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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 ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 (the "Period") are as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		Unaudited Six months ended 30 June	
	Notes	**2010 RMB'000**	2009 RMB'000
Turnover	3	**421,838**	276,447
Cost of sales and services		**(296,233)**	(199,802)
Gross profit		**125,605**	76,645
Other income and gains and losses	3	**8,318**	1,372
Distribution costs		**(75,130)**	(46,044)
Administrative expenses		**(36,861)**	(25,945)
Finance costs	4	**(2,176)**	(6,720)
Profit/(loss) before taxation		**19,756**	(692)
Income tax	5	**(3,530)**	(2,297)
Profit/(loss) for the period		**16,226**	(2,989)
Other comprehensive income:			
Exchange differences arising on translation of overseas operations		**(408)**	(303)
Total comprehensive income for the period		**15,818**	(3,292)
Profit/(loss) attributable to:			
Owners of the Company		**12,242**	(4,596)
Non-controlling interests		**3,984**	1,607
		16,226	(2,989)
Total comprehensive income attributable to:			
Owners of the Company		**11,883**	(4,888)
Non-controlling interests		**3,935**	1,596
		15,818	(3,292)
Earnings/(loss) per share			
– Basic	6	**RMB0.023**	RMB(0.010)
– Diluted	6	**RMB0.022**	RMB(0.010)

* *For identification purpose only*

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Note	**As at 30 June 2010 RMB'000 (Unaudited)**	As at 31 December 2009 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**174,509**	169,656
Leasehold land and land use rights		**18,429**	18,676
Investment properties		**40,698**	40,698
Goodwill		**70,390**	70,461
Other intangible assets		**21,593**	21,719
Deferred tax assets		**54**	55
		325,673	321,265
Current assets			
Trading securities		**262**	339
Inventories		**178,037**	144,477
Trade receivables	*8*	**93,917**	81,075
Deposits, prepayments and other receivables		**79,899**	54,670
Amount due from a related company		**3,343**	34
Pledged time deposits		**2,543**	2,563
Cash and cash equivalents		**73,496**	82,572
		431,497	365,730

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2010

	Note	**As at 30 June 2010 RMB'000 (Unaudited)**	As at 31 December 2009 RMB'000 (Audited)
Current liabilities			
Trade payables	*9*	**122,447**	134,977
Accruals and other payables		**43,079**	56,903
Amounts due to directors		**61**	61
Bank borrowings, secured		**103,063**	14,042
Tax payable		**1,194**	2,135
		269,844	208,118
Net current assets		**161,653**	157,612
Total assets less current liabilities		**487,326**	478,877
Non-current liabilities			
Bank borrowings, secured		**12,585**	28,370
Deferred tax liabilities		**5,746**	5,746
		18,331	34,116
Net assets		**468,995**	444,761
CAPITAL AND RESERVES			
Share capital		**55,317**	55,003
Reserves		**356,329**	339,283
Equity attributable to owners of the Company		**411,646**	394,286
Non-controlling interests		**57,349**	50,475
Total equity		**468,995**	444,761

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital RMB'000	Treasury stock RMB'000	Share premium and other reserves RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2010	**55,003**	**–**	**252,222**	**87,061**	**394,286**	**50,475**	**444,761**
Total comprehensive income for the period	**–**	**–**	**(359)**	**12,242**	**11,883**	**3,935**	**15,818**
Contribution from non-controlling interest of a subsidiary	**–**	**–**	**–**	**–**	**–**	**2,939**	**2,939**
Repurchase and cancellation of shares	**(395)**	**–**	**(6,349)**	**(395)**	**(7,139)**	**–**	**(7,139)**
Issue of shares	**709**	**–**	**11,907**	**–**	**12,616**	**–**	**12,616**
Balance at 30 June 2010	**55,317**	**–**	**257,421**	**98,908**	**411,646**	**57,349**	**468,995**

Condensed Consolidated Statement of Changes in Equity _(Continued)_

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 owners 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
Total comprehensive income 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 non-controlling interest of a subsidiary	–	–	–	–	–	87	87
Dividend	–	–	–	–	–	(109)	(109)
Repurchase and cancellation of shares	(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 Cash Flows

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(62,107)**	32,464
Net cash used in investing activities	**(15,836)**	(28,859)
Net cash generated from/(used in) financing activities	**69,083**	(24,549)
Net decrease in cash and cash equivalents	**(8,860)**	(20,944)
Cash and cash equivalents at the beginning of the period	**82,560**	95,726
Effect of foreign exchange rate change	**(204)**	9
Cash and cash equivalents at the end of the period	**73,496**	74,791
Analysis of cash and cash equivalents:		
Cash and bank balances	**73,496**	74,797
Bank overdrafts	**–**	(6)
	73,496	74,791

Notes to the Condensed 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 Basis of preparation and principal accounting policies

2.1 Basis of preparation

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2010 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2.2 Principal accounting policies

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, trading securities and derivative component of convertible bond which are carried at fair value.

The accounting policies and method of computation used in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the financial statements of the Group for the current or prior accounting periods.

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

2 **Basis of preparation and principal accounting policies** *(Continued)*

2.2 Principal accounting policies *(Continued)*

The Group has not early applied any of the new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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 financial statements in the period of their initial application.

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

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

	Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Turnover	**421,838**	276,447
Other income and gains and losses:		
Realised gain on trading securities	**–**	116
Bank interest income	**166**	468
Government subsidies	**227**	899
Gain/(loss) on disposal of property, plant and equipment	**101**	(59)
Fair value gain on derivative component of convertible bond	**–**	409
Net loss on redemption of convertible bond	**–**	(5,126)
Exchange loss on convertible bond	**–**	(168)
Rental income	**1,541**	1,014
Gain on sale of scrap materials	**393**	–
Imputed interest income from non-current earnest money deposit	**56**	131
Sampling income	**26**	135
Income from provision of repair and maintenance services	**–**	438
Compensation income	**1,592**	–
Sponsorship income	**1,099**	621
Exchange gains	**840**	335
Others	**2,277**	2,159
	8,318	1,372
Total	**430,156**	277,819

3. **Turnover, other income and gains and losses 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:

	Unaudited Six months ended 30 June 2010			
	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	244,278	177,560	–	421,838
Inter-segment sales revenue	4,344	597	(4,941)	–
External other income and gains and losses	2,168	5,269	–	7,437
Total	250,790	183,426	(4,941)	429,275
Reportable segment profit	12,935	10,238		23,173
Interest income	118	45	–	163
Unallocated interest income				59
Total interest income				222
Interest expense	(2,039)	(137)	–	(2,176)
Depreciation and amortisation charges	(7,660)	(5,796)	–	(13,456)
Unallocated depreciation and amortisation charges				(9)
Total depreciation and amortisation charges				(13,465)
Income tax	(970)	(2,560)	–	(3,530)

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

(a) ***Reportable segments*** *(Continued)*

	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	Consolidated RMB'000
RESULTS				
External sales revenue	152,757	123,690	–	276,447
Inter-segment sales revenue	2,980	–	(2,980)	–
External other income and gains and losses	2,855	3,142	–	5,997
Inter-segment other gains and losses	–	83	(83)	–
Total	158,592	126,915	(3,063)	282,444
Reportable segment profit	7,254	3,411		10,665
Interest income	395	30	–	425
Unallocated interest income				174
Total interest income				599
Interest expense	(2,752)	(207)	–	(2,959)
Unallocated interest expense				(3,761)
Total interest expense				(6,720)
Depreciation and amortisation charges	(5,350)	(4,697)	–	(10,047)
Unallocated depreciation and amortisation charges				(9)
Total depreciation and amortisation charges				(10,056)
Income tax	(1,109)	(1,188)	–	(2,297)

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

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

	Unaudited Six months ended 30 June 2010 RMB'000	Unaudited Six months ended 30 June 2009 RMB'000
Profit/(loss) before taxation		
Reportable segment profit	**23,173**	10,665
Unallocated other income and net gains and losses	**881**	(4,625)
Unallocated corporate expenses	**(4,298)**	(2,971)
Unallocated finance costs	**–**	(3,761)
Profit/(loss) before taxation	**19,756**	(692)

	Unaudited As at 30 June 2010 RMB'000	Audited As at 31 December 2009 RMB'000
Assets		
Reportable segment assets	**689,569**	668,263
Unallocated corporate assets	**67,601**	18,732
Consolidated total assets	**757,170**	686,995
Liabilities		
Reportable segment liabilities	**283,304**	237,125
Unallocated corporate liabilities	**4,871**	5,109
Consolidated total liabilities	**288,175**	242,234

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

(c) ***Geographical segments***

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

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 for six months ended 30 June		**Specified non-current assets**	
	Unaudited 2010 RMB'000	Unaudited 2009 RMB'000	**Unaudited As at 30 June 2010 RMB'000**	Audited As at 31 December 2009 RMB'000
North America	**174,163**	90,938	**–**	–
Europe	**20,998**	16,576	**–**	–
Asia Pacific	**17,676**	12,750	**–**	–
Greater China (including Taiwan)	**209,001**	156,183	**325,619**	321,210
	421,838	276,447	**325,619**	321,210

(d) ***Major customers***

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

4. **Finance costs**

	Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**2,176**	2,959
Imputed interest on convertible bond wholly repayable within five years	**–**	3,761
	2,176	6,720

5. Income tax

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

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current tax – overseas	**3,530**	2,442
Deferred tax	**–**	(145)
	3,530	2,297

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 2010 (2009: RMB Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

6. Earnings/(loss) per share

– ***Basic***

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

	Unaudited Six months ended 30 June	
	2010	2009
Profit/(loss) attributable to owners of the Company (RMB thousands)	**12,242**	(4,596)
Weighted average number of ordinary shares in issue (thousands)	**542,782**	451,833

– ***Diluted***

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) for the period 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 period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

6. Earnings/(loss) per share *(Continued)*

	Unaudited Six months ended 30 June	
	2010	2009
Profit/(loss) attributable to owners of the Company and used to determine diluted earnings/(loss) per share (RMB thousands)	**12,242**	(4,596)
Weighted average number of ordinary shares in issue (thousands)	**542,782**	451,833
Effect of dilution – weighted average number of ordinary shares for share options (thousands)	**5,240**	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousands)	**548,022**	451,833#

The convertible bond had an anti-dilutive effect on the basic loss per share for the prior period. 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 loss per share for the six months ended 30 June 2009.

7. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (30 June 2009: RMB Nil).

8. Trade receivables

Details of the ageing analysis by invoice date are as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Current to 30 days	**52,010**	41,738
31 to 60 days	**25,915**	20,767
61 to 90 days	**8,961**	13,362
Over 91 days	**9,299**	7,717
	96,185	83,584
Less: allowance for doubtful debts	**(2,268)**	(2,509)
	93,917	81,075

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

9. Trade payables

Details of the ageing analysis by invoice date are as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Current to 30 days	**89,569**	80,517
31 to 60 days	**13,888**	26,599
61 to 90 days	**5,433**	12,754
Over 91 days	**13,557**	15,107
	122,447	134,977

10. Significant events after the end of the reporting period

(a) On 17 June 2010, the Group entered into an equity transfer agreement with the vendors (Independent third parties) for the acquisition of 51% equity interest in 遼寧新天成實業有限公司 (Liaoning Xin Tian Cheng Industrial Co., Ltd.) for an aggregate consideration of RMB56,100,000 (subject to adjustment) payable in cash. On 16 July 2010, the acquisition has been completed. Details of this transaction were disclosed in the Company's announcement dated 17 June 2010.

The valuation of the assets acquired and liabilities assumed as well as cost of acquisition is pending for finalisation and therefore, financial information in relation to this acquisition has not been disclosed in these interim financial statements.

(b) As New Focus Richahaus Co. Ltd ("New Focus Richahaus"), a subsidiary of the Company as at 30 June 2010, has achieved certain specified performance targets in terms of turnover and net profit respectively by the end of each of the specified periods, pursuant to the terms of the sale and purchase agreement in relation to the Group's acquisition of equity interest in New Focus Richahaus in prior years, Perfect Progress Investments Limited ("PPI"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, is obliged to pay two chief executives of New Focus Richahaus the relevant consideration and would be settled as to (i) NT$5,000,000 (equivalent to approximately HK$1,219,000) by way of cash; and (ii) NT$12,617,691 (equivalent to approximately HK$3,076,193) by way of issue of new shares in New Focus Richahaus.

On 16 August 2010, PPI entered into an agreement with the two chief executives of New Focus Richahaus pursuant to which the parties have agreed to amend the settlement terms of the above relevant consideration. Pursuant to the agreement, the relevant consideration in the aggregate amount of NT$17,617,691 (equivalent to approximately HK$4,295,193) would be paid by PPI to the two chief executives of New Focus Richahaus by way of cash. It was agreed under the agreement that the relevant consideration shall be used solely to satisfy funding required for the purchase of 7.68% of the existing issued share capital of New Focus Richahaus from PPI, by the two chief executives of New Focus Richahaus. Further details are set out in the Company's announcement dated 16 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group focuses on the operation of automotive chain services network in the Greater China region, adopting a unified vertical integrated business model, covering from innovative product research and development, production and manufacturing, brand building, to sales channel expansion and mechandise retail sales and service. The Group strives to take the market-leading position in the industry.

Results Highlights

Revenue

For the six months ended 30 June 2010 ("the Period"), the Group recorded a consolidated turnover of approximately RMB421,838,000, representing an increase of 52.59% compared to the corresponding period of 2009 (corresponding period of 2009: approximately RMB276,447,000).

Gross profit and gross margin

Gross profit for the Period was approximately RMB125,605,000, up approximately 63.88% compared to the corresponding period of 2009 (corresponding period of 2009: approximately RMB76,645,000); gross margin increased to approximately 29.78%, representing an increase of approximately 1.78 percentage point as compared to that of the corresponding period of 2009 (corresponding period of 2009: approximately 28%).

Expenses

Distribution costs for the Period were approximately RMB75,130,000 (corresponding period of 2009: approximately RMB46,044,000), representing an increase of approximately 63.17%. The increase was mainly attributable to:

- the increase in marketing expenses due to the active exploration of sales channels and promotion for own brand products;

- the corresponding increase in marketing expenses due to the consolidation of the results of Yonglonghang in Shenzhen during the Period;

- the corresponding increase in marketing expenses due to the opening of four new Super Stores in Taiwan and Shenzhen;

Administrative expenses for the Period were approximately RMB36,861,000 (corresponding period of 2009: approximately RMB25,945,000), representing an increase of approximately 42.07% as compared to the corresponding period of 2009. The increase was mainly due to:

- the salaries and benefits for new employees;

- the consolidation of the administrative expenses of Yonglonghang in Shenzhen during the Period;

- the depreciation of the Group's manufacturing plants;

- the fees paid to the intermediary company for the mergers and acquisitions, the maintenance fee for the Taiwan depositary receipts and the Group's investment in research and development for the Period.

Operating profit

Operating profit for the Period was approximately RMB21,932,000 (corresponding period of 2009: approximately RMB6,028,000), representing a surge of approximately 263.84% as compared to the corresponding period of last year.

Finance costs

Net finance costs amounted to approximately RMB2,176,000 (corresponding period of 2009: approximately RMB6,720,000), down approximately 67.62% as compared to the corresponding period of last year. The decrease was mainly attributable to the absence of the interest expenses for the convertible bonds in the corresponding period of 2009 of approximately RMB3,761,000.

Taxation

Income tax expenses were approximately RMB3,530,000 (corresponding period of 2009: approximately RMB2,297,000), representing an increase of approximately 53.68%, mainly due to the relatively significant increase in the profit of the Group compared to the corresponding period of 2009.

Profit attributable to shareholders

Profit attributable to shareholders was approximately RMB12,242,000, with earnings per share of approximately RMB2.3 cents; compared to a loss of approximately RMB 4,596,000 for the corresponding period of 2009. The dramatic leap in the profit attributable to shareholders manifests the Group's success in entering a phase of significant growth.

Financial status and liquidity

As at 30 June 2010, net current assets of the Group amounted to approximately RMB161,653,000 (31 December 2009: approximately RMB157,612,000) and current ratio was approximately 1.60 (corresponding period of 2009: approximately 1.76). Gearing ratio, calculated by dividing total liabilities by total assets, was approximately 38.1% (corresponding period of 2009: approximately 35.3%). Total bank borrowings of the Company were approximately RMB115,648,000 (corresponding period of 2009: approximately RMB42,412,000).

The Group maintained healthy and adequate operating cash flow, bank deposits and banking facilities to finance its daily operation. Additional funds will be obtained through appropriate financing channels for the merger and acquisition and investment opportunities for expansion into the domestic market of the Greater China region in the future.

Financial guarantees and pledge of assets

As at 30 June 2010, the net book values of property, plant and equipment and leasehold land and land use rights pledged as securities for the Group's bank borrowings totalled approximately RMB106,307,000 (31 December 2009: approximately RMB108,719,000).

Material acquisitions and disposals of subsidiaries and associated companies

On 17 June 2010, the Company entered into an equity transfer agreement with the shareholders of Liaoning Xin Tian Cheng Industrial Co., Ltd.* (遼寧新天成實業有限公司), pursuant to which the Company successfully acquired 51% equity interests in Liaoning Xin Tian Cheng Industrial Co., Ltd at a consideration of RMB56,100,000 (subject to adjustment). On 16 July 2010, the acquisition has been completed.

As New Focus Richahaus Co. Ltd ("New Focus Richahaus"), a subsidiary of the Company as at 30 June 2010, has achieved certain specified performance targets in terms of turnover and net profit respectively by the end of each of the specified periods, pursuant to the terms of the sale and purchase agreement in relation to the Group's acquisition of equity interest in New Focus Richahaus in prior years, Perfect Progress Investments Limited ("PPI"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, is obliged to pay two chief executives of New Focus Richahaus the relevant consideration and would be settled as to (i) NT$5,000,000 (equivalent to approximately HK$1,219,000) by way of cash; and (ii) NT$12,617,691 (equivalent to approximately HK$3,076,193) by way of issue of new shares in New Focus Richahaus.

On 16 August 2010, PPI entered into an agreement with the two chief executives of New Focus Richahaus pursuant to which the parties have agreed to amend the settlement terms of the above relevant consideration. Pursuant to the agreement, the relevant consideration in the aggregate amount of NT$17,617,691 (equivalent to approximately HK$4,295,193) would be paid by PPI to the two chief executives of New Focus Richahaus by way of cash. It was agreed under the agreement that the relevant consideration shall be used solely to satisfy funding required for the purchase of 7.68% of the existing issued share capital of New Focus Richahaus from PPI, by the two chief executives of New Focus Richahaus. Further details are set out in the Company's announcement dated 16 August 2010.

Significant investments

During the Period, the Group has no material investments.

Exchange risk

During the Period, the settlement currency of the Group was mainly USD. In order to minimise foreign exchange risk, the Group fixed its exchange rate with procurement contracts and adjusted its quotation policy, enabling the transfer of costs to both up and down streams, thus reducing the effects of fluctuations in exchange rate. The Directors consider that the Group has no significant exchange risk.

Contingent liabilities

As at 30 June 2010, the Group has no significant contingent liabilities.

Employees and remuneration policy

As at 30 June 2010, the Group employed a total of 3,691 (30 June 2009: 2,530) full-time employees, of which 631 (30 June 2009: 510) were managerial staff. The Group is committed to the recruitment of talented staff to enrich its expertise. In order to attract and retain outstanding employees, the Group provides benefits such as medical insurance and housing allowances in addition to the various mandatory pension schemes stipulated by the municipal government.

The Group also operates 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 2010 (2009: nil).

Business progress

During the Period, AUTOLIFE had made the following progress:

- Penetrate the northeast Bohai Rim region of China to complete the layout of “Golden Cross” across the Greater China region.

  Pursuant to the Group’s expansion strategies, AUTOLIFE started to engage in the wholesale and logistic system of automotive accessories in the first half of 2010. The completion of the merger and acquisition of Xin Tian Cheng in Northeast China, the second largest nationwide large scale membership chain store in the automotive aftermarket, means that the Group’s presence has stretched into the Bohai Rim region. Xin Tian Cheng has a total of four large scale wholesale chain, located in Shenyang, Changchun, Anshan and Dalian in Northeast China respectively, and is principally engaged in the wholesale of automotive accessories for second-tier cities, with a customer base of over 1,200 stores. The business model of the Group has successfully expanded from large scale retail chain stores into membership wholesale chain in the mid and upstream markets. This comprehensive program for the operation and development of industrial chain will build a firm foundation for enhancing the value chain of the Group’s overall automotive services and its rapid expansion in the Greater China region in the future. As at 30 June 2010, AUTOLIFE has completed its “Golden Cross” layout across the Greater China region, including Shanghai, Taiwan, Beijing, Shengyang, Shenzhen and Chengdu.

- The Group dominated the large-scale self-operated store in the automotive aftermarket sector in Asia. The number of self-operated Super Stores increased from 42 as at the end of 2009 to 51 as of 30 June 2010, not only maintaining its pioneer position in the large-scale chain self-operated store market in China in terms of operation scale (number of stores and operating revenue), but has also become a leader of large-scale self-operated store in the automotive aftermarket in Asia in terms of number of stores. The rapid upsurge in the number of Super Stores provides customers with one-stop automotive services with an extensive geographical coverage. Our persistence in upholding neat storefront, professional technologies, comprehensive services, affordable prices and full product range has laid concrete ground for the continuous growth in sales and profit in 2010.

- Taiwan Region: in 2010, the Taiwan headquarters continued to expand its network by adding 3 stores to the existing 17 Super Stores in 2009, maintaining its leadership position in Taiwan region in terms of customer retention and brand recognition.

- Beijing Region: the Beijing headquarters continued to adjust its business model by strengthening its marketing and promotion activities, marking an approximately 36% same store increase in sales in the first half of 2010 compared with the corresponding period in 2009. Net profit for the first half of 2010 recorded an increase of 128% compared with the corresponding period of 2009. The adjustment of the business model of the Beijing headquarters proved effective and is now enjoying the industry's leading position in Beijing.

- Shenzhen Region: As at the end of June 2010, one additional store was opened in the region, increasing the number of large-scale chain self-operated stores to 8 stores from 7 stores in 2009. Yonglonghang in Shenzhen has become the number one customer maintenance and service store designated by insurance companies in Shenzhen, ranking top amongst industry peers in terms of number of members and public recognition.

- Over 30% same store growth compared to the corresponding period in 2009

  All services segments, including auto cosmetics, sales of auto amenities, sales and maintenance, decoration and modification, posted a significant same store growth from the corresponding period in 2009. During the Period, all services segments recorded a growth of more than 30%, in particular the auto cosmetics segment saw the highest growth rate, generating remarkable contributions to the overall increase in the gross profit of the Group.

Prospects

In the first half of 2010, automotive sales in China surpassed 9 million, a leap of more than 40% compared to the corresponding period in 2009, and continued to be the largest automotive sales market in the world. Automotive aftermarket also began to step into a phase of intense growth. Key operating strategies of the Group for the second half of 2010 are as follows:

1: Emphasising both quality and quantity of the Golden Cross of the Greater China region: the Group will explore cross-provincial, new business areas through mergers and acquisitions of profitable businesses. By basing on the successful examples of New Focus Richahaus in Taiwan and Aiyihang in Beijing, the Group will continue to replicate this profitable business model. Following the successful penetration into the northeastern Bohai Rim in the first half of 2010, the Jiangsu and Zhejiang regions will be the next expansion target. The Group will expand its existing territory as well as profitability based on the principle of maintaining both quality and quantity.

2: Continuing to expand Super Stores: in order to strengthen its existing leading position in terms of its self-operated stores, the Group will continue to set up chain stores in Beijing, Chengdu, Shenzhen and Taiwan, as well as significantly increase the Group's foothold in each individual region. In addition, as a leading operator of automotive aftermarket retail chain services in the Greater China region, the Group will continue to implement its expansion plans to extend its exposures, and will explore potential merger and acquisition opportunities with high profitability in Jiangsu and Zhejiang regions in the second half of 2010, targeting to increase the number of large-scale self-operated Super Stores from 51 as at 30 June 2010 to over 60 by the end of 2010 so as to further extend the Company's network. With prudent assessment the Group will only set up chain stores that can bring substantial contribution to the operating profits of the Group.

3: Perfecting customer satisfaction: through internal upgrades of professional expertise, diversified and quality products and friendly services, the Group will focus on enhancing customer loyalty and confidence, a fundamental element for the sustained growth of the Group. It aims to achieve a higher same store growth in terms of customer flow and average transaction volume of AUTOLIFE in 2010 as compared to the corresponding period in 2009, so as to promote a significant increase in the operating revenue and profits for the full year of 2010 compared to the previous year.

4: Concluding centralised purchasing to enhance efficiency: the Group will duly complete its integration of the internal financial and information technology systems in 2010. In addition, leveraging on the synergies generated from its one-stop service model covering upstream to midstream markets following the Group's successful acquisition of Xin Tian Cheng in Northeast China, the Group will further implement cross-provincial centralised purchasing. Not only will it effectively increase purchase volume, but also will diversify the product range, thus effectively lowering the cost of each store and consequently increasing the gross profit margin and net profit margin of the Group.

5: Further enhancing the penetration of own brand products: in 2009, NFA achieved fruitful results from its effort in domestic sales and marketing of its own brand products through direct sales channels. In 2010, under continued strategic marketing, NFA's own brand products are all set to take off in the end-customer market.

Leveraging on the 5 continuous operating strategies mentioned above, the Group has emerged as a leader in the automotive aftermarket chain in the Greater China region and in order to maximise its profitability, the Group has introduced 2 additional operating strategies for the year 2010:

6: National distributorship of renowned brands: in light of the ongoing expansion of sales channels, leveraging on the Group's intense and comprehensive sales channels, to tap into the business of distribution of various brands, and introduce nationally and internationally renowned brandnames into the PRC market, while also focusing on generating substantial contribution to operating revenue from the domestic markets in the Greater China region.

7: Vertical integration of business model: based on the one-stop service model brought about by the Group's acquisition of Xin Tian Cheng in 2010, combining the advantage of parallel operation of its large scale membership chain stores and end consumer chain stores, and successfully establishing a vertically-integrated business model, the Group will seek to share the existing own brands in various regions amongst different sales channels, benefiting consumers in different regions and providing consumers with more diversified and reasonably-priced product range, thus retaining existing customers and their loyalty to the Group in various regions.

Leveraging on the 7 strategies above, the Group has successfully grasped the robust development opportunities in the automotive aftermarket in the first half of 2010 as a starting point, not only maintained its leading position in the automotive aftermarket chain services in the Greater China region, but also surpassed its Japanese competitors, establishing itself as the largest self-operated chain store operator in the automotive aftermarket in Asia. The Group is confident that, through the seven major operating strategies of the Group, the Group will continue to achieve significant growth both in operating revenue and profits, as well as secure its absolute leadership in the overall automotive aftermarket.

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

During the Period, the Company repurchased 4,492,000 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.

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

Month	Highest price (HK$)	Lowest price (HK$)	Average price (HK$)	Number of shares repurchased	Consideration paid (HK$)
January 2010	1.74	1.68	1.72	844,000	1,447,157
February 2010	1.90	1.78	1.85	2,416,000	4,464,677.35
April 2010	1.80	1.79	1.80	1,232,000	2,211,865

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 Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout 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 throughout the Period.

Audit Committee

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

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

Hong Kong, 26 August 2010

As at the date of this announcement, the members of the Board comprise (i) the executive Directors, namely Hung Wei-Pi John, Wu Kwan-Hong, Hung Ying-Lien, Lu Yuan Cheng Douglas Charles Stuart Fresco and Edward B. Matthew; (ii) the non-executive Directors, namely Low Hsiao-Ping and Hsu Ming Chyuan; and (iii) the independent non-executive Directors, namely Du Haibo, Zhou Tai Ming and Uang Chii-Maw.