishment of operation support function

The Group has gradually established a two tier – operation support system of "the Chain Store Business Headquarters-District Center". This system not only ensures that the business supports the scale of operation as intended but also maintains the comprehensive service, convenience and agility through District Center. During the Period, the establishment of support functions progress evidently. This would gradually increase the competitive edge of the chain stores network in the market, the control over franchised stores and the proportion of merchandise sales.

For merchandise purchase, the Group could supply abundant merchandise totalling more than 16,000 types including automobile stereo, tire, maintenance and automobile refit. The Group also developed merchandise/equipment under its own brand name and distribute under its own network. In technical support aspect, the Group has the operation right of Shanghai Huaqian Professional Technical Training School, which is the first school qualified to certify national professional qualification of automobile beauty care and refit under approved procedure. The Group has established a multi-level technical support system of "Comprehensive technical training-technical support team-new technology development and education". The Group also kept developing the technical training across different provinces and enrich the content of technical support and the categories of new technologies. In logistic aspect, the Group has developed a national logistic system with various transportation methods including self-transportation, supplier transportation and dedicated logistic company transportation. In the brand promotion aspect, besides promoting the brand through media and marketing campaign, the Group also placed emphasis on choosing the strategic position for network expansion. Presently, the Group has successfully established a new store in Pudong International Airport which is the strategic gateway of Shanghai.

Progress of acquisition

During the Period, based on the expansion strategy of the chain stores network, the Group determined to focus primarily on high-quality super store in order to align with the existing operation support system of the headquarters and the strategic co-operation. The Group will quickly establish the District Centers and expand the network and provide business support with the backup of the District Centres.

Subsequent to the successful acquisition of a Super store in Chengdu and the establishment of Chengdu's District Center, the Group has announced a new acquisition project with the Richahaus business from Taiwan. The Richahaus business has seven Super stores in Taiwan with 16 years' management experiences in large scale stores. It is also one of the biggest automobile aftermarket service chain store operations in Taiwan. Currently, the number of passenger vehicles in Taiwan is around one-fifth of that in the Greater China Region. Compared with the rapidly growing automotive aftermarket service industry in the PRC, the automotive aftermarket service industry in Taiwan is much more matured and thus the quality of service is much higher and more comprehensive. Therefore the acquisition of the sizeable business from Richahaus business is significant to the development of the Group's automobile aftermarket chain stores business and realization of its strategic target.

This acquisition can help strengthen the combined competitiveness of the Group's Chain Stores Business due to further expansion of the categories of merchandise, the sourcing and sales channels as well as the bulk purchasing capability and the matured management skills gained from the experience of operating the automotive aftermarket service chain stores business and services. With the improvement of the Group's competitiveness, the Group's ability to acquire and integrate more automotive aftermarket service chain stores in various regions of the PRC will be greatly improved. Further, the Group's capability in the support and management of the automotive aftermarket chain stores network will also be enhanced.

According to the management accounts of previous operators of Richahaus business, the turnover of the assets acquired from the Richahaus business for the year ended 31 December 2005 amounted to NT$463,315,152 (equivalent to approximately HK$109,944,686), equivalent to approximately 4.3 times of the turnover of Chain Store Business of the Group. The net loss attributable to the assets before taxation for the year ended 31 December 2005 was NT$9,010,545 (equivalent to approximately HK$2,138,202). Such loss was mainly a result of the rapid expansion of the business and establishment of the headquarters of the Richahaus business which led to a significant increase in the operating costs and finance costs. The Richahaus business also suffered from low gross profit margin due to its having to source merchandise through agents instead of from manufacturers and uncompetitive payment terms to suppliers. After the acquisition, the turnover for the Chain Store Business will increase significantly. The Group has also formulated strategies to increase the profit margin of the assets acquired from the Richahaus business by means of bulk purchasing, expansion of sourcing channels, management costs controlling, interest expenses minimizing by the support of sufficient capital, and the opening of new chain stores.

Prospects

The Group was pleased with the progress of its expansion during the first half of 2006. Such progress is likely to fuel the growth momentum for next half and even next few years. Looking ahead, opportunities come with challenges. The Group is actively adapting itself to the changes in its business environment in order to continue its long term growth.

In the Manufacturing Business aspect, the Group is committed to keeping this business at a steady growth. With the interest rate raise from the US Federal Reserves coming to a halt, the government policies clarifying, and the change in purchasing policies of retailers has gradually softened the impact caused to the North American market, the sales orders in the third quarter have steadily returned. The Board believes that the sales target of the Manufacturing Business in 2006 could still be reached. In addition, the OEM and HID ballast market have already shown signs of rapid growth. The sales orders of OEM market and HID ballast in the third quarter are expected to increase. Moreover, the Group was committed to developing new products to satisfy the market requirement and extend the product range and distribution channel by vertical and horizontal integration. These actions will bring more revenue and countervail the impact of RMB appreciation and the generally rising prices of raw materials and fuel on the gross profit margin. The Board believes that the turnover and profitability of the Manufacture Business will continue to increase owing to the new business and products and improvement of the gross profit.

In the Chain Store Business aspect, the Group is implementing the business expansion strategy of "expansion-integration-expansion" systematically. This strategy is making the Group the most competitive player in the China automobile aftermarket services business. 2006 is the year of expansion for the Group's network. Presently, the Group is one of the largest business operators in China in the automobile aftermarket with the most chains stores. Negotiations to cooperate with other chain store networks are also in progress. In 2007, the Group will focus more on business integration. Due to network expansion, the sales from the Chain Store Business are expected to increase substantially and the market share is likely to improve remarkably. At the same time, the inter-supplementary effect among each type of stores will become more obvious. The profit of the Chain Store Business will increase due to the collective bargaining power of the Group, the expansion of sources of income and the development of business support functions. The ability of the Group's expansion and business acquisition and integration will be enhanced as well. The Chain Store Business will become an important source of the increase in the Group's profit and the leading position of the Group will be established and stabilized.

Financial conditions and liquidity

The Group maintained its stable financial status throughout the Period. Operation of the Group was financed by internally generated resources and bank facilities. As at 30 June 2006, the Group had adequate cash and bank balance amounting to approximately RMB76,582,000.

As at 30 June 2006, current assets of the Group were maintained at a healthy level with a liquidity ratio (current assets: current liabilities) of 1.94 (31 December 2005: 2.49). Gearing ratio (total liabilities: total assets) was approximately 0.37 (31 December 2005: approximately 0.29). As at 30 June 2006, the Group had no long-term loans; and short-term loans were approximately RMB39,835,000.

The Group had a material pledged asset of property, plant & equipment and land use rights with aggregate net book value of RMB23,085,000 and investment properties with the carrying value of RMB12,381,000 as at 30 June 2006. Save as disclosed, the Group had no other material pledged asset, material contingent liability or external guarantee. The Group will continue to maintain a healthy financial status. Given a positive cash inflow from operating revenues and available bank facilities, the Group has sufficient financial resources to meet its liabilities and requirement for working capital and future expansion investment.

Material acquisitions and disposals of subsidiaries and associated companies

During the Period, the Group had no material acquisitions and disposals of subsidiaries and associated companies.

Significant investments

As at 30 June 2006, the Group did not have any significant investments.

During the Period, the total capital expenses of the Group is approximately RMB21,731,000 of which RMB11,206,000 is for the property, land use rights and machinery & equipment of Shandong Longsheng project, RMB283,000 is for the machinery & equipment of Chengdu Autolife project and RMB10,242,000 is for other machinery & equipment and property of the Group.

Use of proceeds

The Group offered and placed 100,000,000 new shares in February 2005. The net proceeds raised after deducting the relevant listing expenses were approximately HK$74,700,000. Among which (up to 30 June 2006),

(1) approximately RMB45,319,000 was used for R&D of the Manufacturing Business, the construction of new production lines and the new plant;

(2) approximately RMB14,764,000 was used for the development of the Chain Store Business supporting function, the expansion of chain stores and as working capital.

The balance of the unused net proceeds has been placed on short-term deposit with banks in the PRC.

Exchange risk

During the Period, approximately 85% of sales and 32% of raw material purchases were conducted with overseas customers and suppliers and were mainly settled in USD. In connection with the currency reform of which an unified exchange rate system was introduced in 2005, the PRC had switched to a managed floating exchange rate regime based on market demand and supply and adjustments of which would be made by reference to a basket of currencies such that RMB is no longer pegged only to the USD. The Group has mitigated the impact of such currency reform by signing long-term combined settlement contract with the People's Bank of China, expanding the China market and further increasing the proportion of overseas procurement. During the Period, the turnover attributable to the China market has increased to 15% from 13% of the corresponding period in 2005. Also, the proportion of overseas procurement has increased up to 32% compared with 27% of the same period in 2005. In addition, the Group will also leverage on its strong bargaining power and established relationships with customers and suppliers to transfer to them the additional costs arising from movements in exchange rates.

Employees and remuneration policy

As at 30 June 2006, the Group employed 1,764 full-time employees, of which 110 were dedicated to the research and development of new products. The Group has been committed to the recruitment of talents to enrich its human resources structure. In order to attract and retain outstanding employees, the Group provided benefits such as medical insurance and housing benefits in addition to the various mandatory pension schemes stipulated by the municipal government. The Group also arranged for all Hong Kong employees a provident fund scheme registered under Chapter 485 of the laws of Hong Kong. Outstanding employees of the Group will be granted discretionary bonus and share options as incentives.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006.

OTHER INFORMATION

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

As at 30 June 2006, the interests and short positions of each of the directors of the Company (the "Directors") and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to 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 under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) The Company

(a) Interest in shares of the Company

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	Approximate 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)	44.38%
Mr. Douglas Charles Stuart Fresco	Interest in a controlled corporation *(Note 3)*	60,000,000 (L)	Nil	60,000,000(L)	14.79%
Mr. Lu Yuan Cheng	Beneficial Owner	748,000 (L)	3,240,000 (L) *(Note 4)*	3,988,000(L)	0.98%
Ms. Hung Ying-Lien	Beneficial Owner	600,000 (L)	3,400,000 (L) *(Note 4)*	4,000,000(L)	0.98%
Mr. Wu Kwan-Hong	Beneficial Owner	600,000 (L)	3,400,000 (L) *(Note 4)*	4,000,000(L)	0.98%

Notes:

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

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

3. *These shares were registered in the name of and beneficially owned by Golden Century Industrial Limited, the entire issued share capital of which was 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. *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 2006 were as follows:

Name	Nature of interest	Number of underlying shares in respect of options granted but not exercised	Exercise period	Price for grant	Exercise price
Mr. Lu Yuan Cheng	Beneficial Owner	3,240,000 (L)	1 January 2006 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)
Ms. Hung Ying-Lien	Beneficial Owner	3,400,000 (L)	1 January 2006 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)
Mr. Wu Kwan-Hong	Beneficial Owner	3,400,000 (L)	1 January 2006 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)

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

Save as disclosed above, as at 30 June 2006, to the knowledge of the Directors, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company 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 under the Listing Rules.

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

As at 30 June 2006, 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	44.38%
Ms. Jinxiao Yan	Family interest *(Note 2)*	180,000,000 (L)	Nil	180,000,000	44.38%
Golden Century Industrial Limited	Beneficial owner	60,000,000 (L)	Nil	60,000,000	14.79%
The Norman Matthew LLC	Beneficial owner *(Note 3)*	60,000,000 (L)	Nil	60,000,000	14.79%
Ms. Linda Fresco	Family interest *(Note 4)*	60,000,000 (L)	Nil	60,000,000	14.79%

Notes:

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

2. *Ms. Jin Xiao-Yan is the wife of Mr. Hung Wei-Pi, John, an executive Director. Under the SFO, 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.*

3. *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%.*

4. *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.*

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 2006.

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 2006. The detailed terms of the Scheme were disclosed in the 2005 annual report of the Company.

As at 30 June 2006, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 17,875,000 shares. The total number of shares available for issue under the Scheme (excluding options already granted) is 16,460,000 shares, representing approximately 4.06% 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 2006 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 2006	Number of underlying shares subject to options exercised since 1 January 2006	Number of Lapsed/ cancelled since 1 January 2006	underlying shares subject to outstanding options at 30 June 2006
Ms. Hung Ying-Lien Executive Director	28/2/2005	1/1/2006 – 12/2/2015 *(Note 1)*	HK$0.94	HK$0.94	4,000,000	(600,000)	–	3,400,000
Mr. Wu Kwan-Hong Executive Director	28/2/2005	1/1/2006 – 12/2/2015 *(Note 2)*	HK$0.94	HK$0.94	4,000,000	(600,000)	–	3,400,000
Mr. Lu Yuan Cheng Executive Director	28/2/2005	1/1/2006 – 12/2/2015 *(Note 3)*	HK$0.94	HK$0.94	4,000,000	(760,000)	–	3,240,000
Continuous contract employees in aggregate	28/2/2005	From 1/1/2006 *(Note 4)*	HK$0.94	HK$0.94	9,830,000	(3,360,000)	(90,000)	6,380,000
Continuous contract employees in aggregate	5/7/2005	From 1/1/2006 *(Note 4)*	HK$1.01	HK$1.00	1,710,000	(190,000)	(65,000)	1,455,000
Total					23,540,000	(5,510,000)	(155,000) *(Note 5)*	17,875,000

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.*

Arrangements to Purchase Shares or Debentures

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

Purchase, Sale 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

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

OTHER INFORMATION

Under A.2.1 of the Code, “the roles of chairman and chief executive officer should be separated and should not be performed by the same individual”. Mr. Hung Wei-Pi, John concurrently takes up the posts of chairman and chief executive officer of the Company. Such deviation is due to the fact that the day-to-day management of the Group is led by Mr. Hung. The Board considers that this arrangement provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions.

Directors’ Securities Transactions

The Company has adopted a code of conduct regarding securities transactions of Directors 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 of the Listing Rules (the “Model Code”). To ensure the Directors’ dealings in the securities of the Company are conducted in accordance with the Model Code, a committee (the “Securities Committee”) of the Board comprising Mr. Hung Wei-Pi, John as chairman and Ms. Hung Ying-Lien was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a Director is required to notify the chairman of the Securities Committee or in the case of dealings by Mr. Hung Wei-Pi, John himself, notify Ms. Hung Ying-Lien in writing and obtain a written acknowledgement from the Securities Committee. Having made specific enquiry of all Directors by the Securities Committee of the Company, all Directors confirmed that they had complied with the Model Code regarding Directors’ securities transactions during the Period.

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, 25 September 2006