# 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 2009

## *CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*

*For the year ended 31 December 2009*

| | *Notes* | **2009 RMB'000** | 2008 RMB'000 |
|---|---|---|---|
| Turnover | *3* | **642,349** | 707,426 |
| Cost of sales | | **(457,720)** | (541,805) |
| Gross profit | | **184,629** | 165,621 |
| Fair value gain on the derivative component of convertible bond | *11* | **409** | 11,877 |
| Other income and gains and losses | | **8,799** | 11,729 |
| Distribution costs | | **(101,421)** | (89,973) |
| Administrative expenses | | **(57,870)** | (65,901) |
| Finance costs | *4* | **(9,909)** | (15,562) |
| Profit before taxation | *5* | **24,637** | 17,791 |
| Income tax | *6* | **(7,496)** | (4,996) |
| Profit for the year | | **17,141** | 12,795 |
| Other comprehensive income, net of tax: | | | |
| Exchange differences on translating foreign operations | | **1,182** | (4,632) |
| Less: Reclassification adjustments of exchange reserve on partial disposal of equity interest in a subsidiary | | **724** | – |
| Gain on revaluation of properties | | **3,215** | – |
| Other comprehensive income, net of tax | | **5,121** | (4,632) |
| Total comprehensive income for the year | | **22,262** | 8,163 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **11,533** | 10,922 |
| Minority interests | | **5,608** | 1,873 |
| | | **17,141** | 12,795 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **16,480** | 6,290 |
| Minority interests | | **5,782** | 1,873 |
| | | **22,262** | 8,163 |
| Earnings per share: | *8* | | |
| – Basic | | **RMB2.45 fen** | RMB2.42 fen |
| – Diluted | | **RMB2.43 fen** | RMB1.54 fen |

* *for identification purpose only*

## *CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

*At 31 December 2009*

| | Notes | 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **169,656** | 150,401 |
| Leasehold land and land use rights | | **18,676** | 20,508 |
| Investment properties | | **40,698** | 26,047 |
| Goodwill | | **70,461** | 46,068 |
| Other intangible assets | | **21,719** | 8,601 |
| Other financial asset | | **–** | 2,778 |
| Deferred tax assets | | **55** | 93 |
| | | **321,265** | 254,496 |
| **Current assets** | | | |
| Trading securities | | **339** | 227 |
| Inventories | | **144,477** | 125,695 |
| Trade receivables | *9* | **81,075** | 78,175 |
| Deposits, prepayments and other receivables | | **54,670** | 57,782 |
| Amount due from a related company | | **34** | 316 |
| Tax recoverable | | **–** | 3,527 |
| Pledged time deposits | | **2,563** | 1,877 |
| Cash and cash equivalents | | **82,572** | 95,726 |
| | | **365,730** | 363,325 |
| **Current liabilities** | | | |
| Bank borrowings, secured | | **14,042** | 95,940 |
| Trade payables | *10* | **134,977** | 110,707 |
| Accruals and other payables | | **56,903** | 39,294 |
| Amounts due to directors | | **61** | 450 |
| Tax payable | | **2,135** | 731 |
| | | **208,118** | 247,122 |
| **Net current assets** | | **157,612** | 116,203 |
| **Total assets less current liabilities** | | **478,877** | 370,699 |

## *CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*

*At 31 December 2009*

| | *Note* | **2009**<br>**RMB'000** | 2008<br>RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank borrowings, secured | | **28,370** | 14,349 |
| Convertible bond | *11* | **–** | 68,591 |
| Deferred tax liabilities | | **5,746** | 1,389 |
| | | **34,116** | 84,329 |
| **Net assets** | | **444,761** | 286,370 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **55,003** | 47,354 |
| Reserves | | **339,283** | 205,476 |
| **Equity attributable to owners of the Company** | | **394,286** | 252,830 |
| **Minority interests** | | **50,475** | 33,540 |
| **Total equity** | | **444,761** | 286,370 |

## *CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*

*For the year ended 31 December 2009*

| | Share capital RMB'000 | Share premium RMB'000 | Statutory reserve fund RMB'000 | Re-organisation reserve RMB'000 | Enterprise expansion fund RMB'000 | Others, including share options reserve and property revaluation reserve RMB'000 | Capital redemption reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Attributable to owners of the Company RMB'000 | Minority interests RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2008** | 46,394 | 101,985 | 25,028 | 2,738 | 2,756 | 2,713 | – | (3,973) | 69,076 | 246,717 | 31,667 | 278,384 |
| Total comprehensive income for the year, net of tax | – | – | – | – | – | – | – | (4,632) | 10,922 | 6,290 | 1,873 | 8,163 |
| Lapse of share options | – | – | – | – | – | (238) | – | – | 238 | – | – | – |
| Transfer of reserves | – | – | 1,865 | – | – | – | – | – | (1,865) | – | – | – |
| Issue of shares on exercise of share options | 3 | 25 | – | – | – | (3) | – | – | – | 25 | – | 25 |
| Bonus issue | 980 | (980) | – | – | – | – | – | – | – | – | – | – |
| Repurchases and cancellation of shares | (23) | (179) | – | – | – | – | 23 | – | (23) | (202) | – | (202) |
| **At 31 December 2008 and 1 January 2009** | 47,354 | 100,851 | 26,893 | 2,738 | 2,756 | 2,472 | 23 | (8,605) | 78,348 | 252,830 | 33,540 | 286,370 |
| Total comprehensive income for the year, net of tax | – | – | – | – | – | 3,215 | – | 1,732 | 11,533 | 16,480 | 5,782 | 22,262 |
| Lapse of share options | – | – | – | – | – | (89) | – | – | 89 | – | – | – |
| Transfer of reserves | – | – | 2,630 | – | – | – | – | – | (2,630) | – | – | – |
| Recognition of equity-settled-share based payments | – | – | – | – | – | 302 | – | – | – | 302 | – | 302 |
| Issue of shares | 7,928 | 119,819 | – | – | – | – | – | – | – | 127,747 | – | 127,747 |
| Repurchases and cancellation of shares | (279) | (2,794) | – | – | – | – | 279 | – | (279) | (3,073) | – | (3,073) |
| Contribution from minority owner of a subsidiary | – | – | – | – | – | – | – | – | – | – | 903 | 903 |
| Arising from acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | – | 8,625 | 8,625 |
| Arising from partial disposal of equity interest in a subsidiary | – | – | – | – | – | – | – | – | – | – | 4,372 | 4,372 |
| Acquisition of additional interests in subsidiaries | – | – | – | – | – | – | – | – | – | – | (2,638) | (2,638) |
| Dividend paid to minority owner of a subsidiary | – | – | – | – | – | – | – | – | – | – | (109) | (109) |
| **At 31 December 2009** | 55,003 | 217,876 | 29,523 | 2,738 | 2,756 | 5,900 | 302 | (6,873) | 87,061 | 394,286 | 50,475 | 444,761 |

## *CONSOLIDATED STATEMENT OF CASH FLOWS*

*For the year ended 31 December 2009*

| | 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | **24,637** | 17,791 |
| Adjustments for: | | |
| Fair value gain on the derivative component of convertible bond | **(409)** | (11,877) |
| (Reversal of write-off)/write-off for obsolete inventories | **(92)** | 39 |
| Depreciation of property, plant and equipment | **21,737** | 19,527 |
| Amortisation of leasehold land and land use rights | **494** | 578 |
| Amortisation of other intangible assets | **133** | 133 |
| Additional allowance for/(reversal of allowance for) doubtful debts for trade receivables | **1,450** | (608) |
| Additional impairment for doubtful debts for deposits, prepayments and other receivables | **285** | – |
| Equity-settled-share-based payments | **302** | – |
| Interest income from bank deposits | **(880)** | (1,020) |
| Imputed interest income from earnest money deposit | **(166)** | (167) |
| Net loss on redemption of convertible bond | **5,126** | – |
| Loss on partial disposal of equity interest in a subsidiary | **1,438** | – |
| Loss/(gain) on disposal of property, plant and equipment | **417** | (191) |
| Fair value gain on investment properties | **(3,015)** | (761) |
| Discount on acquisition of additional interest in a subsidiary | **(2,638)** | – |
| Fair value (gain)/loss on trading securities | **(112)** | 510 |
| Net realised gain on trading securities | **–** | (64) |
| Exchange loss/(gain) on convertible bond | **168** | (4,775) |
| Other finance costs | **9,741** | 20,337 |
| Operating cash flows before working capital changes | **58,616** | 39,452 |
| (Increase)/decrease in inventories | **(14,535)** | 1,348 |
| (Increase)/decrease in trade receivables | **(3,616)** | 43,698 |
| Decrease in prepayments, deposits and other receivables | **7,196** | 1,762 |
| Decrease/(increase) in amount due from a related company | **282** | (224) |
| Increase/(decrease) in trade payables | **20,858** | (40,017) |
| Decrease in accruals and other payables | **(3,387)** | (7,390) |
| Effect of foreign exchange rate changes | **63** | (2,046) |
| Cash generated from operations | **65,477** | 36,583 |
| Income tax paid | **(1,854)** | (7,057) |
| Interest paid | **(5,980)** | (11,092) |
| **Net cash generated from operating activities** | **57,643** | 18,434 |

***CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)***

*For the year ended 31 December 2009*

| | 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|
| **Investing activities** | | |
| Purchase of other intangible assets | **–** | (16) |
| Purchase of property, plant and equipment | **(40,655)** | (67,526) |
| Proceeds from disposal of property, plant and equipment | **369** | 2,916 |
| Net cash (outflow)/inflow arising from acquisitions of subsidiaries | **(12,341)** | 122 |
| Net proceeds from partial disposal of equity interest in a subsidiary | **4,160** | – |
| Additional cash consideration paid for the acquisition of a subsidiary | **(2,544)** | (1,762) |
| Proceeds from disposal of trading securities | **–** | 199 |
| Purchase of trading securities | **–** | (135) |
| Interest received | **880** | 1,020 |
| **Net cash used in investing activities** | **(50,131)** | (65,182) |
| **Financing activities** | | |
| (Increase)/decrease in pledged time deposits | **(686)** | 1,465 |
| Contribution from minority owner of a subsidiary | **903** | – |
| Repayment of convertible bond | **(77,237)** | – |
| Proceeds from new bank loans | **130,990** | 95,814 |
| Repayment of bank loans | **(199,153)** | (64,413) |
| Repayment to directors | **(389)** | (938) |
| Repayment to a related company | **–** | (1,504) |
| Proceeds from issue of shares | **133,195** | 25 |
| Expenses on issue of shares | **(5,448)** | – |
| Repurchases of shares | **(3,073)** | (202) |
| Dividend paid to minority owner of a subsidiary | **(109)** | – |
| **Net cash (used in)/generated from financing activities** | **(21,007)** | 30,247 |
| **Net decrease in cash and cash equivalents** | **(13,495)** | (16,501) |
| **Cash and cash equivalents at beginning of year** | **95,726** | 113,130 |
| **Effect of foreign exchange rate changes** | **329** | (903) |
| **Cash and cash equivalents at end of year** | **82,560** | 95,726 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Cash at bank and in hand | **82,572** | 95,726 |
| Bank overdrafts | **(12)** | – |
| | **82,560** | 95,726 |

## *NOTES TO THE FINANCIAL STATEMENTS*

*(Expressed in Renminbi)*

### *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 Island. 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 sale of electronic and power-related automotive parts and accessories and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region.

### *2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")*

**(a) Adoption of new and revised HKFRSs**

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 related to the amendment paragraph 80 of HKAS 39 |
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKFRS 1 and HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 7 (Amendments) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) – Interpretation 9 & HKAS 39 (Amendments) | Embedded Derivatives |

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group and the Company for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 31 December 2008 have not been presented as there were no changes to the originally published statements.

## *2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)*

### (a) Adoption of new and revised HKFRSs *(continued)*

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

### (b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs potentially relevant to the Group, that have been issued but are not yet effective:

| | | **Effective date** |
|---|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs | (i) |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 | (ii) |
| Amendments to HKAS 39 | Eligible Hedged Items | (i) |
| Amendments to HKFRS 2 | Share-based Payment – Group Cash-settled Share-based Payment Transactions | (iii) |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements | (i) |
| HKFRS 3 (Revised) | Business Combinations | (i) |
| HK(IFRIC) – Interpretation 17 | Distributions of Non-cash Assets to Owners | (i) |
| HK(IFRIC) – Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments | (iv) |
| HKAS 24 (Revised) | Related Party Disclosures | (v) |
| HKFRS 9 | Financial Instruments | (vi) |

Effective date:

(i) Annual periods beginning on or after 1 July 2009
(ii) Annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
(iii) Annual periods beginning on or after 1 January 2010
(iv) Annual periods beginning on or after 1 July 2010
(v) Annual periods beginning on or after 1 January 2011
(vi) Annual periods beginning on or after 1 January 2013

## 2. *ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)*

### (b) Potential impact arising on HKFRSs not yet effective *(continued)*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. *TURNOVER AND SEGMENT INFORMATION*

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

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Sale of goods | **378,935** | 485,062 |
| Service income | **263,414** | 222,364 |
| | **642,349** | 707,426 |

## 3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### (a) Reportable segments

The Group operates in two reportable segments, (i) the manufacture and sale of automobile accessories, and (ii) the provision of automobile repair, maintenance and restyling services. Set out below is an analysis of information of these segments:

| 2009 | Manufacture and sale of automobile accessories RMB'000 | Provision of automobile repair, maintenance and restyling services RMB'000 | Eliminations RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|
| RESULTS | | | | |
| External sales revenue | 378,935 | 263,414 | – | 642,349 |
| Inter-segment sales revenue | 715 | 120 | (835) | – |
| External other income and gains and losses | 8,780 | 3,759 | – | 12,539 |
| Total | 388,430 | 267,293 | (835) | 654,888 |
| Reportable segment profit | 26,313 | 11,860 | – | 38,173 |
| Interest income | 484 | 459 | – | 943 |
| Unallocated interest income | | | | 103 |
| Total interest income | | | | 1,046 |
| Interest expense | (5,529) | (451) | – | (5,980) |
| Unallocated interest expense | | | | (3,761) |
| Total interest expense | | | | (9,741) |
| Depreciation and amortisation charges | (12,396) | (9,951) | – | (22,347) |
| Unallocated depreciation and amortisation charges | | | | (17) |
| Total depreciation and amortisation charges | | | | (22,364) |
| Income tax | (4,137) | (3,359) | – | (7,496) |
| Reportable segment assets | 365,456 | 302,807 | – | 668,263 |
| Additions to non-current assets | 34,328 | 6,327 | – | 40,655 |
| Reportable segment liabilities | 137,559 | 99,566 | – | 237,125 |

## 3. *TURNOVER AND SEGMENT INFORMATION (CONTINUED)*

### (a) Reportable segments *(continued)*

| 2008 | Manufacture and sale of automobile accessories RMB'000 | Provision of automobile repair, maintenance and restyling services RMB'000 | Eliminations RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|
| RESULTS | | | | |
| External sales revenue | 485,062 | 222,364 | – | 707,426 |
| Inter-segment sales revenue | 7,901 | 2,804 | (10,705) | – |
| External other income and gains and losses | 5,527 | 5,487 | – | 11,014 |
| Inter-segment other income and gains and losses | 294 | – | (294) | – |
| Total | 498,784 | 230,655 | (10,999) | 718,440 |
| Reportable segment profit | 24,516 | 1,136 | – | 25,652 |
| Interest income | 886 | 301 | – | 1,187 |
| Interest expense | (6,061) | (765) | – | (6,826) |
| Unallocated interest expense | | | | (13,511) |
| Total interest expense | | | | (20,337) |
| Depreciation and amortisation charges | (10,407) | (9,799) | – | (20,206) |
| Unallocated depreciation and amortisation charges | | | | (32) |
| Total depreciation and amortisation charges | | | | (20,238) |
| Income tax | (3,112) | (1,884) | | (4,996) |
| Reportable segment assets | 379,390 | 211,059 | – | 590,449 |
| Additions to non-current assets | 55,751 | 11,791 | – | 67,542 |
| Reportable segment liabilities | 194,811 | 94,820 | – | 289,631 |

## 3. *TURNOVER AND SEGMENT INFORMATION (CONTINUED)*

### (b) Reconciliation of reportable segment profit or loss, and assets and liabilities

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Profit before taxation** | | |
| Reportable segment profit | **38,173** | 25,652 |
| Unallocated other income and gains and losses | **(3,740)** | 715 |
| Unallocated corporate expenses | **(6,276)** | (11,717) |
| Fair value losses on the derivative component of convertible bond | **409** | 11,877 |
| Unallocated finance costs | **(3,929)** | (8,736) |
| Consolidated profit before taxation | **24,637** | 17,791 |

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Assets** | | |
| Reportable segment assets | **668,263** | 590,449 |
| Unallocated corporate assets | **18,732** | 27,372 |
| Consolidated total assets | **686,995** | 617,821 |
| **Liabilities** | | |
| Reportable segment liabilities | **237,125** | 289,631 |
| Unallocated corporate liabilities | **5,109** | 41,820 |
| Consolidated total liabilities | **242,234** | 331,451 |

## 3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### (c) Geographical segments

During the year, the Group's operations and assets are located in North America, Europe, Asia Pacific, Greater China (including Taiwan) and South America.

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

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| North America | **255,338** | 323,635 | **–** | – |
| Europe | **39,973** | 68,496 | **–** | – |
| Asia Pacific | **48,097** | 30,976 | **–** | – |
| Greater China (including Taiwan) | **298,941** | 283,958 | **321,210** | 251,625 |
| South America | **–** | 361 | **–** | – |
| | **642,349** | 707,426 | **321,210** | 251,625 |

### (d) Major customers

During the year, the Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenues. In 2008, revenue from a customer in the manufacture and sale of automobile accessories segment amounted to approximately RMB95,122,000 .

## 4. FINANCE COSTS

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Interest expense: | | |
| Bank borrowings wholly repayable within five years | **5,762** | 6,527 |
| Bank borrowings wholly repayable after five years | **218** | 302 |
| Imputed interest on convertible bond | **3,761** | 13,508 |
| Exchange loss/(gain) on convertible bond | **168** | (4,775) |
| | **9,909** | 15,562 |

## 5. *PROFIT BEFORE TAXATION*

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit before taxation is arrived at after charging/(crediting): | | |
| Net foreign exchange losses | **360** | 3,148 |
| Cost of inventories *(Note)* | **285,963** | 404,975 |
| Cost of services | **171,849** | 136,791 |
| (Reversal of write-off)/write-off of inventories | **(92)** | 39 |
| | **457,720** | 541,805 |
| Depreciation of property, plant and equipment | **21,737** | 19,527 |
| Amortisation of: | | |
| Leasehold land and land use rights | **494** | 578 |
| Other intangible assets* | **133** | 133 |
| Total depreciation and amortisation charges | **22,364** | 20,238 |
| Additional allowance for/(reversal of allowance for) doubtful debts on trade receivables | **1,450** | (608) |
| Additional impairment for deposits, prepayment and other receivables | **285** | – |
| Auditors' remuneration | **900** | 1,380 |
| Under-provision in respect of prior years | **–** | 146 |
| | **900** | 1,526 |
| Employee benefit expenses (including directors' remuneration): | | |
| Salaries and allowances | **77,781** | 63,304 |
| Pension fund contributions | **5,917** | 5,274 |
| Equity-settled-share-based payment | **302** | – |
| Other benefits | **5,261** | 6,200 |
| Total employee benefit expenses | **89,261** | 74,778 |

*Note*: Cost of inventories includes RMB32,468,000 (2008: RMB39,076,000) relating to staff costs, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

* *Included in administrative expenses*

## 6. INCOME TAX

The amount of taxation in the consolidated statement of comprehensive income represents:

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Current tax – overseas** | | |
| – Provision for the year | **6,554** | 5,222 |
| – Under/(over)-provision in respect of prior years | **231** | (574) |
| | **6,785** | 4,648 |
| **Deferred taxation** | | |
| – attributable to the origination and reversal of temporary differences, net | **705** | 157 |
| – resulting from a change in tax rate | **6** | 191 |
| | **7,496** | 4,996 |

## 7. DIVIDEND

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: RMBNil). No interim dividend was declared in respect of the year ended 31 December 2009 (2008: RMBNil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to the owners of the Company, adjusted to add the imputed interest on convertible bond, the exchange gain on convertible bond and fair value gain on the derivative component of convertible bond, where applicable. 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 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.

## *8. EARNINGS PER SHARE (CONTINUED)*

The calculations of basic and diluted earnings per share are based on:

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Earnings** | | |
| Profit attributable to the owners of the Company, used in the basic earnings per share calculation | **11,533** | 10,922 |
| Add: Imputed interest on convertible bond | **–*** | 13,508 |
| Less: Exchange gain on convertible bond | **–*** | (4,775) |
| Less: Fair value gain on the derivative component of convertible bond | **–*** | (11,877) |
| Profit attributable to the owners of the Company as adjusted for the effect of convertible bond | **11,533** | 7,778 |

| | **Number of shares** | |
|---|---|---|
| | **2009** | 2008 |
| **Shares** | | |
| Weighted average number of ordinary shares for the basic earnings per share calculation | **471,043,000** | 451,590,000 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **3,423,000** | 4,242,000 |
| Convertible bond | **–*** | 48,665,000 |
| Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares | **474,466,000** | 504,497,000 |

* The convertible bond has an anti-dilutive effect on the basic earnings per share for the year. Accordingly, the effects of the convertible bond and the potential ordinary shares from the convertible bond were not assumed in the calculation of the diluted earnings per share for the year ended 31 December 2009.

## *9. TRADE RECEIVABLES*

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Trade receivables | **83,584** | 79,234 |
| Less: allowance for doubtful debts | **(2,509)** | (1,059) |
| | **81,075** | 78,175 |

## 9. TRADE RECEIVABLES (CONTINUED)

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

(ii) The ageing analysis of trade receivables by invoice date is as follows:

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current to 30 days | **41,738** | 26,336 |
| 31 to 60 days | **20,767** | 29,894 |
| 61 to 90 days | **13,362** | 14,643 |
| Over 90 days | **7,717** | 8,361 |
| | **83,584** | 79,234 |
| Less: allowance for doubtful debts | **(2,509)** | (1,059) |
| | **81,075** | 78,175 |

## 10. TRADE PAYABLES

The ageing analysis of trade payables of the Group by invoice date is as follows:

| | **2009** | 2008 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current to 30 days | **80,517** | 56,843 |
| 31 to 60 days | **26,599** | 23,849 |
| 61 to 90 days | **12,754** | 14,669 |
| Over 90 days | **15,107** | 15,346 |
| | **134,977** | 110,707 |

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

## 11. CONVERTIBLE BOND

On 16 May 2007, the Company issued US$12,000,000 redeemable convertible bond. The bond carries coupon interest rate of 5.2% per annum, which is payable semi-annually in arrears. The bond is convertible into ordinary shares of the Company at an initial conversion price of HK$2.070 per conversion share and subsequently HK$1.923 as a result of adjustments arising from the bonus issue of the Company (subject to adjustments in accordance with the terms of the convertible bond), at any time during the period commencing from the date of issue of convertible bond.

## *11. CONVERTIBLE BOND (CONTINUED)*

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 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 (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 end of the reporting period are recognised in profit or loss.

On 23 February 2009, at the bondholder's request and in consideration for the bondholder's agreement to terminate the convertible bond, the Company issued a promissory note (the "Promissory Note") in favour of the bondholder whereby the Company promised to pay to the bondholder the loan of US$12,000,000 in accordance with the terms and conditions set forth in the Promissory Note, whereby instalments of US$3,000,000 (the "First Instalment"), US$4,000,000 (the "Second Instalment") and US$5,000,000 (the "Third Instalment") are repayable on 26 February 2009, 30 April 2009 and 30 June 2009, respectively. The obligations of the Company under the Promissory Note are fully and irrevocably guaranteed by a director of the Company. Details of the above transaction are set out in the Company's announcement dated 23 February 2009.

Pursuant to the terms and conditions of the Promissory Note, the Company shall be entitled to deduct US$700,000 (equivalent to RMB4,784,000) from the amounts of repayment of the Promissory Note (the "Early Repayment Compensation") if the Company repays the Third Instalment on or before 30 April 2009 after having fully repaid the First Instalment and the Second Instalment on or before 26 February and 30 April 2009, respectively. As the above conditions were met during the year, the Company was entitled to the Early Repayment Compensation of RMB4,784,000 and recognised in profit or loss.

## 11. CONVERTIBLE BOND (CONTINUED)

The movements of the liability component and derivative component of the convertible bond are as follows:

| | Liability component of convertible bond | Derivative component of convertible bond | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2008 | 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 as at 1 January 2008 | 62,195 | 13,803 | 75,998 |
| Imputed interest | 13,508 | – | 13,508 |
| Fair value gain | – | (11,877) | (11,877) |
| Unrealised exchange gain | (3,931) | (844) | (4,775) |
| At 31 December 2008 and 1 January 2009 | 71,772 | 1,082 | 72,854 |
| Amount due within one year (interest payable included in accruals and other payables) | (4,263) | – | (4,263) |
| Amount classified as non-current liabilities as at 31 December 2008 and 1 January 2009 | 67,509 | 1,082 | 68,591 |
| Imputed interest | 3,761 | – | 3,761 |
| Fair value gain | – | (409) | (409) |
| Unrealised exchange loss | 168 | – | 168 |
| Net loss on redemption of convertible bond, net of gain on the Early Repayment Compensation | 5,126 | – | 5,126 |
| Early redemption | (76,564) | (673) | (77,237) |
| At 31 December 2009 | – | – | – |

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

### *11. CONVERTIBLE BOND (CONTINUED)*

The fair value of the derivative component of the convertible bond is determined taking into account the valuation performed by RHL Appraisal Ltd., an independent firm of professionally qualified valuers, using the Binomial Model with the major inputs as at 31 December 2008 and the date of early redemption as follows:

| | **31 December 2008** | **Date of early redemption** |
|---|---|---|
| Share price | HK$0.900 | HK$0.880 |
| Exercise price | HK$1.923 | HK$1.923 |
| Volatility | 47.164% | 45.800% |
| Risk free rate | 0.352% | 0.360% |

During the year, there was a 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 RMB409,000 (2008: fair value gain of RMB11,877,000).

## *CHAIRMAN'S STATEMENT*

On behalf of the management team and our 3,200 staff members in the Mainland, Hong Kong and Taiwan, it is my honor to take this opportunity to express my sincere gratitude to all our shareholders, customers and parties who have long been supportive to the Group. I hereby present the results of the Group for 2009 and its future prospect for 2010.

**Overall Results and Dividend Policy**

During 2009, under the haze of the global economic crisis triggered by the credit crunch and Dubai turmoil, the demand of worldwide consumer market continued to plunge and the confidence of consumers wavered, meanwhile the tremendous price fluctuation of the raw materials had posed difficulties to many companies worldwide. Fortunately China managed to stay clear of this crisis with outstanding economic performance and recorded approximately 8% growth in its gross domestic products (GDP).The annual total automotive sales of more than 13.60 million in 2009, an increase of 45% compare to 2008, and put China in the first-ever top position in the world. During 2009, the network of the automotive aftermarket services has achieved double digit growth as compared to 2008.

New Focus Auto Tech Holdings Limited is principally engaged in the operation of the automotive aftermarket services network as well as the development of innovative products in respect of environmentally friendly auto lighting and automotive electronic power products.

Being the pioneer in automotive aftermarket services network sector, Autolife enjoys the largest market share in the Greater China Region. It is also the only chain store operator who could break through provincial boundaries and became the industry leader in the region. A series of automotive aftermarket services provided by Autolife, such as rapid repair and maintenance, auto care sales of auto accessories, are there to satisfy the basic needs of consumers. We also engage in the distribution of automotive insurance products in Beijing.

Looking back in the previous year, the management team of Autolife successfully built up its foothold in Shenzhen. This facilitate the Group in realising the Group's strategy in expanding the operating scale and perspective, and mark a big step towards entering the economic circle in the Pearl River Delta. The strategic layout of the Golden Cross in Greater China, covering Shanghai in the East, Chengdu (Chengyu economic circle) in the West, Beijing in the North and Shenzhen in the South, has been completed. It has resulted in a strong increase in the number of self-operated large-scale Super stores from 25 in 2007 to 34 in 2008 and 42 in 2009. The operating revenue and net profits of Autolife has exceeded its target, enjoying remarkable and sustainable growth. As such, the Group anticipates and is confident that 2010 will be a fruitful year with remarkable increase in profit and growth. Thanks to the present dramatic growth in the domestic consumption demand in China and the introduction of car subsidy program for rural areas, it is expected that the potential of the automotive aftermarket business is enormous and will continue into the next decade. We expect that these positive factors will be translated into consistented double digit growth in both turnover and profit.

The export of NFA was affected by the downward pressure in international financial and economic environment. Fortunately, due to the flourishing domestic demand in China, the sales of NFA in the Mainland achieved significant increase while the sales revenue of the Group's manufacturing business in China continued to record positive growth. The manufacturing division of the Group has achieved flying colours through overseas promotions of its own brand products, under which products were sold directly to the end-consumers market were carried out by various world-class auto-accessories retailers and chain supermarkets in North America, resulting in a considerable increase in the operating revenue and operating profit in our overseas business, and so did the Company's in 2009. The Group's achievement in 2009 was the result of the management's solid experience accumulated over the years with sound and flexible management skills and the crisis resistant capability we were able to excel in such unfavourable economic environment.

As at 31 December 2009, the consolidated turnover of the Group amounted to approximately RMB642,349,000, representing a decrease of approximately 9.2% as compared to the corresponding period of 2008. Gross profit was approximately RMB184,629,000, representing a growth of about 11.5% as compared to the corresponding period of 2008. Operating profit was RMB34,546,000, representing a growth of approximately 60.86% as compared to the corresponding period of 2008. If the effect of the one-off expense incurred due to the redemption of convertible bonds was excluded, the operating profit would have been approximately RMB44,215,000, representing an increase of 105% over the corresponding period of 2008. Profit attributable to shareholders was approximately RMB11,533,000, up about 5.59% as compared to the corresponding period of 2008. It would have been approximately RMB24,963,000, representing an increase of about 129% over corresponding period last year, if the effect of one-off expense incurred by the redemption of convertible bonds was excluded. Earnings per share were RMB2.45 fen.

The consolidated turnover of AUTOLIFE (representing the Group's chain store business), amounted to approximately RMB263,414,000, representing a growth of approximately 18.5% as compared to the corresponding period of 2008. Gross profit was approximately RMB106,527,000, representing a growth of approximately 23.4% as compared to the corresponding period of 2008, while gross profit margin was about 40.4%, an increase of approximately 2 percentage point over the corresponding period of 2008. Operating profit was approximately RMB12,311,000, a rise of 548% over the corresponding period of 2008. Net profit was approximately RMB8,501,000, representing a growth of approximately RMB9,436,000 over the corresponding period of 2008. Such results demonstrated a strong momentum of the Group's chain store business and we are confident that we have entered a period of profit surge.

The consolidated turnover of NFA (representing the Group's manufacturing business), amounted to approximately RMB378,935,000, representing a decrease of 22% as compared to the corresponding period of 2008. Gross profit was approximately RMB78,102,000, representing a drop of 1.49% as compared to the corresponding period of 2008. Operating profit was approximately RMB31,842,000, up 4.14% compare to the corresponding period of 2008. Net profit was approximately RMB22,176,000, representing a growth of approximately 2.72% compare to the corresponding period of 2008. Such results reflected that the growth of domestic sales, manufacturing business of the Group had offset the decline of international export. In addition the reduced cost through direct sales to market and increase in gross profit by promoting self-brand products, have all contributed to the increase in profit.

Turnovers from Greater China region comprising those from AUTOLIFE chain store services and domestic market sales accounted for approximately 50% of the total turnover, and 60% of consolidated gross profit. The domestic sales market of the Greater China region will become the operation hub of the Group and the major contributor to the Group's turnover and profit.

The board of Directors is of the opinion that sufficient cash should be reserved in order to fully implement the expansion plan by increasing the number of Super stores to 60 by 2010 so as to fulfill the target of becoming the Autozone* in China. Hence the board of Directors does not recommend a payment of final dividend for the year.

**Future Prospects**

Following the success transformation of our business to the automotive aftermarket chain retail services network, the operating strategies will be implemented in 2010 as follow:

1. Strengthening the Golden Cross in China: the Group will extend its cross-provincial exposure through prudent mergers and acquisitions. NFA Richahaus in Taiwan and Aiyihang in Beijing were the examples of successful duplication of this business model. By entering into the Northeastern and southern China in 2010, the Group can expand its penetration.

2. Continuing to expand Super Stores: in order to strengthen its leading position in every self-operated site, the Group will continue to set up in Beijing, Chengdu, Taiwan and Shenzhen. In addition, as the leading operator of automotive aftermarket chain retail services in the Greater China, the Group will extend its exposure by exploring profitable merger and acquisition opportunities in the Northern and Southern China. It is expected that the number of self-operated Super Store will increase from 42 in 2009 to over 60 in 2010 and it will ensure that every new store will bring contributions to the operating profit of the Group.

3. Enhancing customer satisfaction: through friendly services, professional skills and diversified range of products, the customer satisfaction for the Group's services will be steadily enhanced. It is a fundamental element for a consistent growth of the Group. It aims to achieve a higher growth rate in terms of customer flow and the average transaction volume in 2010 as compared to 2009 in each of the stores within the Group.

4. Integrating IT system to improve efficiency: the integration of the internal financial and information technology resources will be completed in 2010 to further consolidate the needs of centralised purchasing. It will increase the gross profit margin and net profit margin of the Group.

5. Improving the penetration of its own-brand products: NFA achieved fruitful results from its effort in domestic sales and overseas marketing of its own brand products. The Group anticipates a higher penetration in the end-consumer market in 2010.

Leveraging on the 5 strategies mentioned above, the Group will be able to grasp any opportunity emerging from the strong growth of the automotive aftermarket and maintain its leading position in the automotive aftermarket chain service sector.

With the global economic uncertainties in 2010, the overall export business is still under pressure and facing challenges. However, thanks to the flourishing domestic market demand in the PRC, the operating revenue of domestic sales continues to grow. The government policies continue to be a driving force for the overall growth of the automobile industry; therefore the Group is confident that the overall results will continue to be remarkable in 2010.

As the largest player in the automotive aftermarket chain service sector, it is expected that Autolife will record double digit growth in both the operating revenue and net profit in 2010. By promoting its own brand products directly to the end-customers and enhancing the products penetration in the end market, NFA is also expected to achieve double digit growth in both the operating revenue and net profit.

Lastly, I would like to take this opportunity to express my sincere gratitude to all shareholders, staff and parties who have shown their continuing support to the Group in 2009.

* Autozone is the largest operator in the automotive aftermarket chain service network in US which mainly provides DIY products. Currently, it has approximately 4,417 chain stores. The annual turnover of Autozone for the period from 2008 to August 2009 amounted to approximately US$6.7 billion (approximately RMB46.4 billion) with net profit margin of approximately 18.6%.

## *MANAGEMENT DISCUSSION AND ANALYSIS*

**Overview**

New Focus Auto Tech Holdings Limited is principally engaged in the operation of automotive chain service network in the Greater China region as well as the development and production of automotive lighting and electronic products that are both innovative and environmentally friendly.

**Results Highlights**

*Revenue*

As at 31 December 2009, the Group recorded a consolidated turnover of approximately RMB642,349,000.

The consolidated turnover of AUTOLIFE (representing the Group's automotive aftermarket chain store business) amounted to approximately RMB263,414,000, representing an increase of approximately 18.46% as compared to the corresponding period of 2008. AUTOLIFE business in the Group's consolidated turnover increased from approximately 31.43% in the corresponding period of 2008 to 41.01%. The management team of the AUTOLIFE has successfully built up its foothold in Shenzhen where the Group will use as a base to implement its expansion plan in the Pearl River Delta. AUTOLIFE has already completed the strategic layout of the "Golden Cross" in the Greater China region, resulting in a significant increase in the number of self-operated large-scale Super Stores from 25 in 2007 to 34 in 2008 and to 42 in 2009.

The consolidated turnover of NFA (representing the Group's manufacturing business) amounted to approximately RMB378,935,000, representing a decrease of approximately 21.88% as compared to the corresponding period of 2008. The operating revenue from export was down because of the respective outlook of the international financial market and economic condition. Fortunately, thanks to the flourishing domestic market in China, the sales volume of NFA in the Mainland continued to grow. Meanwhile, the manufacturing division of the Group has achieved flying colours through overseas promotion of its own brand products, resulting in a considerable increase in the Company's operating profits in 2009.

The operating revenue from the Greater China Region comprising those of the AUTOLIFE chain service business and the domestic sales market in China accounted for approximately 50% of the total operating revenue of the Group. The domestic sales market in the Greater China region will become the operating hub of Group and also the major contributor to the operating revenue of the Group.

*Gross Profit and Gross Margin*

The overall gross profit of the Group was RMB184,629,000 in 2009, up 11.48% as compared to that of 2008. Gross margin increased from 23.41% in 2008 to 28.74% in 2009.

The gross profit of AUTOLIFE (representing the Groups chain store business) was RMB106,527,000, representing an increase of approximately 23.38% as compared to that of 2008, while its overall gross margin reached approximately 40.44%, representing a growth of approximately 2 percent point as compared to the corresponding period of 2008.

The gross profit of NFA (representing the Group's manufacturing business) was approximately RMB78,102,000. Despite the great pressure exerted from the dramatic price fluctuations of raw materials in 2009, the overall gross margin of NFA reached 20.61%, representing a growth of 4 percent point as compared to the corresponding period of 2008.

The combined gross profits of the Greater China Region, including those from the AUTOLIFE chain service business and domestic market sales in China, accounted for over 60% of the total gross profits. The domestic sales market of the Greater China Region will be the major contributor to the Group's profit.

*Expenses*

Sales and marketing expenses for the period were approximately RMB101,421,000 (corresponding period of 2008: approximately RMB89,973,000), representing a growth of 12.72%. The increase was mainly attributable to:

- the increase in marketing expenses due to the active exploration of direct sales channels by NFA;

- the increase in marketing expenses due to the addition of 1 Super Store in the regional headquarter in Shanghai by AUTOLIFE;

- the increase in marketing expenses due to the mergers and acquisitions of 7 Super Stores in Shenzhen by AUTOLIFE;

During the period, the administrative expenses were approximately RMB57,870,000, representing a decrease of approximately 12.19% as compared to the corresponding period of 2008. It was mainly due to tightened control on expenses by the management in respond to the financial crisis and credit crunch.

*Operating profit*

The operating profit of the Group was approximately RMB34,546,000 (the corresponding period of 2008: approximately RMB21,476,000), representing an increase of approximately 60.86% as compared to the corresponding period of 2008. If the effect of one-off expense incurred by the redemption of convertible bond was excluded, the operating profit of the Group would have been RMB44,215,000, representing an increase of 105% compared to the corresponding period of 2008.

The operating profit of NFA was approximately RMB31,842,000 (the corresponding period of 2008: approximately RMB30,577,000), representing an increase of approximately 4.14% over the corresponding period of 2008. The operating profit of AUTOLIFE was approximately RMB12,311,000 (the corresponding period of 2008: approximately RMB 1,901,000), representing a surge of approximately 547.61% as compared to the corresponding period of 2008.

*Finance costs*
Net finance costs amounted to approximately RMB9,909,000 (corresponding period of 2008: approximately RMB15,562,000), down 36%. The decrease was mainly attributable to the assumption of year-round interests amounting to approximately RMB3,761,000 in respect of the convertible bond in 2009.

*Taxation*
Income tax expense was approximately RMB7,496,000 (corresponding period of 2008: approximately RMB4,996,000), representing a growth of 50.04%, which was mainly due to the following:

- the applicable income tax rate of NFA L&P was 15% (2008: 15%), while the applicable income tax rate of Shandong enterprise was 12.5% (2008: 12.5%). The profit of NFA in 2009 was increased as compared to 2008; and

- the applicable income tax rate of the companies under AUTOLIFE in 2009 was 25%, meanwhile, the profit of AUTOLIFE in 2009 was substantially improved as compared to 2008.

*Profit attributable to shareholders*
Profit attributable to shareholders was approximately RMB11,533,000, while earning per share was RMB2.45 fen. If the effect of one-off expense incurred by the advance redemption of convertible bonds was excluded, profit attributable to shareholders would have been RMB24,963,000, representing an increase of approximately 129% over the corresponding period of 2008.

**Financial status and liquidity**
The Group had maintained stable financial status during the period. During the period under review, the liquidity of assets of the Group remained healthy.

The cash flow generated from the operating activities of the Group was approximately RMB57,643,000 (2008: approximately RMB18,434,000);

The net current assets was approximately RMB157,612,000 (2008: approximately RMB116,203,000), with a liquidity ratio of 1.76 (2008: approximately 1.47);

Gearing ratio calculated by dividing total liabilities by total assets was 35.3% (2008: approximately 53.6%).

As at 31 December 2009, the total bank borrowings of the Company were approximately RMB42,412,000 (2008: approximately RMB110,289,000).

On 12 October 2009, the Group issued 90,000,000 units of Taiwan depository receipts at an issue price of NTD 7 (equivalent to RMB1.48), raising a total proceed of NTD 630,000,000 (equivalent to RMB133,195,000). After deduction of expenses, approximately RMB85,000,000 was used to repay bank loan and the remaining was used as working capital. As at the balance sheet date, the cash remaining in the bank account from the TDR insurance was approximately RMB23,000,000.

The Group maintains strong and sufficient cash flow, bank deposits and bank facilities to finance its daily operation, capital expenditure as well as the merger and acquisition activities and future investments for further expansion to the domestic market of the Greater China region.

**Exchange risk**

During the period under review, the settlement currency of the Group was mainly USD. In order to minimize foreign exchange risk, the Group fixed exchange rate with procurement contracts and adjusted the quotation policy the Group can transfer cost to both up and down streams. Thus, the foreign exchange risk of the Group was minimised.

**Employees and remuneration policy**

As at 31 December 2009, the Group employed a total of 3,282 full-time employees, of which 341 were managerial staff. In order to attract and retain the loyalty of the work force and managerial team, the Group intends to grant 15,260,000 share options to the staff by its share options available so as to further enhance the accountability and stability of the Group's employees.

**Business Review**

Operating revenue from Greater China region comprising those from AUTOLIFE chain store service business and domestic market sales in the PRC were included in the consolidated turnover of the Group, amounting to approximately 50% of the total operating revenue, with combined gross profit of more than 60%. The domestic sales market of the Greater China region will become the operation hub of the Group and the major contributor to the Group's turnover and profit.

*Automotive aftermarket chain retail business –AUTOLIFE*

Autolife is committed to providing professional automotive aftermarket services. After six years of market exploration, it ploughed into the development of various strategic locations along the "Golden Cross" in the Greater China region and, leveraging on its dynamic, robust and diversified product range, it was able to build up and expand its economies of scale and market share. At present, AUTOLIFE takes the market lead in various regions. In the Greater China market, AUTOLIFE pioneered the provision of cross-provincial, large-scaled chain services for the automotive aftermarket sector, and kept ahead of the industry in breaking through the provincial political and economic barriers. It successfully gained an in depth exposure in the five economic hubs, fulfilling its target of seizing the highest overall market share in the Greater China region and being a leading operator in the automotive aftermarket chain service industry.

During 2009, the turnover of AUTOLIFE increased by approximately 18.46% and its operating profit reached RMB12,311,000, representing a remarkable improvement of approximately 547.61% as compared to the corresponding period of 2008. Such remarkable increase in operating profit demonstrated the results of its strategies and efforts made in order to be ranked the top in the Greater China region in terms of store network and sales revenue.

AUTOLIFE achieved the following milestones:

- the number of self-operated Super stores increased from 34 in 2008 to 42 in 2009. The rapid growth in the number of Super stores laid a solid foundation for the continuous growth of sales and profit margin in 2010;

  – regarding the regional headquarter in Taiwan: in 2009, the headquarter in Taiwan continued to expand new network by adding 1 store to the original 15 Super Stores in 2008, resulting in it being ranked the top in Taiwan in terms of customer retention and brand awareness.

  – regarding Shenzhen region: the merger and acquisition of Yonglonghang in Shenzhen in 2009 enabled the entering of the AUTOLIFE's chain into the Pearl River Delta Region. It represents a break through of southern boundary to the Southern China market. With 7 large-scale chain stores in total, it is the top amongst all industry operators in Shenzhen in respect of the number of customers and the popularity.

- the effectiveness of the long-term integration of procurement and information system were seen. The financial consolidation further enhanced single store profitability, leading the AUTOLIFE to a stage of profit surge in 2009.

*Automobile green lighting and electronic power manufacturing business – NFA*
Due to the financial crisis triggered by the continuous global credit crunch in the first half of 2009 and the Dubai turmoil in the second half of the year, the market demand in North America continued to plunge and the confidence of consumers wavered. Many enterprises principally engaging in export were faced with operational difficulties. The product export of NFA to a certain extent was affected. In addition, the dramatic price fluctuation of the raw material also exerted pressure on the export business of NFA.

NFA proactively implemented a triple-target strategy, under which, apart from the long-term overseas customers, NFA also made direct sales to overseas large-scale end customers. The domestic market in China was also the target for NFA' s active expansion in 2009. As a result, despite the challenging international economic environment in 2009, the operating profit of NFA was approximately RMB31,842,000 in 2009, up 4.14% as compared to the corresponding period of 2008. This was caused by a healthy and flexible management team of NFA with their risk resistant capability under such adverse economic condition.

**Future Prospects**

With China becoming the world's largest automotive sales market in 2009, the Group, taking the Greater China region as its operating focus in 2009. AUTOLIFE chain service business and the sales in the domestic market in China accounted for approximately 50% of the Group's total turnover with gross profit even exceeding 60% of the Group's total turnover. As such, the profit growth of the Group surpassed that of the flourishing Greater China region. Following the success transformation of its business model by focusing on the automotive aftermarket chain retail services network, during 2010, in order to satisfy the enormous increase in the domestic needs of the automotive aftermarket service in Greater China, to maintain the leading position of AUTOLIFE in China, and to further enhance the competitive edge in the industry, the key operating strategies of the Group in 2010 are as follows:

1. emphasizing on both quality and quantity of the Golden Cross of China: the Group will explore cross-provincial, new business area through mergers and acquisitions of profitable businesses. NFA Richahaus in Taiwan and Aiyihang in Beijing were the examples of successful duplication of this profitable business model. Entering into the Northeastern and Southern China in 2010 is expected. Under the principle of maintaining both quality and quantity, the existing territory of the Group will be expanded, and so does the profitability of the Group .

2. Continuing to expand Super Stores: in order to strengthen its leading position in every self-operated stones, the Group will continue to set up chain stores in Beijing, Chengdu, Shenzhen and Taiwan. In addition, as the leading operator of automotive aftermarket chain retail services in the Greater China Region, the Group will extend its exposure by exploring merger and acquisition opportunities with high profitability in the Northern and Southern China in 2010, targeting to increase the number of large-scale self-operated Super stores from 42 in 2009 to over 60 in 2010 so as to further extend the Company's network. Under the prudent assessment of merger and acquisitions, every new chain stores will bring contributions to the operating revenue and profit of the Group.

3. Enhancing customer satisfaction: through internal upgrades of professional skill set, diversified and quality products and friendly services, the customer loyalty and confidence in the Group's services will be enhanced. It is a fundamental element for the consistent growth of the Group. It aims to achieve a higher same store growth in terms of customer flow and the average transaction volume of AUTOLIFE in 2010 as compared to 2009 and maintain steady increase in the operating revenue of NFA in 2010.

4. Conducing centralised purchasing to improve efficiency: the integration of the internal financial and information technology resources will be completed in 2010 to further implement the cross-provincial centralised purchasing. It will effectively lower the cost of each store and proactively increase the gross profit margin and net profit margin of the Group.

5. Improving the penetration of its own brand products: NFA achieved fruitful results from its effort in domestic sales and marketing of its own brand products through direct sales channels in 2009. Such results not only alleviate the effect of the sluggish international market, but also enabled an increase in the net profit of AUTOLIFE. Through strategic marketing and promotion, the own brand products of NFA will blossom in the end-customer market.

Leveraging on the 5 strategies mentioned above, the Group will be able to grasp any opportunity emerging from the strong growth of the automotive aftermarket and maintain its leading position in the automotive aftermarket chain services. Although the economic environment in 2010 is still uncertain, New Focus is confident that, through the top five operational strategies of the Group, New Focus will be positioned at the top in terms of market share of the automobile aftermarket chain service business in the Greater China, and achieve sustainable profit of the Group.

## CORPORATE GOVERNANCE

Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year 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.

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: RMBNil).

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

During the year, the Company repurchased a total of 3,164,000 of its ordinary shares of HK$0.10 each on the Stock Exchange of Hong Kong Limited at prices ranging from HK$0.80 to HK$1.84 per share, for a total consideration of HK$3,119,122.

Apart from the above, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

## *ANNUAL GENERAL MEETING*

The 2009 Annual General Meeting of the Company will be held on 9 June 2010 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 7 June 2010 to 9 June 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates 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 4:30 p.m. on 4 June 2010.

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

Hong Kong, 30 March 2010

*As at the date of this announcement, the Board comprises: executive Directors – HUNG Wei-Pi, John, WU Kwan-Hong, HUNG Ying-Lien, LU Yuan Chen and Douglas Charles Stuart FRESCO; non-executive Directors – LOW Hsiao-Ping and HSU Ming Chyuan; and independent non-executive Directors – DU Haibo, ZHOU Tai-Ming and UANG Chii-Maw.*