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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The unaudited results of New Focus Auto Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009 (the "Period") are as follows:

Condensed Consolidated Statement Of Comprehensive Income
For the six months ended 30 June 2009

		Unaudited Six months ended 30 June	
	Note	**2009 RMB'000**	2008 RMB'000
Turnover	*3*	**276,447**	341,724
Cost of sales and services		**(199,802)**	(264,165)
Gross profit		**76,645**	77,559
Other income and net gains	*3*	**1,372**	12,670
Distribution costs		**(46,044)**	(40,057)
Administrative expenses		**(25,945)**	(27,257)
Finance costs	*4*	**(6,720)**	(9,846)
(Loss)/profit before taxation		**(692)**	13,069
Taxation	*5*	**(2,297)**	(4,289)
(Loss)/profit for the period		**(2,989)**	8,780
Other comprehensive expense:			
Exchange differences arising on translation of overseas operations		**(303)**	(4,299)
Total comprehensive (expense)/income for the period		**(3,292)**	4,481
(Loss)/profit attributable to:			
Equity holders of the Company		**(4,596)**	7,256
Non-controlling interests		**1,607**	1,524
		(2,989)	8,780
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(4,888)**	2,957
Non-controlling interests		**1,596**	1,524
		(3,292)	4,481
(Loss)/earnings per share			
– Basic	*6*	**RMB(0.010)**	RMB 0.016
– Diluted	*6*	**RMB(0.010)**	RMB 0.009
Dividend	*7*	**–**	–

* *For identification purpose only*

Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	Note	**As at 30 June 2009 RMB'000 (Unaudited)**	As at 31 December 2008 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**171,349**	150,401
Leasehold land and land use rights		**20,506**	20,508
Investment properties		**26,047**	26,047
Goodwill		**45,837**	46,068
Other intangible assets		**8,501**	8,601
Other financial assets		**2,861**	2,778
Deferred tax assets		**258**	93
		275,359	254,496
Current assets			
Trading securities		**342**	227
Inventories		**127,545**	125,695
Trade receivables	*8*	**60,186**	78,175
Deposits, prepayments and other receivables		**55,840**	57,782
Amount due from a related party		**1,669**	316
Tax recoverable		**2,920**	3,527
Pledged time deposits		**2,181**	1,877
Cash and cash equivalents		**74,797**	95,726
		325,480	363,325

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2009

	Note	**As at 30 June 2009 RMB'000 (Unaudited)**	As at 31 December 2008 RMB'000 (Audited)
Current liabilities			
Trade payables	*9*	**116,319**	110,707
Accruals and other payables		**39,502**	39,294
Amounts due to directors		**450**	450
Bank borrowings, secured		**75,146**	95,940
Tax payable		**1,234**	731
		232,651	247,122
Net current assets		**92,829**	116,203
Total assets less current liabilities		**368,188**	370,699
Non-current liabilities			
Bank borrowings, secured		**83,610**	14,349
Convertible bond		**–**	68,591
Deferred tax liabilities		**1,389**	1,389
		84,999	84,329
Net assets		**283,189**	286,370
CAPITAL AND RESERVES			
Share capital		**47,209**	47,354
Reserves		**199,070**	205,476
		246,279	252,830
Non-controlling interests		**36,910**	33,540
Total equity		**283,189**	286,370

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital RMB'000	Treasury stock RMB'000	Share premium and other reserves RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2009	**47,354**	**–**	**127,128**	**78,348**	**252,830**	**33,540**	**286,370**
Exchange differences arising on translation of overseas operations	**–**	**–**	**(292)**	**–**	**(292)**	**(11)**	**(303)**
Loss for the period	**–**	**–**	**–**	**(4,596)**	**(4,596)**	**1,607**	**(2,989)**
Total comprehensive expense for the period	**–**	**–**	**(292)**	**(4,596)**	**(4,888)**	**1,596**	**(3,292)**
Transfer of reserves	**–**	**–**	**452**	**(452)**	**–**	**–**	**–**
Arising from disposal of partial equity interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**1,796**	**1,796**
Contribution from minority owner of a subsidiary	**–**	**–**	**–**	**–**	**–**	**87**	**87**
Dividend	**–**	**–**	**–**	**–**	**–**	**(109)**	**(109)**
Repurchase of shares and cancelled	**(145)**	**–**	**(980)**	**(145)**	**(1,270)**	**–**	**(1,270)**
Treasury stock	**–**	**(393)**	**–**	**–**	**(393)**	**–**	**(393)**
Balance at 30 June 2009	**47,209**	**(393)**	**126,308**	**73,155**	**246,279**	**36,910**	**283,189**

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

For the six months ended 30 June 2008

	Share capital RMB'000	Treasury stock RMB'000	Share premium and other reserves RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2008	46,394	–	131,247	69,076	246,717	31,667	278,384
Exchange differences arising on translation of overseas operations	–	–	(4,299)	–	(4,299)	–	(4,299)
Profit for the period	–	–	–	7,256	7,256	1,524	8,780
Total comprehensive income for the period	–	–	(4,299)	7,256	2,957	1,524	4,481
Lapse of share options	–	–	(6)	6	–	–	–
Transfer of reserves	–	–	917	(917)	–	–	–
Bonus issue	980	–	(980)	–	–	–	–
Balance at 30 June 2008	47,374	–	126,879	75,421	249,674	33,191	282,865

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**32,464**	(34,914)
Net cash used in investing activities	**(28,859)**	(18,288)
Net cash used in financing activities	**(24,549)**	(2,125)
Net decrease in cash and cash equivalents	**(20,944)**	(55,327)
Cash and cash equivalents at the beginning of the period	**95,726**	113,130
Effect of foreign exchange rate change	**9**	–
Cash and cash equivalents at the end of the period	**74,791**	57,803
Analysis of cash and cash equivalents:		
Cash and bank balances	**74,797**	80,835
Bank overdrafts	**(6)**	(23,032)
	74,791	57,803

Notes to the Consolidated Financial Statements

1. Organisation

New Focus Auto Tech Holdings Limited (the "Company") was incorporated in the Cayman Islands on 15 May 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations ("new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

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 HKICPA.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2008 annual financial statements included in the Company's 2008 Annual Report.

The adoption of the new HKFRSs, expect for HKAS 1 (Revised) as described below, had no material effect on the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised) separates owner and non-owners changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but not yet effective at 30 June 2009.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[5]

1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods ending on or after 30 June 2009.
5 Effective for transfer of assets from customers received on or after 1 July 2009.

2. **Adoption of new and revised Hong Kong Financial Reporting Standards** *(continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. **Turnover, other income and net gains and segment information**

The Group is principally engaged in the manufacturing and sales of automobile accessories and the provision of automobile repair, maintenance and restyling services. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Turnover	**276,447**	341,724
Other income and net gains:		
Realised gain on trading securities	**116**	64
Interest income	**468**	1,077
Government subsidies	**899**	63
(Loss)/gain on disposal of property, plant and equipment	**(59)**	718
Fair value gain on derivative component of convertible bond	**409**	4,822
Loss on redemption of convertible bond	**(9,910)**	–
Early repayment compensation from redemption of convertible bond	**4,784**	–
Exchange loss on convertible bond	**(168)**	–
Rental income	**1,014**	789
Gain on sale of scrap materials	**–**	352
Imputed interest income from non-current earnest money deposit	**131**	83
Sponsorship income	**–**	1,898
Sampling income	**135**	102
Income from provision of repair and maintenance services	**438**	433
Exchange gains	**335**	–
Others	**2,780**	2,269
	1,372	12,670
Total	**277,819**	354,394

3. **Turnover, other income and net gains and segment information** *(continued)*

The Group operates in two business segments, the manufacturing and sales of automobile accessories; and the provision of automobile repair, maintenance and restyling services.

Analysis of the segment revenues and results is as follows:

	Unaudited Six months ended 30 June 2009			
	Manufacture and sale of automobile accessories RMB'000	**Provision of automobile repair, maintenance and restyling services RMB'000**	**Eliminations RMB'000**	**Group RMB'000**
Segment revenues				
External sales	152,757	123,690	–	276,447
Inter-segment sales	2,980	–	(2,980)	–
Other revenue and gains	2,855	3,142	–	5,997
Inter-segment other revenue and gains	–	83	(83)	–
	158,592	126,915	(3,063)	282,444
Segment results	10,359	3,508		13,867
Unallocated other revenue and gains				(4,625)
Unallocated costs				(3,214)
Finance costs				(6,720)
Loss before taxation				(692)
Taxation				(2,297)
Loss for the period				(2,989)
Segment assets	377,032	181,843		558,875
Unallocated corporate assets				41,964
Total assets				600,839
Segment liabilities	249,313	66,170		315,483
Unallocated corporate liabilities				2,167
Total liabilities				317,650
Capital expenditures	28,190	3,241		31,431
Unallocated capital expenditures				–
				31,431
Depreciation and amortisation charges	5,350	4,697		10,047
Unallocated depreciation and amortisation charges				9
				10,056

3. Turnover, other income and net gains and segment information *(continued)*

	Unaudited Six months ended 30 June 2008 Manufacture and sale of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services RMB'000	Eliminations RMB'000	Group RMB'000
Segment revenues				
External sales	234,235	107,489	–	341,724
Inter-segment sales	190	24	(214)	–
Other revenue and gains	3,062	4,228	–	7,290
	237,487	111,741	(214)	349,014
Segment results	17,300	3,505		20,805
Unallocated other revenue and gains				5,380
Unallocated costs				(3,270)
Finance costs				(9,846)
Profit before taxation				13,069
Taxation				(4,289)
Profit for the period				8,780
Segment assets	369,601	193,056		562,657
Unallocated corporate assets				78,818
Total assets				641,475
Segment liabilities	206,052	74,981		281,033
Unallocated corporate liabilities				77,577
Total liabilities				358,610
Capital expenditures	15,697	5,533		21,230
Unallocated capital expenditures				–
				21,230
Depreciation and amortisation charges	5,279	5,367		10,646
Unallocated depreciation and amortisation charges				15
				10,661

3. **Turnover, other income and net gains and segment information** *(continued)*

Secondary reporting format – geographical segments

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

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Segment turnover:		
North America	**90,938**	147,413
Europe	**16,576**	40,269
Asia Pacific	**12,750**	16,159
Greater China (including Taiwan and the People's Republic of China (the "PRC"))	**156,183**	137,883
Total	**276,447**	341,724

There are no sales between the geographical segments during the six months ended 30 June 2009 and 2008.

4. **Finance costs**

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**2,959**	3,402
Imputed interest on convertible bond wholly repayable within five years	**3,761**	6,444
	6,720	9,846

5. **Income tax**

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

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current tax – PRC and Taiwan corporate income tax	**2,442**	4,209
Deferred tax	**(145)**	80
	2,297	4,289

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 2009 (2008: RMB Nil). 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***

Basic (loss)/ earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2009	2008
(Loss)/profit attributable to equity holders of the Company (RMB thousands)	**(4,596)**	7,256
Weighted average number of ordinary shares in issue (thousands)	**451,833**	451,579
Basic (loss)/earnings per share (RMB per share)	**(0.010)**	0.016

– ***Diluted***

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from share options and convertible bond. For the share options and convertible bond, a calculation is carried out to determine the number of shares that could have been acquired at fair value (determined as the average period market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and convertible bond.

	Unaudited	
	Six months ended 30 June	
	2009	2008
(Loss)/profit attributable to equity holders of the Company and used to determine diluted earnings per share (RMB thousands)	**(4,596)**	4,565
Weighted average number of ordinary shares in issue (thousands)	**451,833**	451,579
Adjustments for share options (thousands)	**–**	7,039
Adjustments for convertible bond (thousands)	**–**	48,665
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**451,833**	507,283
Diluted (loss)/earnings per share (RMB per share)	**(0.010)**	0.009

7. **Dividend**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 and 2008.

8. **Trade receivables**

Details of the ageing analysis are as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Current to 30 days	**34,765**	26,336
31 to 60 days	**14,694**	29,894
61 to 90 days	**2,215**	14,643
Over 91 days	**9,513**	8,361
	61,187	79,234
Less: allowance for doubtful debts	**(1,001)**	(1,059)
	60,186	78,175

Credit terms generally range from 30 days to 90 days.

9. **Trade payables**

Details of the ageing analysis are as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Current to 30 days	**61,790**	56,843
31 to 60 days	**25,509**	23,849
61 to 90 days	**13,691**	14,669
Over 91 days	**15,329**	15,346
	116,319	110,707

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group for the first time recorded higher turnover from the Greater China region than that from overseas, representing 56% of the Group's consolidated turnover, an increase of 13% compared to the corresponding period in 2008, of which, AUTOLIFE (representing the Group's chain store business), being the main profit stream of the Greater China region, accounted for 79%. This puts the Greater China region, the Group's core market for business development, and the chain store business its major focus.

Financial Review

Revenue

For the six months ended 30 June 2009 (the "Period"), the Group's consolidated turnover was approximately RMB276,447,000, representing a decrease of 19% as compared to that of the corresponding period in 2008 (approximately RMB341,724,000). Being affected by the global financial crisis during the Period, the consolidated turnover of NFA (representing the Group's manufacturing business) amounted to RMB152,757,000, a fall of 35% as compared to that of corresponding period in 2008; and being affected by the automobile market of the PRC and because of the shift of the Group's strategic focus to chain store business, the consolidated turnover of AUTOLIFE (representing the Group's chain store business) was approximately RMB123,690,000, representing a growth of 15% as compared to that of the corresponding period in 2008. The chain store business accounted for 45% of the Group's consolidated turnover at present, an increase from 32% in the corresponding period in 2008.

During the Period, the Group has recorded a consolidated turnover of approximately RMB156,183,000 from the Greater China region, representing a growth of 13% as compared to the corresponding period in 2008 (approximately RMB137,883,000), and being the first time exceeding the turnover generated from the overseas markets. It accounted for 56% of the Group's consolidated turnover compared with 40% in the corresponding period in 2008. Such increase also represents its rising self-owned brand recognition in the Greater China region as well as the expansion of its distribution network.

Gross profit

Gross profit for the Period amounted to RMB76,645,000, representing a small drop of 1% as compared to that of the corresponding period in 2008 of approximately RMB77,559,000, while the gross profit margin increased to 28%, representing an increase of 5% as compared to that of the corresponding period in 2008. Despite the global financial crisis and the fluctuation of the prices of raw materials, the gross profit margin of NFA (representing the Group's manufacturing business) continued to rise to 20%, representing an increase of 4% as compared to that of 2008. During the Period, the gross profit of AUTOLIFE (representing the Group's chain store business) grew by 13% as compared to 2008, and the gross profit margin continuously maintained at a relatively higher level of 37%. This was caused by the maturing effect of the Super Store operating model.

Other income

During the Period, the Group recorded other income of approximately RMB1,372,000 (corresponding period of 2008: approximately RMB12,670,000), representing a substantial decrease from the same period in 2008. It was mainly due to the effect of early repayment of the convertible bond during the Period. The impact of such early redemption of convertible bond was an additional one-off expense of approximately RMB13,430,000.

Expenses

During the Period, the sales and marketing expenses were approximately RMB46,044,000 (corresponding period of 2008: approximately RMB40,057,000), representing an increase of 15% as compared to that of 2008. The increase in expenses was mainly due to:

1. the corresponding increase in the sales and marketing expenses due to the establishment of overseas subsidiaries in the North American market, through which a local team comprising of marketing and business professions was set up; and

2. an addition of two directly operated Super stores, leading to an increase in sales and marketing expenses accordingly as follows:

   An addition of a Super store in the regional headquarters in Taiwan.

   An addition of a Super store in the regional headquarters in Shanghai.

The administrative expenses for the Period amounted to approximately RMB25,945,000 (corresponding period of 2008: approximately RMB27,257,000), representing a decrease of 5% as compared to that of 2008.

Operating profit

The operating profit for the Period was approximately RMB6,028,000 (corresponding period of 2008: approximately RMB22,915,000). Excluding the impact of the early redemption of the convertible bond, the operating profit during the Period would have been RMB15,697,000. Of which, the operating profit of NFA (representing the Group's manufacturing business) would have been approximately RMB10,359,000, while that of AUTOLIFE (representing the Group's chain store business) would have been approximately RMB3,508,000.

Finance costs

The net finance costs for the Period amounted to approximately RMB6,720,000 (corresponding period of 2008: approximately RMB9,846,000), representing a decrease of 32% as compared to that of 2008.

Taxation

The income tax expenses for the Period was approximately RMB2,297,000 (corresponding period of 2008: approximately RMB4,289,000), representing a decrease of 46% as compared to that of 2008.

Loss attributable to shareholders

The loss attributable to shareholders for the Period was approximately RMB4,596,000 (corresponding period of 2008: profit of approximately RMB7,256,000). Had an one-off expense of RMB13,430,000 arising from the early repayment of the convertible bond been excluded during the Period, the on-going profit attributable to shareholders would have been RMB8,834,000, representing an increase of approximately 22% as compared to the corresponding period of 2008.

Financial status and liquidity

As at 30 June 2009, the Group had adequate cash and bank balance, amounting to approximately RMB74,797,000 (31 December 2008: approximately RMB95,726,000).

As at 30 June 2009, the Group maintained a healthy liquidity level with a current ratio (current assets: current liabilities) of 1.40 (31 December 2008: 1.47). The gearing ratio (total liabilities: total assets) was 53% (31 December 2008: approximately 54%). As at 30 June 2009, the Group had long-term loans of approximately RMB83,610,000 (31 December 2008: approximately RMB82,940,000); while the short-term bank loans amounted to approximately RMB75,146,000 (31 December 2008: RMB95,940,000).

Operating cash flow

The operating cash inflow of the Group during the Period was RMB32,464,000. The Group will continue to maintain its stable financial status. The Group has sufficient financial resources for its commitments and payable working capital requirements and for the investment of future expansion.

Financial guarantees and pledge of assets

As at 30 June 2009, 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 to approximately RMB45,486,000 (31 December 2008: approximately RMB32,081,000).

Material acquisitions and disposals of subsidiaries and associated companies

During the Period, the Group had no material acquisition and disposal of subsidiaries and associated companies.

Significant investments

During the Period, the Group has no material investments.

During the Period, the total capital expenditure of the Group amounted to approximately RMB31,431,000 (corresponding period of 2008: approximately RMB21,230,000).

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

During the Period, the Group had no investments in hedging derivatives.

Employees and remuneration policy

As at 30 June 2009, the Group employed 2,530 full-time employees (30 June 2008: 2,393), of which 119 (30 June 2008: 110) were dedicated to the research and development of new products. The Group has committed to the recruitment of high quality staff to enrich its talent pool. In order to attract and retain outstanding employees, the Group has provided benefits such as medical insurance and housing allowances in addition to the various mandatory pension schemes stipulated by the municipal government.

The Group has also operated a provident fund scheme registered under Chapter 485 of the Laws of Hong Kong for all of its Hong Kong employees.

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

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: RMBnil).

Business progress

Automobile green lighting and electronic power manufacturing business – NFA

During the Period, the operating profit of NFA was undoubtedly affected by the global economic crisis. Facing numerous challenges and a difficult market environment, the export volume and turnover were decreased. However, thanks to the effective implementation of a number of strategies and policies, NFA successfully minimised the impact of many unfavorable factors brought by the macro-economic environment:

Strategies for export market:

1. Adjust the product profile and increase the marketing effort invested in the products with higher gross margin.

2. Strengthen the cost control and transfer products with low gross margin to the production facility with lower costs. This helped increase the overall gross margin.

3. Centralise the purchase of materials, and lock-in purchase prices, the costs of raw material is efficiently maintained at a low level.

4. Continue to increase the proportion of direct sales to overseas retailers. It enables the Group to obtain first hand market information and to streamline the sales structure in order to enhance gross profit margin of the products. The products directly supplied to overseas retailers can achieve a profit margin of 5-8% higher than through importers.

5. Improve the functions and appearance of the products to enhance their competitiveness and quality. It had a stabilising effect on the gross profit margin of the products.

6. Accelerate the development of new products and green energy products to cope with the global demand of environmental protection products which promote energy-saving and carbon-reduction.

NFA has been increasing its efforts in the development of the automotive accessories market in the PRC since 2008. On top of actively expanding its sales channels, NFA has also endeavored to enhance its brand awareness and enhance the influence of its brand. A number of sales strategies was proven effective during the first six months of 2009, which have helped mitigate the impacts of the shrinking export volume.

Strategies for domestic market:

1. Continue to penetrate the market and establish solid sales channels. The Group will increase its attention on the development of agency business. Currently, NFA has 35 first-class provincial agents, covering 29 provinces across the PRC, the store network and its coverage will continue to expand and the Group currently has around 2,000 distributors.

2. Carry out thorough market research so as to develop and innovate products that cater for the PRC market. Apart from enriching its own product range, NFA will also strive to enhance the practicality and reputation of the products.

During the Period, according to the statistics of China Association of Automobile Manufacturers, China's domestic sales volume in new vehicle has reached historical high, amounting to 6,000,000 units. It is the first time China overtook the United States in terms of half-yearly sales volume. China has become the world's largest automotive market. China's flourishing automotive market had benefited NFA and lead to a fruitful half-yearly results for that particular sector, in which the sales volume increased by 26% as compared to the corresponding period in 2008.

Benefiting from the emerging domestic market and the success of certain corresponding strategies. NFA's overall profit margin remains on the rise. Gross profit margin maintains at a level of 20%.

Automotive aftermarket chain retail business – AUTOLIFE

AUTOLIFE is committed to providing professional automotive aftermarket services. Since entering into the market in 2002, AUTOLIFE has gone through several business models including small retail shop and franchise store, and is ultimately developed into a chain automotive service corporation focusing on self-operated large Super stores. After years of effort, AUTOLIFE eventually came to fruition in 2008 when it became break-even and starting to be profitable. Simultaneously, AUTOLIFE has already established strong brand awareness within the Greater China region through stable and progressive development and so far is the only large-scale chain automotive service operator spanning across the Taiwan Strait. It is an industry leader.

AUTOLIFE owns a number of brands such as "Richahaus", "Aiyihang" and "AUTOLIFE", and has its regional development headquarters in different regions including Shanghai, Beijing, Chengdu and Taiwan as follows:

- Regional headquarters in Shanghai: the headquarters were established in 2002, currently adopting the brand name of "NF Richahaus". During the Period, an additional Super store has been established and there were two Super stores in total as at 30 June 2009. Shanghai, being the most important trading hub of the PRC, is the most critical strategic foothold for maintaining in the PRC's mainstream market.

- Regional headquarters in Beijing: current brand name is "Aiyihang AUTOLIFE" after integrated into AUTOLIFE group in 2007 and had 15 Super stores in total as at 30 June 2009. With over 300,000-strong members, it ranks number one in Beijing in respect of customer base and brand recognition. Beijing is the largest automobile market in China with the highest car count, and therefore, it is crucial to dominate the Beijing market before claiming the China market.

- Regional headquarters in Chengdu: current brand name is "Aiyihang AUTOLIFE" after integrated into AUTOLIFE group in 2005 and owned two Super stores in total as at 30 June, 2009. Chengdu is the market with the highest potential in the South-West of China, and Aiyihang AUTOLIFE is currently the sole chain organisation with large operating scale in Chengdu. This has laid a solid foundation for its future development into the markets in other second and third tier cities.

- Regional headquarters in Taiwan-Taipei: current brand name is “Richahaus AUTOLIFE” after integrated into AUTOLIFE group in 2006. During the Period, an additional Super store has been established and there were 16 large Super stores in total as at 30 June 2009. After beating the strong competitors from Japan, Richahaus AUTOLIFE has been the leading automotive service provider in Taiwan in terms of the scale of store network, turnover and the brand recognition, with a base of over 400,000 members.

As an extension of the major strategic plan of developing Super stores since 2008, during the Period, the service business has set up two additional Super stores in Shanghai and Taiwan respectively in response to the demand from these regional markets. During the Period, regarding the development of the number of stores for the service business, the Group deliberately caps the growth rate because the Group needed to improve the management quality and profitability of individual store during the first half of 2009.

Through the successful implementation of the integration of various resources and marketing strategies, AUTOLIFE has effectively increased the operating efficiency, resulting in a significant enhancement in both quality and profitability in respect of its services and operations.

1. Owing to the vast expanse of the PRC territories, the demand for auto services differentiates among provinces and regions. Therefore, AUTOLIFE has employed competent management and personnel locally, and has implemented policies according to the regions to enhance the quality of management and ensure customer satisfaction.

2. The cost of procurement has been effectively reduced by implementing IT integration and bulk-purchase. However, the contribution to profits will gradually increase. Moreover, the ECFA (Economic Cooperation Framework Agreement) between Taiwan and the PRC will also have remarkable contribution in lowering the costs for AUTOLIFE.

3. In addition to auto cosmetics, decoration and modification, sales and maintenance, sales of auto amenities, the Group has been constantly increasing the service range to provide a more comprehensive one-stop auto services. By capitalising on its existing clientele, AUTOLIFE in Beijing successfully introduced auto insurance services. As for AUTOLIFE in Taiwan, as the environmental awareness among the general public in Taiwan grows, new demand, new technologies and equipment have been introduced and the carbon deposits cleaning service has been added to meet such new demand. Such new technologies not only have provided more advanced and more environment-friendly ways to maintain engines for customers, but also have brought considerable operating revenue and profits for AUTOLIFE in Taiwan.

During the Period, the turnover of the services business of the Group amounted to RMB123,690,000 with an operating profit of RMB3,508,000.

During the Period, the world was still shrouded in the haze of economic crisis. However, thanks to the state policies in the PRC such as concessionary tax on automotive purchase and the introduction of automobiles to rural areas that boosted consumption in the automotive market, the PRC has become the world's largest consumer market of automobile, and the PRC automotive aftermarket looks set to become the world leader. Under the incentives from a number of favorable factors under the macro-industry environment, AUTOLIFE is more confident of developing the automotive services chain business in the PRC. In order to maintain the leading position in the industry and to cope with the huge demand from this emerging market, AUTOLIFE has devised a three-year expansion plan for Super store. By enhancing operation scale and capturing market share, it will strengthen the leading position of AUTOLIFE in the increasingly sophisticated automotive services market notwithstanding the influx of local competitors.

AUTOLIFE has maintained a 2-way expansion for new stores: firstly, set up self-operated stores in its own right; secondly, under the encouragement of the successful integration of Richahaus in Taiwan and Aiyihang in Beijing, AUTOLIFE will also continue to form alliance with the regional peers in the PRC by way of merger and acquisition, speeding up the pace of development of AUTOLIFE in the Greater China market and maintaining its leading position in the industry.

As at 30 June 2009, AUTOLIFE had 35 large-scale self-operated Super stores across the Taiwan Strait, with a total of 398 services outlets, including small-scale stores and franchise stores.

Prospects

In respect of the manufacturing business, the Group will incorporate new sales strategies and continue to increase the proportion of direct sales to overseas retailers. By optimizing the product mix, it will effectively increase the overall gross profit and promote business growth. Moreover, riding on the trend that the PRC automotive industry will become the world's largest automotive market, there will definitely be huge opportunities arising from the automotive accessories market. In order to cater for the demand from the vast and emerging automotive accessories market and to capture such opportunities, NFA currently has accelerated its pace to develop the domestic market of the PRC. It has strived to develop products that meet the demand of the PRC market, by conducting self-initiated research and development as well as combining the brand-marketing strategies, to enhance brand recognition and the reputation of the products, and to build up a stronger sales network to increase market share and enhance competitive edges.

To meet the demand from the increasing number of new automotive users in the PRC and to maintain the leading position of AUTOLIFE in the industry, the Group will put more efforts in operating the services business in the second half of the year, with the following major projects:

1. Integrating the marketing and branding strategies, the Group will continue to increase the individual store profitability and customer satisfaction of the large-scale Super stores to enhance its competitiveness in the market.

2. The Group will continue to expand AUTOLIFE, radiating from where its regional headquarters are located to their respective peripheral cities by a comprehensive penetration approach to capture the Golden Cross Lines of the PRC, which covers the five main economic circles of the PRC, being Huanbohai in the North, Yangtze River Delta region in the East, Pearl River Delta region in the South, Chengyu in the West, with a combined GDP representing 90% of the nation and a population of 960,000,000. AUTOLIFE has planned to enter into the Shenzhen and Xian markets within the next 6 to 12 months.

It is expected that within the next three years, the number of Super store chain will experience a significant growth and the profits will also have a dramatic growth as a result of economies of scale. In addition, the turnover and profits derived from the services business will also become a prime driver for growth of operating profits for the Group for the next three years.

Given the Group's significant improvement on the sales volume in the Greater China market, inclusive of the sales aftermarket of the service business and manufacturing business, the Board expects that both turnover and profit will record a steady growth in the second half of the year compared to that of the first half of the year. It is also expected that the turnover derived from the Greater China market will continue to exceed that of the overseas markets. The positioning of the Group has been successfully transformed from a manufacturer of automotive accessories primarily for export into a brand operator targeting the Greater China's automobile services market.

Purchase, Sale and Redemption of the Company's Listed Shares

During the period under review, the Company repurchased 1,432,000 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 4 June 2008, and repurchased 752,000 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 3 June 2009. Save as disclosed, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Period.

The details of the repurchase of shares by the Company during the Period under review is as follow:

Month	Highest price (HK$)	Lowest price (HK$)	Average price (HK$)	Number of shares repurchased	Consideration paid (HK$)
January 2009	0.83	0.80	0.81	440,000	354,400
February 2009	0.87	0.80	0.86	356,000	306,000
March 2009	0.89	0.88	0.88	532,000	468,604
April 2009	0.95	0.95	0.95	40,000	38,000
May 2009	0.98	0.95	0.97	64,000	61,880
June 2009	1.03	0.99	1.01	752,000	760,680

The Board of Directors 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.

Corporate Governance

Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions of the Code of Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules during the Period.

Under A.2.1 of the Code, "the roles of chairman and chief executive officer should be separated and should not be performed by the same individual". Mr. Hung Wei-Pi, John concurrently takes up the posts of chairman and chief executive officer of the Company. Such deviation is due to the fact that the day-to-day management of the Group is led by Mr. Hung. The Board considers that this arrangement provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions of Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). To ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code, a committee (the "Securities Committee") of the Board comprising Mr. Hung Wei-Pi, John as chairman and Ms. Hung Ying-Lien was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a Director is required to notify the chairman of the Securities Committee or in the case of dealings by Mr. Hung Wei-Pi, John himself, notify Ms. Hung Ying-Lien in writing and obtain a written acknowledgement from the Securities Committee. Having made specific enquiry of all Directors by the Securities Committee of the Company, all Directors confirmed that they had complied with the Model Code regarding Directors' securities transactions during the Period.

Audit Committee

The accounting information given in this interim report has not been audited but has been reviewed by the Audit Committee of the Company.

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

Hong Kong, 4 September 2009

As at the date of this announcement, the directors of the Company are: executive directors – HUNG Wei-Pi, John, WU Kwan-Hong, HUNG Ying-Lien, LU Yuan Chen, Douglas Charles Stuart FRESCO and Norman L. MATTHEW; non-executive directors – LOW Hsiao-Ping and Irene Shih; and independent non-executive directors – DU Haibo, ZHOU Tai-Ming and UANG Chii-Maw.