

CHAIRMAN'S STATEMENT

Success of Listing

On behalf of the board of directors ("the Board") of New Focus Auto Tech Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), I am pleased to report that the shares of the Company have been successfully listed and commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 28 February 2005. A total of 100,000,000 new shares were issued, raising net proceeds of approximately HK\$74,700,000. The successful listing marks the recognition and support of the Group by the professional and public investors, and the growth of the Group's business is projected to accelerate thereafter.

I am also pleased to report to our shareholders that the overall business performance of the Group has achieved rewarding results for the year ended 31 December 2004. The Group recorded a turnover of approximately RMB356,729,000 for the year ended 31 December 2004, representing an increase of approximately 20.1% as compared with that of 2003. The Group's profit attributable to shareholders was approximately RMB50,327,000, representing an increase of approximately 2.0% as compared with that of 2003.

Business Review and Prospects

The automotive aftermarket principally refers to the production, manufacturing, distribution and sales of replacement parts for motor vehicles, and the provision of auto repair and maintenance services. According to the "Euromonitor International 2004" and the "2004 China Automotive Aftermarket Consultation Report", the sales in the US automotive aftermarket reached US\$100 billion in recent years and, in China, the after-sales repair

and maintenance cost accounts for approximately 45% of the total expenses incurred during the life time of a vehicle. As such, the continuous growth of the North American automotive aftermarket will continue to provide lucrative opportunities for PRC export manufacturers. Meanwhile, the automotive aftermarket services sector in the PRC will offer huge growth potentials along with the increasing number of car owners.

The Group is principally engaged in the manufacturing and sales of electronic and power-related automotive parts and accessories which are for leisure and safety purposes. Throughout the years, the Group has established a network of customers located across North America, Japan and Europe. In order to capture the potential of the PRC market for automotive parts and accessories, it is the strategy of the Group to build a domestic distribution network under the brand name of "Autolife" for the sales of various kinds of "NFA" auto-related products by increasing the number and expanding the coverage of its automotive aftermarket services chain stores in the PRC.

The turnover attributable to the manufacturing and sales of electronic and power-related automotive parts and accessories accounted for around 95.5% of the total turnover of the Group for the year 2004, representing an increase of approximately 18.3% as compared with 2003. The turnover attributable to the automotive aftermarket services chain stores accounted for approximately 4.5% of the Group turnover, representing an increase of approximately 81.9% as compared with that of 2003.



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In 2004, the Group continued to gain a number of awards for its devotion in design and research which included 8 gold medals for the Group's inverters, HID worklights, cooler/warmers and power packs granted by China International Patent & Famous Brand Expo.

In 2004, the Group was engaged to manufacture an estimate of 500,000 units of inverters for a German car manufacturer over a period of six years on an OEM basis for installation in new passenger cars to be sold in the European and the U.S. markets. This significant achievement marks the recognition of the Group by international auto manufacturers as a standard auto equipment supplier. To meet the increasing demand from customers, the Group intends to build a new production complex in Shanghai. Computerized machinery including temperature control equipment, optical testing instruments, and frequency soldering machines will be purchased from overseas.

The Group also targets to establish around 120 automotive aftermarket service chain stores by the end of 2005 within the Shanghai, Jiangsu and Zhejiang regions of the PRC in order to cope with the rapid growth of the automobile aftermarket service industry in the PRC.

Acknowledgement

Lastly, I would like to take this opportunity to extend my sincere thanks to our shareholders, customers and suppliers for their continuing support and trust. I would also like to thank all the management and staff of the Group for their hard work and contributions in the past year.

The Group will continue to adopt prudent yet aggressive strategies, get well prepared in capturing every opportunity for further expansion and in achieving the best possible returns for its shareholders.

Hung Wei-Pi, John

Chairman

Hong Kong, 25 April 2005