1. GENERAL

New Focus Auto Holdings Limited ("the Company") is a public limited company incorporated in the Cayman Islands. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. Its principal place of business is in Shanghai, the People's Republic of China. The Group, comprising the Company and its subsidiaries, is engaged in the manufacturing and sales of electronic and power-related automotive parts and accessories and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise through its service chain stores network in the Greater China region.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

(a) In the current year, the Group has applied, all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are relevant to its operation and effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Potential Impact Arising On The New Accounting Standards Not Yet Effective

The Group has not yet applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new HKFRSs will have no material impact of the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures[4]
HKFRS 7	Financial instruments: Disclosures[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies[8]
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2[7]
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives[6]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Interpretation 11	Group and Treasury Share transactions[3]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2007
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 June 2006
7 Effective for annual periods beginning on or after 1 May 2006
8 Effective for annual periods beginning on or after 1 March 2006

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

3. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(c) Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rate on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation less impairment losses.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The useful lives are as follows:

Buildings	20 years
Leasehold improvements	10 years
Plant and machinery	3 to 10 years
Motor vehicles	5 years
Office equipment, furniture and fixtures	3 to 5 year

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sale proceeds and its carrying amount, and is recognised in the income statement on disposal.

(f) Construction in progress

Construction in progress is stated at cost, which includes land cost and the related construction and borrowings costs, as appropriate, less any identified impairment loss. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the above policy.

(g) Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value. Changes in fair value are recognised in the income statement.

(h) Leasehold land and land use right

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interest in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a “finance lease”), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an “operating lease”), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

(j) Intangible assets

(i) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost. Subsequently, intangible assets with indefinite useful lives are carried at cost less any impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over their useful lives. The amortisation expense is included within the administrative expenses line in the income statement.

The intangibles recognised by the Group and their economic useful lives are as follows:

Intangible asset	economic useful lives
Trademarks	10 to 15 years
Franchise contract	10 years

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired.

(k) Financial Instruments

(i) Financial assets

Loans and receivables, being instruments with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are measured at amortised cost using the effective interest rate method following initial recognition at fair value less any identified impairment loss.

(ii) Financial liabilities

Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iv) Derecognition

The Group derecognise a financial asset where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Manufacturing and sales of automobile accessories

(i) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Provision of automobile repair, maintenance and restyling services

(i) Sales of goods – retail

Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

(ii) Provision of services

Revenue from provision of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Others

(i) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(ii) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(o) Foreign currency

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are tanslated at the rates ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

3. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(o) Foreign currency *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences is also recognised directly in equity.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rate approximately to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

(i) Defined contribution pension plan

Contributions to defined contribution retirement plans are recognised as an expense in the income statement when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) Employee entitlements

Employee entitlements to annual leave and statutory long service payments due on retirement or termination are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and other non-accumulated short-term compensated absences are not recognised until the time of leave.

(q) Impairment of other assets

At each balance sheet date, the Group reviews the carrying amounts of the following assets to determine whether is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- leasehold land and land use rights; and
- investments in subsidiaries, associates and joint ventures
- intangible assets with finite lives

If the recoverable amount (i.e. the greater of the net selling price and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

3. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(q) Impairment of other assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(r) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period with a corresponding increase in the employee share based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

The Group also operates a phantom share option scheme. An option pricing model is used to measure the Group's liability at each balance sheet date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in the income statement.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods or services received unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For each-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(t) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends are recognised as a liability when they are approved by the shareholders.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from current prices in an active market for properties of different nature, condition or location adjusted to reflect those differences.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(d). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at each balance sheet date.

Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivable. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the provision at each balance sheet date.

(b) Critical judgments in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

5. TURNOVER, REVENUE AND SEGMENT INFORMATION

The turnover and revenue recognised during the year are as follows:

	2006 RMB'000	2005 RMB'000
Turnover		
Sales of goods	**475,694**	455,287
Render of services	**57,608**	52,184
	533,302	507,471
Other income		
Interest income from bank deposits	**959**	737
Gain on disposal of property, plant and equipment and leasehold land and land use right	**7,107**	–
Tax refund on capitalized profit	**4,300**	–
Gain on disposal of investment properties	**323**	1,704
Fair value gains on investment properties	**–**	4,637
Advertising income	**–**	582
Government subsidies	**437**	3,576
Others	**1,465**	781
	14,591	12,017
Total revenues	**547,893**	519,488

(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. Set out below is an analysis of the segment revenue, results, assets, liabilities and expenditure information.

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	2006			
	Manufacturing and sales of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenues				
External sales	477,131	56,171	–	533,302
Inter-segment sales	2,353	1,437	(3,790)	–
Other income	1,297	1,450	–	2,747
Inter-segment other income	50	–	(50)	–
	480,831	59,058	(3,840)	536,049
Segment results	38,974	(14,597)		23,109
Unallocated other income				11,844
Unallocated costs				(12,948)
Operating profit				22,005
Finance costs				(2,238)
Profit before income tax expense				19,767
Income tax expense				(4,201)
Profit for the year				15,566
Segment assets	300,330	139,468		439,798
Unallocated corporate assets				16,853
Total assets				456,651
Segment liabilities	153,052	59,352		212,404
Unallocated corporate liabilities				17,470
Total liabilities				229,874
Capital expenditure	33,133	50,649		83,782
Depreciation and amortisation charge	9,491	3,307		12,798
Unallocated depreciation and amortisation charge				21
				12,819

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	2005			
	Manufacturing and sales of automobile accessories* RMB'000	Provision of automobile repair, maintenance and restyling services RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenues				
External sales	455,287	52,184	–	507,471
Inter-segment sales	8,791	–	(8,791)	–
Other income	5,144	236	–	5,380
	469,222	52,420	(8,791)	512,851
Segment results	60,657	17,758		69,624
Unallocated other income				6,637
Unallocated costs				(10,242)
Operating profit				66,019
Finance costs				(477)
Profit before income tax expense				65,542
Income tax expense				(9,924)
Profit for the year				55,618
Segment assets	258,703	42,585		301,288
Unallocated corporate assets				24,622
Total assets				325,910
Segment liabilities	83,770	9,093		92,863
Unallocated corporate liabilities				1,378
Total liabilities				94,241
Capital expenditure	34,783	5,695		40,478
Depreciation and amortisation charge	8,260	1,779		10,039

* *The Company has classified the sale of merchandise previously included in Manufacturing and Sale of Automobile Accessories under Provision of Automobile Repair, Maintenance and Restyling services for the year ended 31 December 2006. Comparative figures have been reclassified to conform with this presentation.*

5. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments

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

	2006 RMB'000	2005 RMB'000
Segment revenues		
North America	**324,960**	364,296
Europe	**60,194**	48,277
Asia Pacific	**59,863**	33,250
Greater China (including Taiwan)	**88,152**	61,648
Africa	**133**	–
Total	**533,302**	507,471

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 inter-segment sales between the geographical segments for the year ended 31 December 2006 (2005: Nil).

6. FINANCE COSTS

	2006	2005
	RMB'000	RMB'000
Interest on bank loans	**1,848**	477
Interest on amount due to a director	**390**	–
	2,238	477

7. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging:

	2006	2005
	RMB'000	RMB'000
Cost of inventories sold	**441,635**	385,816
Staff costs *(note 8)*	**62,199**	67,199
Write down of inventories	**–**	643
Auditor's remuneration	**1,513**	1,080
Depreciation of property, plant and equipment	**12,267**	9,928
Amortisation of leasehold land and land use rights	**265**	393
Less: Capitalised as construction in progress	**–**	(287)
	265	106
Amortisation of trademarks and franchise contracts	**300**	5
Exchange losses	**3,126**	2,190
Loss on disposal of leasehold land and land use right	**2,043**	–
Loss on disposal of property, plant and equipment	**2,161**	–
Operating leases – land and building	**8,224**	5,370
Impairment loss on trade receivables	**–**	297
Impairment loss on property, plant and equipment	**735**	–
Research and development cost	**6,508**	5,409
and after crediting:		
Gain on disposal of property, plant and equipment	**9,150**	–
Gain on disposal of investment properties	**323**	1,704
Tax refund on capitalized profit	**4,300**	–
Reversal of write down of inventories	**80**	–

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2006 RMB'000	2005 RMB'000
Wages and salaries	**49,716**	56,524
Retirement benefit costs (i)	**4,880**	1,897
Share-based payment expense	**965**	1,279
Other benefits	**6,638**	7,499
	62,199	67,199

(i) The PRC employees of the Group participate in a defined contribution retirement plan organized by the municipal government whereby the Group is required to make monthly contributions to the plan at certain percentages of the employee's salary during the year. The Group has no obligation for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. Expenses incurred by the Group in connection with the aforesaid retirement plan were RMB4,880,000 for the year ended 31 December 2006 (2005: RMB1,897,000).

(ii) In accordance with the relevant PRC regulations and the Articles of Association, Shanghai New Focus Auto Parts Co. Ltd ("NFA Parts"), New Focus Light and Power Technology (Shanghai) Co., Ltd ("NF Light & Power") and Shanghai New Focus Auto Repair Services Co., Ltd ("NFA Service") are required to provide staff and workers' bonus and welfare fund which is appropriated from the profit after taxation, as determined in accordance with the accounting principles and relevant financial regulations applicable to enterprise established in the PRC (the "PRC GAAP"). Appropriation of staff and workers' bonus and welfare fund is determined at the discretion of the board of directors and is charged to income statement for the year in which the appropriation is made. The staff and workers' bonus and welfare fund can only be used for special bonus or collective welfare of their employees. For the year ended 31 December 2006, no appropriation of staff and workers' bonus and welfare fund was made by any of the Companies in the Group (2005: Nil).

9. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and senior management's emoluments

The emoluments of every director for the year ended 31 December 2006 and 2005 is set out below:

	2006			
Name of Director	Fee	Salary	Share option	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Hung Wei-Pi, John	–	1,649	–	1,649
Wu Kwan-Hong	–	962	–	962
Hung Ying-Lien	–	769	–	769
Lu Yuan Cheng	–	360	–	360
Douglas Charles Stuart Fresco	–	62	–	62
Norman L. Matthew	–	62	–	62
Non-executive directors				
Horng Jian-Bie	–	42	–	42
Low Hsiao Ping	–	20	–	20
Independent non-executive director				
Du Haibo	60	–	–	60
Zhou Tai-Ming	60	–	–	60
Uang Chii-Maw	60	–	–	60
	180	3,926	–	4,106

9. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' and senior management's emoluments *(Continued)*

			2005	
Name of Director	Fee	Salary	Share option	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Hung Wei-Pi, John	–	2,119	–	2,119
Wu Kwan-Hong	–	855	151	1,006
Hung Ying-Lien	–	689	151	840
Lu Yuan Cheng	–	350	146	496
Douglas Charles Stuart Fresco	–	53	–	53
Norman L.Matthew	–	53	–	53
Jin Xiao-Yan	–	30	–	30
Liao Jung-Chun	–	20	–	20
Non-executive directors				
Horng Jian-Bie	–	50	–	50
Independent non-executive director				
Du Haibo	50	–	–	50
Zhou Tai-Ming	53	–	–	53
Ma Fei	20	–	–	20
Uang Chii-Maw	50	–	–	50
	173	4,219	448	4,840

No discretionary bonuses, inducement fees, employer's contribution to pension scheme or compensation for loss of office as directors were given to any of the directors during the year ended 31 December 2006 (2005: Nil).

None of the directors has waived or agreed to waive any employments paid by the Group during the year ended 31 December 2006 (2005: Nil).

9. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2006 included four (2005: four) directors whose emoluments are reflected in the analysis presented in (a) above. The emoluments paid or payable to the remaining one (2005: one) non-director are as follow:

	2006	2005
	RMB'000	RMB'000
Basic salaries and other allowances	**637**	168
Discretionary bonuses	**–**	–
Retirement benefit costs	**–**	–
	637	168

10. INCOME TAX EXPENSE

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

	2006	2005
	RMB'000	RMB'000
Current tax – PRC	**4,368**	9,137
Deferred tax *(Note 21)*	**(167)**	787
	4,201	9,924

10. *INCOME TAX EXPENSE* *(Continued)*

(a) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the year ended 31 December 2006 (2005: Nil).

(b) The income tax expense for the year can be reconciled to the profit per the consolidated income statement as follows:

	2006	2005
	RMB'000	RMB'000
Profit before income tax expense	**19,767**	65,542
Tax calculated at domestic applicable tax rate (27%)	**5,337**	17,696
Effect of preferential tax treatments *(Note 10(c))*	**(5,561)**	(10,629)
Effect of tax exemptions *(Note 10(c))*	**(1,294)**	–
Unrecognised tax losses	**5,398**	2,561
Expenses not deductible for tax purpose	**–**	296
Effect of different tax rate of subsidiaries operating in other jurisdiction	**21**	–
Others	**300**	–
	4,201	9,924

(c) **Basis of taxation for key subsidiaries**

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

For the year ended 31 December 2006, NFA Parts qualifies as an Export Oriented Enterprise and was therefore exempted from local income tax and entitled to a 50% reduction in corporate income tax rate. Accordingly, corporate income tax was provided at a rate of 12%. For the year ended 31 December 2005, NFA Parts did not qualify as Export Oriented Enterprise, it was subject to an applicable corporate income tax rate of 24% and a local tax rate of 3%, resulting in an aggregate income tax rate of 27% for the year ended 31 December 2005.

10. INCOME TAX EXPENSE *(Continued)*

(c) Basis of taxation for key subsidiaries *(Continued)*

(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 rate 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 rate. Accordingly, corporate income tax was provided at 12% for the year ended 31 December 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 year ended 31 December 2006, NFA Service was in a loss-making position, accordingly, no income tax has been provided (2005: Nil).

(iv) New Focus Richahaus Co., Ltd. ("NF Richahaus")

NF Richahaus is incorporated in Taiwan and is subject to applicable domestic income tax rate of 25%. For the year ended 31 December 2006, it did not have taxable income, accordingly, no income tax has been provided.

(v) Shanghai New Focus Longsheng Auto Parts Co., Ltd. ("NF Longsheng")

NF Longsheng is a foreign investment production enterprise situated in an industrial development zone in the PRC, NF Longsheng is exempted from local income tax and is subject to applicable corporate income tax rate of 24%. Subject to approval, NF Longsheng is entitled to two years exemption from corporate income tax followed by three years of 50% reduction in corporate income tax. The year ended 31 December 2006 is the first profit-making year.

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit for the year includes a profit of approximately RMB15,466,000 (2005: a profit of approximately RMB36,837,000) dealt with in the financial statements of the Company.

12. 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 year.

	2006	2005
Profit attributable to equity holders of the Company (RMB thousands)	**14,218**	55,618
Weighted average number of ordinary shares in issue (thousands)	**403,568**	383,333
Basic earnings per share (RMB per share)	**0.035**	0.145

Diluted

Diluted earnings per share is calculated 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 annual 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 is as follows:

	2006	2005
Profit attributable to equity holders of the Company and used to determine diluted earnings per share (RMB thousands)	**14,218**	55,618
Weighted average number of ordinary shares in issue (thousands)	**403,568**	38,333
Adjustments for – share options (thousands)	**187**	3,150
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**403,755**	386,483
Diluted earnings per share (RMB per share)	**0.035**	0.144

13. DIVIDENDS

	2006 RMB'000	2005 RMB'000
Special dividend paid in 2005 of HK$0.078 per ordinary share	–	33,072
Final dividend proposed (nil) (2005: HK$0.08 per ordinary share)	–	33,098
	–	66,170

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Construction in progress RMB'000	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Year ended 31 December 2006							
Opening net book amount	2,614	13,460	3,848	20,092	4,484	5,614	50,112
Impairment loss	–	–	–	(665)	–	(70)	(735)
Acquisition of subsidiary/business *(Note 32)*	–	21,852	5,933	2,400	–	5,083	35,268
Reclassification	–	353	(353)	(6)	282	(276)	–
Other additions	7,302	8,017	3,221	9,681	2,840	2,041	33,102
Disposals	(126)	(4,692)	(1,871)	(1,009)	(580)	(473)	(8,751)
Depreciation	–	(1,388)	(858)	(7,165)	(1,250)	(1,606)	(12,267)
Exchange realignment	–	–	6	2	–	5	13
Closing net book amount as at 31 December 2006	**9,790**	**37,602**	**9,926**	**23,330**	**5,776**	**10,318**	**96,742**

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Construction in progress RMB'000	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Year ended 31 December 2005							
Opening net book amount	212	18,094	2,969	11,826	2,065	3,486	38,652
Capitalisation of amortisation of leasehold land and land use right	287	–	–	–	–	–	287
Acquisition of subsidiary/business	–	51	297	537	259	509	1,653
Fair value adjustment before transfer to investment properties	–	1,213	–	–	–	–	1,213
Transfer to investment properties *(Note 15)*	–	(17,781)	–	–	–	–	(17,781)
Other additions	14,624	661	1,067	14,990	2,966	2,818	37,126
Transfer upon completion	(12,472)	12,472	–	–	–	–	–
Disposals	(37)	(2)	(34)	(635)	(337)	(65)	(1,110)
Depreciation	–	(1,248)	(451)	(6,626)	(469)	(1,134)	(9,928)
Closing net book amount as at 31 December 2005	2,614	13,460	3,848	20,092	4,484	5,614	50,112

Certain buildings are pledged to secure the bank borrowings of the Group as detailed in note 29.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

COMPANY

	Office equipment, furniture and fixtures RMB'000
Year end 31 December 2006	
Opening net book amount	116
Depreciation	(21)
Closing net book amount as at 31 December 2006	95
Year ended 31 December 2005	
Opening net book amount	–
Additions	116
Closing net book amount as at 31 December 2005	116

15. INVESTMENT PROPERTIES

	2006 RMB'000	2005 RMB'000
At 1 January	**20,985**	–
Transfer from property, plant and equipment	**–**	17,781
Disposals	**(6,566)**	(1,433)
Fair value gains	**–**	4,637
At 31 December	**14,419**	20,985

(a) Land outside Hong Kong

	2006 RMB'000	2005 RMB'000
Long-term leases	**14,419**	20,985

(b) As at 31 December 2006, the investment properties were revalued by Shanghai ZhongHua Real Estate Appraisal Co. Ltd., an independent qualified valuer, on an open market value basis. There is no material change in fair values of the investment properties.

16. LEASEHOLD LAND AND LAND USE RIGHT

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2006	2005
	RMB'000	RMB'000
Outside Hong Kong held on:		
Medium-term lease	**21,665**	17,769
Opening	**17,769**	18,162
Additions	**6,204**	–
Disposal	**(2,043)**	–
Amortisation for the year	**(265)**	(393)
	21,665	17,769

17. INVESTMENTS IN SUBSIDIARIES

	2006	2005
	RMB'000	RMB'000
Unlisted shares, at cost	**131,717**	131,717
Loan to a subsidiary (i)	**66,048**	71,482
Amounts due from subsidiaries (ii)	**9,583**	10,400
Amounts due to subsidiaries (ii)	**(4,302)**	(1,003)
	203,046	212,596

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The carrying amount is analysed for reporting purpose as:

	2006 **RMB'000**	2005 RMB'000
Non-current assets	**197,765**	203,199
Current assets	**9,583**	10,400
Current liabilities	**(4,302)**	(1,003)
	203,046	212,596

(i) Loan to subsidiary is unsecured, repayable on demand and interest bearing at Hong Kong Dollar Prime Lending Rate plus 3%.

(ii) The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

As at 31 December 2006, the Company had direct and indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation	Legal from of entities established in PRC	Authorised registered capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Interests directly held:						
Perfect Progress Investments Limited	The British Virgin Islands 8 April 2002	–	US$50,000 Ordinary shares	US$500	100%	Investment holding Hong Kong
Interests indirectly held:						
Shanghai New Focus Auto Parts Co., Ltd	The PRC 1 March 1994	Wholly-owned foreign enterprise	US$1,100,000 Registered capita	US$1,100,000	100%	Manufacture and sale of automotive accessories The PRC
New Focus Light and Power Technology (Shanghai) Co., Ltd.	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$6,000,000 Registered capital	US$6,000,000	100%	Manufacture and sale of automotive accessories The PRC

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Country/place and date of incorporation	Legal from of entities established in PRC	Authorised registered capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Shanghai New Focus Auto Repair Services Co., Ltd	The PRC 21 December 2000	Limited liability company	RMB23,500,000 Registered capital	RMB23,500,000	100%	Automobile repair, maintenance and restyling services sales of automotive products The PRC
Shanghai Likeliang Auto Service Co., Ltd.	The PRC 23 March 2005	Limited liability company	RMB1,000,000 Registered capital	RMB1,000,000	95%	Automobile repair, maintenance and restyling services, sales of automotive products The PRC
Shanghai Hualiang Vocational and Technical Training School	The PRC March 2004	Civilian sponsored non enterprise unit	RMB1,000,000 Registered capital	RMB1,000,000	100%	Automobile repair, maintenance and restyling services training The PRC
Shanghai Beforly Investment Management	The PRC 7 July 2005	Limited liability company	RMB1,000,000 Registered capital	RMB1,000,000	99%	Automobile repair, maintenance and restyling services; sales of automotive products The PRC
Xinjiaodian (Chengdu) Auto Maintain Co. Ltd. *(Note 32)*	The PRC 27 April 2005	Limited liability company	RMB5,784,870 Registered capital	RMB5,784,870	80%	Automobile repair, maintenance and restyling services; sales of automotive products The PRC

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Country/place and date of incorporation	Legal from of entities established in PRC	Authorised registered capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
New Focus Richahaus Co. Ltd. *(Note 32)*	Taiwan 15 September 2006	Limited liability company	NT160,000,000	NT160,000,000	100%	Automobile repair maintenance and restyling services; sales of automotive products Taiwan
Shandong New Focus Longsheng Auto Parts Co. Ltd.	The PRC 26 April 2006	Limited liability company	US$1,900,000 Registered capital	US$1,900,000	51%	Manufacture and sale of automotive accessories The PRC

18. GOODWILL

	RMB'000
Net book amount as at 1 January 2006	2,787
Addition from acquisition of subsidiaries and businesses *(Note 32)*	102
Amortisation for the year	–
Adjustment (i)	(140)
Net book amount as at 31 December 2006	**2,749**
Net book amount as at 1 January 2005	–
Addition from acquisition of subsidiaries and businesses	2,787
Amortisation for the year	–
Net book amount as at 31 December 2005	2,787

(i) It represents the adjustment to final consideration paid in respect of an acquisition in the prior year.

18. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment as follows:

	2006 RMB'000	2005 RMB'000
Provision of automobile repair, maintenance and restyling services	**2,749**	2,787

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	2006	2005
Gross margin	**45%**	45%
Growth rate	**45%**	45%
Discount rate	**5.5%**	5.5%

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

For the growth rate, the management expect it to be 45% per annum. This is a management expectation and the management is confident that this is achievable because the market is new in the PRC and by assessing the market landscape, there is no other company that has the scale and competitive advantage comparable to the Company.

19. OTHER INTANGIBLE ASSETS

	Trademarks	Franchise contracts	Total
	RMB'000	RMB'000	RMB'000
Net book amount as at 1 January 2006	1,294	400	1,694
Addition	17	–	17
Addition from acquisition of subsidiaries and businesses *(Note 32)*	8,970	–	8,970
Amortisation for the year	(280)	(20)	(300)
Net book amount as at 31 December 2006	**10,001**	**380**	**10,381**
Net book amount as at 1 January 2005	–	–	–
Addition from acquisition of subsidiaries and businesses	1,299	400	1,699
Amortisation for the year	(5)	–	(5)
Net book amount as at 31 December 2005	1,294	400	1,694

20. OTHER ASSETS, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Included in other assets was an amount of RMB5,000,000 and in prepayment, deposits and other receivables was an amount of RMB1,400,000 prepaid to the suppliers under two agreements for subcontracting arrangements.

According to the agreement, RMB5,000,000 was paid to a supplier for certain subcontracting services and the amount should be used to set off against the future subcontracting service fee charged by the supplier and the remaining balance would be repaid to the Group in full by 1 April 2007. The agreement was extended to 1 April 2008.

According to the agreement, RMB1,400,000 was paid to a supplier for certain subcontracting services and the amount should be used to set off against future subcontracting service fee charged by the supplier and the remaining balance would be fully repaid by 12 May 2007. On 12 May 2007, the agreement was extended for ten months.

21. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Inventory provision	Provision on warranty	Loss on property written off subject to tax approval	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	26	6	–	–	32
Charged to income statement *(Note 10)*	–	–	–	167	167
Exchange realignment	–	–	–	(4)	(4)
At 31 December 2006	**26**	**6**	**–**	**163**	**195**
At 1 January 2005	31	6	13	–	50
Charged to income statement *(Note 10)*	(5)	–	(13)	–	(18)
At 31 December 2005	26	6	–	–	32

In accordance with PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2006, the Group had tax losses carried forward of approximately RMB28,423,000 (2005: RMB13,840,000). The benefits of which will expire between 2009 and 2011. As at 31 December 2006, the Group did not recognize RMB9,349,000 (2005: RMB4,567,000) of deferred tax asset arising from the tax losses available as management is of the view that it was not probable that such the benefits of tax losses would be realized before they expire.

21. DEFERRED TAX *(Continued)*

Deferred tax liabilities:

	Fair value gain on investment properties RMB'000	Accrued subsidy income RMB'000	Total RMB'000
At 1 January 2006	(577)	(192)	(769)
Charged to income statement *(Note 10)*	–	–	–
At 31 December 2006	(577)	(192)	(769)
At 1 January 2005	–	–	–
Charged to income statement *(Note 10)*	(577)	(192)	(769)
At 31 December 2005	(577)	(192)	(769)

22. INVENTORIES

	2006 RMB'000	2005 RMB'000
Raw materials	**28,110**	22,423
Work in progress	**25,688**	12,830
Finished goods	**10,254**	8,113
Merchandise goods	**36,118**	15,567
Goods in transit	**158**	–
	100,328	58,933
Less: Write down of inventories	**(784)**	(864)
	99,544	58,069

23. TRADE RECEIVABLES

Details of the aging analysis are as follows:

	2006 RMB'000	2005 RMB'000
Current to 30 days	**38,164**	30,964
31 to 60 days	**39,326**	25,115
61 to 90 days	**7,669**	2,859
Over 90 days	**4,056**	3,987
	89,215	62,925
Less: Impairment loss	**(1,328)**	(1,050)
	87,887	61,875

The credit terms range from 30 days to 90 days.

24. AMOUNTS DUE FROM/TO RELATED PARTIES

GROUP

(a) *Amounts due from related parties:*

Included in the amounts due from related parties was an amount of RMB320,000 due from Custom Accessories Asia Limited ("Custom Accessories"). Majority interests of Custom Accessories are mainly held by Mr. Fresco and his wife, who together held 50% of its equity interest, and Mr. Matthew and his family members, who together held 48% of its equity interest. Mr. Fresco and Mr. Matthew are directors of Custom Accessories and directors of the Company and have beneficial interests in the Company.

Name		2006 RMB'000	2005 RMB'000
Custom Accessories	Balance at 1 January	**68**	486
	Balance at 31 December	**320**	68
	Maximum amount outstanding during the year	**1,087**	4,337

24. AMOUNTS DUE FROM/TO RELATED PARTIES *(Continued)*

GROUP *(Continued)*

(a) *Amounts due from related parties: (Continued)*

Amount due from Custom Accessories arising from trading activities with aging from current to 30 days. It is unsecured, interest-free and repayable on demand.

Amounts due from other related parties are 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.

25. AMOUNTS DUE FROM/TO DIRECTORS

GROUP

(a) *Amount due from a director:*

Name		2006 RMB'000	2005 RMB'000
Wu Kwan-Hong	Balance at 1 January	**5**	–
	Balance at 31 December	**–**	5
	Maximum amount outstanding during the year	**5**	5

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

25. AMOUNTS DUE FROM/TO DIRECTORS *(Continued)*

GROUP *(Continued)*

(b) Amounts due to directors:

Name	2006 RMB'000	2005 RMB'000
Douglas Charles Stuart Fresco	**2**	2
Hung Wei-Pi, John	**15,047**	–
	15,049	2

Amounts due to Douglas Charles Stuart Fresco, a director of the Company, is unsecured, interest-free and repayable on demand.

Amount due to Hung Wei-Pi, John, a director of the Company, is unsecured, interest bearing at 6% and repayable by 3 July 2007.

COMPANY

Amount due from a director:

Name		2006 RMB'000	2005 RMB'000
Hung Wei-Pi, John	Balance at 1 January	**–**	18
	Balance at 31 December	**–**	–
	Maximum amount outstanding during the year	**–**	31

Amount due from Hung Wei-Pi, John, a director of the Company, is unsecured, interest-free and repayable on demand.

26. TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	2006 **RMB'000**	2005 RMB'000
Term deposits denominated in RMB	**1,148**	20,000

The effective interest rate on term deposits, with maturity of six months, was 1.72% per annum for the year ended 31 December 2006 (2005: 2.07%).

27. CASH AND CASH EQUIVALENTS

GROUP

	2006 **RMB'000**	2005 RMB'000
Cash at bank and in hand	**63,141**	43,616
Bank deposits	**3,948**	51,000
	67,089	94,616
Less: Term deposits with initial term of over three months *(Note 26)*	**(1,148)**	(20,000)
Cash and cash equivalents	**65,941**	74,616
Denominated in:		
RMB	**29,570**	54,394
USD	**20,182**	16,950
HKD	**1,725**	3,202
EUR	**178**	70
TWD	**14,274**	–
YEN	**12**	–
	65,941	74,616

(i) The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

COMPANY

As at 31 December 2006 and 2005, the cash and cash equivalents of the Company consist of cash at bank and in hand denominated in Hong Kong dollars.

28. TRADE PAYABLES

Details of the aging analysis are as follows:

	2006 RMB'000	2005 RMB'000
Current to 30 days	**78,210**	38,829
31 to 60 years	**16,197**	20,352
61 to 90 years	**15,656**	253
Over 90 days	**2,442**	858
	112,505	60,292

29. BANK BORROWINGS

	2006 RMB'000	2005 RMB'000
Interest bearing		
Secured – bank loans (i)	**25,213**	–
Unsecured – bank loans (ii)	**16,140**	9,927
	41,353	9,927

At 31 December 2006, total current and non-current bank loans and other borrowings were repayable as follows:

	2006 RMB'000	2005 RMB'000
On demand or within one year	**23,355**	9,927
Within two to five years	**4,456**	–
After five years	**13,543**	–
	41,354	9,927
Amount due within one year included in current liabilities	**(23,355)**	(9,927)
	17,999	–

(i) The bank loans are secured by the subsidiaries' buildings (note 14) which has a net book value of RMB29,013,000 (2005: Nil). The interest rate ranges from 2.8% to 7.14%.

(ii) Unsecured bank loans are guaranteed by NFA Parts and Mr. Hung Wei-Pi, John and repayable within 1 year. The interest rate ranges from 4.3% to 6.129%.

30. SHARE CAPITAL

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

	Number of shares	Nominal value RMB'000
Authorised:		
Ordinary shares of HK$0.1 each upon incorporation (i)	3,500,000	350
Increase in authorized share capital (ii)	1,996,500,000	199,650
Ordinary shares of HK$0.1 each as at 31 December 2005 and 2006	2,000,000,000	200,000

	Number of shares	Nominal value HK$'000	Nominal value RMB'000
At 1 January 2005	–	–	–
Ordinary shares of HK$0.1 each allotted and issued nil paid (iii)	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
Initial Public offering (vi)	100,000,000	10,000	10,600
Employee share option scheme (value of service provided) (vii)	–	–	–
At 31 December 2005	400,000,000	40,000	42,400
Employee share option scheme:			
– proceeds from share issued (vii)	5,835,000	584	587
At 31 December 2006	**405,835,000**	**40,584**	**42,987**

30. SHARE CAPITAL *(Continued)*

(i) The Company was incorporated in the Cayman Islands on 15 May 2002 with an authorized share capital of HK$350,000 divided into 3,500,000 ordinary shares of HK$0.1 each.

(ii) On 13 February 2005, the authorized 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 which rank pari passu with the existing shares.

(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 consideration. 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 US$1.00 each in Perfect Progress, representing the entire issued share capital of Perfect Progress.

(v) On 13 February 2005, the Directors of the Company were authorized to capitalize 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.

30. SHARE CAPITAL *(Continued)*

(vii) **Share options**

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to employees who contribute to the success of the Group's operation.

On 28 February 2005, the Company granted share options of 23,780,000. The exercise price of the granted options is equal to the closing price of the shares on the date of grant. There are 10 vesting periods ending on consecutive years ending on 31 December 2006 to 31 December 2014 and period ending 12 February 2015. The options are exercisable starting from 1 January 2006 to 12 February 2015 subject to accomplishing performance targets or conditions, as determined by the board of directors of the Company.

On 5 July 2005, additional share options of 1,710,000 were granted to a consultant of the Company and employees at the average closing prices of five consecutive days before the grant date. The vesting period ends on 31 December 2008. The options are exercisable starting from 1 January 2006 to 31 December 2008 subject to accomplishing 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 2006	23,540
Exercised	(5,835)
Lapsed	(1,135)
At 31 December 2006	16,570
At 1 January 2005	–
Granted on 28 February 2005	23,780
Granted on 5 July 2005	1,710
Lapsed	(1,950)
At 31 December 2005	23,540

30. SHARE CAPITAL *(Continued)*

(vii) **Share options** *(Continued)*

Share options outstanding at the end of the year have the following expiry date and exercise prices:

		Share options			
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	–	–	1,970	1,970
31 December 2008	1.01	–	300	790	1,090
31 December 2010	0.94	–	–	3,470	3,470
12 February 2015	0.94	10,040	–	–	10,040
		10,040	300	6,230	16,570
Weighted average exercise price		0.94	1.01	0.95	0.94

The significant inputs into the model were share price of HK$0.94 at the grant date and HK$1.01 at the average closing prices of the five consecutive day before the grant date, exercise price shown above, standard deviation of expected share price returns of 29.87%, expected life of options of 1.8 years to 10 years and annual risk-free interest rate of 1.81% to 3.83%.

31. RESERVES

	Share premium	Reor-ganisation reserve *(Note b)*	Statutory Reserve fund *(Note a)*	Enterprise expansion fund	Exchange reserve	Others	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	(7,997)	2,738	13,461	2,756	–	–	76,195	87,153
Initial Public offering *(note 30(vi))*	89,040	–	–	–	–	–	–	89,040
Share issuance expense	(11,760)	–	–	–	–	–	–	(11,760)
Fair value gains arising from transfer from property, plant and equipment to investment properties	–	–	–	–	–	1,213	–	1,213
Realisation on disposal of investment properties	–	–	–	–	–	(202)	–	(202)
Profit for the year	–	–	–	–	–	–	55,618	55,618
Transfer to reserves (a)	–	–	6,408	–	–	–	(6,408)	–
Employee share option scheme: – value of employee services	–	–	–	–	–	1,279	–	1,279
2005 special dividends paid *(note 13)*	–	–	–	–	–	–	(33,072)	(33,072)
At 31 December 2005	69,283	2,738	19,869	2,756	–	2,290	92,333	189,269
2005 final dividends paid *(note 13)*	–	–	–	–	–	–	(33,433)	(33,433)
Exchange realignment	–	–	–	–	(921)	–	–	(921)
Realisation on disposal of investment properties	–	–	–	–	–	(557)	–	(557)
Profit for the year	–	–	–	–	–	–	14,218	14,218
Transfer to reserves (a)	–	–	2,727	–	–	–	(2,727)	–
Employee share option scheme: – value of employee services	–	–	–	–	–	965	–	965
Issue of new shares from exercise of share options	4,952	–	–	–	–	–	–	4,952
At 31 December 2006	**74,235**	**2,738**	**22,596**	**2,756**	**(921)**	**2,698**	**70,391**	**174,493**

31 RESERVES *(Continued)*

(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 PRC GAAP, 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 reorganization 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 Perfect 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 came to be 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 reorganization 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 "Transferring Interest") (Note 30(iv)). The difference of RMB4,000 between the nominal value of the shares of issued by the Company and the Transferring Interests' share of the fair value of Perfect Progress pursuant to the Reorganisation is accounted for as reorganization reserve of the Group; and

(v) on 13 February 2005, the Directors of the Company were authorized to capitalize HK$29,999,990 towards paying up in full at par 299,999,900 shares for allotment (Note 30(v)).

31. RESERVES *(Continued)*

COMPANY

	Share premium RMB'000	Contributed surplus RMB'000	Others RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2005	(7,997)	–	–	(1,473)	(9,470)
Public offering *(note 30(vi))*	89,040	–	–	–	89,040
Share issuance expense	(11,760)	–	–	–	(11,760)
Effect of reorganisation	–	131,717	–	–	131,717
Transferred to share capital *(Note 30(v))*	–	(31,800)	–	–	(31,800)
Profit for the year	–	–	–	36,837	36,837
Exchange difference on loans to a subsidiary	–	–	(1,233)	–	(1,233)
Employee share option scheme:					
– value of employee services	–	–	1,279	–	1,279
2005 special dividends paid *(Note 13)*	–	–	–	(33,072)	(33,072)
At 31 December 2005	69,283	99,917	46	2,292	171,538
2005 final dividends paid *(Note 13)*	–	(15,675)	–	(17,758)	(33,433)
Profit for the year	–	–	–	15,466	15,466
Employee share option scheme:					
– value of employee services	–	–	965	–	965
Issue of new shares from exercise of share options	4,952	–	–	–	4,952
At 31 December 2006	**74,235**	**84,242**	**1,011**	**–**	**159,488**

32. BUSINESS COMBINATION

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

On 31 March 2006, the Group acquired 80% of the equity of the Chengdu from Seven Fortune Group Limited. Xinjiaodian Chengdu is engaged in providing automotive service, namely clean and beauty, light maintenance, accessories without service and accessories.

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 *(Note 18)*	102

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

	Fair value of net assets acquired
Cash and cash equivalents	404
Property, plant and equipment *(Note 14)*	737
Inventories	636
Prepayments	13
Accruals and other payables	(46)
Net assets acquired	1,744
Less: 20% owned by minority shareholders	(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

The carrying amount of the acquiree's assets and liabilities approximate to the fair value of the assets and liabilities acquired.

Since its acquisition, Xinjiaodian Chengdu contributed RMB1.3 million to the Group's turnover and a loss of RMB1.2 million to the Group's result for the year.

32. BUSINESS COMBINATION *(Continued)*

(b) Acquisition of a business – Richahaus Business Operating Entities ("Richahaus")

On 30 September 2006, the Group acquired the business of Richahaus which engages in operating chain stores, primarily superstore, providing automobile repair, maintenance and restyling services and sales of automotive products in Taiwan.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash	23,391
Fair value of net assets acquired – shown as below	(23,391)
Goodwill	–

The assets and liabilities arising and goodwill are as follows:

	Fair value of net assets acquired RMB'000
Other intangible assets *(Note 19)*	8,970
Property, plant and equipment *(Note 14)*	34,531
Prepayments	7,603
Inventories	20,194
Bank borrowing	(18,577)
Trade payables	(26,869)
Accruals and other payables	(2,461)
Net assets acquired	23,391
Purchase consideration settled in cash	23,391
Cash and cash equivalents acquired	–
Cash outflow on acquisition	23,391

The carrying amount of the acquiree's assets and liabilities approximate to the fair value of the assets and liabilities acquired.

Since its acquisition, Richahaus contributed RMB16.5 million to the Group's turnover and a loss of RMB0.7 million to the Group's result for the year.

33. 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:

	2006 RMB'000	2005 RMB'000
Within one year	**12,021**	3,847
In the second to fifth year inclusive	**35,398**	14,803
After the fifth year	**25,037**	–
	72,456	18,650

(b) Capital commitments

	2006 RMB'000	2005 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**–**	6,250

As at 31 December 2006, the Group had no capital commitments.

34. RELATED PARTY TRANSACTIONS

(a) Name of related party and nature of relationship

Name	Relationship with the Company
Custom Accessories	Company invested by certain directors of the Company
Longkou Aubo Trading Co., Ltd.	Minority shareholder of the Company's subsidiary
Richahaus Superauto Co., Ltd.	Company invested by certain officers of the Company's subsidiary
Yen-Ding International Co., Ltd.	Company invested by certain officers of the Company's subsidiary

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions carried out during the year

Apart from the transactions or balances as disclosed in notes 24 and 25, the Group had the following significant related party transactions:

	2006 RMB'000	2005 RMB'000
Sales of goods to Custom Accessories	**2,513**	7,449
Purchases of property, plant and equipment from Longkou Anbo Trading Co., Ltd	**2,060**	–
Other income from Richahaus Superauto Co. Ltd	**571**	–
Other income from Yen-Ding International Co. Ltd	**47**	–
Interest on amount due to a director	**390**	–
Key management compensation *(note 9)*		
– Basic salary and other allowances	**4,106**	4,392
– Share-based payment	**–**	448
	4,106	4,840

(c) Amount of banking facilities of the Group guaranteed by Mr. Hung Wei-Pi, John as at 31 December 2006 was approximately RMB20,000,000 (2005: Nil).

35. CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities as at 31 December 2006 (2005: Nil).

36. BANKING FACILITIES

The Group's banking facilities are as follows:

	2006	2005
	RMB'000	RMB'000
Total banking facilities available	**211,353**	150,000
Less: Amounts utilized *(Note 29)*	**(41,354)**	(9,927)
Unused facilities	**169,999**	140,073

The facilities are either unsecured or secured by a mix of collateral including certain buildings of the Group, corporate guarantee and personal guarantee from Mr. Hung Wei Pi.

37. FINANCIAL INSTRUMENTS

Risk management

Financial assets of the Group mainly includes short-term deposits and bank balances, trade receivables, amount due from related parties, and prepayments, deposits and other receivables. Financial liabilities of the Group include bank loans, amounts due to related parties and directors, trade payables and other payables.

(a) *Foreign exchange risk*

As significant part of the business revenue is settled in foreign currencies, the fluctuation of the USD exchange rate may affect the business operations of the Group. Subsequent to the year-end, the Group has signed a forward contract of group exchange settlement with the Bank of China. The Group has enhanced the sales in the PRC market; further heighten the proportion of overseas procurement and strict control over costs and expenses to mitigate the impact of such exchange rate movement. Meanwhile 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. The Group has no material exposure to foreign exchange risks.

(b) *Credit risk*

The Group has concentration of credit risk with respect to trade receivables, as about 41% of the Group's trade receivables are in respect of the top five customers. The credit terms ranges from 30 days to 65 days and the aging of trade receivables from the top five customers as at 31 December 2006 is within 90 days.

(c) *Liquidity risk*

The Group adopts prudent liquidity risk management through maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The directors of Company believe that cash from operations and short-term bank borrowings will be sufficient to meet the Group's operating cash flow.

(d) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets and long-term bank borrowings, the Group's income and operating cash flow are substantially independent of changes in the market interest rates.

Fair value

The directors consider the fair value of the Group's financial assets and financial liabilities approximately their fair value.

38. EVENTS AFTER THE BALANCE SHEET DATE

(a) Acquisition of Beijing Aiyihang Auto Service Ltd ("Aiyihang")

The Group has signed an agreement on 19 March 2007 in respect of the acquisition a 51% equity interests in Aiyihang. Completion of the acquisition took place on 26 April 2007 and 13,660,442 Shares were issued to the vendor upon completion. Aiyihang is principally engaged in the business of integrated automobile services and supplies, including environmental-friendly car-wash services, automobile decorations, automobile beautification, scratch repair and maintenance services.

(b) Convertible Bond Subscription Agreement

The Company entered into a subscription agreement with ARCH Auto Limited ("ARCH") on 30 April 2007 ("Subscription Agreement") whereby ARCH has agreed to subscribe for, and the Company has agreed to issue, the redeemable convertible bond in the principal amount of US$12,000,000 with coupon rate of 5.2% due in 2010 ("Convertible Bond") pursuant to the terms and conditions of the Subscription Agreement. Completion of the Subscription Agreement took place on 16 May 2007.

The initial price per share at which the Convertible Bond may be converted into Shares is determined to be HK$2.07. Assuming that the Convertible Bond will be converted into the Shares at the initial conversion price of HK$2.07, the Company will be required to allot and issue an aggregate of 45,217,391 Shares, representing approximately 10.78% of the number of the Shares in issue as at the date hereof and approximately 9.73% of the enlarged number of the Shares in issue.

The issue of the Convertible Bond will provide additional capital to facilitate the development and expansion of the Company and its investment in new projects. The net proceeds from the issuance of the Convertible Bond are expected to be approximately HK$92,000,000. The Directors intend to use the net proceeds as general working capital and capital expenditure to operate and expand the business of the Company, namely, the manufacturing and distribution of aftermarket and OEM automotive accessories and automotive services retailing.

(c) Bonus Issue

The Board recommended a bonus issue of one new share of HK$0.10 each credited as fully paid for every twenty issued Shares held on the register of members of the Company on 18 June 2007. An amount standing to the credit of the share premium account of the Company will be capitalized and applied in making payment in full, at par, for the new shares. The issue of bonus shares is conditional upon the passing of the relevant resolutions at the Annual General Meeting, and the Listing Committee of the Stock Exchange granting approval to the listing of and permission to deal in the new shares. Such new shares will not, however, rank for the proposed bonus issue but will in all other respects rank pari passu with the existing issued Shares. A circular containing further details of the bonus issue will be despatched to the shareholders on or about 25 May 2007.

39. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with current year's presentation.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 May 2007.