



New Focus Auto Tech Holdings Limited  
新焦點汽車技術控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 360



INTERIM REPORT  
**2008**

\* For identification purpose only

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# CORPORATE INFORMATION

## **Directors**

### **Executive Directors**

Hung Wei-Pi, John (*Chairman*)

Wu Kwan-Hong

Hung Ying-Lien

Lu Yuan Cheng

Douglas Charles Stuart Fresco

Norman L. Matthew

### **Non-executive Directors**

Low Hsiao-Ping

Li Jung Hsing

Shih I-Ping (formerly disclosed as Irene Shih)

### **Independent non-executive Directors**

Du Haibo

Zhou Tai-Ming

Uang Chii-Maw

### **Company Secretary and Qualified Accountant**

Cheng, Yun Chung Ronie, ACA

### **Registered Office**

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

### **Principal Place of Business in Hong Kong**

Rm 1409, 14/F

Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

## **Auditor**

Shu Lun Pan Horwath Hong Kong CPA Limited

*Certified Public Accountants*

20th Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

## **Legal Advisers**

Jones Day

29/F, Edinburgh Tower

The Landmark, 15 Queen's Road Central

Hong Kong

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

Butterfield Bank (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

George Town

Grand Cayman

Cayman Islands

## **Branch Share Registrar and Transfer Office in Hong Kong**

Computershare Hong Kong Investor

Services Limited

46/F., Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

## **Stock Code**

360

## **Websites**

<http://www.nfa360.com>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2008 (the “Period”) are as follows:

## **Condensed Consolidated Income Statement**

*For the six months ended 30 June 2008*

|  | Note | Unaudited<br>Six months ended 30 June |                 |
|--|------|---------------------------------------|-----------------|
|  |      | 2008<br>RMB'000                       | 2007<br>RMB'000 |
| Sales  | 4    | <b>341,724</b>                        | 330,190         |
| Cost of goods sold   |      | <b>(264,165)</b>                      | (267,313)       |
| Gross profit   |      | <b>77,559</b>                         | 62,877          |
| Other revenue and gains  | 4    | <b>12,670</b>                         | 6,401           |
| Selling and distribution costs   |      | <b>(40,057)</b>                       | (30,213)        |
| Administrative expenses  |      | <b>(27,257)</b>                       | (27,168)        |
| Operating profit   | 4    | <b>22,915</b>                         | 11,897          |
| Finance costs  | 5    | <b>(9,846)</b>                        | (3,597)         |
| Profit before income tax   |      | <b>13,069</b>                         | 8,300           |
| Income tax   | 6    | <b>(4,289)</b>                        | (1,906)         |
| Profit for the period  |      | <b>8,780</b>                          | 6,394           |
| Attributable to:   |      |                                       |                 |
| Equity holders of the Company  |      | <b>7,256</b>                          | 5,354           |
| Minority interests   |      | <b>1,524</b>                          | 1,040           |
|  |      | <b>8,780</b>                          | 6,394           |
| Earnings per share for profit attributable to<br>the equity holders of the Company during the period |      |                                       |                 |
| – Basic  | 7    | <b>RMB0.016</b>                       | RMB0.012        |
| – Diluted  | 7    | <b>RMB0.009</b>                       | RMB0.012        |
| Dividend   | 8    | –                                     | –               |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Balance Sheet

As at 30 June 2008

|   |             | <b>Unaudited</b>        | Audited             |
|---|-------------|-------------------------|---------------------|
|   |             | <b>30 June<br/>2008</b> | 31 December<br>2007 |
|   | <i>Note</i> | <b>RMB'000</b>          | RMB'000             |
| <b>ASSETS AND LIABILITIES</b>               |             |                         |                     |
| <b>Non-current assets</b>                   |             |                         |                     |
| Property, plant and equipment               | 9           | <b>115,340</b>          | 106,521             |
| Leasehold land and land use rights          | 9           | <b>20,806</b>           | 21,086              |
| Investment properties                       | 9           | <b>25,286</b>           | 25,286              |
| Goodwill                                    | 9           | <b>43,161</b>           | 43,161              |
| Other intangible assets                     | 9           | <b>9,257</b>            | 9,310               |
| Other financial assets                      |             | <b>3,955</b>            | 2,611               |
| Deferred tax assets                         |             | <b>52</b>               | 128                 |
|   |             | <b>217,857</b>          | 208,103             |
| <b>Current assets</b>                       |             |                         |                     |
| Trade securities                            |             | <b>395</b>              | 737                 |
| Inventories                                 | 10          | <b>161,873</b>          | 126,803             |
| Trade receivables                           | 11          | <b>88,525</b>           | 119,950             |
| Deposits, prepayments and other receivables |             | <b>88,830</b>           | 58,921              |
| Amount due from a related company           | 12(a)       | <b>132</b>              | 92                  |
| Tax recoverable                             |             | -                       | 387                 |
| Pledged time deposits                       |             | <b>3,028</b>            | 3,342               |
| Cash and cash equivalents                   |             | <b>80,835</b>           | 135,532             |
|   |             | <b>423,618</b>          | 445,764             |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Balance Sheet (continued)

As at 30 June 2008

|   | Note  | Unaudited                  | Audited                        |
|---|-------|----------------------------|--------------------------------|
|   |       | 30 June<br>2008<br>RMB'000 | 31 December<br>2007<br>RMB'000 |
| <b>Current liabilities</b>  |       |                            |                                |
| Bank borrowings, secured  | 15    | 84,984                     | 85,929                         |
| Trade payables  | 14    | 144,747                    | 149,183                        |
| Accruals and other payables   |       | 38,389                     | 43,916                         |
| Amounts due to directors  | 13    | 453                        | 1,388                          |
| Amounts due to related parties                                      | 12(b) | -                          | 1,504                          |
| Tax payable   |       | 1,737                      | -                              |
|   |       | <b>270,310</b>             | 281,920                        |
| <b>Net current assets</b>   |       | <b>153,308</b>             | 163,844                        |
| <b>Total assets less current liabilities</b>                        |       | <b>371,165</b>             | 371,947                        |
| <b>Non-current liabilities</b>                                      |       |                            |                                |
| Bank borrowings, secured  | 15    | 16,049                     | 16,494                         |
| Convertible bond  | 16    | 71,177                     | 75,998                         |
| Deferred tax liabilities  |       | 1,074                      | 1,071                          |
|   |       | <b>88,300</b>              | 93,563                         |
| <b>Net assets</b>   |       | <b>282,865</b>             | 278,384                        |
| <b>CAPITAL AND RESERVES</b>   |       |                            |                                |
| Share capital   | 17    | 47,374                     | 46,394                         |
| Reserves  | 18    | 202,300                    | 200,323                        |
| <b>Equity attributable to the equity holders<br/>of the Company</b> |       | <b>249,674</b>             | 246,717                        |
| Minority interests  |       | 33,191                     | 31,667                         |
| <b>Total equity</b>   |       | <b>282,865</b>             | 278,384                        |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

|  | Unaudited                   |   |                                 |                                  |                  |
|--|-----------------------------|---|---------------------------------|----------------------------------|------------------|
|  | Share<br>capital<br>RMB'000 | Share<br>premium<br>and reserves<br>RMB'000 | Retained<br>earnings<br>RMB'000 | Minority<br>interests<br>RMB'000 | Total<br>RMB'000 |
| <b>Balance at 1 January 2008</b>                           | 46,394                      | 131,247                                     | 69,076                          | 31,667                           | 278,384          |
| Exchange realignment                                       | -                           | (4,299)                                     | -                               | -                                | (4,299)          |
| Total income and expenses<br>recognised directly in equity | -                           | (4,299)                                     | -                               | -                                | (4,299)          |
| Profit for the period                                      | -                           | -   | 7,256                           | 1,524                            | 8,780            |
| Total income and expenses<br>for the period                | -                           | (4,299)                                     | 7,256                           | 1,524                            | 4,481            |
| Lapse of share options                                     | -                           | (6)   | 6                               | -                                | -                |
| Transfer of reserves                                       | -                           | 917   | (917)                           | -                                | -                |
| Bonus issue  | 980                         | (980)                                       | -                               | -                                | -                |
| <b>Balance at 30 June 2008</b>                             | 47,374                      | 126,879                                     | 75,421                          | 33,191                           | 282,865          |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## **Condensed Consolidated Statement of Changes in Equity** (continued)

For the six months ended 30 June 2007

|   | Unaudited                   |   |                                 |                                  |                  |
|---|-----------------------------|---|---------------------------------|----------------------------------|------------------|
|   | Share<br>capital<br>RMB'000 | Share<br>premium and<br>reserves<br>RMB'000 | Retained<br>earnings<br>RMB'000 | Minority<br>interests<br>RMB'000 | Total<br>RMB'000 |
| Balance as at 1 January 2007  | 42,987                      | 104,102                                     | 53,084                          | 9,297                            | 209,470          |
| Issue of new shares from<br>exercise of share options   | –                           | 45  | –                               | –                                | 45               |
| Profit for the period   | –                           | –   | 5,354                           | 1,040                            | 6,394            |
| Bonus issue   | 2,048                       | (2,048)                                     | –                               | –                                | –                |
| Exchange realignment  | –                           | (17)  | –                               | –                                | (17)             |
| Proceeds from shares issued   | 9                           | –   | –                               | –                                | 9                |
| Arising on acquisition of subsidiaries  | –                           | 29,713                                      | –                               | –                                | 29,713           |
| Arising on issue of convertible<br>bonds  | –                           | 8,009                                       | –                               | –                                | 8,009            |
| Minority interest arising on<br>acquisition of subsidiaries and<br>additional injection from minority<br>shareholders | –                           | –   | –                               | 16,713                           | 16,713           |
| Issue of new shares arising<br>from acquisition of a subsidiary   | 1,350                       | –   | –                               | –                                | 1,350            |
| Balance as at 30 June 2007  | 46,394                      | 139,804                                     | 58,438                          | 27,050                           | 271,686          |



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## **Condensed Consolidated Cash Flow Statement**

For the six months ended 30 June 2008

|  | Unaudited<br>Six months ended 30 June |                 |
|--|---------------------------------------|-----------------|
|  | 2008<br>RMB'000                       | 2007<br>RMB'000 |
| Net cash used in operating activities                    | <b>(34,914)</b>                       | (44,377)        |
| Net cash used in investing activities                    | <b>(18,288)</b>                       | (16,377)        |
| Net cash (used in)/generated from financing activities   | <b>(2,125)</b>                        | 132,408         |
| Net (decrease)/increase in cash and cash equivalents     | <b>(55,327)</b>                       | 71,654          |
| Cash and cash equivalents at the beginning of the period | <b>113,130</b>                        | 65,941          |
| Cash and cash equivalents at the end of the period       | <b>57,803</b>                         | 137,595         |
| Analysis of cash and cash equivalents                    |                                       |                 |
| Cash and bank balances                                   | <b>80,835</b>                         | 137,595         |
| Bank overdrafts  | <b>(23,032)</b>                       | –               |
|  | <b>57,803</b>                         | 137,595         |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

### 1. Organisation

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 interim financial statements 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 (the "HKICPA").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2007 annual financial statements included in the Company's 2007 Annual Report.

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007. The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, that are relevant to its operations and effective for the current reporting period.

The Group considered that the adoption of the new and revised HKFRSs has had no material impact on the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008.

### 3. Impact of issued but not yet effective Hong Kong Financial Reporting Standards

At the date of this report, the following standards and interpretations were in issue but not yet effective:

|                           |  | <b>Effective for annual periods<br/>beginning on or after</b> |
|---------------------------|--|---|
| HKAS 1 (Revised)          | Presentation of Financial Statements                                     | 1 January 2009  |
| HKAS 23 (Revised)         | Borrowing Costs  | 1 January 2009  |
| HKAS 27 (Revised)         | Consolidated and Separate<br>Financial Statements                        | 1 July 2009   |
| HKASs 32 & 1 (Amendments) | Puttable Financial Instruments and<br>Obligations Arising on Liquidation | 1 January 2009  |
| HKFRS 2 (Amendments)      | Vesting Conditions and Cancellations                                     | 1 January 2009  |
| HKFRS 3 (Revised)         | Business Combinations  | 1 July 2009   |
| HKFRS 8                   | Operating Segments   | 1 January 2009  |
| HK(IFRIC) – Int 13        | Customer Loyalty Programmes  | 1 July 2008   |

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of their initial application.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Turnover, other revenue and gains and segment information

The Group is principally engaged in the manufacture 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 |                 |
|  | 2008<br>RMB'000          | 2007<br>RMB'000 |
| Turnover   | <b>341,724</b>           | 330,190         |
| Other revenue and gains:   |                          |                 |
| Realised gain on trading of securities   | <b>64</b>                | –               |
| Interest income  | <b>1,077</b>             | 1,492           |
| Government subsidies   | <b>63</b>                | 20              |
| Gain on disposal of property, plant and equipment  | <b>718</b>               | 2               |
| Fair value gain on derivative component of convertible bond                              | <b>4,822</b>             | –               |
| Tax refund on capitalised profit on which corporate<br>income tax was previously charged | –                        | 2,442           |
| Rental income  | <b>789</b>               | 600             |
| Transportation income  | –                        | 609             |
| Gain on sale of scrap materials  | <b>352</b>               | 1,096           |
| Imputed interest income from non-current earnest money deposit                           | <b>83</b>                | –               |
| Sponsorship income   | <b>1,898</b>             | –               |
| Sampling income  | <b>102</b>               | –               |
| Income of maintenance and repair services  | <b>433</b>               | –               |
| Others   | <b>2,269</b>             | 140             |
|  | <b>12,670</b>            | 6,401           |
| Total  | <b>354,394</b>           | 336,591         |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Turnover, other revenue and gains and segment information *(continued)*

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

The Group operates in two business segments, the manufacture 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<br>Six months ended 30 June 2008                          |  |                         |                  |
|---|---|--|-------------------------|------------------|
|   | Manufacture<br>and sales of<br>automobile<br>accessories<br>RMB'000 | Provision of<br>automobile repair,<br>maintenance and<br>restyling services<br>RMB'000 | Eliminations<br>RMB'000 | Group<br>RMB'000 |
| Segment revenues                                  |   |  |                         |                  |
| External sales                                    | 234,235   | 107,489  | -                       | 341,724          |
| Inter-segment sales                               | 190   | 24   | (214)                   | -                |
| Other revenue and gains                           | 3,062   | 4,228  | -                       | 7,290            |
|   | <b>237,487</b>  | <b>111,741</b>   | <b>(214)</b>            | <b>349,014</b>   |
| Segment results                                   | <b>17,300</b>   | <b>3,505</b>   |                         | 20,805           |
| Unallocated other revenue and gains               |   |  |                         | 5,380            |
| Unallocated costs                                 |   |  |                         | <b>(3,270)</b>   |
| Operating profit                                  |   |  |                         | 22,915           |
| Finance costs                                     |   |  |                         | <b>(9,846)</b>   |
| Profit before income tax                          |   |  |                         | 13,069           |
| Income tax  |   |  |                         | <b>(4,289)</b>   |
| Profit for the period                             |   |  |                         | <b>8,780</b>     |
| Segment assets                                    | <b>369,601</b>  | <b>193,056</b>   |                         | 562,657          |
| Unallocated corporate assets                      |   |  |                         | 78,818           |
| Total liabilities                                 |   |  |                         | <b>358,610</b>   |
| Segment liabilities                               | <b>206,052</b>  | <b>74,981</b>  |                         | 281,033          |
| Unallocated corporate liabilities                 |   |  |                         | 77,577           |
| Total liabilities                                 |   |  |                         | <b>358,610</b>   |
| Capital expenditures                              | <b>15,697</b>   | <b>5,533</b>   |                         | 21,230           |
| Unallocated capital expenditures                  |   |  |                         | -                |
|   |   |  |                         | <b>21,230</b>    |
| Depreciation and amortisation charges             | <b>5,279</b>  | <b>5,367</b>   |                         | 10,646           |
| Unallocated depreciation and amortisation charges |   |  |                         | 15               |
|   |   |  |                         | <b>10,661</b>    |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Turnover, other revenue and gains and segment information (continued)

### (a) Primary reporting format – business segments (continued)

|  | Unaudited<br>Six months ended 30 June 2007                          |  |                         |                  |
|--|---|--|-------------------------|------------------|
|  | Manufacture<br>and sales of<br>automobile<br>accessories<br>RMB'000 | Provision of<br>automobile repair,<br>maintenance and<br>restyling services<br>RMB'000 | Eliminations<br>RMB'000 | Group<br>RMB'000 |
| Segment revenues                                     |   |  |                         |                  |
| External sales                                       | 255,781   | 74,409   | –                       | 330,190          |
| Inter-segment sales                                  | 4,818   | 4,735  | (9,553)                 | –                |
| Other revenue and gains                              | 3,388   | 208  | –                       | 3,596            |
| Inter-segment other revenue and gains                | –   | 363  | (363)                   | –                |
|  | <u>263,987</u>  | <u>79,715</u>  | <u>(9,916)</u>          | <u>333,786</u>   |
| Segment results                                      | <u>15,781</u>   | <u>(2,312)</u>   |                         | 13,469           |
| Unallocated other revenue and gains                  |   |  |                         | 2,805            |
| Unallocated costs                                    |   |  |                         | (4,377)          |
| Operating profit                                     |   |  |                         | 11,897           |
| Finance costs  |   |  |                         | (3,597)          |
| Profit before income tax                             |   |  |                         | 8,300            |
| Income tax   |   |  |                         | (1,906)          |
| Profit for the period                                |   |  |                         | <u>6,394</u>     |
| Segment assets                                       | 358,813   | 206,139  |                         | 564,952          |
| Unallocated corporate assets                         |   |  |                         | 73,637           |
| Total assets   |   |  |                         | <u>638,589</u>   |
| Segment liabilities                                  | 214,593   | 67,298   |                         | 281,891          |
| Unallocated corporate liabilities                    |   |  |                         | 80,144           |
| Total liabilities                                    |   |  |                         | <u>362,035</u>   |
| Capital expenditure                                  | 22,667  | –  |                         | 22,667           |
| Unallocated capital expenditure                      |   |  |                         | 83               |
|  |   |  |                         | <u>22,750</u>    |
| Depreciation and amortisation charges                | 6,523   | 2,945  |                         | 9,468            |
| Unallocated depreciation and<br>amortisation charges |   |  |                         | 7                |
|  |   |  |                         | <u>9,475</u>     |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Turnover, other revenue and gains and segment information *(continued)*

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

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

|  | <b>Unaudited</b>                |         |
|--|---------------------------------|---------|
|  | <b>Six months ended 30 June</b> |         |
|  | <b>2008</b>                     | 2007    |
|  | <b>RMB'000</b>                  | RMB'000 |
| Segment turnover:  |                                 |         |
| North America  | <b>131,099</b>                  | 189,403 |
| Europe   | <b>37,212</b>                   | 22,183  |
| Asia Pacific   | <b>14,700</b>                   | 8,982   |
| Greater China (including Taiwan<br>and the People's Republic of China (the "PRC")) | <b>158,713</b>                  | 109,352 |
| Africa   | –                               | 270     |
| <b>Total</b>   | <b>341,724</b>                  | 330,190 |

There are no sales between the geographical segments during the six months ended 30 June 2008 and 2007.

## 5. Finance costs

|  | <b>Unaudited</b>                |         |
|--|---------------------------------|---------|
|  | <b>Six months ended 30 June</b> |         |
|  | <b>2008</b>                     | 2007    |
|  | <b>RMB'000</b>                  | RMB'000 |
| Interest on:   |                                 |         |
| Bank borrowings wholly repayable within five years                   | <b>3,402</b>                    | 2,609   |
| Convertible bond wholly repayable within five years <i>(Note 16)</i> | <b>6,444</b>                    | 988     |
|  | <b>9,846</b>                    | 3,597   |

## 6. Income tax

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

|   | <b>Unaudited</b>                |         |
|---|---------------------------------|---------|
|   | <b>Six months ended 30 June</b> |         |
|   | <b>2008</b>                     | 2007    |
|   | <b>RMB'000</b>                  | RMB'000 |
| Current tax – PRC and Taiwan corporate income tax | <b>4,209</b>                    | 1,789   |
| Deferred tax                                      | <b>80</b>                       | 117     |
|   | <b>4,289</b>                    | 1,906   |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. Income tax (continued)

- (a) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong during the six months ended 30 June 2008 (2007: nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions. Basis of taxation for principal subsidiaries is set out below:
- (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 subject to applicable corporate income tax of 25%. For the six months ended 30 June 2008, NFA Parts was in loss-making position accordingly, no income tax has been provided (2007: nil).
- (ii) New Focus Light and Power Technology (Shanghai) Co., Ltd. ("NF Light & Power")  
In accordance with the relevant tax laws and regulations in the PRC, NFL Light and Power is subject to the applicable corporate income tax of 25% (2007: 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 25%. For the six months ended 30 June 2008, NFA Service was in loss-making position, and accordingly, no income tax has been provided (2007: 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 six months ended 30 June 2008 (2007: nil).
- (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. It is exempted from local corporate income tax and therefore is subject to applicable corporate income tax of 24%. In accordance with the approval from the relevant tax authorities, 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 NF Longsheng first profit-making year net of losses carried forward from previous years, and hence NF Longsheng is entitled to enjoy 50% reduction in corporate income tax at a rate of 12.5% for the six months ended 30 June 2008 (2007: Nil). According, no corporate income tax was provided for the six months ended 30 June 2008.
- (vi) Beijing Aiyihang Auto Service Ltd ("Aiyihang")  
As a domestic enterprise, Aiyihang is subject to an applicable corporate income tax rate of 25% for the six months ended 30 June 2008. (2007: 33%).

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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, as adjusted to reflect the bonus issue during the period.

|   | <b>Unaudited</b>                |                       |
|---|---------------------------------|-----------------------|
|   | <b>Six months ended 30 June</b> |                       |
|   | <b>2008</b>                     | 2007                  |
|   | <b>RMB'000</b>                  | RMB'000<br>(Restated) |
| Profit attributable to equity holders of the Company<br>(RMB thousands) | <b>7,256</b>                    | 5,354                 |
| Weighted average number of ordinary shares in issue (thousands)         | <b>451,579</b>                  | 442,863               |
| Basic earnings per share (RMB per share)                                | <b>0.016</b>                    | 0.012                 |

### – *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 arising from share options and convertible bond. For the share options and convertible bond, 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 and convertible bond.

|  | <b>Unaudited</b>                |                       |
|--|---------------------------------|-----------------------|
|  | <b>Six months ended 30 June</b> |                       |
|  | <b>2008</b>                     | 2007                  |
|  | <b>RMB'000</b>                  | RMB'000<br>(Restated) |
| Profit attributable to equity holders of the Company and<br>used to determine diluted earnings per share (RMB thousands) | <b>4,565</b>                    | 5,888                 |
| Weighted average number of ordinary shares in issue (thousands)  | <b>451,579</b>                  | 442,863               |
| Adjustments for share options (thousands)  | <b>7,039</b>                    | 82                    |
| Adjustments for convertible bond (thousands)   | <b>48,665</b>                   | 45,217                |
| Weighted average number of ordinary shares for diluted earnings<br>per share (thousands)                                 | <b>507,283</b>                  | 488,162               |
| Diluted earnings per share (RMB per share)   | <b>0.009</b>                    | 0.012                 |



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007 and 2008.

## 9. Capital expenditures

|   | Goodwill<br>RMB'000 | Other<br>intangible<br>assets<br>RMB'000 | Property,<br>plant and<br>equipment<br>RMB'000 | Leasehold<br>land and land<br>use rights<br>RMB'000 | Investment<br>properties<br>RMB'000 |
|---|---------------------|--|--|---|-------------------------------------|
| Opening net book amount<br>as at 1 January 2008           | 43,161              | 9,310                                    | 106,521  | 21,086  | 25,286                              |
| Other additions   | -                   | 16                                       | 21,214   | -   | -                                   |
| Exchange realignment                                      | -                   | 53                                       | 213  | -   | -                                   |
| Disposals   | -                   | -  | (2,349)  | -   | -                                   |
| Depreciation/amortisation charge                          | -                   | (122)                                    | (10,259)                                       | (280)   | -                                   |
| Closing net book amount<br>as at 30 June 2008 (unaudited) | 43,161              | 9,257                                    | 115,340  | 20,806  | 25,286                              |
| Opening net book amount<br>as at 1 January 2007           | 2,749               | 10,381                                   | 96,742   | 21,665  | 14,419                              |
| Acquisition of a subsidiary                               | 37,150              | -  | 13,386   | -   | -                                   |
| Exchange realignment                                      | -                   | (260)                                    | (988)  | -   | -                                   |
| Other additions   | -                   | -  | 9,364  | -   | -                                   |
| Disposals   | -                   | -  | (517)  | -   | -                                   |
| Depreciation/amortisation charge                          | -                   | (85)                                     | (7,810)  | (1,580)   | -                                   |
| Adjustment (Note 1)                                       | 760                 | -  | -  | -   | -                                   |
| Transfers (to)/from land use right                        | -                   | -  | (19,912)                                       | 19,912  | -                                   |
| Closing net book amount<br>as at 30 June 2007 (unaudited) | 40,659              | 10,036                                   | 90,265   | 39,997  | 14,419                              |

Note:

- The amount is attributable to the contingent consideration in acquisition of 100% equity interest in NF Richahaus. The adjustment is made to the consideration cost as the directors of the Company considered that the adjustment is probable as at 30 June 2007.

As at 30 June 2008, the net book values of property, plant and equipment and leasehold land and land use rights pledged as securities for Group's bank borrowings totalled to approximately RMB33,362,000 (31 December 2007: RMB34,081,000) (Note 15).

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. Inventories

|                                 | <b>Unaudited<br/>30 June<br/>2008<br/>RMB'000</b> | Audited<br>31 December<br>2007<br>RMB'000 |
|---------------------------------|---|---|
| Raw materials                   | <b>36,990</b>                                     | 38,371                                    |
| Work-in-progress                | <b>43,490</b>                                     | 25,102                                    |
| Finished goods                  | <b>13,386</b>                                     | 25,963                                    |
| Merchandise goods               | <b>62,122</b>                                     | 37,911                                    |
| Goods in transit                | <b>6,429</b>                                      | –   |
|                                 | <b>162,417</b>                                    | 127,347                                   |
| Less: Write down of inventories | <b>(544)</b>                                      | (544)                                     |
|                                 | <b>161,873</b>                                    | 126,803                                   |

## 11. Trade receivables

Details of the aging analysis are as follows:

|                                 | <b>Unaudited<br/>30 June<br/>2008<br/>RMB'000</b> | Audited<br>31 December<br>2007<br>RMB'000 |
|---------------------------------|---|---|
| Current to 30 days              | <b>37,670</b>                                     | 46,194                                    |
| 31 to 60 days                   | <b>27,618</b>                                     | 41,329                                    |
| 61 to 90 days                   | <b>11,061</b>                                     | 15,907                                    |
| Over 91 days                    | <b>13,099</b>                                     | 18,187                                    |
|                                 | <b>89,448</b>                                     | 121,617                                   |
| Less: Impairment on receivables | <b>(923)</b>                                      | (1,667)                                   |
|                                 | <b>88,525</b>                                     | 119,950                                   |

Credit terms generally range from 30 days to 90 days.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. Amounts due from/to related parties

### (a) Amount due from a related party

Amount due from related party was an amount of RMB132,000 (31 December 2007: RMB92,000) due from Custom Accessories Asia Limited ("Custom Accessories"). Majority interests of Custom Accessories are mainly held by Mr. Fresco and his spouse, 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   | Unaudited<br>30 June<br>2008<br>RMB'000 | Audited<br>31 December<br>2007<br>RMB'000 |
|--|---|---|
| Custom Accessories                                       |   |   |
| <b>Balance at beginning of period/year</b>               | <b>92</b>                               | 320                                       |
| <b>Balance at end of period/year</b>                     | <b>132</b>                              | 92  |
| <b>Maximum amount outstanding during the period/year</b> | <b>3,378</b>                            | 2,042                                     |

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.

## 13. Amount due to a director

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

## 14. Trade payables

Details of the aging analysis are as follows:

|                    | Unaudited<br>30 June<br>2008<br>RMB'000 | Audited and<br>restated<br>31 December<br>2007<br>RMB'000 |
|--------------------|---|---|
| Current to 30 days | <b>82,981</b>                           | 65,992  |
| 31 to 60 days      | <b>34,778</b>                           | 37,753  |
| 61 to 90 days      | <b>7,907</b>                            | 22,677  |
| Over 91 days       | <b>19,081</b>                           | 22,761  |
|                    | <b>144,747</b>                          | 149,183   |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. Bank borrowings, secured

|   | <b>Unaudited<br/>30 June<br/>2008<br/>RMB'000</b> | Audited<br>31 December<br>2007<br>RMB'000 |
|---|---|---|
| Bank overdrafts   | <b>23,032</b>                                     | 22,402                                    |
| Bank loans  | <b>78,001</b>                                     | 80,021                                    |
|   | <b>101,033</b>                                    | 102,423                                   |
| The borrowings are repayable as follows:                      |   |   |
| On demand or within one year                                  | <b>84,984</b>                                     | 85,929                                    |
| After one year but within two years                           | <b>1,129</b>                                      | 1,065                                     |
| After two years but within five years                         | <b>3,428</b>                                      | 2,260                                     |
| After five years  | <b>11,492</b>                                     | 13,169                                    |
|   | <b>101,033</b>                                    | 102,423                                   |
| Amount due within one year included<br>in current liabilities | <b>(84,984)</b>                                   | (85,929)                                  |
| Amount included in non-current liabilities                    | <b>16,049</b>                                     | 16,494                                    |

The bank facilities are secured by (i) the Group's freehold land and buildings with an aggregate net carrying value of approximately RMB27,563,000 as at 30 June 2008 (2007: RMB28,188,000); (ii) the Group's leasehold land and land use rights of approximately RMB5,799,000 as at 30 June 2008 (2007: RMB5,893,000); (iii) personal guarantees from a director of the Company, and a director of a subsidiary and her husband; (iv) pledged time deposits, and (v) corporate guarantees of the Company and NFA Parts.

The bank loans bear interest rates ranging from 2.93% to 9.711% (2007: 2.6% to 4.4%) and are due for repayment ranging from 2008 to 2016 (2007: 2008 to 2016). The bank overdrafts are repayable on demand and bear interest at the lending rate stipulated by the People's Bank of China applicable to the 6-month loan period, with 10% mark-down.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. Convertible bond

On 16 May 2007, the Company issued US\$12,000,000 redeemable convertible bond. The bond carries coupon interest rate of 5.2% per annum, which is payable semi-annually in arrears. The bond is convertible into ordinary shares of the Company at an initial conversion price of HK\$2.07 per conversion share and subsequently HK\$1.923 as adjustments arising from bonus issues of shares of the Company (subject to adjustments in accordance with the terms of the convertible bond) at any time during the period commencing from the date of issue of convertible bond.

Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible bond shall be redeemed, plus any accrued and unpaid interest, on the third anniversary of the issue date of the convertible bond.

The Company has no right to make early redemption without the consent of bondholder or its designated affiliates.

The convertible bond is denominated in United States dollar ("US\$") which is different from the functional currency of the Company, the bond issuing entity. As such, the exercise of conversion option would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivative of conversion option is therefore accounted for as a financial liability. The proceeds from the issue of the convertible bond of US\$12,000,000 (approximately equivalent to RMB91,897,000) were initially split into liability and derivative components. On issue of the convertible bond, the fair value of the derivative component is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the balance sheet date are recognised in the condensed consolidated income statement.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. Convertible bond *(continued)*

The movements of the liability component and derivative component of the convertible bond up to 30 June 2008 are as follows:

|  | <b>Liability<br/>component of<br/>convertible<br/>bond</b> | <b>Derivative<br/>component of<br/>convertible<br/>bond</b> | <b>Total</b> |
|--|--|---|--------------|
|  | RMB'000  | RMB'000   | RMB'000      |
| At the issuance date   | 61,312   | 30,585  | 91,897       |
| Direct transaction costs   | (1,451)  | –   | (1,451)      |
| Effective interest expense recognised and not yet paid                               | 7,853  | –   | 7,853        |
| Fair value gain  | –  | (15,214)  | (15,214)     |
| Unrealised exchange realignment gain   | (2,592)  | (1,568)   | (4,160)      |
| At 31 December 2007  | 65,122   | 13,803  | 78,925       |
| Amount due within on year (interest payable included in accruals and other payables) | (2,927)  | –   | (2,927)      |
| Amount classified as non-current liabilities   | 62,195   | 13,803  | 75,998       |
| Effective interest expense recognised ( <i>Note 5</i> )                              | 6,444  | –   | 6,444        |
| Fair value gain  | –  | (4,822)   | (4,822)      |
| Coupon interest expense paid   | (2,130)  | –   | (2,130)      |
| Unrealised exchange realignment gain   | (3,530)  | (783)   | (4,313)      |
| At 30 June 2008  | 62,979   | 8,198   | 71,177       |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17. Share capital

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

|                                      | Number of shares | Nominal Value |               |
|--------------------------------------|------------------|---------------|---------------|
|                                      | '000             | HKD'000       | RMB'000       |
| At 1 January 2007                    | 405,835          | 40,584        | 42,987        |
| Arising on acquisition of subsidiary | 13,660           | 1,366         | 1,350         |
| Bonus issue                          | 20,979           | 2,097         | 2,048         |
| Employee share option scheme:        |                  |               |               |
| – proceeds from shares issued        | 90               | 9             | 9             |
| At 31 December 2007                  | 440,564          | 44,056        | 46,394        |
| Bonus issue                          | 11,015           | 1,101         | 980           |
| <b>At 30 June 2008</b>               | <b>451,579</b>   | <b>45,157</b> | <b>47,374</b> |

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

|                               | Options<br>(thousands) |
|-------------------------------|------------------------|
| At 1 January and 30 June 2008 | 15,380                 |

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

| Expiry date      | Exercise price<br>HK\$ per share | Granted to<br>Directors<br>(thousands) | Granted to<br>Employees<br>(thousands) | Total<br>(thousands) |
|------------------|----------------------------------|--|--|----------------------|
| 31 December 2008 | 0.94                             | –                                      | 1,060                                  | 1,060                |
| 31 December 2008 | 1.01                             | –                                      | 800                                    | 800                  |
| 31 December 2010 | 0.94                             | –                                      | 3,470                                  | 3,470                |
| 12 February 2015 | 0.94                             | 10,050                                 | –                                      | 10,050               |
|                  |                                  | 10,050                                 | 5,330                                  | 15,380               |

There was no new grant share option during the six months ended 30 June 2008.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18. Reserves

|  | Share<br>premium<br>account<br>RMB'000 | Statutory<br>reserve<br>fund<br>RMB'000 | Re-<br>organisation<br>reserve<br>RMB'000 | Enterprise<br>expansion<br>fund<br>RMB'000 | Retained<br>profits<br>RMB'000 | Others,<br>including<br>share<br>options<br>reserve<br>RMB'000 | Exchange<br>reserve<br>RMB'000 | Total<br>RMB'000 |
|--|--|---|---|--|--------------------------------|--|--------------------------------|------------------|
| 1 January 2007   | 74,235                                 | 22,596                                  | 2,738                                     | 2,756                                      | 53,084                         | 2,698  | (921)                          | 157,186          |
| Issue of shares for acquisition of<br>a subsidiary   | 29,713                                 | -                                       | -   | -  | -                              | -  | -                              | 29,713           |
| Issue of shares on exercise of<br>share options  | 85                                     | -                                       | -   | -  | -                              | (12)   | -                              | 73               |
| Fair value adjustment upon<br>transfer of property, plant and<br>equipment to investment<br>properties | -                                      | -                                       | -   | -  | -                              | 602  | -                              | 602              |
| Lapse of share options   | -                                      | -                                       | -   | -  | 575                            | (575)  | -                              | -                |
| Profit for the year  | -                                      | -                                       | -   | -  | 17,849                         | -  | -                              | 17,849           |
| Transfer of reserves   | -                                      | 2,432                                   | -   | -  | (2,432)                        | -  | -                              | -                |
| Bonus issue  | (2,048)                                | -                                       | -   | -  | -                              | -  | -                              | (2,048)          |
| Exchange realignment   | -                                      | -                                       | -   | -  | -                              | -  | (3,052)                        | (3,052)          |
| At 31 December 2007  | 101,985                                | 25,028                                  | 2,738                                     | 2,756                                      | 69,076                         | 2,713  | (3,973)                        | 200,323          |
| Lapse of share options   | -                                      | -                                       | -   | -  | 6                              | (6)  | -                              | -                |
| Profit for the period  | -                                      | -                                       | -   | -  | 7,256                          | -  | -                              | 7,256            |
| Transfer of reserve  | -                                      | 917                                     | -   | -  | (917)                          | -  | -                              | -                |
| Bonus issue  | (980)                                  | -                                       | -   | -  | -                              | -  | -                              | (980)            |
| Exchange realignment   | -                                      | -                                       | -   | -  | -                              | -  | (4,299)                        | (4,299)          |
| At 30 June 2008  | 101,005                                | 25,945                                  | 2,738                                     | 2,756                                      | 75,421                         | 2,707  | (6,272)                        | 202,300          |



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. Commitments

### (a) Commitments under operating leases

#### *The Group as lessee*

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

|                                       | <b>Unaudited<br/>30 June<br/>2008<br/>RMB'000</b> | Audited<br>31 December<br>2007<br>RMB'000 |
|---------------------------------------|---|---|
| Within one year                       | <b>63,336</b>                                     | 20,542                                    |
| In the second to fifth year inclusive | <b>150,169</b>                                    | 66,947                                    |
| After the fifth year                  | <b>53,457</b>                                     | 12,659                                    |
|                                       | <b>266,962</b>                                    | 100,148                                   |

#### *The Group as lessor*

The Group has future minimum lease payments receivable under non-cancellable operating leases as follows:

|                                       | <b>Unaudited<br/>30 June<br/>2008<br/>RMB'000</b> | Audited<br>31 December<br>2007<br>RMB'000 |
|---------------------------------------|---|---|
| Within one year                       | <b>690</b>  | 638                                       |
| In the second to fifth year inclusive | <b>1,233</b>                                      | –   |
|                                       | <b>1,923</b>                                      | 638                                       |

### (b) Capital commitments

|  | <b>Unaudited<br/>30 June<br/>2008<br/>RMB'000</b> | Audited<br>31 December<br>2007<br>RMB'000 |
|--|---|---|
| Property, plant and equipment<br>– Contracted but not provided for | <b>26,204</b>                                     | 29,468                                    |

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 20. Related party transactions

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

|                                     | <b>Unaudited</b><br><b>Six months ended 30 June</b> |                 |
|-------------------------------------|---|-----------------|
|                                     | <b>2008</b><br><b>RMB'000</b>                       | 2007<br>RMB'000 |
| Sale of goods to Custom Accessories | <b>3,423</b>  | 1,533           |

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.

## 21. Banking facilities

The Group's banking facilities are as follows:

|                                    | <b>Unaudited</b><br><b>30 June</b><br><b>2008</b><br><b>RMB'000</b> | Audited<br>31 December<br>2007<br>RMB'000 |
|------------------------------------|---|---|
| Total banking facilities available | <b>125,967</b>  | 107,665                                   |
| Less: amounts utilised             | <b>(101,033)</b>  | (102,423)                                 |
| Unused facilities                  | <b>24,934</b>   | 5,242                                     |

For details of the securities for the banking facilities, please refer to Note 15 to these condensed consolidated financial statements.

## 22. Contingent liabilities

As at 30 June 2008, the contingent consideration in acquisition of 100% equity interest in NF Richahaus amounted to approximately RMB8,351,000.

## 23. Approval of financial statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 11 September 2008.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Overview**

The manufacturing business of the Company focuses on the innovative production in the domains of automobile green lighting and automobile electronic power while its chain store business is committed to providing professional automotive aftermarket products and services for car owners.

## **Financial Review**

### **Revenue**

As at 30 June 2008, the Group has recorded a consolidated turnover of approximately RMB341,724,000, representing a growth of 3.5% as compared to the corresponding period in 2007 (approximately RMB330,190,000). Among which, the consolidated turnover of NFA (representing the Group's manufacturing business) amounted to approximately RMB234,235,000, a fall of 8% compared to the corresponding period in 2007, and that of AUTOLIFE (representing the Group's chain store business) amounted to approximately RMB107,489,000, representing a growth of 44.5% as compared to the corresponding period in 2007. The share of chain store business in the Group's consolidated turnover increased from 22.5% in the corresponding period of last year to 31.5% currently.

### **Gross Profit**

Gross profit for the Period amounted to approximately RMB77,559,000 (for the corresponding period of 2007: approximately RMB62,877,000), representing an increase of 23.4% as compared to the corresponding period in 2007, and the gross margin was approximately 22.7% representing an increase of 3.7% as compared to the corresponding period in 2007; among which, the gross profit of NFA (representing the Group's manufacturing business) increased by approximately 5% as compared to 2007. Despite the fact that the manufacturing business was affected by the twofold pressure of appreciation of RMB and the price fluctuations of raw materials, gross margin reached 15.7%, representing a growth of 2% as compared to 2007. The gross margin of AUTOLIFE (representing the Group's chain store business) was approximately 38%, maintaining a continuously stable and relatively high gross margin level.

### **Other income**

During the Period, the Group recorded other income of approximately RMB12,670,000 (for the corresponding period of 2007: approximately RMB6,401,000), of which approximately RMB4,822,000 was from the premium on the issue of the convertible bonds of US\$12,000,000 in 2007.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Expenses

During the Period, sales and marketing expenses were approximately RMB40,057,000 (corresponding period of 2007: approximately RMB30,213,000), representing a growth of 32.6% as compared to the corresponding period of 2007. The growth was mainly due to:

- an addition of 5 Super stores in the Taiwan region of the service business, leading to an increase in sales and marketing expenses accordingly;
- an addition of 2 Super stores in the Beijing region of the service business, leading to an increase in sales and marketing expenses accordingly;

During the Period, administrative expenses amounted to approximately RMB27,257,000 (for the corresponding year of 2007: approximately RMB27,168,000), representing a growth of approximately 0.3% as compared to the corresponding period of 2007.

## Operating profit

Operating profit for the Period was approximately RMB22,915,000 (corresponding year of 2007: approximately RMB11,897,000), representing an increase of 92.6% as compared to the corresponding period of last year.

## Finance costs

Net finance costs amounted to approximately RMB9,846,000 for the Period (corresponding period of 2007: approximately RMB3,597,000), representing an increase of 173.7% as compared to the corresponding period of 2007. The increase was mainly attributable to the interest expenses amounting to approximately RMB6,444,000, incurred in the issue of the convertible bonds of US\$12,000,000 in 2007.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Tax**

Income tax expense was approximately RMB4,289,000 for the Period (corresponding period of 2007: approximately RMB1,906,000), representing a growth of 125% as compare to the corresponding period of 2007, which was mainly attributable to the following:

- the concessionary tax rate for income tax applicable to a subsidiary of NFA manufacturing business, namely, New Focus Light and Power Technology (Shanghai) Co., Ltd. had expired at the end of 2007, and the income tax rate for the period under review was 25%;

New Focus Light and Power Technology (Shanghai) Co., Ltd. has lodged an application to the Shanghai Government for the qualification of “National High-tech Enterprises” in accordance with the requirements of the new policy. The income tax rate will be reduced to 15% pending the re-approval of the relevant government departments. The over-payment for the year 2008 will be rebated at the end of the year;

- as at 30 June 2008, the headquarters in Taiwan region of service business has offset the losses in the previous years, and the applicable tax rate has been set at the level of 25%.

## **Profit attributable to shareholders**

The profit attributable to shareholders was approximately RMB8,780,000 for the Period (of which approximately RMB4,822,000 was related to the effect of revaluation gains on fair value of derivative component of convertible bonds) representing a growth of approximately 37.3% as compared to the corresponding period of 2007; loss was tuned into profit for the first time which amounted to approximately RMB1,755,000 for AUTOLIFE (representing the Group’s chain store business).

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Financial conditions and liquidity***

The Group maintained its stable balance sheet throughout the Period. During the period under review, operation of the Group was mainly financed by internally generated resources, bank facilities and the issue of convertible bonds. As at 30 June 2008, the Group had adequate cash and bank balance amounting to approximately RMB83,863,000 (31 December 2007: approximately RMB138,874,000).

As at 30 June 2008, current assets of the Group maintained at a healthy level with a liquidity ratio (current assets: current liabilities) of 1.57 (31 December 2007: 1.58). Gearing ratio (total liabilities: total assets) was 0.56 (31 December 2007: approximately 0.57). As at 30 June 2008, the Group had no long-term loans of approximately RMB87,226,000 (31 December 2007: approximately RMB92,492,000); while short-term loans totaled to approximately RMB84,984,000 (31 December 2007: approximately RMB85,929,000).

The Group will continue to maintain a healthy financial situation. The Group has sufficient financial resources to meet its commitments, working capital requirements and investments for future expansion.

## ***Financial guarantees and pledge of assets***

As at 30 June 2008, the net book values of property, plant and equipment and leasehold land and land use rights pledged as securities for Group's bank borrowings totaled to approximately RMB33,362,000 (31 December 2007: approximately RMB34,081,000).

## ***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***

During the Period, the Group has no material investment.

During the Period, the total capital expenditure of the Group amounted to approximately RMB21,230,000 (Corresponding period of 2007: approximately RMB22,750,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Risk of Exposure to Exchange Rate Fluctuations and Related Hedging***

During the Period, the Group had no investments in hedging derivatives. Considering potential Renminbi exchange rate fluctuations, the Group will consider whether or not to arrange for monetary and interest rate swaps at appropriate times so as to avoid the corresponding risks.

## ***Employees and remuneration policy***

As at 30 June 2008, the Group employed 2,393 full-time employees (30 June 2007: 2,240), of which 110 (30 June 2007: 80) 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 operates a provident fund scheme registered under Chapter 485 of the laws of Hong Kong for all its Hong Kong employees.

Outstanding employees of the Group will also be granted discretionary bonuses and share options as incentives.

## ***Dividend***

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: nil).

## ***Business Review***

### **Automobile green lighting and electronic power manufacturing business – NFA**

During the first half of 2008, adverse situation since 2007 still sustained in the overall environment, and NFA faced substantial challenges:

- The prices of major raw materials required in the manufacturing business continuously fluctuated in an intensifying manner;

# MANAGEMENT DISCUSSION AND ANALYSIS

- The RMB to USD exchange rate has surged by approximately 5.5% on an accumulated basis; (Source of data: China Foreign Exchange Centre)
- The PRC government adopted a strict currency policy in order to prevent inflow of offshore hot money and economic overheating;
- The increase of sales of automobiles as compared to the corresponding period of last year was 16.71% and 18.52%. As compared to the growth rate of over 22% in the corresponding year of 2007, the growth rate decreased a bit; (Source of figures: China Automobile Industry Association)

Despite facing various challenges, NFA is highly confident in grasping the substantial business opportunities in the PRC automotive parts and accessories market and OEM market, steadily implementing the strategic principle of “developing the PRC automotive parts and accessories market and OEM markets, switching its focus from the manufacture of a variety of products to specializing in automobile electronic and green lighting products”. The various measures adopted to deal with the adverse macro environment had become effective in the first six months of 2008:

Firstly, during the period under review, NFA further developed and expanded the channels for export sales while making use of the flourishing business opportunities in China's automobile market. Sales revenue increased by 3.4% as compared to 2007:

1. Continuously increasing the proportion of overseas direct sales of NFA products;
  - NFA had established sales office in North America, hired local sales agent to directly provide pre-sale and after-sales service of products in a timely manner;
  - NFA had been equipped with warehouses in North America that can store corresponding amount of inventories so as to guarantee timely supply of products to clients;
  - we had further improved the product performance and appearance, packaging design in order to provide retailers with more competitive and quality products;



# MANAGEMENT DISCUSSION AND ANALYSIS

2. Adhering to the strategy of focusing on developing OEM and the PRC automotive parts and accessories market:
  - During the Period, NFA was appointed by three well-known automobile manufacturers to be the major OEM supplier;
  - During the Period, the sales share in the Greater China automotive parts and accessories market represented approximately 15% of the NFA total sales amount;
3. Putting great emphasis on autonomous research and development, accelerating the pace of new product development and maintaining its advantageous position in autonomous research and development:
  - NFA continuously developing and completely optimizing three main series of products-automotive converters, chargers and POWER PACK, maintaining the market competitiveness of the above products. The research and development and testing and adjustment works for the fifth-generation HID ballasts has already been completed and is now proceeding to the stage of trial production, which will be a significant driving force to the development of OEM and automotive parts and accessories market;
  - NFA focuses on the development of products supporting new power and green power. The POWER PACK for green power which the company has currently been researching and is in the trial production stage, can transform solar energy to domestic source of power and can be stored for subsequent consumption, which can substantively satisfy the persistently growing demand for new energy and green energy in the international markets and thus pose a massive driving force to the development of international markets.

# MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, NFA adopted various measures to actively deal with the adverse factors of the macro environment, ensuring a steady increase in the gross margin of NFA products;

1. Streamlining production lines and perfecting price quotation strategy:
  - based on the advantages such as labour costs, preferential tax, etc of the Shandong factory, the production of POWER PACK, JUMP START products with relatively lower gross profit are continuously transferred to Shandong factory, which can increase the gross margin of products by 4%-5%;
  - based on the 8%-10% increase in the selling price of products, NFA sustained the adjusted price quotation strategy which was implemented in 2007, and this to a certain extent, mitigated the effect brought by the substantial price fluctuations of raw materials;
2. Continuously increasing the proportion of the overseas direct sales of NFA products. As compared with the products sold to importers, the gross margin of products directly supplied to retailers increased by approximately 5%-8%:
  - The company directly supplied stocks to two large-scale chain retailers in North American region since January and March 2008 respectively and is currently entering into a substantial negotiation stage with another large-scale chain retailer;
3. Enhancing production capacity, further upgrading product quality while optimizing resource equipment:
  - the construction of the Shanghai production base was completed in the end of June 2008 and it will be able to commence operation officially in September 2008;
  - as compared to the original Shanghai production site, the production capacity of phase I of the new base that has just commenced production increased by over 15% as compared to the corresponding period of last year;

# MANAGEMENT DISCUSSION AND ANALYSIS

- product development pace has been accelerated, which fully satisfies the venues, equipments and environment required in the development of new products;
  - new factory and its new-model auxiliary equipments are utilized; the substantial increase in the degree of production automation will maximize the optimization of product quality;
4. Procurement department is implementing new purchasing policies, which has resulted in a relatively low raw material costs under the macro environment in which price fluctuations of raw materials are intensifying:
- price comparison among various suppliers has been carried out in order to select the most cost effective raw materials;
  - company resources are utilized effectively to improve efficiency and to reduce wastage;

During the period under review, the macro environment, together with the increase in raw material and labour costs, have had adverse effects on many production-oriented enterprises. Owing to the smooth execution of the above various responsive measures and the effective implementation of the forward-looking strategic plans, NFA was able to overcome the adverse factors and achieve stable growth in turnover and gross profit.

## ***Automotive aftermarket chain store business – AUTOLIFE***

Autolife is committed to providing professional automotive aftermarket services. After five years of market exploration, its development strategy has been changed from initial maximization of market share to the creation of brand name value, and from expansion of the number of stores to improvement of store quality. The operation mode of Autolife chain store network was adjusted into two main categories in 2007: Super stores and Convenient stores with Super Stores being confirmed as the profit mode most suitable for long-term development.

# MANAGEMENT DISCUSSION AND ANALYSIS

Since 2006, while Autolife is dedicated to strengthening and expanding its store network, it even emphasizes more on integrating product procurement, logistics and distribution, technical research, management of human resources and the input of resources into information systems. During the period under review, the effects of early investment and construction had already been shown and loss was turned into profit in respect of the service business sector. During the period under review, the turnover of service business was growing steadily, reaching approximately RMB117,489,000. Loss was turned into profit for the first time, with net profit being approximately RMB1,755,000.

Firstly, based in the Shanghai as the regional headquarters in the Greater China, the Group developed a store network within the region in order to provide support such as technical support and service support for stores under direct operation and those operating under franchise arrangements in the region:

- Headquarters of the Beijing region – Beijing: the headquarters of the region was established in May 2007 through the acquisition of 北京愛義行汽車服務有限公司 (Beijing Aiyihang Auto Service Ltd.). For the period from January to June 2008, the Beijing regional headquarters was committed to developing new channels for store network, with an addition of 2 Super stores to the original 12 Super stores as in 2007. The number of retained customers and the influential power of the brand name both ranked first in Beijing's automotive chain store business;
- Headquarters of the Taiwan region – Taipei: the headquarters of the region was established at the end of 2006. After the acquisition of Richahaus Taiwan, the management, leveraging on the strength of Richahaus Taiwan's decades of experience in the industry and reputation, integrated the strong support from Autolife headquarters. For the period from January to June 2008, Richahaus Taiwan established two Super stores. Acquisition of “野田汽車百貨” add one Super store in the Taichung area. Acquisition of the largest car chain store in Southern Taiwan “路士達汽車百貨” added 4 more Super stores. The number of Super stores under direct operation has reached 15, which further consolidates the leading position in the industry in Taiwan in respect of the scale of store network, turnover and the brand's influence;

# MANAGEMENT DISCUSSION AND ANALYSIS

- Headquarters of Shanghai region – Shanghai: the headquarters of that region was established in 2002. Until the end of 2008, the store network in Shanghai covered 18 stores in total, of which 1 was Super store. Due to the strengths of operation scale and brand coverage, 1 Super store operating under franchise arrangements was successfully opened in Shanghai in June 2008;
- Headquarters of Chengdu region — Chengdu: the headquarters of that region was established in 2006. As at end June 2008, 2 Super stores have been opened, acting as a pioneer in the car chain network in the Southwest region which has established a firm base for Autolife's future network construction and channel building in the Southwest region;

As at end June 2008, Autolife has had 32 Super stores under direct operation, representing a growth rate of 40%. The successful development of Super stores will promote a steady growth in Autolife's turnover.

Secondly, Autolife, with tier one regions and cities such as Beijing, Shanghai, Zhejiang, Guangdong, Tianjin, Nanjing, Jiangsu and Chengdu, etc as bases has expanded to the surrounding cities to join the franchise. As at end June 2008, there were 326 franchise stores in total;

The Group adopted a stage-by-stage supervision over franchising business, permitting free development of franchisees in the first stage, carrying out integration of resource procurement in the second stage and overall recovery in the third stage. During the period under review, the second stage, i.e., the integration of resource procurement was in progress, therefore, the requirements and standard on new franchisees became stricter. This also complied with the Company's integration strategy, focusing on the quality of the store network.

During the period under review, Autolife owned 375 chain stores in total, of which Strategic Focus development mode – Super stores under direct operation totaled 32. Autolife will maintain strong expansion momentum through generic growth and merger and acquisition, aggressively developing store network and steadily increasing turnover in order to increase profitability.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Future Prospects***

The Group will grasp the opportunity presented by the development of the PRC automotive parts and accessories market. Making use of its qualification as the major supplier for China's first-class depots, it will further increase investment in 2008 to increase market share of NFA in the China automotive OEM market. Meanwhile, the Group will utilize this business platform to integrate relevant businesses. Through the established sales channels, it supplies other products in its portfolio to China's first-class depots. This will significantly expand the operation scale of NFA;

With the completion of the strategic scheme of regional headquarters, the establishment of the profit model of Super Stores and the economies of scale achieved by chain store network, Autolife has already shown positive results. The service business will sustain its development strategy of store network expansion, through acquiring quality operators of Super store within the region. By means of the newly acquired Super stores, together with the existing operational support and strategies of the headquarters, it will rapidly set up other new regional headquarters.

# OTHER INFORMATION

## **Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations**

As at 30 June 2008, 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 Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executives of the Company were 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/<br>Nature of interest                  | Number of shares  | Number of  | Total           | Approximate |
|--------------------------------------|--|---|--|-----------------|-------------|
|                                      |  | in which interested<br>(other than under<br>equity derivatives) | shares in<br>which interested<br>under equity<br>derivatives |                 |             |
| Mr. Hung<br>Wei-Pi, John             | Interest in a controlled<br>corporation (Note 2) | 177,138,040 (L)   | Nil  | 177,138,040 (L) | 39.23%      |
| Mr. Douglas Charles<br>Stuart Fresco | Interest in a controlled<br>corporation (Note 3) | 54,364,200 (L)  | Nil  | 54,364,200 (L)  | 12.34%      |
| Mr. Lu Yuan Cheng                    | Beneficial Owner                                 | 795,035 (L)   | 3,250,000 (L)<br>(Note 4)                                    | 4,045,035 (L)   | 0.90%       |
| Ms. Hung Ying-Lien                   | Beneficial Owner                                 | 383,145 (L)   | 3,400,000 (L)<br>(Note 4)                                    | 3,783,145 (L)   | 0.84%       |
| Mr. Wu Kwan-Hong                     | Beneficial Owner                                 | 513,935 (L)   | 3,400,000 (L)<br>(Note 4)                                    | 3,913,935 (L)   | 0.87%       |

# OTHER INFORMATION

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 2008 were as follows:

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

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



# OTHER INFORMATION

Save as disclosed above, as at 30 June 2008, to the knowledge of the Directors and chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

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

So far as the Directors and chief executives of the Company are aware, as at 30 June 2008, 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 which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

| <b>Name of<br/>Substantial Shareholder</b> | <b>Capacity/<br/>Nature of interest</b> | <b>Number of shares<br/>in which interested<br/>(other than under<br/>equity derivatives)</b> | <b>Number<br/>of shares<br/>in which<br/>interested<br/>under equity<br/>derivatives</b> | <b>Total number<br/>of shares</b> | <b>Percentage<br/>of issued<br/>shares</b> |
|--|---|---|--|-----------------------------------|--|
|  |   | <i>(Note 1)</i>   |  |                                   |  |
| Sharp Concept<br>Industrial Limited        | Beneficial owner                        | 177,138,040 (L)   | Nil  | 177,138,040                       | 39.23%                                     |
| Ms. Jinxiao Yan                            | Family interest <i>(Note 2)</i>         | 177,138,040 (L)   | Nil  | 177,138,040                       | 39.23%                                     |
| Mr. Douglas Charles<br>Stuart Fresco       | Family interest <i>(Note 3)</i>         | 54,364,200 (L)  | Nil  | 54,364,200                        | 12.34%                                     |
| Golden Century<br>Industrial Limited       | Beneficial owner                        | 52,283,600 (L)  | Nil  | 52,583,600                        | 11.95%                                     |
| Ms. Linda Fresco                           | Family interest <i>(Note 3)</i>         | 54,364,200 (L)  | Nil  | 54,364,200                        | 12.34%                                     |

# OTHER INFORMATION

## *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. 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. The difference between the number of shares held by Golden Century Industrial Limited and Mr. Douglas Charles Stuart Fresco represent shares that are held under Mr. Douglas Charles Stuart Fresco personal name.

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 which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2008.

## ***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 2008. The detailed terms of the Scheme were disclosed in the 2005 annual report of the Company.

As at 30 June 2008, 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.

# OTHER INFORMATION

Details of the share options granted under the Scheme as at 30 June 2008 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 options at 1 January 2008 | Number of underlying shares subject to options since 1 January 2008 | Number of Lapsed/ cancelled since 1 January 2008 | Number of underlying shares subject to options at 30 June 2008 |
|--|-------------------------------|------------------------------------|--|--|--|---|--|--|
|  |                               |                                    |  |  | outstanding  | exercised   | cancelled  | to outstanding   |
| Ms. Hung Ying-Lien<br>Executive Director   | 28/2/2005                     | 1/1/2006–<br>12/2/2015<br>(Note 1) | HK\$0.94                                   | HK\$0.94                                   | 3,400,000  | –   | –  | 3,400,000  |
| Mr. Wu Kwan-Hong<br>Executive Director     | 28/2/2005                     | 1/1/2006–<br>12/2/2015<br>(Note 2) | HK\$0.94                                   | HK\$0.94                                   | 3,400,000  | –   | –  | 3,400,000  |
| Mr. Lu Yuan Cheng<br>Executive Director    | 28/2/2005                     | 1/1/2006–<br>12/2/2015<br>(Note 3) | HK\$0.94                                   | HK\$0.94                                   | 3,250,000  | –   | –  | 3,250,000  |
| Continuous contract employees in aggregate | 28/2/2005                     | From 1/1/2007<br>(Note 4)          | HK\$0.94                                   | HK\$0.94                                   | 4,530,000  | –   | (60,000)   | 4,470,000  |
| Continuous contract employees in aggregate | 5/7/2005                      | From 1/1/2007<br>(Note 4)          | HK\$1.01                                   | HK\$1.00                                   | 800,000  | –   | –  | 800,000  |
| Total                                      |                               |                                    |  |  | 15,380,000   | –   | (60,000)   | 15,320,000<br>(Note 5)   |

# OTHER INFORMATION

## *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 its 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, 11 September 2008