

NFA[®]

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
2012

* For identification purpose only

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CORPORATE INFORMATION

Directors

Executive Directors

Hung Wei-Pi, John (*Chairman*)

Raymond N. Chang

Wu Kwan-Hong

Hung Ying-Lien

Lu Yuan Cheng

Douglas Charles Stuart Fresco

Edward B. Matthew

Non-executive Directors

Low Hsiao-Ping

Hsu Ming Chyuan

Chang An-Li

Independent Non-executive Directors

Du Haibo

Zhou Tai-Ming

Uang Chii-Maw

Company Secretary

Liu Xiao Hua

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Cayman Islands

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Auditor

BDO Limited

Certified Public Accountants

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Legal Advisers

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Stock Code

360

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the “Directors”) of New Focus Auto Tech Holdings Limited (the “Company”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Unaudited Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Turnover	3	660,249	671,230
Cost of sales and services		(472,324)	(488,642)
Gross profit		187,925	182,588
Other income and gains or losses	3	10,676	16,113
Distribution costs		(124,472)	(89,069)
Administrative expenses		(66,602)	(59,042)
Finance costs	4	(12,288)	(5,985)
(Loss)/profit before income tax expense		(4,761)	44,605
Income tax expense	5	(5,546)	(12,539)
(Loss)/profit for the period		(10,307)	32,066
Other comprehensive income, net of tax:			
Exchange differences arising on translating foreign operations		796	261
Total comprehensive income for the period		(9,511)	32,327

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2012

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2012	2011
		RMB'000	RMB'000
Profit for the period attributable to:			
Owners of the Company		(19,226)	15,677
Non-controlling interests		8,919	16,389
		(10,307)	32,066
Total comprehensive income for the period			
attributable to:			
Owners of the Company		(18,558)	15,775
Non-controlling interests		9,047	16,552
		(9,511)	32,327
(Loss)/earnings per share:			
- Basic	6	(RMB0.028)	RMB0.028
- Diluted	6	(RMB0.028)	RMB0.028

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	232,103	219,100
Leasehold land and land use rights	8	17,430	17,688
Investment properties	8	46,764	46,764
Goodwill	8	299,879	285,992
Other intangible assets	8	336,185	336,275
Interest in a jointly-controlled entity		900	–
Prepayment for acquisition of land use right and property, plant and equipment		26,181	14,108
Prepayment for proposed acquisitions of subsidiaries	18	93,040	1,500
Deferred tax assets		566	222
		1,053,048	921,649
Current assets			
Inventories	9	306,716	310,469
Tax recoverable		1,207	1,260
Trade receivables	10	214,178	230,373
Deposits, prepayments and other receivables		88,650	98,275
Amounts due from related companies	11(a)	11,265	11,064
Trading securities		243	243
Pledged time deposits		1,473	3,587
Cash and cash equivalents		138,871	326,840
		762,603	982,111

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2012

	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Current liabilities			
Bank borrowings, secured	13	153,286	175,549
Bank overdrafts		9,953	–
Trade payables	12	255,001	215,701
Accruals and other payables		167,501	189,213
Amount due to a related party	11(b)	–	1,000
Amount due to a non-controlling holder of a subsidiary		16,426	10,957
Tax payable		5,027	10,178
		607,194	602,598
Net current assets		155,409	379,513
Total assets less current liabilities		1,208,457	1,301,162
Non-current liabilities			
Bank borrowings, secured	13	11,366	11,898
Renminbi-denominated bond		198,618	197,879
Convertible bonds		125,929	122,261
Consideration payables		2,099	7,002
Deferred tax liabilities		86,527	86,524
		424,539	425,564
Net assets		783,918	875,598
CAPITAL AND RESERVES			
Share capital	14	57,965	58,256
Reserves		493,783	559,397
Equity attributable to owners of the Company		551,748	617,653
Non-controlling interests		232,170	257,945
Total equity		783,918	875,598

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital RMB'000 (Note 14)	Share premium and other reserves RMB'000 (Note 15)	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	58,256	439,281	120,116	617,653	257,945	875,598
Total comprehensive income for the period	-	668	(19,226)	(18,558)	9,047	(9,511)
Repurchases and cancellation of share	(291)	(4,924)	(291)	(5,506)	-	(5,506)
Arising from partial acquisitions of equity interests in subsidiaries	-	-	(41,841)	(41,841)	(32,646)	(74,487)
Dividends paid to non-controlling owners of a subsidiary	-	-	-	-	(2,176)	(2,176)
Balance at 30 June 2012	57,965	435,025	58,758	551,748	232,170	783,918

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2011

	Share capital RMB'000 (Note 14)	Share premium and other reserves RMB'000 (Note 15)	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011	55,317	313,708	113,755	482,780	183,835	666,615
Total comprehensive income for the period	-	98	15,677	15,775	16,552	32,327
Balance at 30 June 2011	55,317	313,806	129,432	498,555	200,387	698,942

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	30,836	(56,124)
Net cash used in investing activities	(205,398)	(13,725)
Net cash (used in)/generated from financing activities	(23,180)	78,006
Net (decrease)/increase in cash and cash equivalents	(197,742)	8,157
Cash and cash equivalents at the beginning of the period	326,840	63,216
Effect of foreign exchange rate change	(180)	62
Cash and cash equivalents at the end of the period	128,918	71,435
Analysis of cash and cash equivalents:		
Cash and bank balances	138,871	93,827
Bank overdrafts	(9,953)	(22,392)
	128,918	71,435

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

1. Organisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

2. Basis of preparation and principal accounting policies

(a) Basis of preparation

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").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of these financial statements are consistent with those used in the annual consolidated financial statements of the Group for the year ended 31 December 2011 except accounting policy on a jointly-controlled entity as stated in Note 2(b) below and those in relation to the new and revised standards, amendments and interpretations issued by the HKICPA that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated interim financial statements.

The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

(b) Principal accounting policy

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and gains or losses and segment information

The Group is principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Turnover	660,249	671,230
Other income and gains or losses:		
Bank interest income	1,377	168
Government subsidies	452	926
Gain/(loss) on disposal of property, plant and equipment	212	(387)
Rental income	1,664	1,543
Gain on sale of scrap materials	224	195
Sampling income	676	339
Compensation income	-	1,707
Sponsorship income	719	1,501
Exchange gains, net	795	2,465
Rebates and discounts received	2,905	2,694
Handling fee income	-	1,783
Others	1,652	3,179
	10,676	16,113
	670,925	687,343

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group operates in two reportable segments, (i) the manufacture and sale of automobile accessories, and (ii) the provision of automobile repair, maintenance and restyling services and trading of automobile accessories.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that are used by the chief operating decision-makers for assessment of segment performance.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and gains or losses and segment information *(Continued)*

(a) *Reportable segments (Continued)*

Set out below is an analysis of information of these segments:

	Unaudited Six months ended 30 June 2012			
	Manufacture and sale of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services and trading of automobile accessories RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS				
External sales revenue	152,670	507,579	–	660,249
Inter-segment sales revenue	54,992	12,542	(67,534)	–
External other income and gains or losses	2,207	8,113	–	10,320
Total	209,869	528,234	(67,534)	670,569
Reportable segment profit	(8,184)	18,186		10,002
Interest income	69	952		1,021
Unallocated interest income				356
Total interest income				1,377
Interest expense	(4,213)	(312)		(4,525)
Unallocated interest expense				(7,763)
Total interest expense				(12,288)
Depreciation and amortisation charges	(8,391)	(7,978)		(16,369)
Unallocated depreciation and amortisation charges				(14)
Total depreciation and amortisation charges				(16,383)
Income tax credit/(expense)	936	(6,482)		(5,546)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and gains or losses and segment information *(Continued)* (a) *Reportable segments (Continued)*

	Unaudited Six months ended 30 June 2011			
	Manufacture and sale of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services and trading of automobile accessories RMB'000	Eliminations RMB'000	Consolidated RMB'000
RESULTS				
External sales revenue	221,010	450,220	–	671,230
Inter-segment sales revenue	5,050	21,107	(26,157)	–
External other income and gains or losses	1,974	11,525	–	13,499
Total	228,034	482,852	(26,157)	684,729
Reportable segment profit	3,509	46,745		50,254
Interest income	161	7		168
Interest expense	(4,623)	(1,355)		(5,978)
Unallocated interest expense				(7)
Total interest expense				(5,985)
Depreciation and amortisation charges	(8,314)	(7,984)		(16,298)
Unallocated depreciation and amortisation charges				(15)
Total depreciation and amortisation charges				(16,313)
Income tax expense	(967)	(11,572)		(12,539)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and gains or losses and segment information *(Continued)*
(b) Reconciliation of reportable segment profit or loss, and assets and liabilities

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
(Loss)/profit before income tax expense		
Reportable segment profit	10,002	50,254
Unallocated other income and net gains or losses	356	2,614
Unallocated corporate expenses	(15,119)	(8,263)
Consolidated (loss)/profit before income tax	(4,761)	44,605
	Unaudited as at 30 June 2012 RMB'000	Audited as at 31 December 2011 RMB'000
Assets		
Reportable segment assets	1,751,486	1,751,408
Unallocated corporate assets	64,165	152,352
Consolidated total assets	1,815,651	1,903,760
Liabilities		
Reportable segment liabilities	631,360	651,688
Unallocated corporate liabilities	400,373	376,474
Consolidated total liabilities	1,031,733	1,028,162

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and gains or losses and segment information *(Continued)*

(c) *Geographical segments*

Segment revenue from external customers of the Group and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by geographical locations is presented as below:

	Revenue from external customers		Specified non-current assets	
	Unaudited Six months ended 30 June	Unaudited	Unaudited	Audited
	2012 RMB'000	2011 RMB'000	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
North America	134,380	137,873	-	-
Europe	10,017	21,789	-	-
Asia Pacific	18,801	23,839	-	-
Greater China (including Taiwan)	497,051	487,729	1,052,482	921,427
	660,249	671,230	1,052,482	921,427

(d) *Major customers*

During the period, the Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenues.

4. Finance costs

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest on bank borrowings wholly repayable:		
– within five years	4,113	5,985
Interest on Renminbi-denominated bond	4,489	-
Imputed interest on convertible bonds	3,686	-
	12,288	5,985

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Income tax expense

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

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Current tax – the People's Republic of China (the "PRC") and Taiwan corporate income tax	5,546	12,539

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the six months ended 30 June 2012 (2011: RMBNil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

6. (Loss)/earnings per share

– Basic

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the period and the ordinary shares to be issued from convertible bonds which are mandatory convertible into ordinary shares upon maturity.

	Unaudited Six months ended 30 June	
	2012	2011
(Loss)/profit attributable to owners of the Company (RMB thousands)	(19,226)	15,677
Weighted average number of ordinary shares in issue (thousands)*	681,194	552,208

* As convertible bonds are mandatorily convertible into ordinary shares of the Company, the ordinary shares to be issued upon conversion of the convertible bonds are included in the computation of basic earnings per share for the period.

– Diluted

The computation of diluted loss per share for the six months ended 30 June 2012 does not assume the exercise of the Company's outstanding share options during the period ended 30 June 2012 since its exercise would have an anti-dilutive effect. Therefore, the basic and diluted loss per share amount for the period ended 30 June 2012 are equal.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Earnings per share (Continued)

– Diluted (Continued)

For the six months ended 30 June 2011, the calculation of diluted earnings per share was based on the profit for the period attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Unaudited Six months ended 30 June	
	2012	2011
(Loss)/profit attributable to owner of the Company and used to determine diluted earnings per share (RMB thousands)	(19,226)	15,677
Weighted average number of ordinary shares in issue as used in calculation in basic earnings per share (thousands)*	681,194	552,208
Effect of dilution – weighted average number of ordinary shares (thousands):		
Share options	–	6,657
Weighted average number of ordinary shares for diluted earnings per share (thousands)	681,194	558,865

7. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: RMBNil).

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. Capital expenditures

	Property, plant and equipment	Leasehold land and land use rights	Investment properties	Goodwill	Other intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net carrying amount as at					
1 January 2011	201,176	18,182	46,105	184,883	256,252
Additions	54,098	-	-	-	-
Acquisition of subsidiaries	3,826	-	-	101,316	81,432
Disposals	(1,124)	-	-	-	-
Depreciation/amortisation charge					
for the period	(36,130)	(494)	-	-	(782)
Impairment	-	-	-	(155)	-
Change in fair value	-	-	659	-	-
Exchange realignments	(2,746)	-	-	(52)	(627)
Closing net carrying amount as at					
31 December 2011	219,100	17,688	46,764	285,992	336,275
Additions	24,549	-	-	-	-
Disposals	(461)	-	-	-	-
Depreciation/amortisation charge					
for the period	(15,982)	(258)	-	-	(143)
Acquisition of subsidiaries	4,672	-	-	13,887	-
Exchange realignments	225	-	-	-	53
Closing net carrying amount as at					
30 June 2012 (unaudited)	232,103	17,430	46,764	299,879	336,185

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Inventories

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Raw materials	28,334	32,339
Work-in-progress	31,607	29,571
Finished goods	20,668	18,228
Merchandise goods	226,107	230,331
	306,716	310,469

10. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Current to 30 days	90,804	136,317
31 to 60 days	61,051	45,222
61 to 90 days	28,153	25,394
Over 90 days	35,153	24,478
	215,161	231,411
Less: allowance for doubtful debts	(983)	(1,038)
	214,178	230,373

The average credit period to the Group's trade debtors is 30 days.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Amounts due from/(to) related parties

(a) Amounts due from related parties

(i) Custom Accessories Asia Limited ("Custom Accessories")

Interests are held by Mr. Fresco, Mr. Matthew and their close family members. Mr. Fresco and Mr. Matthew are directors of the Company and have beneficial interests in the Company. Details of the balance with Custom Accessories are as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Balance at beginning of period/year	1,389	1,622
Balance at end of period/year	688	1,389
Maximum amount outstanding during the period/year	1,389	2,221

(ii) CAE Direct Import Ltd. ("Custom Accessories Europe")

Interests are held by Mr. Fresco, Mr. Matthew and their close family members. Details of the balance with Custom Accessories Europe are as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Balance at beginning of period/year	738	–
Balance at end of period/year	437	738
Maximum amount outstanding during the period/year	738	776

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Amounts due from/(to) related parties (Continued)

(a) Amounts due from related parties (Continued)

(iii) *Liaoning Xin Tian Cheng Business Management Co., Ltd. ("XTC Business Management")*

Interests in XTC Business Management are held by Ms. Tong Yan and Mr. Li Hai Peng who are non-controlling owners of a subsidiary of the Group as at the end of reporting period. Details of the balance with XTC Business Management are as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Balance at beginning of period/year	8,937	–
Balance at end of period/year	10,140	8,937
Maximum amount outstanding during the period/year	11,052	11,625

Amounts due from Custom Accessories and Custom Accessories Europe arise from trading activities with aging from current to 30 days. The amount due from XTC Business Management arises from trading activities which has no fixed terms of repayment. The amounts due from related parties is unsecured, interest-free and repayable on trading terms.

There was no amount due but unpaid, nor any allowance for doubtful debts made against the principal amounts at 30 June 2012 and 31 December 2011.

(b) Amount due to a related party

As 31 December 2011, the amount due to a related party, who is a close family member of a non-controlling owner of a subsidiary was unsecured, interest-free and had no fixed term of repayment.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Current to 30 days	128,877	139,033
31 to 60 days	42,171	29,855
61 to 90 days	31,155	11,715
Over 90 days	52,798	35,098
	255,001	215,701

The average credit period for the Group's trade creditors is 60 days.

13. Bank borrowings, secured

At 30 June 2012 and 31 December 2011, bank borrowings were repayable as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
On demand or within one year	153,286	175,549
After one year but within two years	1,022	1,210
After two years but within five years	4,045	10,688
After five years	6,299	–
	164,652	187,447
Amount due within one year included in current liabilities	(153,286)	(175,549)
Amount included in non-current liabilities	11,366	11,898

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14. Share capital

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

	Number of shares	Nominal Value	
	'000	HKD'000	RMB'000
At 1 January 2011	541,738	54,174	55,317
Consideration issues	41,739	4,174	3,496
Repurchases and cancellation of shares	(6,760)	(676)	(557)
As at 31 December 2011 and 1 January 2012	576,717	57,672	58,256
Repurchases and cancellation of shares	(3,640)	(364)	(291)
At 30 June 2012	573,077	57,308	57,965

15. Share premium and other reserves

	Share premium	Statutory reserve fund	Re- organisation reserve	Enterprise expansion fund	Convertible bonds reserve	Others	Capital Redemption reserve	Exchange reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	223,155	33,150	2,738	2,756	-	55,630	697	(4,418)	313,708
Other comprehensive income for the year	-	-	-	-	-	-	-	(3,459)	(3,459)
Transfer of reserves	-	4,282	-	-	-	-	-	-	4,282
Recognition of equity-settled- share based payments	-	-	-	-	-	250	-	-	250
Consideration issue	73,776	-	-	-	-	(49,800)	-	-	23,976
Repurchases and cancellation of shares	(10,460)	-	-	-	-	-	557	-	(9,903)
Issue of convertible bonds	-	-	-	-	110,427	-	-	-	110,427
At 31 December 2011	286,471	37,432	2,738	2,756	110,427	6,080	1,254	(7,877)	439,281
Other comprehensive income for the period	-	-	-	-	-	-	-	668	668
Repurchases and cancellation of share	(5,215)	-	-	-	-	-	291	-	(4,924)
At 30 June 2012	281,256	37,432	2,738	2,756	110,427	6,080	1,545	(7,209)	435,025

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Commitments

(a) *Commitments under operating leases arrangements*

The Group as lessee

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

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Within one year	43,509	42,504
After one year but within five years	111,962	104,170
After five years	45,428	34,687
	200,899	181,361

The Group as lessor

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

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Within one year	3,905	5,193
After one year but within five years	7,602	9,263
After five years	5,615	6,065
	17,122	20,521

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Commitments (Continued)

(b) Capital commitments

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Construction of buildings, contracted but not provided for	41,900	41,900
Purchase of other items of property, plant and equipment	67	3,155
	41,967	45,055
Other commitment		
Acquisition of subsidiaries	118,560	4,500

17. Related party transactions

- (a) Apart from the transactions or balances as disclosed elsewhere in these financial statements, the Group had the following significant related party transactions:

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Sale of goods to:–		
Sale of goods to Customs Accessories	3,387	3,383
Sale of goods to Customs Accessories Europe	408	–
Sale of goods to XTC Business Management	6,352	4,415
Total sale of goods to related party	10,147	7,798

In the opinion of the Company's directors, the above sale of goods was made at the Group's usual list prices discounted to reflect the quantity of purchase and the relationships between the parties.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Related party transactions *(Continued)*

- (b) In the current period, the Group acquired additional equity interests in the following subsidiaries:-
- additional 12% equity interest in Zhejiang Autoboom Industrial Co., Limited (“Zhejiang Autoboom”) from non-controlling owners of this subsidiary at a cash consideration of approximately RMB37,247,000, and thereafter Zhejiang Autoboom became a 63% – owned subsidiary of the Group.
 - additional 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd. (“Shenzhen Yonglonghang”) from non-controlling owners of this subsidiary at a cash consideration of approximately RMB37,240,000, and thereafter Shenzhen Yonglonghang became a wholly – owned subsidiary of the Group.

18. Significant events

- (a) On 30 March 2012, the Group entered into an equity transfer agreement with independent third parties for the proposed acquisition of 100% equity interest in Mighty International Limited at a consideration of RMB80,000,000. The proposed acquisition has not yet been completed as at the date of this report. As at the end of the reporting period, the Group prepaid approximately RMB40,000,000 for the proposed acquisition of the entity. Details of this transaction were disclosed in the Company’s announcement dated 30 March 2012 and also in “Management discussion and analysis” section.
- (b) On 17 July 2012, the Group entered into an equity transfer agreement with independent third parties for the proposed acquisition of 51% equity interest in Changchun Guangda Automobile Trading Co., Limited at a consideration of RMB132,600,000 (subject to adjustment). The proposed acquisition has not yet been completed as at the date of this report. As at the end of the reporting period, the Group prepaid approximately RMB53,040,000 for the proposed acquisition of the entity. Details of this transaction were disclosed in the Company’s announcement dated 17 July 2012 and also in “Management discussion and analysis” section.

19. Approval of financial statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group strives to become a leading enterprise in the automotive after-sales service market in the Greater China region.

Results Highlights

Revenue

The global economy remained sluggish during the period under review and China was no exception. Automotive sales dropped approximately 7% compared with the corresponding period last year. The Group's service business reached a stage of consolidation in 2012 after a six-year expansion.

For the six months ended 30 June 2012 (the "Period"), the Group recorded a consolidated turnover of approximately RMB660,249,000, representing a decrease of RMB10,981,000 compared to the corresponding period of 2011 (corresponding period of 2011: approximately RMB671,230,000). The turnover of services business amounted to approximately RMB507,579,000, accounting for approximately 76.90% of the Group's consolidated turnover and an increase of approximately RMB57,359,000 compared with the corresponding period of last year (corresponding period of 2011: approximately RMB450,220,000). The turnover of manufacturing business amounted to approximately RMB152,670,000, accounting for approximately 23.10% of the Group's consolidated turnover and a decrease of approximately RMB68,340,000 compared with the corresponding period of last year (corresponding period of 2011: approximately RMB221,010,000). The decrease was mainly attributable to the decreasing demand of the Group's manufactured products, which resulted from the economic downturns of the Group's major export market – the North America market.

Gross profit and gross margin

Gross profit for the Period was approximately RMB187,925,000, up approximately RMB5,337,000 compared to the corresponding period of 2011 (corresponding period of 2011: approximately RMB182,588,000). The increase was mainly attributable to the growth of the Group's service business. Gross margin was approximately 28.46%, representing an increase of approximately 1.26 percentage point as compared to that of the corresponding period of 2011 (corresponding period of 2011: approximately 27.20%).

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

Distribution costs for the Period were approximately RMB124,472,000 (corresponding period of 2011: approximately RMB89,069,000), representing an increase of approximately RMB35,403,000. The increase was mainly attributable to the growth of the Group's distribution costs in the service business, which included:

- 1) pronounced increase in minimum wage, store rentals and staff salary resulting from severe inflation during the Period which then led to the escalating costs;
- 2) distribution costs from Shanghai Astrace Trade Development Company Limited ("Shanghai Astrace"), Hubei Autoboom Auto Accessories Supermarket Co., Ltd. ("Hubei Autoboom") and Shandong Xingzhe Auto Supplies Services Co. Ltd ("Shandong Xingzhe") incurred during the Period were consolidated into the Group;
- 3) additional rental, advertising expenses and labour costs incurred from certain retail stores newly established for the retail business of the Group; the cost of expanding the Group's wholesale business in Beijing, Heilongjiang, Anhui and Jiangxi and the two newly established branches in Jinzhou City and Panjin City of Liaoning Province. As at 30 June 2012, there were over 70 branches of the Group's service business, where the number of the wholesale branches were nearly 30 and the retail and wholesale branches accumulated almost to 100.

Administrative expenses for the Period were approximately RMB66,602,000 (corresponding period of 2011: approximately RMB59,042,000), representing an increase of approximately RMB7,560,000 as compared to the corresponding period of 2011. The increase was mainly due to:

- 1) the expenses incurred as a result of the formation of new management team to ensure effective consolidation; the chief executive and managing director are responsible for the new management team to enhance centralised management of subsidiaries in Shanghai, Shenzhen and Taiwan for raising operational and marketing efficiency and improving the IT system management;
- 2) the expenses incurred in updating interior structure and layout design of the retail stores in Shanghai, Shenzhen and Taiwan for the retail business for the purpose of improving the profit model of retail chain stores;

MANAGEMENT DISCUSSION AND ANALYSIS

- 3) Administrative expenses incurred in connection with the acquisitions of Shanghai Astrace, Hubei Autoboom and Shandong Xingzhe during the Period in order to assist the Group to maintain its leading position in the industry in the long run were consolidated into the Group.

Operating profit

Operating profit for the Period was approximately RMB7,527,000 (corresponding period of 2011: approximately RMB50,590,000), representing a decline of approximately RMB43,063,000. The operating profit of the manufacturing business decreased approximately by RMB12,103,000, which was mainly attributable to the decrease of the turnover of the Group's manufacturing business. The operating profit of the service business decreased by approximately RMB29,602,000 which was mainly due to significant increase in expenses during the Period.

Finance costs

Net finance costs amounted to approximately RMB12,288,000 (corresponding period of 2011: approximately RMB5,985,000), up approximately RMB6,303,000 as compared with the corresponding period of last year. The increase was mainly attributable to the interest paid for the Renminbi denominated bonds with an aggregate principal amount of RMB200,000,000 issued by the Group in August 2011 and the interest recorded on convertible bonds with the principal amount of US\$38,201,001 issued by the Group in December 2011.

Taxation

Income tax expenses were approximately RMB5,546,000 (corresponding period of 2011: approximately RMB12,539,000), representing a decrease of approximately RMB6,993,000, which was mainly due to the decrease in the profit before tax of the Group.

Loss Attributable to Shareholders

Loss attributable to shareholders was approximately RMB19,226,000 (corresponding period of 2011: profit of approximately RMB15,677,000), representing a decrease of approximately RMB34,903,000, which was mainly due to the substantial decrease of operating profit during the Period. Loss per share was approximately RMB2.8 cents (corresponding period of 2011: earning per share of approximately RMB2.8 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position and Liquidity

As at 30 June 2012, net current assets of the Group amounted to approximately RMB155,409,000 (31 December 2011: approximately RMB379,513,000) and current ratio was approximately 1.26 (31 December 2011: approximately 1.63).

Gearing ratio, calculated by dividing total liabilities by total assets, was approximately 56.82% (31 December 2011: approximately 54.01%).

Total bank borrowings of the Group were approximately RMB164,652,000 (31 December 2011: approximately RMB187,447,000). Bank overdrafts of the Group were approximately RMB9,953,000 (31 December 2011: nil). Most bank borrowings are denominated in Renminbi (“RMB”) and New Taiwan Dollar (“NTD”) with floating interest rate. The Group maintained healthy and adequate operating cash flow, bank deposits and banking facilities to finance its daily operations. Additional funds will be obtained through appropriate financing channels for the merger and acquisition and investment opportunities for expansion into the domestic market of the Greater China region in the future.

Financial Guarantees and Pledge of Assets

As at 30 June 2012, the net book values of property, plant and equipment and leasehold land and land use rights pledged as securities for the Group’s bank borrowings totalled approximately RMB117,147,000 (31 December 2011: approximately RMB119,468,000).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 28 June 2012, the Company as purchaser entered into an equity transfer agreement with Shenzhen Chongdehang Investment Development Co., Ltd. and Shenzhen Guanzhida Investment Co., Ltd., as vendors, and Mr. Yang Yong Chong and Ms. Li Shao Na, as guarantors, in respect of the acquisition by the Company of additional 49% equity interest in Shenzhen Yonglonghang Auto Service Ltd. (“Shenzhen Yonglonghang”) at a consideration of RMB37,240,000. The acquisition was completed on 29 June 2012. Upon completion of the acquisition, the Company’s interest in Shenzhen Yonglonghang has been increased to 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

On 30 March 2012, the Company as purchaser entered into an equity transfer agreement with Mr. Lin Yun Ling, Mr. Chen Gao Sen, Mr. Chen Xian Ping and Mr. Chen Jin Guo in respect of the acquisition by the Company of additional 12% equity interest in Zhejiang Autoboom Industrial Co., Ltd. (“Zhejiang Autoboom”) at a cash consideration of RMB37,247,000 (subject to adjustment). The acquisition was completed on 6 April 2012. Upon completion of the acquisition, the Company’s interest in Zhejiang Autoboom has been increased to 63%.

On 30 March 2012, Perfect Progress Investments Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into an equity transfer agreement with Mr. Deng Jiang Rong, as vendor, and Spread Master (Zhejiang) Automation Technology Co., Ltd., as guarantor, in respect of the acquisition by Perfect Progress Investments Limited of 100% equity interest in Mighty International Limited (“Mighty International”) at a cash consideration of RMB80,000,000. The parties also entered into an equity right transfer agreement to set out their agreement on the handling of certain assets and affairs of Shanghai Ou Xi Ma Apparel Company Limited, the only investment held by Mighty International. The acquisition was completed on 29 June 2012.

Significant Investments

During the Period, the Group had no significant investments.

Exchange Risk

During the Period, the settlement currency of the Group was mainly USD. In order to minimise foreign exchange risk, the Group fixed exchange rate with procurement contracts and adjusted the quotation policy, which enabled the transfer of the pressure of costs to both up and down streams, thus reducing the effects of the exchange rate fluctuations mentioned above. Therefore, the directors of the Company (the “Directors”) are of the view that there was no significant exchange risk for the Group.

Contingent Liabilities

As at 30 June 2012, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policy

As at 30 June 2012, the Group employed a total of 4,425 (30 June 2011: 3,870) full-time employees, of which 623 (30 June 2011: 470) were managerial staff. The Group is committed to the recruitment of talented staff to enrich its expertise. In order to attract and retain outstanding employees, the Group also provides benefits such as medical insurance and housing allowances in addition to the various mandatory pension schemes stipulated by the state. Outstanding employees may also be granted discretionary bonuses and share options as incentive.

Dividends

The Board does not recommend the payment of an interim dividend for the Period (for the six months ended 30 June 2011: nil).

Significant Events After the End of the Period

On 17 July 2012, the Company entered into an equity transfer agreement with Ms. Gao Xiu Min, as vendor, and Mr. Wu Yan De, Ms. Zhao Bin Xu, Ms. Wu Zi Han and Mr. Wu Yan Hai, as guarantors, in respect of the acquisition by the Company of 51% equity interest in Changchun Guangda Automobile Trading Co., Ltd. at a consideration of RMB132,600,000 (subject to adjustment), which shall be payable as to RMB112,710,000 in cash and as to RMB19,890,000 by the issue of 18,226,068 consideration shares at the issue price of HK\$1.34 per consideration share.

As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the acquisition exceed 25% but less than 100%, the acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and the shareholders' approval requirements under the Listing Rules. An extraordinary general meeting of the shareholders of the Company will be convened for the shareholders to consider and, if thought fit, approve the said equity transfer agreement and the transactions contemplated thereunder.

Business Progress

The turnover of the Group's services business has increased by 16 times from 2006 to 2011. As at 30 June 2012, the Group had about 100 retail and wholesale branches. In order to ensure the Group's long-term leading position in the automotive after-sales service market, the focus will be placed on efficient consolidation and continuous expansion to enhance the distribution density of chain stores.

MANAGEMENT DISCUSSION AND ANALYSIS

The achievements made by the Group during the Period were as follows:

1. Full optimization and integration of the subsidiaries in Shanghai, Shenzhen and Taiwan. The subsidiaries in these three places were under the centralized supervision by the newly established retail service management team of the Group. The management team reorganised and enhanced their IT system including ERP and CRM to improve management efficiency; unified their store service brands and strengthened the recognition of the Group's service brands by the automotive users, which in turn enhanced the brand image of the Group in the industry. The management team also conducted centralized procurement for those three subsidiaries, so as to increase the Group's bargaining power and decrease the purchasing cost and increase operating efficiency;
2. Establishment of several new chain retail stores in Shanghai, Shenzhen, Taiwan and Jinan. There were over 70 stores in total as at the end of the Period, which enhanced the leading position of the Group in Shanghai, Shenzhen, Taiwan and Jinan and the influence of the Group over its consumers in the area. Besides, the way how the Group's services business entered the Shandong Jinan market has set up a model for subsequent expansion;
3. Improvement of profit model of the stores in Shanghai, Shenzhen and Taiwan and introduction of new business segments. The internal layout of the chain stores was modified to substantially decrease the sales areas of general merchandise and provide larger areas for introduction or expansion of professional automobile detailing service, repair and maintenance, so as to increase efficiency per sq.m. of such chain stores. The result of such profit model improvement is obvious as it has brought an increase of more than 30% of sales income of unit chain store and shortened the term of breakeven to six months for the newly established chain stores;
4. The adjustment of the product structure of the wholesale business industry and the introduction of world-known oil and chemical products, which was aimed at raising the sales and gross profit of the products. Meanwhile, by consistently applying the 80/20 rule, the Group concentrated its resources on major customers and suppliers to reduce the operations cost and raise operation efficiency. Liaoning Xin Tian Cheng Industrial Co., Ltd., a subsidiary of the Company, established new branches in Beijing, Harbin, Jinzhou and Panjin under its wholesale business, and expanded

MANAGEMENT DISCUSSION AND ANALYSIS

product lines by introducing famous brands of automotive accessories and tires. In addition, Hubei Autoboom, another subsidiary of the Company, established new branches in Hefei, Anhui and Nanchang, Jiangxi under its wholesale business, to become the most influential automotive products wholesaler in Nanchang market. The said business development prompted the rudimentary completion of the Group's strategic plan in setting up the wholesale business in eastern, central and northeastern China;

5. Through successful acquisition of additional 49% equity interest in Shenzhen Yonglonghang, the shareholding of Shenzhen Yonglonghang held by the Group has increased to 100%. Such acquisition has facilitated the integration of the chain channels under the Group's retailing business and secured full control over the finance and operations of Shenzhen Yonglonghang;
6. The successful acquisition of additional 12% equity interest in Zhejiang Autoboom, which had increased the Group's interest in Zhejiang Autoboom to 63%, had enhanced the management and control over Zhejiang Autoboom and allowed the Group to apply consolidation of its wholesale business;
7. Through successful acquisition of 100% equity interest in Mighty International Limited, the related land use rights and property ownership held by Mighty International Limited were secured. The Group is converting the property into the headquarters for service business and the chain store for its retail business, which aims at reducing the rent expenses and raising the management efficiency.

Outlook

In order to boost the operation capabilities of the Group, the Group's primary operating strategies in the second half of 2012 include:

Service Business

In addition to the continuing adoption of the operating strategies which have been proven to be effective, the Group will adhere to the strategies as follows:

1. The introduction of automobile detailing business by the retail chain stores in Taiwan. Compared with the traditional automotive product sales, detailing business generates higher profit margin. At the same time, it helps enhance the stores' image in the market and attract more medium-to-high-end automotive users.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Based on the strategic cooperation agreement signed by the Group and RT-Mart, the Group, through its premier chain channels, rapidly expands its market coverage of the retail chain stores in the Greater China region and further enhances its market share. Meanwhile, the Group strives to seek the opportunity of cooperation with other mega stores and fights for lower capital expenses by rapid capture of the market with lower capital expenditure. This will make it possible to fully utilize the stable clientele of large-scale and famous stores and solidify the recognition towards the retail service brand by the customers.
3. The Group continues to open new stores independently and seeks suitable targets for acquisition to further enhance the Group's market share in the retail industry in the Greater China region and strengthen its long-standing leading position in the industry.

Manufacturing Business

The Group will focus on the adjustment of exports sale strategies and strengthen the effort on marketing and support to the major customers. The Group will also optimize the process of its new product development, enhance the recognition of new product in the market and further stringent control the procurement cost. In addition, the Group will develop more products under self-owned brands, and increase the sales of the products under the manufacturing business by capitalizing on the sales channels of the service business.

The Group strives to maintain its leading position in the automotive after-sales service and provide quality products and services for its automotive customers. In order to achieve the long-term objectives, the management considers that it is necessary to maintain certain flexibility in its short-term operating strategies and enhance relevant devotion at specific stages, so as to address to the ever changing market environment and customer demands. Short-term fluctuation on operational efficiency will not affect the actual operating capability of the Group. The benefits from operating strategies adopted in the first half of 2012 will be realized in the second half of the year and 2013.

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 2012, 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:

(a) Interests in shares of the Company

Name	Capacity/ Nature of interest	Number of shares interested (other than under equity derivatives) <i>(Note 1)</i>	Number of shares interested under equity derivatives	Total number of shares	Approximate percentage of issued shares
Mr. Hung Wei-Pi, John	Interest in a controlled corporation <i>(Note 2)</i>	169,506,120 (L)	Nil	169,506,120 (L)	29.58%
Mr. Douglas Charles Stuart Fresco	Interest in a controlled corporation <i>(Note 3)</i>	53,590,690 (L)	Nil	53,590,690 (L)	9.35%
	Beneficial Owner	3,665,115 (L)	Nil	3,665,115 (L)	0.64%
Mr. Lu Yuan Cheng	Beneficial Owner	805,035 (L)	3,240,000 (L)	4,045,035 (L)	0.71%
			<i>(Note 4)</i>		
Mr. Edward B. Matthew	Beneficial Owner	21,922,350 (L)	Nil	21,922,350 (L)	3.83%
Ms. Hung Ying-Lien	Beneficial Owner	383,145 (L)	5,800,000 (L)	6,183,145 (L)	1.08%
			<i>(Note 4)</i>		
Mr. Wu Kwan-Hong	Beneficial Owner	513,935 (L)	5,400,000 (L)	5,913,935 (L)	1.03%
			<i>(Note 4)</i>		
Mr. Raymond N. Chang	Family Interest <i>(Note 5)</i>	7,900,000 (L)	Nil	7,900,000 (L)	1.38%
	Beneficial Owner	Nil	5,700,000 (L)	5,700,000 (L)	0.99%
			<i>(Note 4)</i>		

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. 53,590,690 shares are registered in the name of and beneficially owned by Golden Century Industrial Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Douglas Charles Stuart Fresco. Under the SFO, Mr. Douglas Charles Stuart Fresco is deemed to be interested in all the shares of the Company held by Golden Century Industrial Limited. The remaining 3,665,115 shares are registered in the name of Mr. Douglas Charles Stuart Fresco.
4. Details of these equity derivatives are set out in sub-section (b) below.
5. 150,000 Taiwan Depository Receipts, representing 150,000 shares, are registered in the name of Ms. Wong Chin-Wei, spouse of Mr. Raymond N. Chang. 7,750,000 shares are registered in the name of and beneficially owned by Full Chance Finance Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Ms. Wong Chin-Wei. Under the SFO, Mr. Raymond N. Chang is deemed to be interested in all the shares held by Ms. Wong Chin-Wei and Full Chance Finance Limited.

Other Information

(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 adopted by the Company on 13 February 2005 (the "Scheme"). Share options granted to the Directors by the Group to subscribe for shares of the Company which were outstanding as at 30 June 2012 are as follows:

Name	Number of options granted but not exercised as at 30 June 2012	Exercise period	Grant price	Exercise price
Ms. Hung Ying-Lien	3,400,000 (L)	1 January 2006 to 12 February 2015	HK\$10.00 (for all)	HK\$0.94 (per share)
	2,400,000 (L)	1 July 2012 to 31 December 2012	HK\$10.00 (for all)	HK\$1.25 (per share)
Mr. Wu Kwan-Hong	3,400,000 (L)	1 January 2006 to 12 February 2015	HK\$10.00 (for all)	HK\$0.94 (per share)
	2,000,000 (L)	1 July 2012 to 31 December 2012	HK\$10.00 (for all)	HK\$1.25 (per share)
Mr. Lu Yuan-Cheng	3,240,000 (L)	1 January 2006 to 12 February 2015	HK\$10.00 (for all)	HK\$0.94 (per share)
	5,700,000 (L)	1 July 2012 to 31 December 2012	HK\$10.00 (for all)	HK\$1.25 (per share)

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

Save as disclosed above, as at 30 June 2012, to the best 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 or 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 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.

Other Information

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

So far as the Directors and chief executives of the Company are aware, as at 30 June 2012, 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:

Name of Substantial shareholder	Capacity/ Nature of interest	Number of	Number of	Total number of shares	Approximate percentage of issued shares
		shares interested (other than under equity derivatives) <i>(Note 1)</i>	shares interested under equity derivatives		
Sharp Concept Industrial Limited	Beneficial owner <i>(Note 2)</i>	169,506,120 (L)	Nil	169,506,120 (L)	29.58%
Ms. Jin Xiao-Yan	Family interest <i>(Note 2)</i>	169,506,120(L)	Nil	169,506,120 (L)	29.58%
Golden Century Industrial Limited	Beneficial owner <i>(Note 3)</i>	53,590,690 (L)	Nil	53,590,690 (L)	9.35%
STIC Korea Integrated – Technologies New Growth Engine Private Equity Fund	Beneficial owner	Nil	78,923,254(L) <i>(Note 4)</i>	78,923,254 (L)	13.77%

Notes:

1. The letter "L" denotes a long position in the shares.
2. Sharp Concept Industrial Limited is wholly and beneficially owned by Mr. Hung Wei-Pi, John. Ms. Jin Xiao-Yan is the wife of Mr. Hung Wei-Pi, John. Under the SFO, Ms. Jin is deemed to be interested in all the shares held by Mr. Hung Wei-Pi, John and Sharp Concept Industrial Limited.

Other Information

3. *Golden Century Industrial Limited is wholly and beneficially owned by Mr. Douglas Charles Stuart Fresco.*
4. *These represent the underlying shares issuable upon the conversion of the convertible bonds issued to STIC Korea Integrated – Technologies New Growth Engine Private Equity Fund by the Company on 5 December 2011.*

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 2012.

Share Option Scheme

The principal purpose of the Scheme is to provide 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 the Scheme during the six months ended 30 June 2012. Detailed terms of the Scheme were disclosed in the 2005 annual report of the Company.

As at 30 June 2012, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 33,540,000 shares. The total number of shares available for issue under the Scheme (excluding options already granted) is 505,000 shares, representing approximately 0.09% of the total issued share capital of the Company as at that date.

Share options granted to the directors and employees by the Company on 11 June 2012 were accepted only after 30 June 2012 and therefore such share options have no impact on the unaudited consolidated interim financial statements contained in this interim report.

Other Information

Details of the share options granted under the Scheme as at 30 June 2012 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 as at 1 January 2012	Number of underlying shares subject to options granted since 1 January 2012	Number of underlying shares subject to exercised/ cancelled since 1 January 2012	Number of underlying shares subject to options as at 30 June 2012
Ms. Hung Ying-Lien Executive Director	28/2/2005	1/1/2006– 12/2/2015 <i>(Note 1)</i>	HK\$0.94	HK\$0.94	3,400,000	–	–	3,400,000
	11/6/2012	1/7/2012– 31/12/2012	HK\$1.25	HK\$1.25	–	2,400,000	–	2,400,000
Mr. Wu Kwan-Hong Executive Director	28/2/2005	1/1/2006– 12/2/2015 <i>(Note 1)</i>	HK\$0.94	HK\$0.94	3,400,000	–	–	3,400,000
	11/6/2012	1/7/2012– 31/12/2012	HK\$1.25	HK\$1.25	–	2,000,000	–	2,000,000
Mr. Lu Yuan-Cheng Executive Director	28/2/2005	1/1/2006– 12/2/2015 <i>(Note 1)</i>	HK\$0.94	HK\$0.94	3,240,000	–	–	3,240,000
Mr. Raymond N. Chang Executive Director	11/6/2012	1/7/2012– 31/12/2012	HK\$1.25	HK\$1.25	–	5,700,000	–	5,700,000
Employees under continuous contracts in aggregate	11/6/2012	1/7/2012– 31/12/2012	HK\$1.25	HK\$1.25	–	13,400,000	–	13,400,000
Total					10,040,000	23,500,000	–	33,540,000

Other Information

Note:

1. Those outstanding 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.

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 and Redemption of the Company's Listed Securities

During the Period, the Company repurchased 3,592,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited under the general mandate to repurchase shares granted by the shareholders at the annual general meeting of the Company held on 10 June 2011. Save as disclosed, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Period.

Details of the repurchases of shares by the Company during the Period are as follows:

Month	Highest price (HK\$)	Lowest price (HK\$)	Average price (HK\$)	Number of shares repurchased	Consideration paid (HK\$)
January 2012	1.68	1.65	1.66	196,000	324,360.00
February 2012	2.04	1.75	2.01	848,000	1,715,240.00
April 2012	1.91	1.82	1.86	2,548,000	4,743,379.60

The Board considered that the repurchase of shares by the Company would lead to an enhancement of the net asset value per share of the Company and was in the best interest of the Company and its shareholders.

Other Information

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2011 Annual Report are set out below:

Name of Director	Details of Changes
Chang An-Li	Appointed as director of Yeong Guan Energy Technology Group Company Limited on 19 March 2010, Yeong Guan Energy Technology Group Company Limited was listed on Taiwan Stock Exchange on 27 April 2012.

Corporate Governance

Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules during the period from 1 April 2012 to 30 June 2012.

Pursuant to code A.2.1 of the CG 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 ("Mr. Hung") has acted as both the chairman and chief executive officer of the Company up to 31 January 2012. Such deviation is due to the fact that the day-to-day management of the Group was led by Mr. Hung. The Board considers that such arrangement provided the Group with strong and consistent leadership and allowed for effective and efficient planning and implementation of business strategies and decisions.

In order to focus on providing leadership for the Board and to comply with the provisions of the CG Code, Mr. Hung resigned as chief executive officer of the Company with effect from 1 February 2012 and was succeeded by Mr. Raymond N. Chang on the same day.

In order to facilitate the shareholders' attendance of the Company's 2012 annual general meeting ("AGM"), the AGM was held in Hong Kong. Save for Mr. Hung, an executive Director, and Mr. Du Haibo, an independent non-executive Director, the other Directors did not attend the AGM as provided for in code 6.7 of the CG Code as the majority of them were not based in Hong Kong and were engaged in other commitments. The Company is of the view that Mr. Hung and Mr. Du Haibo, who are also the chairmen of the respective Board committees, were able to answer questions from the shareholders at the AGM and to develop a balanced understanding of the shareholders' view.

Other Information

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions of Directors on terms no less 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 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 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 throughout 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, 30 August 2012