NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008 (the "Period") are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited	
		Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
Sales	*4*	**341,724**	330,190
Cost of goods sold		**(264,165)**	(267,313)
Gross profit		**77,559**	62,877
Other revenue and gains	*4*	**12,670**	6,401
Selling and distribution costs		**(40,057)**	(30,213)
Administrative expenses		**(27,257)**	(27,168)
Operating profit	*4*	**22,915**	11,897
Finance costs	*5*	**(9,846)**	(3,597)
Profit before income tax		**13,069**	8,300
Income tax	*6*	**(4,289)**	(1,906)
Profit for the period		**8,780**	6,394
Attributable to:			
Equity holders of the Company		**7,256**	5,354
Minority interests		**1,524**	1,040
		8,780	6,394
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	*7*	**RMB0.016**	RMB0.012
– Diluted	*7*	**RMB0.009**	RMB0.012
Dividend	*8*	**–**	–

* *for identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

		Unaudited	Audited
		30 June	31 December
		2008	2007
	Note	**RMB'000**	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**115,340**	106,521
Leasehold land and land use rights		**20,806**	21,086
Investment properties		**25,286**	25,286
Goodwill		**43,161**	43,161
Other intangible assets		**9,257**	9,310
Other financial assets		**3,955**	2,611
Deferred tax assets		**52**	128
		217,857	208,103
Current assets			
Trade securities		**395**	737
Inventories		**161,873**	126,803
Trade receivables	*9*	**88,525**	119,950
Deposits, prepayments and other receivables		**88,830**	58,921
Amount due from a related company		**132**	92
Tax recoverable		**–**	387
Pledged time deposits		**3,028**	3,342
Cash and cash equivalents		**80,835**	135,532
		423,618	445,764

	Note	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Current liabilities			
Bank borrowings, secured		**84,984**	85,929
Trade payables		**144,747**	149,183
Accruals and other payables		**38,389**	43,916
Amounts due to directors		**453**	1,388
Amounts due to related parties		**–**	1,504
Tax payable		**1,737**	–
		270,310	281,920
Net current assets		**153,308**	163,844
Total assets less current liabilities		**371,165**	371,947
Non-current liabilities			
Bank borrowings, secured		**16,049**	16,494
Convertible bond		**71,177**	75,998
Deferred tax liabilities		**1,074**	1,071
		88,300	93,563
Net assets		**282,865**	278,384
CAPITAL AND RESERVES			
Share capital		**47,374**	46,394
Reserves		**202,300**	200,323
Equity attributable to the equity holders of the Company		**249,674**	246,717
Minority interests		**33,191**	31,667
Total equity		**282,865**	278,384

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Unaudited				
	Share capital RMB'000	Share premium and reserves RMB'000	Retained earnings RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2008	**46,394**	**131,247**	**69,076**	**31,667**	**278,384**
Exchange realignment	**–**	**(4,299)**	**–**	**–**	**(4,299)**
Total income and expenses recognised directly in equity	**–**	**(4,299)**	**–**	**–**	**(4,299)**
Profit for the period	**–**	**–**	**7,256**	**1,524**	**8,780**
Total income and expenses for the period	**–**	**(4,299)**	**7,256**	**1,524**	**4,481**
Lapse of share options	**–**	**(6)**	**6**	**–**	**–**
Transfer of reserves	**–**	**917**	**(917)**	**–**	**–**
Bonus issue	**980**	**(980)**	**–**	**–**	**–**
Balance at 30 June 2008	**47,374**	**126,879**	**75,421**	**33,191**	**282,865**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Unaudited				
	Share capital RMB'000	**Share premium and reserves RMB'000**	**Retained earnings RMB'000**	**Minority interests RMB'000**	**Total RMB'000**
Balance as at 1 January 2007	42,987	104,102	53,084	9,297	209,470
Issue of new shares from exercise of share options	–	45	–	–	45
Profit for the period	–	–	5,354	1,040	6,394
Bonus issue	2,048	(2,048)	–	–	–
Exchange realignment	–	(17)	–	–	(17)
Proceeds from shares issued	9	–	–	–	9
Arising on acquisition of subsidiaries	–	29,713	–	–	29,713
Arising on issue of convertible bonds	–	8,009	–	–	8,009
Minority interest arising on acquisition of subsidiaries and additional injection from minority shareholders	–	–	–	16,713	16,713
Issue of new shares arising from acquisition of a subsidiary	1,350	–	–	–	1,350
Balance as at 30 June 2007	46,394	139,804	58,438	27,050	271,686

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Net cash used in operating activities	**(34,914)**	(44,377)
Net cash used in investing activities	**(18,288)**	(16,377)
Net cash (used in)/generated from financing activities	**(2,125)**	132,408
Net (decrease)/increase in cash and cash equivalents	**(55,327)**	71,654
Cash and cash equivalents at the beginning of the period	**113,130**	65,941
Cash and cash equivalents at the end of the period	**57,803**	137,595
Analysis of cash and cash equivalents		
Cash and bank balances	**80,835**	137,595
Bank overdrafts	**(23,032)**	–
	57,803	137,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation

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

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

2. Basis of preparation and accounting policies

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2007 annual financial statements included in the Company's 2007 Annual Report.

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007. The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, that are relevant to its operations and effective for the current reporting period.

The Group considered that the adoption of the new and revised HKFRSs has had no material impact on the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008.

3. Impact of issued but not yet effective Hong Kong Financial Reporting Standards

At the date of this report, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKASs 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008

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

4. **Turnover, other revenue and gains and segment information**

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

	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000
Turnover	**341,724**	330,190
Other revenue and gains:		
Realised gain on trading of securities	**64**	–
Interest income	**1,077**	1,492
Government subsidies	**63**	20
Gain on disposal of property, plant and equipment	**718**	2
Fair value gain on derivative component of convertible bond	**4,822**	–
Tax refund on capitalised profit on which corporate income tax was previously charged	**–**	2,442
Rental income	**789**	600
Transportation income	**–**	609
Gain an sale of scrap materials	**352**	1,096
Imputed interest income from non-current earnest money deposit	**83**	–
Sponsorship income	**1,898**	–
Sampling income	**102**	–
Income of maintenance and repair services	**433**	–
Others	**2,269**	140
	12,670	6,401
Total	**354,394**	336,591

4. **Turnover, other revenue and gains and segment information**

(a) ***Primary reporting format – business segments***

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

Analysis of the segment revenues and results is as follows:

	Unaudited Six months ended 30 June 2008			
	Manufacture and sales of automobile accessories RMB'000	**Provision of automobile repair, maintenance and restyling services RMB'000**	**Eliminations RMB'000**	**Group RMB'000**
Segment revenues				
External sales	**234,235**	**107,489**	**–**	**341,724**
Inter-segment sales	**190**	**24**	**(214)**	**–**
Other revenue and gains	**3,062**	**4,228**	**–**	**7,290**
	237,487	**111,741**	**(214)**	**349,014**
Segment results	**17,300**	**3,505**		**20,805**
Unallocated other revenue and gains				**5,380**
Unallocated costs				**(3,270)**
Operating profit				**22,915**
Finance costs				**(9,846)**
Profit before income tax				**13,069**
Income tax				**(4,289)**
Profit for the period				**8,780**
Segment assets	**369,601**	**193,056**		**562,657**
Unallocated corporate assets				**78,818**
Total assets				**641,475**
Segment liabilities	**206,052**	**74,981**		**281,033**
Unallocated corporate liabilities				**77,577**
Total liabilities				**358,610**
Capital expenditures	**15,697**	**5,533**		**21,230**
Unallocated capital expenditures				**–**
				21,230
Depreciation and amortisation charges	**5,279**	**5,367**		**10,646**
Unallocated depreciation and amortisation charges				**15**
				10,661

4. **Turnover, other revenue and gains and segment information (continued)**

(a) ***Primary reporting format – business segments*** **(continued)**

	Manufacture and sales of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services RMB'000	Eliminations RMB'000	Group RMB'000
	Unaudited Six months ended 30 June 2007			
Segment revenues				
External sales	255,781	74,409	–	330,190
Inter-segment sales	4,818	4,735	(9,553)	–
Other revenue and gains	3,388	208	–	3,596
Inter-segment other revenue and gains	–	363	(363)	–
	263,987	79,715	(9,916)	333,786
Segment results	15,781	(2,312)		13,469
Unallocated other revenue and gains				2,805
Unallocated costs				(4,377)
Operating profit				11,897
Finance costs				(3,597)
Profit before income tax				8,300
Income tax				(1,906)
Profit for the period				6,394
Segment assets	358,813	206,139		564,952
Unallocated corporate assets				73,637
Total assets				638,589
Segment liabilities	214,593	67,298		281,891
Unallocated corporate liabilities				80,144
Total liabilities				362,035
Capital expenditure	22,667	–		22,667
Unallocated capital expenditure				83
				22,750
Depreciation and amortisation charges	6,523	2,945		9,468
Unallocated depreciation and amortisation charges				7
				9,475

4. **Turnover, other revenue and gains and segment information (continued)**

(b) ***Secondary reporting format – geographical segments***

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

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Segment turnover:		
North America	**131,099**	189,403
Europe	**37,212**	22,183
Asia Pacific	**14,700**	8,982
Greater China (including Taiwan and the People's Republic of China (the "PRC"))	**158,713**	109,352
Africa	**–**	270
Total	**341,724**	330,190

There are no sales between the geographical segments during the six months ended 30 June 2008 and 2007.

5. **Finance costs**

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**3,402**	2,609
Convertible bond wholly repayable within five years	**6,444**	988
	9,846	3,597

6. **Income tax**

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

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current tax – PRC and Taiwan corporate income tax	**4,209**	1,789
Deferred tax	**80**	117
	4,289	1,906

6. Income tax (continued)

(a) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong during the six months ended 30 June 2008 (2007: nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions. Basis of taxation for principal subsidiaries is set out below:

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

In accordance with the relevant tax laws and regulations in the PRC, NFA Parts is subject to applicable corporate income tax of 25%. For the six months ended 30 June 2008, NFA Pasts was in loss-making position accordingly, no income tax has been provided (2007: nil).

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

In accordance with the relevant tax laws and regulations in the PRC, NFL Light and Power is subject to the applicable corporate income tax of 25% (2007: 12%).

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

As a domestic enterprise, NFA Service is subject to an applicable corporate income tax rate of 25%. For the six months ended 30 June 2008, NFA Service was in loss-making position, and accordingly, no income tax has been provided (2007: nil).

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

NF Richahaus is incorporated in Taiwan and is subject to applicable domestic income tax rate of 25% for the six months ended 30 June 2008 (2007: nil).

(v) Shanghai New Focus Longsheng Auto Parts Co., Ltd. ("NF Longsheng")

NF Longsheng is a foreign investment production enterprise situated in an industrial development zone in the PRC. It is exempted from local corporate income tax and therefore is subject to applicable corporate income tax of 24%. In accordance with the approval from the relevant tax authorities, NF Longsheng is entitled to two years exemption from corporate income tax followed by three years of 50% reduction in corporate income tax. The year ended 31 December 2006 is the NF Longsheng first profit-making year net of losses carried forward from previous years, and hence NF Longsheng is entitled to enjoy 50% reduction in corporate income tax at a rate of 12.5% for the six months ended 30 June 2008 (2007: Nil). According, no corporate income tax was provided for the six months ended 30 June 2008.

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

As a domestic enterprise, Aiyihang is subject to an applicable corporate income tax rate of 25% for the six months ended 30 June 2008. (2007: 33%).

7. **Earnings per share**

– ***Basic***

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the bonus issue during the period.

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000 (Restated)
Profit attributable to equity holders of the Company (RMB thousands)	**7,256**	5,354
Weighted average number of ordinary shares in issue (thousands)	**451,579**	442,863
Basic earnings per share (RMB per share)	**0.016**	0.012

– ***Diluted***

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

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000 (Restated)
Profit attributable to equity holders of the Company and used to determine diluted earnings per share (RMB thousands)	**4,565**	5,888
Weighted average number of ordinary shares in issue (thousands)	**451,579**	442,863
Adjustments for share options (thousands)	**7,039**	82
Adjustments for convertible bond (thousands)	**48,665**	45,217
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**507,283**	488,162
Diluted earnings per share (RMB per share)	**0.009**	0.012

8. **Dividend**

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007 and 2008.

9. **Trade receivables**

Details of the aging analysis are as follows:

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Current to 30 days	**37,670**	46,194
31 to 60 days	**27,618**	41,329
61 to 90 days	**11,061**	15,907
Over 91 days	**13,099**	18,187
	89,448	121,617
Less: Impairment on receivables	**(923)**	(1,667)
	88,525	119,950

Credit terms generally range from 30 days to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The manufacturing business of the Company focuses on the innovative production in the domains of automobile green lighting and automobile electronic power while its chain store business is committed to providing professional automotive aftermarket products and services for car owners.

Financial Review

Revenue

As at 30 June 2008, the Group has recorded a consolidated turnover of approximately RMB341,724,000, representing a growth of 3.5% as compared to the corresponding period in 2007 (approximately RMB330,190,000). Among which, the consolidated turnover of NFA (representing the Group's manufacturing business) amounted to approximately RMB234,235,000, a fall of 8% compared to the corresponding period in 2007, and that of AUTOLIFE (representing the Group's chain store business) amounted to approximately RMB107,489,000, representing a growth of 44.5% as compared to the corresponding period in 2007. The share of chain store business in the Group's consolidated turnover increased from 22.5% in the corresponding period of last year to 31.5% currently.

Gross Profit

Gross profit for the Period amounted to approximately RMB77,559,000 (for the corresponding period of 2007: approximately RMB62,877,000), representing an increase of 23.4% as compared to the corresponding period in 2007, and the gross margin was approximately 22.7% representing an increase of 3.7% as compared to the corresponding period in 2007; among which, the gross profit of NFA (representing the Group's manufacturing business) increased by approximately 5% as compared to 2007. Despite the fact that the manufacturing business was affected by the twofold pressure of appreciation of RMB and the price fluctuations of raw materials, gross margin reached 15.7%, representing a growth of 2% as compared to 2007. The gross margin of AUTOLIFE (representing the Group's chain store business) was approximately 38%, maintaining a continuously stable and relatively high gross margin level.

Other income

During the Period, the Group recorded other income of approximately RMB12,670,000 (for the corresponding period of 2007: approximately RMB6,401,000), of which approximately RMB4,822,000 was from the premium on the issue of the convertible bonds of US$12,000,000 in 2007.

Expenses

During the Period, sales and marketing expenses were approximately RMB40,057,000 (corresponding period of 2007: approximately RMB30,213,000), representing a growth of 32.6% as compare to the corresponding period of 2007. The growth was mainly due to:

- an addition of 5 Super stores in the Taiwan region of the service business, leading to an increase in sales and marketing expenses accordingly;

- an addition of 2 Super stores in the Beijing region of the service business, leading to an increase in sales and marketing expenses accordingly;

During the Period, administrative expenses amounted to approximately RMB27,257,000 (for the corresponding year of 2007: approximately RMB27,168,000), representing a growth of approximately 0.3% as compare to the corresponding period of 2007.

Operating profit

Operating profit for the Period was approximately RMB22,915,000 (corresponding year of 2007: approximately RMB11,897,000), representing an increase of 92.6% as compared to the corresponding period of last year.

Finance costs

Net finance costs amounted to approximately RMB9,846,000 for the Period (corresponding period of 2007: approximately RMB3,597,000), representing an increase of 173.7% as compared to the corresponding period of 2007. The increase was mainly attributable to the interest expenses amounting to approximately RMB6,444,000, incurred in the issue of the convertible bonds of US$12,000,000 in 2007.

Tax

Income tax expense was approximately RMB4,289,000 for the Period (corresponding period of 2007: approximately RMB1,906,000), representing a growth of 125% as compare to the corresponding period of 2007, which was mainly attributable to the following:

- the concessionary tax rate for income tax applicable to a subsidiary of NFA manufacturing business, namely, New Focus Light and Power Technology (Shanghai) Co., Ltd. had expired at the end of 2007, and the income tax rate for the period under review was 25%;

New Focus Light and Power Technology (Shanghai) Co., Ltd. has lodged an application to the Shanghai Government for the qualification of "National High-tech Enterprises" in accordance with the requirements of the new policy. The income tax rate will be reduced to 15% pending the re-approval of the relevant government departments. The over-payment for the year 2008 will be rebated at the end of the year;

- as at 30 June 2008, the headquarters in Taiwan region of service business has offset the losses in the previous years, and the applicable tax rate has been set at the level of 25%.

Profit attributable to shareholders

The profit attributable to shareholders was approximately RMB8,780,000 for the Period (of which approximately RMB4,822,000 was related to the effect of revaluation gains on fair value of derivative component of convertible bonds) representing a growth of approximately 37.3% as compared to the corresponding period of 2007; loss was tuned into profit for the first time which amounted to approximately RMB1,755,000 for AUTOLIFE (representing the Group's chain store business).

Financial conditions and liquidity

The Group maintained its stable balance sheet throughout the Period. During the period under review, operation of the Group was mainly financed by internally generated resources, bank facilities and the issue of convertible bonds. As at 30 June 2008, the Group had adequate cash and bank balance amounting to approximately RMB83,863,000 (31 December 2007: approximately RMB138,874,000).

As at 30 June 2008, current assets of the Group maintained at a healthy level with a liquidity ratio (current assets: current liabilities) of 1.57 (31 December 2007: 1.58). Gearing ratio (total liabilities: total assets) was 0.56 (31 December 2007: approximately 0.57). As at 30 June 2008, the Group had no long-term loans of approximately RMB87,226,000 (31 December 2007: approximately RMB92,492,000); while short-term loans totaled to approximately RMB84,984,000 (31 December 2007: approximately RMB85,929,000).

The Group will continue to maintain a healthy financial situation. The Group has sufficient financial resources to meet its commitments, working capital requirements and investments for future expansion.

Financial guarantees and pledge of assets

As at 30 June 2008, the net book values of property, plant and equipment and leasehold land and land use rights pledged as securities for Group's bank borrowings totaled to approximately RMB33,362,000 (31 December 2007: approximately RMB34,081,000).

Material acquisitions and disposals of subsidiaries and associated companies

During the Period, the Group had no material acquisitions and disposals of subsidiaries and associated companies.

Significant investments

During the Period, the total capital expenditure of the Group amounted to approximately RMB21,230,000 (30 June 2007: approximately RMB22,750,000).

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

During the Period, the Group had no investments in hedging derivatives. Considering potential Renminbi exchange rate fluctuations, the Group will consider whether or not to arrange for monetary and interest rate swaps at appropriate times so as to avoid the corresponding risks.

Employees and remuneration policy

As at 30 June 2008, the Group employed 2,393 full-time employees (30 June 2007: 2,240), of which 110 (30 June 2007: 80) were dedicated to the research and development of new products. The Group has been committed to the recruitment of talents to enrich its human resources structure. In order to attract and retain outstanding employees, the Group provided benefits such as medical insurance and housing benefits in addition to the various mandatory pension schemes stipulated by the municipal government.

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

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

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: nil).

Business Review

Automobile green lighting and electronic power manufacturing business – NFA

During the first half of 2008, adverse situation since 2007 still sustained in the overall environment, and NFA faced substantial challenges:

- The prices of major raw materials required in the manufacturing business continuously fluctuated in an intensifying manner;

- The RMB to USD exchange rate has surged by approximately 5.5% on an accumulated basis; (Source of data: China Foreign Exchange Centre)

- The PRC government adopted a strict currency policy in order to prevent inflow of offshore hot money and economic overheating;

- The increase of sales of automobiles as compared to the corresponding period of last year was 16.71% and 18.52%. As compared to the growth rate of over 22% in the corresponding year of 2007, the growth rate decreased a bit; (Source of figures: China Automobile Industry Association)

Despite facing various challenges, NFA is highly confident in grasping the substantial business opportunities in the PRC automotive parts and accessories market and OEM market, steadily implementing the strategic principle of "developing the PRC automotive parts and accessories market and OEM markets, switching its focus from the manufacture of a variety of products to specializing in automobile electronic and green lighting products". The various measures adopted to deal with the adverse macro environment had become effective in the first six months of 2008:

Firstly, during the period under review, NFA further developed and expanded the channels for export sales while making use of the flourishing business opportunities in China's automobile market. Sales revenue increased by 3.4% as compared to 2007:

1). Continuously increasing the proportion of overseas direct sales of NFA products;

    - NFA had established sales office in North America, hired local sales agent to directly provide pre-sale and after-sales service of products in a timely manner;

- NFA had been equipped with warehouses in North America that can store corresponding amount of inventories so as to guarantee timely supply of products to clients;

- we had further improved the product performance and appearance, packaging design in order to provide retailers with more competitive and quality products;

2). Adhering to the strategy of focusing on developing OEM and the PRC automotive parts and accessories market:

- During the Period, NFA was appointed by three well-known automobile manufacturers to be the major OEM supplier;

- During the Period, the sales share in the Greater China automotive parts and accessories market represented approximately 15% of the NFA total sales amount;

3). Putting great emphasis on autonomous research and development, accelerating the pace of new product development and maintaining its advantageous position in autonomous research and development:

- NFA continuously developing and completely optimizing three main series of products-automotive converters, chargers and POWER PACK, maintaining the market competitiveness of the above products. The research and development and testing and adjustment works for the fifth-generation HID ballasts has already been completed and is now proceeding to the stage of trial production, which will be a significant driving force to the development of OEM and automotive parts and accessories market;

- NFA focuses on the development of products supporting new power and green power. The POWER PACK for green power which the company has currently been researching and is in the trial production stage, can transform solar energy to domestic source of power and can be stored for subsequent consumption, which can substantively satisfy the persistently growing demand for new energy and green energy in the international markets and thus pose a massive driving force to the development of international markets.

Secondly, NFA adopted various measures to actively deal with the adverse factors of the macro environment, ensuring a steady increase in the gross margin of NFA products;

1). Streamlining production lines and perfecting price quotation strategy:

- based on the advantages such as labour costs, preferential tax, etc of the Shandong factory, the production of POWER PACK, JUMP START products with relatively lower gross profit are continuously transferred to Shandong factory, which can increase the gross margin of products by 4%-5%;

- based on the 8%-10% increase in the selling price of products, NFA sustained the adjusted price quotation strategy which was implemented in 2007, and this to a certain extent, mitigated the effect brought by the substantial price fluctuations of raw materials;

2). Continuously increasing the proportion of the overseas direct sales of NFA products. As compared with the products sold to importers, the gross margin of products directly supplied to retailers increased by approximately 5%-8%:

- The company directly supplied stocks to two large-scale chain retailers in North American region since January and March 2008 respectively and is currently entering into a substantial negotiation stage with another large-scale chain retailer;

3). Enhancing production capacity, further upgrading product quality while optimizing resource equipment:

- the construction of the Shanghai production base was completed in the end of June 2008 and it will be able to commence operation officially in September 2008;

- as compared to the original Shanghai production site, the production capacity of phase I of the new base that has just commenced production increased by over 15% as compared to the corresponding period of last year;

- product development pace has been accelerated, which fully satisfies the venues, equipments and environment required in the development of new products;

- new factory and its new-model auxiliary equipments are utilized; the substantial increase in the degree of production automation will maximize the optimization of product quality;

4). Procurement department is implementing new purchasing policies, which has resulted in a relatively low raw material costs under the macro environment in which price fluctuations of raw materials are intensifying:

- price comparison among various suppliers has been carried out in order to select the most cost effective raw materials;

- company resources are utilized effectively to improve efficiency and to reduce wastage;

During the period under review, the macro environment, together with the increase in raw material and labour costs, have had adverse effects on many production-oriented enterprises. Owing to the smooth execution of the above various responsive measures and the effective implementation of the forward-looking strategic plans, NFA was able to overcome the adverse factors and achieve stable growth in turnover and gross profit.

Automotive aftermarket chain store business – AUTOLIFE

Autolife is committed to providing professional automotive aftermarket services. After five years of market exploration, its development strategy has been changed from initial maximization of market share to the creation of brand name value, and from expansion of the number of stores to improvement of store quality. The operation mode of Autolife chain store network was adjusted into two main categories in 2007: Super stores and Convenient stores with Super Stores being confirmed as the profit mode most suitable for long-term development.

Since 2006, while Autolife is dedicated to strengthening and expanding its store network, it even emphasizes more on integrating product procurement, logistics and distribution, technical research, management of human resources and the input of resources into information systems. During the period under review, the effects of early investment and construction had already been shown and loss was turned into profit in respect of the service business sector. During the period under review, the turnover of service business was growing steadily, reaching approximately RMB117,489,000. Loss was turned into profit for the first time, with net profit being approximately RMB1,755,000.

Firstly, based in the Shanghai as the regional headquarters in the Greater China, the Group developed a store network within the region in order to provide support such as technical support and service support for stores under direct operation and those operating under franchise arrangements in the region:

- Headquarters of the Beijing region – Beijing: the headquarters of the region was established in May 2007 through the acquisition of 北京愛義行汽車服務有限公司 (Beijing Aiyihang Auto Service Ltd.). For the period from January to June 2008, the Beijing regional headquarters was committed to developing new channels for store network, with an addition of 2 Super stores to the original 12 Super stores as in 2007. The number of retained customers and the influential power of the brand name both ranked first in Beijing's automotive chain store business;

- Headquarters of the Taiwan region – Taipei: the headquarters of the region was established at the end of 2006. After the acquisition of Richahaus Taiwan, the management, leveraging on the strength of Richahaus Taiwan's decades of experience in the industry and reputation, integrated the strong support from Autolife headquaters. For the period from January to June 2008, Richahaus Taiwan established two Super stores. Acquisition of "野田汽車百貨" add one Super store in the Taichung area. Acquisition of the largest car chain store in Southern Taiwan "路士達汽車百貨" added 4 more Super stores. The number of Super stores under direct operation has reached 15, which further consolidates the leading position in the industry in Taiwan in respect of the scale of store network, turnover and the brand's influence;

- Headquaters of Shanghai region – Shanghai: the headquarters of that region was established in 2002. Until the end of 2008, the store network in Shanghai covered 18 stores in total, of which 1 was Super store. Due to the strengths of operation scale and brand coverage, 1 Super store operating under franchise arrangements was successfully opened in Shanghai in June 2008;

- Headquarters of Chengdu region — Chengdu: the headquarters of that region was established in 2006. As at end June 2008, 2 Super stores have been opened, acting as a pioneer in the car chain network in the Southwest region which has established a firm base for Autolife's future network construction and channel building in the Southwest region;

As at end June 2008, Autolife has had 32 Super stores under direct operation, representing a growth rate of 40%. The successful development of Super stores will promote a steady growth in Autolife's turnover.

Secondly, Autolife, with tier one regions and cities such as Beijing, Shanghai, Zhejiang, Guangdong, Tianjin, Nanjing, Jiangsu and Chengdu, etc as bases has expanded to the surrounding cities to join the franchise. As at end June 2008, there were 326 franchise stores in total;

The Group adopted a stage-by-stage supervision over franchising business, permitting free development of franchisees in the first stage, carrying out integration of resource procurement in the second stage and overall recovery in the third stage. During the period under review, the second stage, i.e., the integration of resource procurement was in progress, therefore, the requirements and standard on new franchisees became stricter. This also complied with the Company's integration strategy, focusing on the quality of the store network.

During the period under review, Autolife owned 375 chain stores in total, of which Strategic Focus development mode – Super stores under direct operation totaled 32. Autolife will maintain strong expansion momentum through generic growth and merger and acquisition, aggressively developing store network and steadily increasing turnover in order to increase profitability.

Future Prospects

The Group will grasp the opportunity presented by the development of the PRC automotive parts and accessories market. Making use of its qualification as the major supplier for China's first-class depots, it will further increase investment in 2008 to increase market share of NFA in the China automotive OEM market. Meanwhile, the Group will utilize this business platform to integrate relevant businesses. Through the established sales channels, it supplies other products in its portfolio to China's first-class depots. This will significantly expands the operation scale of NFA;

With the completion of the strategic scheme of regional headquarters, the establishment of the profit model of Super Stores and the economies of scale achieved by chain store network, Autolife has already shown positive results. The service business will sustain its development strategy of store network expansion, through acquiring quality operators of Super store within the region. By means of the newly acquired Super stores, together with the existing operational support and strategies of the headquarters, it will rapidly set up other new regional headquarters.

Corporate Governance

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

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

Directors' Securities Transactions

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

Audit Committee

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

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

Hong Kong, 11 September 2008

As at the date of this announcement, the Board comprises Mr. Hung Wei-Pi, John, Mr. Wu Kwan-Hong, Ms. Hung Ying Lien, Mr. Lu Yuan Cheng, Mr. Douglas Charles Stuart Fresco and Mr. Norman L. Matthew as executive directors of the Company; Mr. Low Hsiao-Ping, Mr. Li Jung Hsing and Ms. Irene Shih as non-executive directors of the Company; and Mr. Du Haibo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw as independent non-executive directors of the Company.