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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)

DISCLOSEABLE TRANSACTION

On 8 September 2006, the Purchaser, a wholly owned subsidiary of the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which, the Purchaser has conditionally agreed to acquire the Subject Assets from the Vendors for an aggregate consideration of NT\$172,810,116 (equivalent to approximately HK\$41,007,841) subject to certain post-Completion adjustments. The consideration is to be satisfied by the internal resources available to the Group.

As three of the relevant percentage ratios (as defined in the Listing Rules) in relation to the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and the Acquisition is subject to the requirements of notifying the Stock Exchange and publication of an announcement in the newspapers and the despatch of circulars to the Shareholders.

A circular containing, among other things, further details of the Acquisition pursuant to the Sale and Purchase Agreement will be despatched by the Company to the Shareholders within 21 days from the date of this announcement.

THE SALE AND PURCHASE AGREEMENT

The principal terms and conditions of the Sale and Purchase Agreement are detailed as follows:

Date

8 September 2006

Parties to the Sale and Purchase Agreement

(1) Tsai Ming-Hui (蔡明輝) (2) Lu Hsiu-Me (呂秀蜜)

- 麗車坊股份有限公司 (Richahaus Superauto Corp.)
- 圓頂國際股份有限公司 (Yuanding International Company
- 麗車坊汽車百貨有限公司 (Richahaus Automobile Departmental Stores Company Limited*)
- 理查豪斯國際有限公司 (Richard House International Company) Each of the Richahaus Business Operating Entities is beneficially owned and controlled by Tsai Ming-Hui and Lu Hsiu-Me.

To the best knowledge and belief of the Directors and having made all reasonable enquiries, each of Richahaus Business Operating Entities and its ultimate beneficial owners, Tsai Ming-Hui and Lu Hsiu-Me is an independent third party and is not a connected person of any Directors, chief executive or substantial shareholders of the Company and its subsidiaries, or any of their respective associates.

Purchaser

Perfect Progress Investments Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company.

The Consideration

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed, among other things, to acquire through the New Operating Entity the Subject Assets which comprise (1) the Tangible Assets, (2) the Liabilities, (3) the Intangible Assets and (4) the Goodwill of the Richahaus Business Operating Entities for an aggregate consideration of NT\$172,810,116 (equivalent to approximately HK\$41,007,841). The aggregate consideration comprises (1) the Net Assets Consideration of NT\$87,050,116 (equivalent to approximately HK\$20,656,993), (2) Intangible Assets Consideration of NT\$37,490,000 (equivalent to approximately HK\$8,896,377) and (3) the Goodwill Consideration of NT\$48,270,000 (equivalent to approximately HK\$11,454,471). The total consideration will be satisfied by the Purchaser with internal resources available to the Group.

According to the management accounts of the Richahaus Business Operating Entities, the actual value of the Tangible Assets and Liabilities as at 30 June 2006 was NT\$260,441,357 (equivalent to approximately HK\$61,802,734) and NT\$170,447,631 (equivalent to approximately HK\$40,447,223) respectively. The Net Assets Consideration of NT\$87,050,116 (equivalent to approximately HK\$20,656,993) was determined based on the aggregate value of the Tangible Assets of NT\$257,736,148 (equivalent to approximately HK\$61,160,788) minus the Liabilities of NT\$170,686,032 (equivalent to approximately HK\$40,503,795) of Richahaus Business Operating Entities as at 30 June 2006 with reference to the findings of the independent accountants engaged by the Purchaser during the due diligence exercise of the Richahaus Business Operating Entities. The Sale and Purchase Agreement stipulated that the Net Assets Consideration will be subject to adjustment with reference to the difference between the actual value of the Tangible Assets and Liabilities as at Completion as shown in the management accounts to be agreed by the Vendors and Purchaser (the "First Adjustment") within 10 days from Completion, and a further adjustment in the event that any amount receivable or payable comprised in the Subject Assets have not been effectively transferred due to the failure to obtain the creditors' or debtors' consent to such transfers or that the amount receivable or payable cannot be confirmed by the respective creditors or debtors, as such the amount receivable or payable would need to be agreed between the respective creditors or debtors and the New Operating Entity, a further adjustment to exclude or adjust the value of such receivables or payables form the Net Assets Consideration within 60 days from Completion (the "Second Adjustment"). Within 7 business days from Completion, a portion of the Net Assets Consideration of NT\$29,000,000 (equivalent to approximately HK\$6,881,700) will be paid in cash to the Vendors. Within 7 business days after the date of the completion of the First Adjustment, 50% of the remainder of the Net Assets Consideration as adjusted will be paid to the Vendors in cash. The balance of the Net Assets Consideration subject to the Second Adjustment will be paid to the Vendors within 7 business days after the date of completion of the Second Adjustment.

The Intangible Assets Consideration of NT\$37,490,000 (equivalent to approximately HK\$8,896,377) was determined on the basis of the value of the Intangible Assets of the Richahaus Business Operating Entities as at the date of the Sale and Purchase Agreement. NT\$19,000,000 (equivalent to approximately HK\$4,508,700) of the Intangible Assets Consideration will be paid to the Vendors in cash within 7 business days from Completion, the balance of NT\$18,490,000 (equivalent to approximately HK\$4,387,677) will be paid to the Vendors in cash within 7 business days after the completion of the assignment of the Intangible Assets to the New Operating Entity.

The Goodwill Consideration of NT\$48,270,000 (equivalent to approximately HK\$11,454,471) was determined on basis of the value of the goodwill of the Richahaus Business Operating Entities to be passed to the New Operating Entity and the profit making prospect of the New Operating Entity on various strengths of Group in sourcing and sales channels, management and capital resources in the future and as negotiated between the Vendors and Purchaser. Payment of the Goodwill Consideration is conditional upon each of Tsai Ming-Hui and Lu Hsiu-Me accepting employment in the New Operating Entity and the New Operating Entity achieving certain performance targets in terms of turnover for four specified periods, namely, the 4 months ending 31 December 2006 and each of the 3 years ending 31 December 2009 and certain performance targets in terms of net profit for three specified periods, namely, each of the 3 years ending 31 December 2009.

In the event that the New Operating Entity achieves 80% of the specified levels of turnover in each of the four specified periods as stipulated in the Sale and Purchase Agreement, four instalments totaling NT\$18,270,000 (equivalent to approximately HK\$4,335,471) of the Goodwill Consideration will be payable to the Vendors in cash within 7 business days from the dates of issue of the relevant accounts audited in accordance with Hong Kong accounting standards in respect of each of the four specified periods.

In the event that the New Operating Entity achieves the specified levels of net profit in each of the three specified periods as stipulated in the Sale and Purchase Agreement, three instalments totaling NT\$30,000,000 (equivalent to approximately HK\$7,119,000) will be payable to the Vendors in cash within 7 business days form the dates of issue of the relevant accounts audited in accordance with Hong Kong accounting standards in respect of each of the three specified periods.

In the event that the New Operating Entity achieves at least 60% of the specified levels of net profit in each of the three specified periods as stipulated in the Sale and Purchase Agreement, three instalments totaling a sum representing an equivalent percentage of the NT\$30,000,000 (equivalent to approximately HK\$7,119,000) to the percentage of net profit attained will be payable to the Vendors in cash within 7 business days from the dates of issue of the relevant accounts audited in accordance with Hong Kong accounting standards in respect of each of the three specified periods.

It was agreed that any portion of NT\$30,000,000 (equivalent to approximately HK\$7,119,000) as part of the Goodwill Consideration shall be used solely to satisfy future funding needs to subscribe for new shares of the New Operating Entity by Tsai Ming-Hui and Lu Hsiu-Me. The New Operating Entity will have an issued share capital of NT\$160,000,000 (equivalent to HK\$37,968,000) upon its establishment. In the event that the Goodwill Consideration is payable in full and the issued share capital of the New Operating Entity remains unchanged, both Tsai Ming-Hui and Lu Hsiu-Me will have funds available to subscribe for not more than 16% of the then enlarged issued share capital of the New Operating Entity. The Sale and Purchase Agreement provided that subscription of new shares in the New Operating Entity will be at the then nominal value of the shares in the New Operating Entity.

Should the New Operating Entity be unable to achieve at least 80% and 60% of the specified performance targets in terms of turnover and net profit respectively by the end of each of the specified periods, the Purchaser will not be liable to pay the Vendors any of the Goodwill Consideration for the relevant specified period.

Conditions of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is conditional upon, among other things, the following conditions being fulfilled:

- all parties to the Sale and Purchase Agreement having obtained all necessary consent, authorization, order or permission to enter into the Sale and Purchase Agreement and to perform their respective obligations thereunder;
- each of Tsai Ming-Hui and Lu Hsiu-Me having entered into legally binding service contract with the Purchaser or its related entities and the signing of lease agreement by the New Operating Entity with the landlord in respect of specified piece of land and the properties thereon located at Land No. 97-10, Jiouzong Sec. Neihu District, Taipei;
- the New Operating Entity obtaining the business registration for operation in Taiwan and has commencing business in the manner which the Richahaus Business Operating Entities had operated previously in their respective operation locations;
- the board of directors of the Purchaser having passed the necessary resolution approving the performance of the Sale and Purchase Agreement and any supplemental agreements relating thereto and having authorised the signing of the Sale and Purchase Agreement and any supplemental agreements relating thereto;
- the board of directors of the Company having passed the necessary resolution approving the terms of the Sale and Purchase Agreement and any supplemental agreements relating thereto;
- the shareholders of each of the Richahaus Business Operating Entities having consented to or passed the necessary resolution approving the performance of the Sale and Purchase Agreement and any supplemental agreements relating thereto and has authorised the signing of the Sale and Purchase Agreement and any supplemental agreements relating thereto;
- (vii) the Purchaser being satisfied with the results of the due diligence carried out in relation to the Subject Assets and upon the reasonable judgement of the Purchaser, there were no material adverse change in relation to the Subject Assets;
- (viii) the employees of the Richahaus Business Operating Entities who desire to continue their employment in the New Operating Entity having signed the consent letters indicating their willingness to work for the New Operating Entity;
- all relevant approvals having been obtained from the relevant authorities in relation to the transactions contemplated under the Sale and Purchase Agreement.

The specified piece of land and the properties thereon as referred to in condition (ii) above is currently the headquarters of the Richahaus Business Operating Entities. The signing of lease agreement by the New Operating Entity with the landlord of the specified piece of land and the properties thereon was made a condition as the Directors consider that the lease is crucial to the operation of the New Operating Entity.

If all of the above conditions of the Sale and Purchase Agreement have not been fulfilled by the Purchaser and/or the Vendors or waived by the Purchaser on or before 31 October 2006 or on a later date as agreed by the Purchaser and the Vendors in writing, the Sale and Purchase Agreement shall lapse and all obligations and liabilities of the parties to the Sale and Purchase Agreement shall cease except for the liability of any part in respect of any antecedent breach.

Completion

Completion shall take place within three business days immediately after all the conditions precedent under the Sale and Purchase Agreement have been fulfilled, or waived by the Purchaser or on such other date as the Purchaser and the Vendors may agree in writing. The Subject Assets will be transferred from the Vendors to the New Operating Entity with effect from the date of Completion.

INFORMATION ON THE SUBJECT ASSETS

The Subject Assets comprise the Tangible Assets, the Liabilities, the Intangible Assets and Goodwill of the Richahaus Business Operating Entities. The Tangible Assets mainly comprise inventories which are mostly merchandise for sales in relation to the sales of merchandise and provision of service at the automotive aftermarket service chain stores operated by the Richahaus Business Operating Entities, fixed assets which include land, properties, machineries and fixtures and fittings and accounts receivable comprising deposits, prepaid rentals and amounts incidental to the operation of the automotive aftermarket service chain store business of the Richahaus Business Operating Entities. The debtors of such accounts receivable are all unrelated to and having a business relationship with the operation of the chain store business of the Richahaus Business Operating Entities. The Liabilities mainly comprise long term loans in relation to land and properties, bills payables and accounts payables incidental to the operation of the automotive aftermarket service chain store business of the Richahaus Business Operating Entities. The Intangible Assets mainly comprise intellectual property rights such as trade marks and service marks, employees, customers, leases of the 7 chain stores of the Richahaus Business Operating Entities and other interests in the Richahaus Business Operating Entities. The Goodwill refers to the goodwill of the Richahaus Business Operating Entities and the profit making prospect of the New Operating Entity.

The Subject Assets represent all tangible assets, liabilities and intangible assets of the Richahaus Business Operating Entities other than those which are being capable of being segregated from and not being necessary to the operation of the automotive aftermarket service chain store business by the New Operating Entity. Such exclusions are mainly liabilities unrelated to the operation of the chain store business, cash and deposits (including time deposits), accounts receivables from related parties, long term investments, tax payables and prepaid tax by the Richahaus Business Operating Entities.

The book value of the Subject Assets as at 30 June 2006 amounted to NT\$89,993,726 (equivalent to approximately HK\$21,355,511). The net loss attributable to the Subject Assets before and after taxation for the year ended 31 December 2005 were NT\$9,010,545 (equivalent to approximately HK\$2,138,202) and NT\$9,703,796 (equivalent to approximately HK\$2,302,711) respectively, whereas the net profits attributable to the Subject Assets before and after taxation for the year ended 31 December 2004 were NT\$3,100,316 (equivalent to approximately HK\$735,705) and NT\$2,335,237 (equivalent to approximately HK\$554,152) respectively. The loss attributable to the Subject Assets for the year ended 31 December 2005 was mainly a result of the rapid expansion of the business and establishment of the headquarters of the Richahaus Business Operating Entities which led to a significant increase in the operating costs and finance costs. The Richahaus Business Operating Entities also suffered from low gross profit margin due to its having to source merchandise through agents instead of from manufacturers.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sales of electronic and power-related automotive parts and accessories which are distributed primarily in North America and the Greater China Regions. The Group is also engaged in the distribution of merchandise through its operation of automotive aftermarket services chain stores network in the PRC.

INFORMATION ON RICHAHAUS BUSINESS OPERATING ENTITIES

The Richahaus Business Operating Entities had been in the automotive aftermarket chain store business for 16 years and currently operate 7 large scale automotive aftermarket service chain stores which offer one-stop service comprising the provision of repair, maintenance and car beauty services and the sales of automotive spare parts and accessories, automobile video and audio systems at its 7 chain stores in Taiwan under the trademark of "Richahaus". Before the Acquisition, the Richahaus Business Operating Entities are one of the most sizable automotive aftermarket service chain store operators in Taiwan. After the Acquisition, the New Operating Entity will operate all 7 chain stores which were previously operated by the Richahaus Business Operating Entities under the trademark of "Richahaus".

The Richahaus Business Operating Entities are owned by Tsai Ming-Hui and Lu Hsiu-Me. Each of the Richahaus Business Operating Entities and its ultimate beneficial owners, Tsai Ming-Hui and Lu Hsiu-Me is an independent third party and is not a connected person of any Directors, chief executive or substantial shareholders of the Company and its subsidiaries, or any of their respective associates.

REASONS FOR THE ACQUISITION

The Group is striving to establish a leadership position in the automotive aftermarket services chain stores business in the Greater China Regions by actively developing the automotive aftermarket service chain store business in the PRC and strategically entering the more developed automotive aftermarket service chain store business in Taiwan. Currently, the number of passenger vehicles in Taiwan is around one-fifth of that in the Greater China Regions. Compared with the rapidly growing automotive aftermarket service industry in the PRC, the automotive aftermarket service industry in Taiwan is much more advanced and thus the quality of service is much higher and more comprehensive. Thus the Acquisition is significant to the development of the Group's automobile aftermarket chain stores business and implementation of its strategic target.

The Directors believe that the Acquisition can help strengthen the combined competitiveness of the Group's automotive aftermarket service chain store business due to further expansion of the categories of merchandise, the sourcing and sales channels as well as the bulk purchasing capability and the matured management skills gained from the experience of operating the automotive aftermarket service chain stores business and services.

With the upgrading of the Group's competitiveness, the Group's ability to acquire and integrate more automotive aftermarket service chain stores in various regions of the PRC will be greatly improved. Further, the Group's capability in the support and management of the automotive aftermarket chain store network will also be enhanced and thereby the Group can aggressively promote the Group's policy of effectively capturing market share by rapid expansion of chain store network and to build up long term core competitiveness with the Group's operation support functions.

The Subject Assets had a turnover of NT\$463,315,152 (equivalent to approximately HK\$109,944,686) and a loss before tax of NT\$9,010,545 (equivalent to approximately HK\$2,138,202) for the year ended 31 December 2005 as shown in their management accounts. After the Acquisition, the Directors expect that the turnover for the automotive aftermarket service chain store business will increase significantly as the Group has formulated strategies to increase the profit margin of the New Operating Entity by means of bulk purchasing, expansion of sourcing channels, management costs controlling, interest expenses minimizing by the support of sufficient capital, and the opening of new chain stores. Therefore, although it would not contribute too much profit to the Group in a short term, its profit making capability will be increased with the implementation of the above strategies.

The consideration of the Acquisition was arrived at after arm's length negotiation between the Purchaser and the Vendors. Taking into account the positive impact of the Acquisition on the Group's position in the automotive aftermarket service chain stores business and the future profit making prospect, the Directors (including the independent non-executive Directors) believe that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interest of the shareholders of the Company as a whole.

IMPLICATION OF THE LISTING RULES

Since three of the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and the Acquisition is subject to the requirements of notifying the Stock Exchange and publication of an announcement in the newspapers and the dispatch of circulars to the Shareholders.

GENERAL

A circular containing, among other things, further details of the Acquisition pursuant to the Sale and Purchase Agreement will be despatched by the Company to the Shareholders within 21 days from the date of this announcement.

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 Norman L. Matthew; (ii) the non-executive Director, namely Low Hsiao-Ping and (iii) the independent non-executive Directors, namely Du Haibo, Zhou Tai-Ming and Uang Chii-Maw.

Definitions

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition" the acquisition of the Subject Assets

"Company" New Focus Auto Tech Holdings Limited, a company incorporated in

the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange

"Completion" completion of the Sale and Purchase Agreement

"connected person" has the same meaning ascribed thereto in the Listing Rules

"Directors" the directors of the Company

"Goodwill" the Goodwill as referred to under the paragraph headed "Information

on the Subject Assets" in this announcement

"Goodwill Consideration" the consideration in respect of the Goodwill as referred to under the paragraph headed "Consideration" in this announcement

"Greater China Regions" the PRC and Taiwan

"Group" the Company and its subsidiaries

"Hong Kong" the Hong Kong Special Administrative Region of the PRC

"Intangible Assets" the intangible assets as described in the paragraph headed

"Information on the Subject Assets" in this announcement

"Intangible Assets the consideration in respect of the Intangible Assets as referred to under the paragraph headed "Consideration" in this announcement

"Liabilities" the Liabilities as referred to under the paragraph headed "Information

on the Subject Assets" in this announcement

"Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"Net Assets Consideration" the consideration in respect of the value of the Tangible Assets and Liabilities as referred to under the paragraph headed "Consideration"

in this announcement

"New Operating Entity"

a company to be established in Taiwan and which will be wholly

owned by the Company for the purpose of carrying on the benefits of the Subject Assets acquired from the Vendors, it is estimated by the Directors that such company will be established by the end of

September 2006

"PRC" the People's Republic of China, which for the purposes of this

announcement, excludes Hong Kong, the Macau Special

Administrative Region of the PRC and Taiwan

"Purchaser" Perfect Progress Investments Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

"Richahaus Business Operating Entities" the four corporate Vendors, namely, 麗車坊股份有限公司 (Richahaus Superauto Corp.), 圓頂國際股份有限公司 (Yuanding International Company Limited*), 麗車坊汽車百貨有限公司 (Richahaus Automobile Departmental Stores Company Limited*) and 理查豪斯國際有限公司 (Richard House International Company)

"Subject Assets" the assets comprising the Tangible Assets, the Liabilities, the Intangible Assets and Goodwill of the Richahaus Business Operating Entities, details of which are set out under the paragraph headed

Entities, details of which are set out under the paragraph headed "Information on the Subject Assets" in this announcement

"Sale and Purchase the agreement dated 8 September 2006 entered into between the Agreement" Purchaser and the Vendors in relation to the Acquisition

"Shareholders" holders of the shares of the Company
"Stock Exchange" The Stock Exchange of Hong Kong Limited

"Taiwan" the Republic of China

"Tangible Assets" The tangible assets as described in the paragraph headed "Information

on the Subject Assets" in this announcement

"Vendors"

Tsai Ming-Hui, Lu Hsiu-Me, 麗車坊股份有限公司 (Richahaus

Tsai Ming-Hui, Lu Hsiu-Me, 麗車坊股份有限公司 (Richahaus Superauto Corp.), 圓頂國際股份有限公司 (Yuanding International Company Limited*), 麗車坊汽車百貨有限公司 (Lichefang Automobile Departmental Stores Company Limited*) and 理查豪斯國際有限公司 (Richard House International Company), details of which are set out under the paragraph headed "Parties to

the Sale and Purchase Agreement" in this announcement Hong Kong dollars, the lawful currency of Hong Kong

"HK\$" Hong Kong dollars, the lawful currency of Hong K
"NT\$" Taiwan Dollars, the lawful currency of Taiwan

For the purpose of this announcement and for illustration purpose only, all amounts in NT\$ have been translated into HK\$ at a rate of 1:0.2373.

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

Hong Kong 8 September, 2006

* for identification purpose only