

# NEW FOCUS AUTO TECH HOLDINGS LIMITED

(Stock Code: 360)

## CONTINUING CONNECTED TRANSACTIONS

On 19 October 2006, NF Light & Power, a wholly owned subsidiary of the Company entered into the Longsheng Purchase Agreement with Longsheng, a non-wholly owned subsidiary of the Company, pursuant to which NF Light & Power would purchase the Goods from Longsheng for a period from the date of execution of the Longsheng Purchase Agreement to 31 July 2009. The purchase price of the Goods is calculated on a cost plus profit margin basis. Pursuant to the Longsheng Purchase Agreement, NF Light & Power would deposit a sum of not more than RMB8,000,000 on a yearly basis with Longsheng as prepayment for the goods supplied under the Longsheng Purchase Agreement which may be used (i) to settle the production and procurement costs incurred by Longsheng in producing or procuring the Goods and (ii) as the purchase price of the Goods (less any costs of sales already settled under (i)).

Longsheng is held by PPI, a wholly-owned subsidiary of the Company, as to 51% and by Anbo as to 49%. As such, Longsheng is a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions under the Longsheng Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules

As it is expected that the annual purchase price under the Longsheng Purchase Agreement will be unlikely to exceed HK\$10,000,000 and each of the relevant percentage ratios (as defined in the Listing Rules) other than profits ratio (as defined in the Listing Rules) will be less than 25%, the transactions under the Longsheng Purchase Agreement constitute continuing connected transactions for the Company and are exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

Details of the above continuing connected transaction will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that, the Longsheng Purchase Agreement is entered into in the ordinary course of the Company's business on normal commercial terms which are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

#### THE LONGSHENG PURCHASE AGREEMENT

Date 19 October 2006

**Parties** 

(1) NF Light & Power, a wholly owned subsidiary of the Company

(2) Longsheng, a non-wholly owned subsidiary of the Company

#### TERMS OF THE LONGSHENG PURCHASE AGREEMENT

Pursuant to the Longsheng Purchase Agreement, NF Light & Power would purchase the Goods from Longsheng for a period from the date of execution of the Longsheng Purchase Agreement to 31 July 2009. When the Goods are ordered by NF Light & Power, Longsheng would procure the raw materials and process them into the Goods. NF Light & Power will purchase the Goods at prices determined on a cost (ie, the cost of production of the Goods) plus a ≤12% basis, which will be determined on arm's length, with reference to the prevailing market price and on the basis that the terms are no less favourable to the Group than the terms offered by Longsheng to other independent third parties.

Pursuant to the Longsheng Purchase Agreement, NF Light & Power would deposit a sum of not more than RMB8,000,000 on an yearly basis with Longsheng during the term of the Longsheng Purchase Agreement as prepayment for the goods supplied under the Longsheng Purchase Agreement which may be used (i) to settle the production and procurement costs incurred by Longsheng in producing or procuring the Goods and (ii) as the purchase price of the Goods (less any costs of sales already settled under (i)) on a monthly basis. On each of the settlement dates, namely, 31 July 2007, 2008 and 2009, the parties will calculate if during the preceding year, the actual purchase price has exceeded the prepaid amount and if so, NF Light & Power shall pay the balance in cash within 7 business days. The Directors are of the view that this prepayment will help to secure the due production and delivery of the Goods in a market where the costs of procurement and production fluctuate from time to time. The prepaid amount will be deposited in a designated account of Longsheng (the "Designated Account") by instalments on dates to be agreed between NF Light & Power and Longsheng.

NF Light & Power is entitled to supervision rights over the use of the prepaid amount. To ensure the prepayment deposited into the Designated Account will be used for the purchase of raw materials for and production of the Goods, the Longsheng Purchase Agreement provided that the parties will implement the supervision and management of the prepayment by the following

- NF Light & Power will receive the management accounts and the documents relating to the costs of production from Longsheng on a monthly basis and will supervise the use of the prepayment from the management accounts or to appoint its representative to conduct onsite inspection;
- NF Light & Power will regularly monitor the use of the prepaid amounts based on the materials provided. In the event that it is apparent that Longsheng had misused any portion of the prepayment, Longsheng shall be required to make up the shortfall and NF Light & Power shall have the right terminate the Longsheng Purchase Agreement and is entitled to demand for the whole or part of the remaining prepayment before the expiry of the Longsheng Purchase Agreement.

In the event NF Light & Power ceases to purchase the Goods from Longsheng, it may demand the repayment of the prepaid amount (less the purchase price of any Goods purchased).

### BACKGROUND

Longsheng was established by PPI and Anbo (and held by PPI and Anbo as to 51% and 49% respectively) on 7 March 2006 as a sino-foreign equity joint venture to engage in the business of the manufacture and sales of automotive parts and related electronic products, and is thus a nonwholly owned subsidiary of the Company. Anbo is a limited liability company incorporated in the PRC and is engaged in the sales of wiring, electrical and automotive and other plastic and metal products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, except for being a substantial shareholder of Longsheng and except the fact that the sole beneficial owner of Anbo is also a director of Longsheng, Anbo 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.

NF Light & Power and NFA Parts, both being wholly-owned subsidiaries of the Company, had purchased various automotive parts and accessories from Longsheng since June 2006.

During the period from June to September 2006, the automotive parts and accessories purchased from Longsheng amounted to a total of approximately RMB2,579,670 (equivalent to approximately HK\$2,554,128.71). It is anticipated that the total purchase price until 31 July 2007 and the annual purchase price under the Longsheng Purchase Agreement for each of the two years ending 31 July 2009 will be unlikely to exceed RMB10,000,000 (equivalent to approximately HK\$9,900,990). It is anticipated that for each of the financial years ending 31 December 2006, 2007, 2008 and 2009, the annual purchase amount will not exceed RMB10,000,000 (equivalent to approximately HK\$9.900.990).

# INFORMATION ON THE GROUP AND REASONS FOR THE TRANSACTION

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.

The Goods are raw materials required for NF Light & Power's manufacturing operation. The Directors are of the view that Longsheng is capable of producing the Goods in a cost effective way and supplying the Goods in accordance with the specifications required by NF Light & Power on better terms than those sold by independent third parties. Further the Directors consider that the price of raw materials are prone to fluctuation and therefore the prepayment pursuant to

for identification purposes only

the Longsheng Purchase Agreement will enable Longsheng to have sufficient funds from time to time to source larger volumes of raw materials while the price is low which would result in better price fluctuation risk management and a lower purchase price when the Goods are sold to NF Light & Power. The Group also has prepayment arrangements with other independent suppliers similar to that of the arrangement under the Longsheng Purchase Agreement.

The Directors (including the independent non-executive Directors) are of the view that, the Longsheng Purchase Agreement is entered into in the ordinary course of the Company's business on normal commercial terms which are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

#### IMPLICATION OF THE LISTING RULES

Longsheng is held by PPI, a wholly-owned subsidiary of the Company, as to 51% and by Anbo as to 49%. As such, Longsheng is a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions under the Longsheng Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As it is expected that the total purchase price up to 31 July 2007 and the annual purchase price thereafter under the Longsheng Purchase Agreement will be unlikely to exceed HK\$10,000,000 and each of the relevant percentage ratios (as defined in the Listing Rules) other than profits ratio (as defined in the Listing Rules) will be less than 25%, the transactions under the Longsheng Purchase Agreement constitute continuing connected transactions for the Company and are exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

Details of the above continuing connected transactions will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

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:

Longkou Anbo Trading Co., Ltd. \*(龍口市安博貿易有限公司), a limited liability company established in the PRC "Anbo"

New Focus Auto Tech Holdings Limited, a company incorporated in "Company" the Cayman Islands with limited liability, the shares of which are

listed on the Stock Exchange

"Directors" the directors of the Company

certain automotive parts and accessories, including wirings, cables "Goods"

and emergency power supply units to be purchased under the Longsheng Purchase Agreement

"Greater China Regions" The PRC and Taiwan

"Group" the Company and its subsidiaries

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

"Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange,

as amended from time to time

Shandong New Focus Longsheng Auto Parts Co., Ltd.\*(山東新焦點龍盛汽車配件有限公司), a limited liability company "Longsheng" established in the PRC and an indirectly non-wholly owned subsidiary

of the Company "Longsheng Purchase the purchase agreement entered into between NF Light & Power and

Longsheng on 19 October 2006 for the purchase of the Goods Agreement' Shanghai New Focus Auto Parts Co., Ltd.\* (上海紐福克斯汽車配件有限公司), a wholly foreign-owned enterprise established in the PRC and an indirectly wholly owned subsidiary of the Company "NFA Parts"

New Focus Light and Power Technology (Shanghai) Co., Limited\* (紐福克斯光電科技 (上海) 有限公司), a wholly foreign-owned "NF Light & Power"

enterprise established in the PRC and an indirectly wholly owned subsidiary of the Company

Perfect Progress Investments Limited, a limited liability company

incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

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

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

"HK\$" Hong Kong dollars, the lawful currency of Hong Kong

"RMB" Renminbi, the lawful currency of the PRC

For the purpose of this announcement and for illustration purpose only, all amounts in HK\$ have been translated into RMB at a rate of 1:1.01.

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

Hong Kong 19 October 2006

"PPI"

"PRC"