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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2007 increased by approximately 43% to approximately RMB763,451,000 compared with approximately RMB533,302,000 for the year ended 31 December 2006.

- Profit attributable to shareholders of the Company for the year ended 31 December 2007 increased to approximately RMB17,849,000 compared with a restated loss of approximately RMB3,089,000 for the year ended 31 December 2006.

- Basic earnings per share for the year ended 31 December 2007 increased to RMB4.11 fen compared with a restated basic loss per share of RMB0.73 fen for the year ended 31 December 2006.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2007. The Board recommends a bonus issue on the basis of one new share for every forty existing shares of the Company.

RESULTS

The board of directors (the "Board") of New Focus Auto Tech Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007 with restated comparative figures for the year ended 31 December 2006 as follows:

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	**2007** **RMB'000**	2006 RMB'000 (Restated)
Turnover	*3*	**763,451**	533,302
Cost of sales		**(623,067)**	(458,942)
Gross profit		**140,384**	74,360
Other revenue and gains		**16,198**	14,591
Distribution costs		**(70,348)**	(33,892)
Administrative expenses		**(70,287)**	(50,361)
Operating profit		**15,947**	4,698
Finance costs, net	*4*	**(8,732)**	(2,238)
Fair value gain on the derivative component of convertible bond	*11*	**15,214**	–
Profit before taxation	*5*	**22,429**	2,460
Income tax	*6*	**(1,067)**	(4,201)
Profit/(loss) for the year		**21,362**	(1,741)
Attributable to:			
Equity holders of the company		**17,849**	(3,089)
Minority interests		**3,513**	1,348
		21,362	(1,741)
Dividend	*7*	**–**	–
Earnings/(loss) per share:	*8*		
– Basic		**RMB4.11 fen**	RMB(0.73 fen)
– Diluted		**RMB1.35 fen**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**106,521**	96,742
Leasehold land and land use rights		**21,086**	21,665
Investment properties		**25,286**	14,419
Goodwill		**43,161**	2,749
Other intangible assets		**9,310**	10,381
Other financial assets		**2,611**	6,851
Deferred tax assets		**128**	195
		208,103	153,002
Current assets			
Trading securities		**737**	–
Inventories		**126,803**	85,105
Trade receivables	*9*	**119,950**	87,887
Deposits, prepayments and other receivables		**58,921**	47,648
Amounts due from related companies		**92**	1,481
Tax recoverable		**387**	–
Pledged time deposits		**3,342**	1,148
Cash and cash equivalents		**135,532**	65,941
		445,764	289,210
Current liabilities			
Bank borrowings, secured		**85,929**	23,355
Trade payables	*10*	**149,183**	115,373
Accruals and other payables		**43,916**	35,979
Amounts due to directors		**1,388**	15,049
Amounts due to related parties		**1,504**	23,207
Tax payable		**–**	1,011
		281,920	213,974
Net current assets		**163,844**	75,236
Total assets less current liabilities carried forward		**371,947**	228,238

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

As at 31 December 2007

	Note	**2007** **RMB'000**	2006 RMB'000 (Restated)
Total assets less current liabilities brought forward		**371,947**	228,238
Non-current liabilities			
Bank borrowings, secured		**16,494**	17,999
Convertible bond	*11*	**75,998**	–
Deferred tax liabilities		**1,071**	769
		93,563	18,768
Net assets		**278,384**	209,470
CAPITAL AND RESERVES			
Share capital		**46,394**	42,987
Reserves		**200,323**	157,186
Equity attributable to equity holders of the company		**246,717**	200,173
Minority interests		**31,667**	9,297
Total equity		**278,384**	209,470

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital RMB'000	Capital reserves RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2006	42,400	96,936	92,333	231,669	–	231,669
Exchange realignment and total expense recognised directly in equity	–	(921)	–	(921)	–	(921)
Loss for the year (restated)	–	–	(3,089)	(3,089)	1,348	(1,741)
Total income and expenses for the year	–	(921)	(3,089)	(4,010)	1,348	(2,662)
Recognition of equity-settled share-based payments	–	965	–	965	–	965
Transfer of reserves	–	2,727	(2,727)	–	–	–
Realisation on disposal of investment properties	–	(557)	–	(557)	–	(557)
2005 final dividend paid	–	–	(33,433)	(33,433)	–	(33,433)
Issue of shares on exercise of share options	587	4,952	–	5,539	–	5,539
Minority interest arising on acquisition of subsidiaries	–	–	–	–	7,949	7,949
Balance at 31 December 2006 (restated)	42,987	104,102	53,084	200,173	9,297	209,470

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the year ended 31 December 2007

	Share capital RMB'000	Capital reserves RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2007:						
As previously reported	42,987	104,102	70,391	217,480	9,297	226,777
Prior year adjustment *(note 2.2(a))*	–	–	(17,307)	(17,307)	–	(17,307)
Balance at 1 January 2007 (restated)	42,987	104,102	53,084	200,173	9,297	209,470
Fair value adjustment upon transfer of property, plant and equipment to investment properties	–	602	–	602	–	602
Exchange realignment	–	(3,052)	–	(3,052)	–	(3,052)
Total income and expenses recognised directly in equity	–	(2,450)	–	(2,450)	–	(2,450)
Profit for the year	–	–	17,849	17,849	3,513	21,362
Total income and expenses for the year	–	(2,450)	17,849	15,399	3,513	18,912
Lapse of share options	–	(575)	575	–	–	–
Issue of shares on exercise of share options	9	73	–	82	–	82
Transfer of reserves	–	2,432	(2,432)	–	–	–
Issue of shares for acquisition of a subsidiary	1,350	29,713	–	31,063	–	31,063
Bonus issue	2,048	(2,048)	–	–	–	–
Contribution from minority owner of a subsidiary	–	–	–	–	11,944	11,944
Minority interest arising on acquisition of subsidiaries	–	–	–	–	6,913	6,913
Balance at 31 December 2007	46,394	131,247	69,076	246,717	31,667	278,384

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007 RMB'000	2006 RMB'000 (Restated)
Operating activities		
Profit before taxation	**22,429**	2,460
Adjustments for:		
Write-back of provision for obsolete inventories	**(240)**	–
Allowance for doubtful debts	**339**	–
Amortisation of leasehold land and land use rights	**579**	265
Loss on disposal of leasehold land and land use rights	**–**	2,043
Loss on disposal of investment properties	**–**	234
Impairment loss on property, plant and equipment	**–**	735
Depreciation of property, plant and equipment	**22,856**	12,267
Fair value gain on the derivative component of convertible bond	**(15,214)**	–
Direct transaction cost for the derivative component of convertible bond	**834**	–
Gain on disposal of property, plant and equipment	**–**	(6,989)
Gain on disposal of a subsidiary	**(953)**	–
Amortisation of other intangible assets	**397**	300
Equity-settled share-based payment expenses	**–**	965
Fair value gain on trading securities	**(470)**	–
Fair value gain on investment properties	**(2,515)**	–
Transfer from equity on disposal of investment properties	**–**	(557)
Exchange differences	**(4,160)**	(934)
Imputed interest income	**(111)**	–
Interest income on bank deposits	**(3,598)**	(959)
Other finance costs	**12,058**	2,238
Operating cash flows before working capital changes	**32,231**	12,068
Decrease/(increase) in other financial assets	**1,851**	(6,851)
Increase in inventories	**(26,482)**	(6,206)
Increase in trade receivables	**(31,865)**	(26,012)
Increase in prepayments, deposits and other receivables	**(6,206)**	(21,766)
Decrease in amounts due from directors	**–**	5
Decrease/(increase) in amounts due from related parties	**279**	(1,413)
Increase in trade payables	**23,399**	55,081
Increase/(decrease) in accruals and other payables	**795**	(15,237)
Increase in amounts due to related companies	**–**	15,047
Cash (used in)/generated from operations	**(5,998)**	4,716
Income tax paid	**(2,105)**	(4,644)
Interest paid	**(4,205)**	(2,238)
Net cash used in operating activities	**(12,308)**	(2,166)

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

For the year ended 31 December 2007

	2007 RMB'000	2006 RMB'000 (Restated)
Investing activities		
Purchase of intangible assets	**–**	(17)
(Increase)/decrease in pledged time deposits	**(2,194)**	18,852
Purchase of property, plant and equipment	**(30,631)**	(33,102)
Proceeds from disposal of property, plant and equipment	**843**	15,740
Purchase of leasehold land and land use rights	**–**	(6,204)
Acquisitions of subsidiaries and businesses	**(9,032)**	(24,484)
Proceeds from disposal of interest in a subsidiary	**(662)**	–
Additional cash consideration paid for the acquisition of a subsidiary	**(755)**	–
Proceeds from disposal of investment properties	**–**	6,332
Payment for earnest money deposit	**(3,000)**	–
Purchase of trading securities	**(267)**	–
Interest received	**3,598**	959
Net cash used in investing activities	**(42,100)**	(21,924)
Financing activities		
Contributions from minority equity owners	**11,944**	7,550
Proceeds from issue of convertible bond, net of transaction costs	**89,612**	–
Proceeds from new bank loans	**63,057**	22,900
Repayment of bank loans	**(27,390)**	(10,051)
Repayment to directors	**(13,661)**	–
(Repayment to)/advance from related parties	**(21,703)**	23,207
Proceeds from issue of shares	**82**	5,539
Dividends paid	**–**	(33,730)
Net cash generated from financing activities	**101,941**	15,415
Net increase/(decrease) in cash and cash equivalents	**47,533**	(8,675)
Cash and cash equivalents at beginning of year	**65,941**	74,616
Effect of foreign exchange rate changes	**(344)**	–
Cash and cash equivalents at end of year	**113,130**	65,941
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**135,532**	65,941
Bank overdrafts	**(22,402)**	–
	113,130	65,941

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "PRC").

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sales of electronic and power-related automotive parts and accessories and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region.

2.1 ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 2 Amendment	Share-based payment-Vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

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

2.2 PRIOR YEAR ADJUSTMENTS

The auditor's report dated 16 May 2007 on the consolidated financial statements of the Group for the year ended 31 December 2006 were qualified by the previous auditor, BDO McCabe Lo Limited in respect of a limitation of scope of work on the balances of inventories and accrued purchases as at 31 December 2006.

The matters giving rise to the qualification are resolved and properly dealt with in the consolidated financial statements of the Group for the year ended 31 December 2007 as follows:

(a) During the year ended 31 December 2007, the directors of the Company obtained additional information regarding the valuation and quantities of the Group's raw materials, work-in-progress, finished goods and merchandise goods as at 31 December 2006 and considered that there were overstatements of raw materials, work-in-progress, finished goods and merchandise goods and understatement of trade payables of the Group as at 31 December 2006. In restating the consolidated financial statements of the Group to correct this fundamental error, a prior year adjustment has been made. The effect is to reduce the consolidated profit for the year ended 31 December 2006 by approximately RMB17,307,000, to reduce the consolidated retained profits and net assets of the Group as at 31 December 2006 by approximately RMB17,307,000, to reduce the inventories of the Group as at 31 December 2006 by approximately RMB12,439,000 and to increase the trade payables of the Group as at 31 December 2006 by approximately RMB4,868,000. There is no material tax effect in respect of the adjustments.

(b) During the year ended 31 December 2007, the directors of the Company obtained additional information regarding the Group's accrued purchases of approximately RMB9,400,000 included in trade payables as at 31 December 2006 and considered that there was an overstatement of accrued purchases and inventories of the Group as at 31 December 2006. In restating the consolidated financial statements of the Group to correct this fundamental error, a prior year adjustment has been made. The effect is to reduce the Group's trade payables and inventories of the Group as at 31 December 2006 by approximately RMB2,000,000. There is no material tax effect in respect of the adjustments.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the sales value of goods supplied and services provided to customers, and is analysed as follows:

	2007	2006
	RMB'000	RMB'000
		(Restated)
Sale of goods	**577,441**	475,694
Service income	**186,010**	57,608
	763,451	533,302

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

2007

	Manufacture and sales of automobile accessories	**Provision of automobile repair, maintenance and restyling services**	**Eliminations**	**Consolidated**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
REVENUE:				
External sales	**577,441**	**186,010**	**–**	**763,451**
Inter-segment sales	**14,483**	**575**	**(15,058)**	**–**
External other income	**6,574**	**6,286**	**–**	**12,860**
Inter-segment other income/ (expenses)	**401**	**(826)**	**425**	**–**

	Manufacture and sales of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Total revenue	**598,899**	**192,045**	**(14,633)**	**776,311**
RESULTS	**33,881**	**(4,813)**	**–**	**29,068**
Unallocated other income				**3,338**
Unallocated costs				**(16,459)**
Operating profit				**15,947**
Finance costs, net				**(8,732)**
Fair value gain on the derivative component of convertible bond				**15,214**
Profit before taxation				**22,429**
Income tax				**(1,067)**
Profit for the year				**21,362**
BALANCE SHEET				
Segment assets	**364,523**	**181,022**	**–**	**545,545**
Unallocated corporate assets				**108,322**
Total assets				**653,867**
Segment liabilities	**225,139**	**66,103**	**–**	**291,242**
Unallocated corporate liabilities				**84,241**
Total liabilities				**375,483**
OTHER INFORMATION				
Capital expenditure	**14,347**	**16,239**	**–**	**30,586**
Unallocated capital expenditure				**45**
Total capital expenditure				**30,631**
Depreciation and amortisation charge	**9,739**	**12,877**	**–**	**22,616**
Unallocated depreciation and amortisation charge				**1,216**
Total depreciation and amortisation charge				**23,832**

2006 (Restated)

	Manufacture and sales of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services RMB'000	Eliminations RMB'000	Consolidated RMB'000
REVENUE:				
External sales	477,131	56,171	–	533,302
Inter-segment sales	2,353	1,437	(3,790)	–
Other income	1,297	1,450	–	2,747
Inter-segment other income	50	–	(50)	–
	480,831	59,058	(3,840)	536,049
RESULTS	20,399	(14,597)	–	5,802
Unallocated other income				11,844
Unallocated costs				(12,948)
Operating profit				4,698
Finance costs, net				(2,238)
Profit before taxation				2,460
Income tax				(4,201)
Loss for the year				(1,741)
BALANCE SHEET				
Segment assets	285,891	139,468	–	425,359
Unallocated corporate assets				16,853
Total assets				442,212
Segment liabilities	155,920	59,352	–	215,272
Unallocated corporate liabilities				17,470
Total liabilities				232,742
OTHER INFORMATION				
Capital expenditure	33,133	50,649	–	83,782
Depreciation and amortisation charge	9,491	3,307	–	12,798
Unallocated depreciation and amortisation charge				34
Total depreciation and amortisation charge				12,832

(b) Secondary reporting format – geographical segments

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

	2007	2006
	RMB'000	RMB'000
		(Restated)
Segment revenue		
North America	**343,683**	324,960
Europe	**48,452**	60,194
Asia Pacific	**29,073**	59,863
Greater China (including Taiwan)	**341,973**	88,152
Africa	**270**	133
Total	**763,451**	533,302

No geographical segment information regarding the Group's assets and capital expenditure is presented as all of the Group's assets are located in the PRC.

There are no inter-segment sales between the geographical segments for the year ended 31 December 2007 (2006: Nil).

4. FINANCE COSTS, NET

		2007	2006
	Note	**RMB'000**	RMB'000
			(Restated)
Interest expense:			
Bank borrowings wholly repayable within five years		**2,991**	1,742
Bank borrowings wholly repayable after five years		**561**	106
Interest on amount due to a director		**653**	390
Interest expense on convertible bond	*11*	**7,853**	–
Direct transaction costs on derivative component of convertible bond		**834**	–
Exchange gain on convertible bond	*11*	**(4,160)**	–
		8,732	2,238

5. PROFIT BEFORE TAXATION

	2007	2006
	RMB'000	RMB'000
		(Restated)
Profit before taxation is arrived at after charging/(crediting):		
Net foreign exchange losses	**1,428**	3,126
Cost of inventories	**502,274**	422,811
Cost of services	**121,033**	36,211
Write-back of provision for obsolete inventories	**(240)**	(80)
Depreciation of property, plant and equipment	**22,856**	12,267
Amortisation of:		
Leasehold land and land use rights	**579**	265
Other intangible assets	**397**	300
Total depreciation and amortisation expenses	**23,832**	12,832
Impairment losses on:		
Trade and other receivables	**339**	278
Property, plant and equipment	**–**	735
Research and development costs	**8,125**	6,508
Direct operating expenses arising on rental-earning investment properties	**331**	59
Auditor's remuneration	**1,300**	1,513
Employee benefit expenses (including directors' remuneration)		
Salaries and allowances	**50,673**	49,716
Pension fund contributions and equity-settled share-based payments	**1,329**	5,845
Other benefits	**9,588**	6,638
	61,590	62,199

Note: Cost of inventories includes approximately RMB51,642,000 (2006: RMB56,137,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above.

6. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2007	2006
	RMB'000	RMB'000
		(Restated)
Current tax – PRC		
– Provision for the year	**3,148**	4,368
– Over-provision in respect of prior years	**(2,441)**	–
	707	4,368
Deferred taxation		
– attributable to the origination and reversal of temporary differences, net	**360**	(167)
	1,067	4,201

(b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the year ended 31 December 2007 (2006: 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 as below:

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

For the years ended 31 December 2006 and 2007, NFA Parts qualifies as an Export Oriented Enterprise and was therefore exempted from PRC local corporate income tax ("CIT") and entitled to a 50% reduction in applicable national CIT rate of 24%. Accordingly, CIT was provided at a rate of 12% for the year ended 31 December 2007 (2006: 12%).

(ii) *New Focus Light and Power Technology (Shanghai) Co., Ltd. ("NF Light & Power")*

Being qualified as a foreign investment production enterprise in an industrial development zone in the PRC, NF Light & Power is exempted from local CIT and is subject to an applicable national CIT rate of 24%. In accordance with the approval from the relevant tax authorities, NF Light & Power is entitled to two years exemption from CIT followed by three years of 50% reduction in CIT rate commencing from the first profit-making year net of losses carried forward. The year ended 31 December 2003 is NF Light & Power's first profit-making year net of losses brought forward from previous years, and hence NF Light & Power is entitled to enjoy 50% reduction in national CIF rate for the years ended 31 December 2006 and 2007. Accordingly, CIT was provided at 12% for the year ended 31 December 2007 (2006: 12%).

(iii) *Shanghai New Focus Auto Repair Services Co., Ltd. ("NFA Service")*

As a domestic enterprise, NFA Service is subject to an applicable CIT rate of 33%. For the years ended 31 December 2006 and 2007, NFA Service was in a loss-making position, and accordingly, no income tax has been provided for the years.

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

NF Richahaus is incorporated in Taiwan and is subject to applicable domestic income tax rate of 25%. For the year ended 31 December 2007, NF Richahaus's tax losses brought forward from previous years exceeded the estimated assessable profit for the year. For the year ended 31 December 2006, it did not have taxable profit. Accordingly, no income tax has been provided for the years.

(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, and NF Longsheng is exempted from local CIT and is subject to applicable national CIT rate of 24%. In accordance with the approval from the relevant tax authorities, NF Longsheng is entitled to two years exemption from CIT followed by three years of 50% reduction in CIT. The year ended 31 December 2006 is the first profit-making year net of losses carried forward. Accordingly, no CIT was provided for the years.

(vi) Beijing Aiyihang Auto Service Ltd. ("Aiyihang")

As a domestic enterprise, Aiyihang is subject to an applicable CIT rate of 33% for the year.

7. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil). No interim dividend was paid in the year ended 31 December 2007 (2006: nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to the equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the bonus issue during the year. Basic loss per share for the year ended 31 December 2006 is restated to take into effect the bonus issue of shares during the year ended 31 December 2007.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to the equity holders of the Company, adjusted to add the interest on convertible bond, exchange gain on convertible bond and the fair value gain on the derivative component of convertible bond. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) 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.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2007	2006
	RMB'000	RMB'000
		(Restated)
Earnings/(loss)		
Profit/(loss) attributable to the equity holders of the Company, used in the basic earnings/(loss) per share calculation	**17,849**	(3,089)
Add: Interest on convertible bond	**7,853**	–
Less: Exchange gain relating to convertible bond	**(4,160)**	–
Less: Fair value gain on the derivative component of convertible bond	**(15,214)**	–
Profit/(loss) attributable to the equity holders of the Company as adjusted for the effect of on convertible bond	**6,328**	(3,089)

	Number of shares	
	2007	2006
		(Restated)
Shares		
Weighted average number of ordinary shares for basic earnings/(loss) per share calculation	**433,972,000**	424,547,000
Effect of dilution		
– weighted average number of ordinary shares:		
Share options	**8,469,000**	197,000#
Convertible bond	**27,254,000**	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**469,695,000**	424,744,000#

Because the diluted loss per share amount is reduced when taking share options into account, the share options have an anti-dilutive effect on the basic loss per share for the year ended 31 December 2006. Accordingly, no restated diluted loss per share is presented for the year ended 31 December 2006.

9. TRADE RECEIVABLES

	The Group	
	2007	2006
	RMB'000	RMB'000
Trade receivables	**121,617**	89,215
Less: allowance for doubtful debts	**(1,667)**	(1,328)
	119,950	87,887

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

The ageing analysis of trade receivables are as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Current to 30 days	**46,194**	38,164
31 to 60 days	**41,329**	39,326
61 to 90 days	**15,907**	7,669
Over 90 days	**18,187**	4,056
	121,617	89,215
Less: Allowance for doubtful debts	**(1,667)**	(1,328)
	119,950	87,887

10. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
		(Restated)
Current to 30 days	**65,992**	81,078
31 to 60 days	**37,753**	16,197
61 to 90 days	**22,677**	15,656
Over 90 days	**22,761**	2,442
	149,183	115,373

11. CONVERTIBLE BOND

The Group and the Company

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 (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) have been 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 consolidated income statement.

The movements of the liability component and derivative component of the convertible bond during the year ended 31 December 2007 are as follows:

	Liability component of convertible bond RMB'000	Derivative component of convertible bond RMB'000	Total 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 gain	(2,592)	(1,568)	(4,160)
At 31 December 2007	65,122	13,803	78,925
Amount due within one 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

Interest on the convertible bond is calculated using the effective interest method by applying the effective interest rate of 19.5% per annum.

The fair value of the derivative component of the convertible bond is determined based on the valuation performed by RHL Appraisal Ltd. using the Binomial Model with the major inputs as at 16 May 2007 and 31 December 2007 as follows:

	16 May 2007	31 December 2007
Share price	**HK$2.24**	HK$1.66
Exercise price	**HK$2.07**	HK$2.07
Volatility	**44.77%**	44.29%
Risk free rate	**3.94%**	2.68%

During the year, there was a significant decrease in the share price of the Company, and accordingly, the fair value of the derivative component of the convertible bond decreased, resulting in a fair value gain of approximately RMB15,214,000.

12. POST BALANCE SHEET EVENT

The Board recommended a bonus issue of one new share of HK$0.10 each credited as fully paid for every forty issued Shares held on the register of members of the Company on 4 June 2008. An amount standing to the credit of the share premium account of the Company will be capitalized and applied in making payment in full, at par, for the new shares. The issue of bonus shares is conditional upon the passing of the relevant resolutions at the Annual General Meeting, and the Listing Committee of the Stock Exchange granting approval to the listing of and permission to deal in the new shares. Such new shares will not, however, rank for the proposed bonus issue but will in all other respects rank pari passu with the existing issued Shares. A circular containing further details of the bonus issue will be despatched to the shareholders on or about 9 May 2008.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT OPINION

In the auditor's opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2007 and of the profit and cash flows of the group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying the auditor's opinion, the auditor draws attention to note 2.2 to the financial statements. The auditor's report dated 16 May 2007 on the group's financial statements for the year ended 31 December 2006 included a qualified opinion and the matters which gave rise to the qualification are resolved and properly dealt with in the Group's consolidated financial statements for the year ended 31 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The key aspect of the manufacturing business of the Company is the innovative production of Auto Green Lighting and automotive electronic and power-related parts and accessories, while the provision of professional automotive aftermarket services is the key element of the Group's service business.

For the year ended 31 December 2007, the Group's consolidated turnover amounted to RMB763,451,000, representing a growth of 43% from the corresponding period in 2006. Profit attributable to shareholders was RMB17,849,000 (of which RMB11,156,000 was related to the net effect of the gain on the revaluation of the derivation component of the convertible bond.) and earnings per share were RMB4.11 fen. The manufacturing business of the Group, under the name of NFA, accounted for RMB577,441,000 of the consolidated turnover, representing a growth of approximately 21% from the corresponding period in 2006, while the consolidated turnover of the Group's retail chain services, under the name of AUTOLIFE, amounted to RMB186,010,000, representing a growth of approximately 231% from the corresponding period in 2006.

Autolife accounted for 24% for the Group's overall turnover, approximately 231% growth from that of 2006 and such growth has laid strong foundation for the Group to become a leading chain retailer in the PRC automotive aftermarket services sector.

Considering the Group's rapid growth which will require significant amount of capital, no interim dividend was paid during the year. The Board does not recommend the payment of a final dividend for the year ended 31 December 2007.

The Board proposes a bonus issue of one new share of the Company (the "Share") of HK$0.10 each and credited as fully paid for every forty issued Shares held as shown on the register of member of the Company on 4 June 2008. A sum standing to the credit of the share premium account will be capitalized and applied in paying up the nominal value of the new Shares in full. The issuance of bonus shares will be conditional upon the relevant resolution being approved on the forthcoming annual general meeting, and the approval for the listing of, and permission to deal with, the new Shares being granted by the listing committee of the Stock Exchange. Such new Shares shall rank pari passu with the existing issued Shares in all aspect, except that such new Shares shall not entitle their holders to receive the proposed bonus shares.

REVIEW OF BUSINESS PROGRESS

MANUFACTURING AUTO GREEN LIGHTING AND AUTOMOTIVE ELECTRONIC AND POWER-RELATED PARTS AND ACCESSORIES – NFA

In 2007, the export-oriented NFA faced exceptional pressure and challenges under the general market condition arising from continuous and exceptional raw material price hike and substantial appreciation of Renminbi.

However, NFA has implemented a series of effective solutions, the results of which will be fully reflected in 2008. In spite of the unfavorable situation, NFA persisted in its strategic plan to enlarge its share in the PRC automotive parts and accessories market and shift from the AM market to the OEM market and has diverted itself from producing a complex array of products to focusing on automotive electronic and Green Lighting products.

In response to such difficulties and challenges, the management adopted the following solutions and encouraging results have been achieved:

1. Emphasized on the development of the PRC car manufacturer customers and seized the opportunities presented by the booming PRC automotive industry by leveraging on its success in becoming the tier-one supplier of a number of the leading PRC car manufacturers:

    1) *Became a tier-one supplier of FAW-Volkswagen*

    In October 2007, NFA entered into a inverters supply contract with FAW-Volkswagen. Given the rapid expansion of the PRC automotive market and that inverters were expected to become a standard equipment of high- and mid-end vehicles, this supply contract was strategically vital for NFA to enlarge its market share in the automotive converter OEM market.

    2) *Became a tier-one supplier of another renowned PRC car assembly company*

    In November 2007, NFA's inverters were accepted by another renowned car assembly company in the PRC.

2. Optimized its product lines and resources allocation in order to raise the gross profit margin by 3% to 5%:

    1) NFA persisted the development of HID ballasts which have higher profit margin. The research and development of the fourth generation HID ballast products has been substantially completed in 2007, while large-scale commercial production is expected to commence in 2008. This will act as a stimulant to NFA's expansion in the HID products in the OEM and aftermarket segments.

    Furthermore, in order to strengthen the competitiveness of NFA's products, research and development department of NFA took the initiative to refine the other three major product lines, namely automotive inverters, chargers and power packs. In-depth research and analysis were conducted with respect to the appearances, structural designs, features, packages and raw materials, with a view to offering products and packages that have competitive prices and serve the requirements of the end users.

    2) The production of products with lower profit margins was relocated to the Shandong plant, which significantly optimized resources allocation as Shandong Province enjoys advantages in terms of low labor costs and preferential tax treatment. The Group has set forth a plan to relocate the production lines of power packs and jump start products, which command lower profit margins, to Shandong in order to optimize profit margin as much as possible. It is expected that, upon the execution of this strategy, the profit margins of these products will increase by 4% to 5%.

3. Enlarged the share of "direct export" products to further enhance the gross profit margin by 5% to 8%:

   In 2007, NFA increased its investment in expanding the volume of direct export products. During the period under review, NFA has commenced direct export of products to large overseas chain stores and by-passing importers, and the profit margin of such products was 5% to 8% higher than that of the products sold to importers.

   In order to guarantee on-time delivery, high quality and low prices of products as well as to manage potential risks, large overseas chain stores generally impose relatively more stringent requirements on the capability of their suppliers and set higher entry barriers. Moreover, the Group has to excel itself in terms of product's performance, appearance, package design and costing in front of severe competition from overseas intermediate importers.

   During the period under review, the manufacturing business of the Group has demonstrated the following capabilities which were necessary for conducting and expanding direct export:

   1) NFA has been recognized as a well-known IDM manufacturer;

   2) NFA has set up a sales office in North America which hires local sales representatives to provide timely before- and after-sales services to its customers;

   3) NFA has access to sufficient warehouse space in order to store inventories required to supply its customers with adequate products in a timely manner. In addition, further storage area in the PRC was expected to be available in June 2008;

   4) NFA has negotiated with various international renowned brand owners in respect of brand concessions with an intention to leverage on the strength of their well-known brands in implementing the direct export strategy effectively.

4. Increased the overall price of export products by 8% to 10% and adjusted the quotation policy in order to maintain profit margin:

   At the end of 2007, NFA increased the prices of its export products in general to offset the impact of Renminbi exchange rate appreciation on its gross margin. According to international industry practices, price increases usually come after sending advance notice to respective customers. Such price increase has not taken effect in the period under review but will be reflected in 2008 and make significant contribution to the Group's gross profit in 2008.

   In addition, to mitigate the impact of Renminbi exchange rate appreciation and immense fluctuation in raw material prices on the gross profit for 2008, NFA has effectively adjusted its pricing strategy. Such adjustments included:

   1) Providing individual and immediate quotation to customers for parts and accessory products that are subject to price fluctuation;

   2) Shortening the effective period of quotations as far as possible;

   3) Quoting prices in currency other than US dollar that does not experience material depreciation.

4) Stating in the quotation that if the price of any major raw material rises to a certain level, NFA shall have the right to raise price within the effective period of the quotation, and the new price shall be applied retrospectively;

5. Established a production base in Shanghai to enhance production efficiency and quality by about 15%:

   At the beginning of 2007, NFA started planning the construction of a new plant which was expected to commence operation in 2008. Upon the deployment of this new plant and the new equipment thereof, production will be highly automated. Higher production efficiency and product quality will be achieved.

   During the period under review, despite the continuation of the unfavourable internal and external environments NFA's manufacturing business, through the above initiatives, was capable of capturing the enormous opportunities provided by the fast growing PRC car industry, structurally alleviated the impact of the external adverse factors, such as Renminbi exchange rate appreciation, on the manufacturing industry, and laid a firm foundation for healthy growth in the future.

THE AUTOMOTIVE AFTERMARKET SERVICE BUSINESS – AUTOLIFE

The key element of Autolife is the provision of professional automotive aftermarket services. Since its establishment in 2002 in Shanghai, Autolife has gained experience from years of hard work, exploration and market study, and changed its development strategies from extending its market shares to creating the brand value, and shifted the emphasis from quantity to quality with respect to its sales outlet establishment. The Group took further steps to close down poorly managed and unprofitable outlets in 2007 and affirmed the operation of Super stores as its most suitable, sustainable and profitable business model. The original operating model of chain outlets with four types of stores, namely Super, Creative, Express and Beauty stores, were streamlined into two major categories, namely Super stores and Convenient Stores.

- Super stores – large-scale one-stop service outlets with an area of over 1,000 square meter that provide trendy products as well as quality and tailor-made one-stop services to customers, including accessories without service, accessories with service, clean and beauty as well as light maintenance;

- Convenient stores – small convenient store with an area of 50 to 700 square meter that provide mainly convenient and quick services to consumers, including clean and beauty light maintenance.

Super stores and Convenient stores were established as O&O (own-operate) and franchised stores respectively, which together set forth the optimal business model for Autolife that catered to the current market. In addition, the Super stores, as the major channel, and the Convenient Stores, as the supportive network, complemented each other and gave impetus to Autolife.

During the period under review, Autolife achieved the following milestones:

1. Completed establishment of regional headquarters in the key first-tier municipalities.

   Based in Shanghai, the economic center of the PRC, NFA has built up strategic networks in the key first-tier municipalities. By the end of 2007, NFA has established regional headquarters in Shanghai, Beijing, Chengdu and Taiwan.

- Beijing Headquarter – Beijing, the political and cultural center of the PRC, has the highest passenger car accumulation. This headquarter was established in May 2007 by acquiring Beijing Aiyihang Auto Services Ltd., which has access to the largest customer retention in Beijing as well as track record of steady growth;

- Taiwan Headquarter – Being a wealthy region in China, Taiwan ranked second in terms of passenger car accumulation. The regional headquarter in Taiwan was established at the end of 2006 by acquiring Richahaus in Taiwan. It possesses decades of experience in the industry and therefore has the highest profitability among Taiwanese competitors. At the end of 2007, Richahaus became a new major source of profit for Autolife as it operated 8 Super stores in Taipei and the network expansion will accelerate as the economy of Taiwan is blooming;

- Chengdu Headquarter – Chengdu is the gate to Southwestern China and has the third highest passenger car accumulation. This headquarter was established in 2006 and the first and the second O&O (own-operated) Super stores were opened in 2006 and 2007 respectively. This made us the first automotive aftermarket enterprise which operated two Super stores in Chengdu;

- Shanghai Headquarter – Shanghai, the economic center of the PRC, has the fourth highest passenger car accumulation in the PRC. The headquarter was established in 2002 and has set up 78 outlets in Shanghai at the end of 2007, achieving 93% coverage across the city, which was the highest among its peer.

The establishment of regional headquarters offered support to local chain networks and improved the efficiency of network expansion and business support.

2. The growth rate of the number of O&O (own-operated) Super stores reached 130% and provided the basis for growth of sales in 2008.

- The first Super store in Shanghai region, namely Wuzhong shop 新焦點汽車生活時尚館, was opened in September 2006. After a year of operation, this Super store has exhibited a replicable and profitable business model that featured pleasant products display, excellent services and effective management;

- Autolife successfully acquired Beijing Aiyihang Auto Service Ltd in May 2007 and incorporated the 9 O&O (own-operated) Super stores into the Autolife's network;

- 成都新焦點 opened the second O&O (own-operated) Super store, i.e. Jinsha shop, in June 2007;

- Beijing Aiyihang established 3 O&O (own-operated) Super stores in the second half of 2007.

At the end of 2007, Autolife operated a total of 23 Super stores, representing an increase of 130%, or 10 stores, as compared with 2006.

3. Fostered the establishment of a total of 310 franchised stores to build up the scale of operation.

   With the efforts of the regional headquarters, Autolife promoted the model of self-owned Convenient stores and fostered the development of franchised stores in the satellite cities. In view of the uniqueness of the industry, while the relevant policies and regulations still require modification and perfection, the Group was moving one step at a time in the formation and management of the franchise system by firstly allowing franchisees to operate independently, then consolidating the purchasing function, and finally resuming overall management. In 2007, the Group has started to implement consolidated purchasing management over the franchise stores in order to cease unrestrained operation in the first phase of development.

   By the end of 2007, Autolife has established 310 franchise stores in first-tier cities and regions such as Beijing, Shanghai, Zhejiang, Guangdong, Tianjin, Nanjing, Jiangsu and Chengdu, of which 20 are Super stores and 310 are Convenient stores.

4. Established a total of 350 chain outlets, of which 40 were O&O (own-operated) stores and 310 were franchised stores, and this reaffirmed our leading position in the PRC automotive aftermarket chain services sector.

   Leveraging on the pre-dominant retention of outlets and years of experience, Autolife possesses the following development strengths:

   - Enjoys extensive customer retention in first-tier cities that pave the way for business development;

   - consolidated purchasing power which in turn strengthened negotiation power; and

   - accumulated years of experience that illustrates a diversified and mature franchise business model.

5. Having our own professional training institute that nurture and secure abundant supply of talent for the Group in the long-term.

   In 2007, the Group's 上海華靚職業技術學校, being a professional certification body recognized by the Shanghai City government, organized training programs for new workers from other cities on behalf of the Shanghai city government. It has nurtured a large pool of well trained technicians for the community and the industry and acts as the Group's source of talent.

6. Acquired Beijing Aiyihang; further expand the commodities purchasing function; and enhance the integrated competitiveness.

   During the period under review, the Group adhered to its stated network expansion strategy and concentrated on the acquisition of operators of outstanding Super stores in the target regions with an aim to incorporating the acquired Super stores and swiftly establishing well organized regional networks by subordinating them to the newly set up regional headquarters which carry out effective management over the expansion plans and business support to the outlets by replicating the proven effective business support and extending the strategic cooperation.

Given the success in the establishment of Taiwan headquarter by acquiring Richahaus, the Group further acquired Beijing Aiyihang in March 2007. Aiyihang, being the leading automotive aftermarket chain store operator in Beijing, operates 9 Super stores in Beijing and had over ten years of experience in managing Super stores. Beijing currently has over 2 million privately owned passenger cars, making it the largest among the PRC cities in terms of passenger car accumulation. Being the capital city of the PRC, Beijing has a more mature market as compared with the other cities. Being the political and cultural center also demands high quality of services. The acquisition of 51% equity interest of Aiyihang held significant strategic value to the Group in developing its chain service business and the fulfillment of its strategic goal.

PROSPECT

Although the macro economic environment in 2008 may not be favourable, NFA had taken various effective initiatives in 2007 and it is believed that a significant increase in profit margin will be witnessed in 2008.

The automotive market of the PRC is blossoming as the sales volume of cars amounted to 8.79 million in 2007 and is expected to reach 10 million by 2008. Leveraging on its capacity as a tier-one supplier of a number of the leading car manufacturers in the PRC as well as further investment, NFA will endeavor to seize the opportunity and enlarge its market share in the PRC automotive OEM market in 2008. Meanwhile, the Group will better utilize this business platform to supply other products in its product range to the tier-one car manufacturers in the PRC through the established sales channels with an objective to enlarging NFA's scale of operation.

With the finalization of the network of regional headquarters, the adoption of the business model of Super stores and the extended chain outlets coverage, Autolife is expected to achieve a turnaround in 2008.

Under the stimulus of the growing PRC automotive market, the automotive aftermarket will prosper. The number of privately owned cars in the PRC reached 46 million in 2007 and is expected to hit 56 million in 2008. As the leader of the automotive chain service industry, Autolife will capture the opportunities presented by the ever growing market size and expands its business accordingly. It is our plan that the number of Autolife's O&O (own-operated) Super stores and the total number of chain outlets will mount up to 40 and 400 respectively.

REVIEW OF OPERATION

During the period under review, turnover increased by 43% to approximately RMB763,451,000, gross profit, operating profit and profit attributable to shareholders all recorded significant increase. Gross profit increased by 89% to approximately RMB140,384,000, operating profit increased to approximately RMB20,107,000, while profit attributable to shareholders increased to approximately RMB17,849,000 (2006: restated loss RMB3,089,000).

GROSS PROFIT

Gross profit margin of sales of the Group was approximately 18% (the corresponding period of 2006: 14%), representing a increase of 4 percentage points. The reason for the increase of gross profit was because of the increase in the proportion of the Group's business attributable to the service sector since the acquisition of the Taiwan and Beijing subsidiaries which has a much higher margin. The service sector accounted for 24% of total sales in 2007 compared to 11% in 2006.

During the year, the global prices of lead and copper increase by 100% and 30% respectively compared to 2006 prices; the RMB/USD exchange rate has increase by 6.9% since the beginning of the year. These factors have put downward pressure on the gross profit of the Group. In response to these factors, the Group has reorganized its product mix, develops and expands the "direct export" business and change the contract terms with customers to allow for changes in relation to the fluctuation of prices of raw materials and exchange rats. These measures should help stabilize the 2008 gross profit level to that of 2007.

OTHER GAINS

The Group recorded other gains of approximately RMB16,198,000 (2006: approximately RMB14,591,000).

EXPENDITURES

Total selling and marketing expenses and administrative expenses amounted to approximately 136,475,000 (2006: approximately RMB84,253,000), of which selling and marketing expenses amounted to approximately RMB70,348,000 (2006: approximately RMB33,892,000); administrative expenses amounted to approximately RMB66,127,000 (2006: approximately RMB50,321,000)

The significant increase in selling and marketing expenses was the result of the acquisition of the largest automotive aftermarket service chain network operator in Taiwan – Richahaus Co., Ltd.; and automotive aftermarket service chain network operator in Beijing – Beijing Aiyihang Auto Services Ltd. The Group believes that the increase in profit attributable to the service sector is a clear indicator that the increase in the selling and marketing expenses has been justified.

The increase in administrative expenses was in line with the increase in the size of the Group.

OPERATING PROFIT

Operating profit was approximately RMB20,107,000 (2006: restated approximately RMB4,698,000), representing an increase of 328% from the same period last year.

FINANCE COST AND TAX

Finance cost was approximately RMB12,892,000 (2006: approximately RMB2,238,000). The increase was cause by the issuance of US$12,000,000 convertible bond during the year with related interest expenses of approximately RMB8,687,000.

Income tax expense was approximately RMB1,067,000 (2006: approximately RMB4,201,000). The decrease was primarily attributable to the tax rebate from previous year's income tax.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders was approximately RMB17,849,000 (2006: restated approximately loss RMB3,089,000).

FINANCIAL CONDITIONS AND LIQUIDITY

The Group maintained its stable financial status during the period. As at 31 December 2007, the Group had adequate cash and bank balances of approximately RMB135,532,000.

As at 31 December 2007, current assets of the Group maintained at a healthy level of approximately RMB445,764,000 (2006: approximately RMB289,210,000) with a liquidity ratio of 1.58 (2006: 1.35). Gearing ratio calculated by dividing total liabilities by total assets increased from 52.6% during 2006 to 58.1%.

As at 31 December 2007, total bank borrowings were approximately RMB102,423,000, which are secured by a mix of corporate guarantee of the Group, personal guarantee from Mr. Hung Wei Pi and bank deposits.

Leveraging on its bank deposits, cash and bank facilities, the Group maintains a strong and healthy liquidity status, and has sufficient financial resources to meet its requirement for working capital, capital expenditure and future investment.

During the year, the Group incurred an investment of approximately RMB30,631,000 (2006: approximately RMB68,370,000) for the addition of machinery and equipment and increase in such items arising from acquisition, construction of new plants and renovation of leased property.

USE OF PROCEEDS

The Group offered and placed 100,000,000 new Shares in February 2005. The net proceeds raised after the relevant listing expenses were approximately HK$74,700,000.

Use of proceeds in the manufacturing business: for the year ended 31 December 2007, approximately RMB31,462,000 were used for the development and construction of new factory and production line.

Use of proceeds in the chain store business: for the year ended 31 December 2007, approximately RMB12,664,000 was used for the expansion of the retail chain stores.

Approximately RMB3,166,000 was used for operating expenses within the Group.

EXCHANGE RISK

During the period under review, approximately 70% of sales and 20% of raw material purchases were conducted with overseas customers and mainly settled in USD. In response, the Group has signed a forward contract of group exchange settlement with the Bank of China. The Group has enhanced the sales in the PRC market; further heightened the proportion of overseas procurement and strict control over costs and expenses to mitigate the impact of such exchange rate movement. Meanwhile, the Group will also leverage on its strong bargaining power and established relationships with customers and suppliers to transfer to them the additional costs arising from movements in exchange rates. The Group has no material exposure to foreign exchange risks.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, the Group employed 3,394 full-time employees, of which 393 were managerial staff and 310 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 governments. Employee remuneration packages are structured and reviewed by reference to market terms and individual merits. Outstanding employees of the Group will be granted discretionary bonus and share options as incentives. As at 31 December 2007, 33 employees have been granted share options. It is the Group's plan to grant more options to a larger proportion of staff out of the 15,380,000 share options available, thereby further reinforcing the sense of belonging and responsibility to the Company.

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 ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review.

Under A.2.1 of the Code, "the roles of chairman and chief executive officer should be separate 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 no less exacting than the required standard set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by directors (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 year.

AUDIT COMMITTEE

The Audit Committee has three members, namely Mr. Du Haibo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw. Mr. Du Haibo has been appointed as the chairman of the Audit Committee. The duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Group's annual results for the year had been reviewed by the Audit Committee.

DIVIDENDS AND BONUS ISSUE

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: nil).

The Board recommends a bonus issue of one new Share of HK$0.10 each credited as fully paid for every forty issued Shares held on the register of members of the Company on 30 May 2008. An amount standing to the credit of the share premium account of the Company will be capitalized and applied in making payment in full, at par, for the new Shares. The issue of bonus shares is conditional upon the passing of the relevant resolutions at the Annual General Meeting, and the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the new Shares. Such new Shares will not, however, rank for the proposed bonus issue but will in all other respects rank pari passu with the existing issued Shares. A circular containing further details of the bonus issue will be despatched to the shareholders on or about 9 May 2008.

SALE, PURCHASE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There were no purchases, sales or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of the Company will be held on 4 June 2008 and the notice of annual general meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 2 June 2008 to Wednesday, 4 June 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed bonus issue, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. Friday, 30 May 2008.

By Order of the Board
New Focus Auto Tech Holdings Limited
Hung Wei-Pi, John
Chairman

Hong Kong, 23 April 2008

As at the date of this announcement, the Board comprises of the executive Directors, namely, HungWei-Pi, John, Wu Kwan-Hong, Hung Ying-Lien, Lu Yuan Cheng, Douglas Charles Stuart Fresco and Norman L. Matthew, Non-executive Director, namely, Luo Xiaoping, Li Tung Hsing, Irene Shih and the independent non-executive Directors, namely, Du Haibo, Zhou Tai-Ming and Uang Chii-Maw.