NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2006 increased by approximately 5% to approximately RMB533,302,000 compared with approximately RMB507,471,000 for the year ended 31 December 2005.
- Profit attributable to shareholders of the Company for the year ended 31 December 2006 decreased by approximately 74% to approximately RMB14,218,000 compared with approximately RMB55,618,000 for the year ended 31 December 2005.
- Basic earnings per share for the year ended 31 December 2006 decreased by approximately 76% to RMB0.035 compared with RMB0.145 for the year ended 31 December 2005, due to the decrease in profit for the year and weighted average number of issued shares increased from 383,333,000 for the year ended 31 December 2005 to 403,568,000 for the year ended 31 December 2006 as a result of the listing of the shares of the Company in February 2006.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2006. The Board recommended a bonus issue on the basis of one new share for every twenty existing shares of the Company ("shares").

RESUMPTION OF TRADING

- Trading in the shares of the Company has been suspended with effect from 9:30 a.m. on 30 April 2007 at the request of the Company pending the release of this results announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 18 May 2007.

RESULTS

The board of directors (the "Board") of New Focus Auto Tech Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2006 with comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

		Year ended 31 December	
		2006	2005
	Notes	RMB'000	RMB'000
Turnover	3	533,302	507,471
Cost of sales		(441,635)	(385,816)
Gross profit		91,667	121,655
Other income	3	14,591	12,017
Selling and marketing expenses		(33,892)	(28,188)
Administrative expenses		(50,361)	(39,465)
Finance costs	4	(2,238)	(477)
Profit before income tax expense	5	19,767	65,542
Income tax expense	6	(4,201)	(9,924)
Profit for the year		15,566	55,618
Attributable to:			
Equity holders of the Company		14,218	55,618
Minority interest		1,348	–
		15,566	55,618
Earnings per share attributable to ordinary equity holders of the Company			
– Basic	7	RMB0.035	RMB0.145
– Diluted	7	RMB0.035	RMB0.144
Dividends	8	nil	66,170

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

		As at 31 December	
		2006	2005
	Notes	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		96,742	50,112
Investment properties		14,419	20,985
Leasehold land and land use rights		21,665	17,769
Goodwill		2,749	2,787
Other intangible assets		10,381	1,694
Other assets		6,851	–
Deferred tax assets		195	32
		153,002	93,379
Current assets			
Inventories		99,544	58,069
Trade receivables	9	87,887	61,875
Deposits, prepayments and other receivable		47,648	17,898
Amount due from related parties		1,481	68
Amount due from a director		–	5
Term deposits with initial term over three months		1,148	20,000
Cash and cash equivalents		65,941	74,616
Total current assets		303,649	232,531
Total assets		456,651	325,910
Liabilities			
Current liabilities			
Trade payables	10	112,505	60,292
Accruals and other payables		23,407	21,979
Amount due to related parties		35,779	–
Amounts due to directors		15,049	2
Dividends payable		–	297
Bank borrowings		23,355	9,927
Current tax liabilities		1,011	975
Total current liabilities		211,106	93,472

* *For identification purpose only*

		As at 31 December	
		2006	2005
	Notes	RMB'000	RMB'000
Non-current liabilities			
Bank borrowings		17,999	–
Deferred tax liabilities		769	769
Total non-current liabilities		18,768	769
Total liabilities		229,874	94,241
TOTAL NET ASSETS		226,777	231,669
Capital and reserves			
Share capital		42,987	42,400
Reserves		174,493	189,269
		217,480	231,669
Minority interest		9,297	–
TOTAL EQUITY		226,777	231,669

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands. Its shares are listed on the Stock Exchange of Hong Kong Limited. Its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The Group, comprising the Company and its subsidiaries, is engaged in the trading and manufacturing of automotive accessories, automobile repair, maintenance and restyling service.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

(a) In the current year, the Group has applied, all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), that are relevant to its operation and effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

(b) Potential Impact Arising On The New Accounting Standards Not Yet Effective

The Group has not yet applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new HKFRSs will have no material impact of the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures[4]
HKFRS 7	Financial instruments: Disclosures[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies[8]
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2[7]
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives[6]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Interpretation 11	Group and Treasury Share transactions[3]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2007
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 June 2006
[7] Effective for annual periods beginning on or after 1 May 2006
[8] Effective for annual periods beginning on or after 1 March 2006

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of automobile accessories and the provision of automobile repair, maintenance and restyling services. Revenues recognised during the year ended 31 December 2006 are as follows:

	2006	2005
	RMB'000	RMB'000
Turnover		
Sales of goods	475,694	455,287
Render of service	57,608	52,184
	533,302	507,471
Other income, net		
Interest income from bank deposits	959	737
Gain on disposal of property, plant and equipment	7,198	–
Tax refund on capitalized profit	4,300	–
Gain on disposal of investment properties	232	1,704
Fair value gains on investment properties	–	4,637
Advertising income	–	582
Government subsidies	437	3,576
Others	1,465	781
	14,591	12,017
Total revenues	547,893	519,488

(a) Primary reporting format – business segments

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

(i) Analysis of the segment turnover and results is as follows:

2006

	Manufacturing and sales of sautomobile accessories *RMB'000*	Provision of automobile repair, maintenance and restyling services *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenues				
External sales	477,131	56,171	–	533,302
Inter-segment sales	2,353	1,437	(3,790)	–
Other gains, net	1,297	1,450	–	2,747
Inter-segment other gains	50	–	(50)	–
	480,831	59,058	(3,840)	536,049
Segment results	38,974	(14,597)		23,109
Unallocated other income				11,844
Unallocated costs				(12,948)
Operating profit				22,005
Finance costs				(2,238)
Profit before income tax expenses				19,767
Income tax expense				(4,201)
Profit for the year				15,566
Segment assets	314,781	139,631		454,412
Unallocated corporate assets				2,239
Total assets				456,651
Segment liabilities	153,821	59,352		213,173
Unallocated corporate liabilities				16,701
Total liabilities				229,874
Capital expenditure	33,133	50,649		83,782
Depreciation and amortisation charge	9,491	3,307		12,798
Unallocated depreciation and amortisation charges				21
				12,819

2005

	Manufacturing and sales of automobile accessories *RMB'000*	Provision of automobile repair, maintenance and restyling services *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenues				
External sales	455,287	52,184	–	507,471
Inter-segment sales	8,791	–	(8,791)	–
Other income	5,144	236	–	5,380
	469,222	52,420	(8,791)	512,851
Segment results	60,657	17,758		69,624
Unallocated other income				6,637
Unallocated costs				(10,242)
Operating profit				66,019
Finance costs				(477)
Profit before tax				65,542
Income tax expense				(9,924)
Profit for the year				55,618
Segment assets	258,703	42,585		301,288
Unallocated corporate assets				24,622
Total assets				325,910
Segment liabilities	83,770	9,093		92,863
Unallocated corporate liabilities				1,378
Total liabilities				94,241
Capital expenditure	34,783	5,695		40,478
Depreciation and amortisation charge	8,260	1,779		10,039

Inter-segment sales are charged at prevailing market rates.

Segment liabilities comprise operating liabilities. They exclude deferred tax liabilities.

Unallocated income primarily represent gain on disposal of buildings and tax refund on capitalized profit. Unallocated costs primarily represent corporate expenses and staff expenses in respect of employee share option scheme.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and intangible assets (including property, plant and equipment and intangible assets acquired through acquisition of business).

(b) Secondary reporting format – geographical segments

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

	2006 *RMB'000*	2005 *RMB'000*
Segment turnover		
North America	324,960	364,296
Europe	60,194	48,277
Asia Pacific	59,863	33,250
Greater China (including Taiwan)	88,152	61,648
Africa	133	–
Total	533,302	507,471

No geographical segment information regarding the Group's assets and capital expenditure is presented as all of the Group's assets are located and capital expenditure are incurred in the PRC.

There are no inter-segment sales between the geographical segments for the year ended 31 December 2006 (2005: Nil).

4. FINANCE COST

	2006 *RMB'000*	2005 *RMB'000*
Interest on short-term bank loans	2,238	477

5. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging:

	2006 *RMB'000*	2005 *RMB'000*
Cost of inventories sold	441,635	385,816
Staff cost	61,234	65,920
Write down of inventories	–	643
Auditors' remuneration	1,515	1,080
Depreciation of property, plant and equipment	12,254	9,928
Amortisation of leasehold land and land use right	265	393
Less: Capitalised as construction in progress	–	(287)
	265	106
Amortisation of trademarks and franchise contracts	300	5
Exchange losses	3,126	2,190
Loss on disposal of property, plant and equipment	2,161	–
Operating leases – land and building	8,224	5,370
Impairment on receivables	–	297
Research and development cost	6,508	5,409
and after crediting:		
Gain on disposal of property, plant and equipment	7,198	–
Gain on disposal of investment properties	232	1,704
Tax refund on capitalized profit	4,300	–

6. INCOME TAX EXPENSE

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

	2006 *RMB'000*	2005 *RMB'000*
Current tax	4,364	9,137
Deferred tax	(163)	787
	4,201	9,924

(a) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong during the year ended 31 December 2006 (2005: Nil).

(b) Basis of taxation for key subsidiaries

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

For the year ended 31 December 2006, NFA Parts was qualified as an Export Oriented Enterprise and was therefore exempted from local income tax and entitled to a 50% reduction in corporate income tax. Accordingly, corporate income tax was provided at a rate of 12%. For the year ended 31 December 2005, NFA Parts was not qualified as Export Oriented Enterprises, it was subject to an applicable corporate income tax rate of 24% and a local tax rate of 3%, resulting in an aggregate income tax rate of 27% for the year ended 31 December 2005.

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

Being qualified as a foreign investment production enterprise in an industrial development zone in the PRC, NF Light & Power is exempted from local income tax and is subject to an applicable corporate income tax rate of 24%. In accordance with the approval from the relevant tax authorities, NF Light & Power is entitled to two years exemption from corporate income tax followed by three years of 50% reduction in corporate income tax commencing from the first profit-making year net of losses carried forward. The year ended 31 December 2003 is NF Light & Power's first profit-making year net of losses brought forward from previous years, and hence NF Light & Power is entitled to enjoy 50% reduction in corporate income tax at a rate of 12% for the year ended 31 December 2006 (2005: 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 33%. For the year ended 31 December 2006, NFA Service was in a loss-making position, accordingly, no income tax has been provided (2005: Nil).

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

NF Richahaus is incorporated in Taiwan and is subjected to applicable domestic income tax rate of 25%. For the year ended 31 December 2006, it did not have taxable income, accordingly, no income tax has been provided.

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

NF Longsheng is a foreign investment production enterprise in an industrial development zone in the PRC, NF Longsheng is exempted from local income tax and is subject to applicable corporate income tax rate of 24%. Subject to approval, 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 first profit-making year.

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 year.

	2006	2005
Profit attributable to equity holders of the Company (RMB thousands)	14,218	55,618
Weighted average number of ordinary shares in issue (thousands)	403,568	383,333
Basic earnings per share (RMB per share)	0.035	0.145

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and share options. For the share options, a calculation is carried out to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above compared with the number of shares that would have been issued assuming the exercise of the share options is as follows:

	2006 *RMB'000*	2005 *RMB'000*
Profit attributable to equity holders of the Company and used to determine diluted earnings per share (RMB thousands)	14,218	55,618
Weighted average number of ordinary shares in issue (thousands)	403,568	383,333
Adjustments for – share options (thousands)	187	3,150
Weighted average number of ordinary shares for diluted earnings per share (thousands)	403,755	386,483
Diluted earnings per share (RMB per share)	0.035	0.144

8. DIVIDENDS

	2006 *RMB'000*	2005 *RMB'000*
Special dividend paid in 2005 of HK$0.078 per ordinary share	–	33,072
Final (nil) (2005: HK$0.08 per ordinary share)	–	33,098
	–	66,170

9. **TRADE RECEIVABLES**

Details of the ageing analysis are as follows:

	2006	2005
	RMB'000	*RMB'000*
Current to 30 days	38,164	30,964
31 to 60 days	39,326	25,115
61 to 90 days	7,669	2,859
Over 91 days	4,056	3,987
	89,215	62,925
Less: Impairment loss	(1,328)	(1,050)
	87,887	61,875

The carrying amount of trade receivables as of 31 December 2006 approximate their fair value.

The credit terms range from 30 days to 90 days.

10. **TRADE PAYABLES**

Details of the ageing analysis are as follows:

	2006	2005
	RMB'000	*RMB'000*
Current to 30 days	78,210	38,829
31 to 60 years	16,197	20,352
61 to 90 years	15,656	253
Over 91 days	2,442	858
	112,505	60,292

QUALIFICATION IN THE INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

The auditor was unable to carry out auditing procedures necessary to obtain adequate assurance regarding inventories and accrued purchases. Details are set out below:

Inventories

– The Company was unable to provide sufficient evidence to substantiate the costs of raw materials, work in progress and finished goods. In addition, the Company was unable to quantify the financial effect, if any, should the cost of inventories be improperly stated. There were no other satisfactory audit procedures that the auditor could adopt to satisfy themselves as to the carrying amount of the inventories as at 31 December 2006.

– The Company was unable to reconcile the quantities of work in progress as at the physical count date with the final inventory listing as at 31 December 2006, and to quantify the financial effect of the unreconciled differences. There were no other satisfactory audit procedures that the auditor could adopt to satisfy themselves as to the existence and completeness of the work in progress as at 31 December 2006.

Accrued purchases

– The Company was unable to provide sufficient documentation and evidence to substantiate the accrued purchases of RMB9.4 million included in the trade payables. There were no other satisfactory audit procedures that the auditor could adopt to satisfy themselves as to the accuracy of the accrued purchases as at 31 December 2006.

Any adjustments to inventories and accrued purchases as at 31 December 2006 in the consolidated financial statements would have a consequential effect on the net assets as at 31 December 2006 and the profit and cash flows for the year then ended.

Qualified opinion arising from limitation of audit scope

In the auditor's opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the auditor been able to satisfy themselves as to inventories and accrued purchases, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

A huge tree that fills one's arms grows from a tiny seedling; a nine-storey tower is built from a heap of earth; a long distance journey starts with the first step. After experiencing rapid growth for 5 consecutive years, the Group underwent adjustment in 2006. Under the throes of adjustment, the Group united as a whole and gained a more sober and rational insight into problems arising from its development. The Group is going to be positioned for consolidation in 2007. Armed with valuable experience gained from the last year, the Group will concentrate on integrating its own resources, and enhancing its core competitiveness to usher in a groundbreaking year.

During the year under review, the Group was still committed to the expansion of the automotive aftermarket business. Apart from focusing on the manufacture and distribution of automotive electronic and power-related parts and accessories in its manufacturing business, it also conducted retail sales of related services and products through the automotive aftermarket service chain network established in the Greater China region. During the year under review, turnover of the manufacturing segment, which is still the core business of the Group, accounted for 89% of the Group's total turnover. Meanwhile, the Group's chain business also gained ground, with turnover in the year under review, accounting for 11% of the Group's total turnover (2005: 10%), representing an increase of 1%.

During the year under review, turnover of the Group grew by 5% to approximately RMB533,302,000. Profit attributable to shareholders decreased by 74% to approximately RMB14,218,000. The decrease in profit was attributable to the fact that, on the one hand, the Group's service business was still at an expanding stage, and could only make profit contribution after the gradual improvement of its chain store network, and, on the other hand, unfavorable factors such as a general rise in the prices of raw materials in the global market, the appreciation of Renminbi ("RMB"), and inadequate protection of intellectual property right, resulted in an increase in the Group's production cost, severe product competition and decrease in profits.

Based on its established 5-year development strategy, the Group needed ample fund investment to maintain growth in its performance. After prudent consideration, the Board does not recommend the payment of a final dividend to its shareholders.

Progress of Business Acquisition

During the year, according to the strategy for the expansion of chain stores network, the Group's subject of business acquisition is targeted at the quality Superstores operators in the region. By acquiring new Superstores to complement the supporting system in the headquarters of the existing business and building strategic cooperation, the Group establishes regional headquarters promptly and expands the network and supports the business in the region under such regional headquarters.

Project of Taiwan Richahaus

Following the establishment of the regional headquarters at Chengdu by successfully acquired a Superstore in Chengdu, the Group has implemented the acquisition of the business of Taiwan Richahaus on 8 September 2006. Richahaus operates totally 8 Superstores in Taiwan and has more than 10 years of experience in the operation of large scale stores. It is one of the largest operators of the automotive aftermarket service chain stores in Taiwan. Currently, the ownership of passenger cars in Taiwan accounts for one-fifth of that in the Great China Region. The automotive aftermarket of Taiwan is more mature and its service is of higher quality as compared to that of China. The acquisition of such large scale business of Richahaus in Taiwan represents a remarkable step towards the development of the Group's chain store business and realization of strategic targets.

The acquisition will speed up the expansion of the scale of the Group's merchandise purchases and further increase the number of projects and channels of purchases and distribution. The Group will also acquire extensive experience in the operation of chain store business and different skills in services, boosting the integrated competitiveness of the Group. Leveraging on the enhanced integrated competitiveness, the Group's capability in the acquisition and merger and integration of operators of automotive aftermarket services chain store business in different regions in China will therefore further be enhanced, which in turn strengthens its control and support of the chain services network of China.

Post Balance Sheet Event

(a) *Project of Beijing Aiyihang*

In Beijing, the region which ranks top in terms of ownership of automotives in China, the Group has successfully signed an agreement on 19 March 2007 in respect of the acquisition a 51% equity interests in Aiyihang after effort has been put in the second half of 2006. The successful signing of the agreement enables the service business of the Group to penetrate and capture a share in the enormous but highly competitive Beijing market with its position edge. Completion of the acquisition took place on 26 April 2007 and 13,660,442 Shares were issued to the vendor upon completion.

Acquiring and equity interest in Aiyihang enables the Group to enter the city ranks top in terms of ownership of private cars in China which in turn has an implication on the enhancement of the corporate image of the Group's services business no matter in the capital market or in the automotive services sector. The strategic network of the Group's services business in Shanghai and Beijing, the 2 most influential cities, will definitely end the current fragmentation of the automotive services sector of China, which marks a milestone for the development strategy of the Company.

Meanwhile, assuming there is only one single operating unit in the operating system of the Group's services business, it is difficult to assess its performance in a scientific and fair approach. There is no way to bind and motivate the senior management of such single operating unit. The relation between the headquarter of the services business and the operating unit is also hardly measured. To a certain extent, Aiyihang is a scale for the Group's services business, which provides an opportunity for the operating units to complement each other.

The cooperation with Aiyihang fosters greater understanding of the Group's service business in the automotive industry of China. The transformation from competitor to cooperation partner, Aiyihang is just like a mirror for the Group's services business. By comparing with the existing business of Aiyihang, the Group's services business is able to explore its own edges and in particular find out its weaknesses and shortcomings, providing valuable opportunity to learn from the other business for the Group to continue engaging in this industry.

The successful transaction will increase the number of large scale stores within the Group's services business to 19. The number of large scale stores has increased to another level. The number of regular customers is also increased and a full operation team in automotive services industry and a customer base in tens of thousands in Beijing are hence established. Regarding the purchases activities, there is more room for the integration and complementation for tyres, Hi-fi, automotive navigation, automotive boutiques between the Company and Aiyihang. the existing channels of the Company will be optimized to strengthen the bargaining power in purchases and substantially reduce the cost of purchases. Lastly, in terms of turnover increase, it is expected that the completion of the acquisition of Aiyihang will contribute a turnover of approximately $40 million to the Group's services business in 2007.

(b) *Convertible Bond Subscription Agreement*

The Company entered into a subscription agreement with ARCH Auto Limited ("ARCH") on 30 April 2007 ("Subscription Agreement") whereby ARCH has agreed to subscribe for, and the Company has agreed to issue, the redeemable convertible bond in the principal amount of US$12,000,000 with coupon rate of 5.2% due in 2010 ("Convertible Bond") pursuant to the terms and conditions of the Subscription Agreement. Completion of the Subscription Agreement took place on 16 May 2007.

The initial price per share at which the Convertible Bond may be converted into Shares is determined to be HK$2.07. Assuming that the Convertible Bond will be converted into the Shares at the initial conversion price of HK$2.07, the Company will be required to allot and issue an aggregate of 45,217,391 Shares, representing approximately 10.78% of the number of the Shares in issue as at the date hereof and approximately 9.73% of the enlarged number of the Shares in issue.

The issue of the Convertible Bond will provide additional capital to facilitate the development and expansion of the Company and its investment in new projects. The net proceeds from the issuance of the Convertible Bond are expected to be approximately HK$92,000,000. The Directors intend to use the net proceeds as general working capital and capital expenditure to operate and expand the business of the Company, namely, the manufacturing and distribution of aftermarket and OEM automotive accessories and automotive services retailing.

(c) *Bonus Issue*

The Board recommended a bonus issue of one new share of HK$0.10 each credited as fully paid for every twenty issued Shares held on the register of members of the Company on 18 June 2007. An amount standing to the credit of the share premium account of the Company will be capitalized and applied in making payment in full, at par, for the new shares. The issue of bonus shares is conditional upon the passing of the relevant resolutions at the Annual General Meeting, and the Listing Committee of the Stock Exchange granting approval to the listing of and permission to deal in the new shares. Such new shares will not, however, rank for the proposed bonus issue but will in all other respects rank pari passu with the existing issued Shares. A circular containing further details of the bonus issue will be despatched to the shareholders on or about 25 May 2007.

Prospects
Looking ahead, the capacity of the global automotive aftermarket will continue to grow. The room for development of automotive parts and components manufacturers in the OEM market and the Group's advantageous position in the PRC's gradually developing automotive industry present boundless opportunities for the Group's development.

Regarding the manufacturing business, the Group's core products witnessed a strong growth trend in the OEM market and automotive aftermarket, while the domestic market also provided the Group with a huge room for making profit. The Group's active cooperation approach towards the upstream and downstream segments will leave room for further growth anticipation. The Group will continue to consolidate its established strengths in its business so as to maintain a long-term and steady growth.

The chain business is a segment in which the Group has devoted substantial efforts. The Group is committed to developing itself into the PRC's largest automotive aftermarket service chain network operator and building "AUTOLIFE" as the leading brand in the PRC automotive aftermarket service industry. Being a pioneer with a large-scale operation, the Group is well positioned to benefit from PRC's increasingly rational consumers and the Group's sound development. While the headquarter's function upgrading project is entering the final stage, the multi-tiered network expansion plan is also progressing smoothly. By combining the headquarter's functional advantages and the resource advantage of local partners, the regional centres will play a crucial role in the Group's exploration of the PRC market. In 2007, the Group will concentrate on resource integration of business entities joining the Group recently to take advantage of synergy arising from such cooperation. Furthermore, the Group will seek new acquisition and merging targets in Jiangsu and Zhejiang and the regions along the southern coast of the PRC to expedite strategic deployment of the Group. The Group has already identified suitable cooperation partners in such regions and the specific way of cooperation is under discussion. The Group believes that with the gradual implementation of its business expansion plan, the chain store business will gradually grow into an important source of profit for the Group.

Review of operation
During the period under review, turnover increased by 5% to approximately RMB533,302,000, gross profit, operating profit and profit attributable to shareholders all recorded a decrease. Gross profit decreased by 25% to approximately RMB91,667,000, operating profit decreased to approximately RMB22,005,000, while profit attributable to shareholders decreased by 74% to approximately RMB14,218,000.

Gross profit
Gross profit margin of sales of the Group was approximately 17% (the corresponding period of 2005: 24%), representing a decrease of 7 percentage points.

During the year, the global increase in the prices of raw materials continued. Compared to the beginning of the year, RMB has been appreciated against USD by approximately 3.2% up to 31 December 2006. All these factors affected the Group's profit margin. However, due to the Group's high operational efficiency, outstanding management capability and the rapid launch of new products with high added-value, during the period under review, turnover attributable to the new products amounted for over 40%.

Other gains
The Group recorded other gains of approximately RMB14,591,000.

Expenditures
Total selling and marketing expenses and administrative expenses amounted to approximately RMB84,253,000 (2005: approximately RMB67,653,000), of which expenses of the manufacturing business accounted for approximately RMB36,592,000, while the chain stores business accounted for approximately RMB34,564,000, and unallocated expenses amounted to approximately RMB13,097,000.

Expenses of the manufacturing business increased due to the great expansion in domestic business of the Group.

Expenses for chain stores business was increased because of the expansion of the directly-operated stores, and the enhancement of the headquarter functions, such as merchandise procurement, training, logistics, management and marketing, and support for franchise operations and acquisitions and mergers. The Group increased its inputs in human resources management, software and hardware facilities and other necessary aspects.

Operating profit
Operating profit was approximately RMB22,005,000 (2005: approximately RMB66,019,000), representing an decrease of 67%.

Finance cost and tax
Finance cost was approximately RMB2,238,000 (2005: approximately RMB477,000).

Income tax expense was approximately RMB4,201,000 (2005: approximately RMB9,924,000). The decrease was primarily attributable to the decrease in profit for the year.

Profit attributable to shareholders
Profit attributable to shareholders was approximately RMB14,218,000 (2005: approximately RMB55,618,000), representing a decrease by 74%.

Financial conditions and liquidity
The Group maintained its stable financial status during the period. As at 31 December 2006, the Group had adequate cash and bank balance of approximately RMB67,089,000. As a result of its outstanding working capital management capability, cash inflow from operating activities of the Group for the period was approximately RMB27,924,000 (2005: RMB37,489,000).

As at 31 December 2006, current assets of the Group maintained at a healthy level of approximately RMB303,649,000 with a liquidity ratio of 1.43 (31 December 2005: 2.49). Gearing ratio calculated by dividing total liabilities by total assets increased from 28.9% as at 31 December 2005 to 50.3%.

As at 31 December 2006, total bank borrowings were approximately RMB41,354,000. The Group had no material pledged asset, material contingent liability or external guarantee.

The Group will continue to maintain a healthy financial status. Given a positive cash inflow from operating activities and available bank facilities, the Group has sufficient financial resources to meet its obligations, and requirement for working capital and future expansion investment.

During the year, the Group incurred an investment of approximately RMB33,101,000 (2005: approximately RMB38,779,000) for the addition of machinery and equipment, construction of new plants and property investment.

Use of proceeds
The Group offered and placed 100,000,000 new shares in February 2005. The net proceeds raised after the relevant listing expenses were approximately HK$74,700,000.

Use of proceeds in the manufacturing business:
(1) approximately RMB10,671,000 for the development of automotive electric and power related parts and accessories.

(2) approximately RMB9,585,000 for the construction of new production lines of factory.

Use of proceeds in the chain stores business:
None in the year under review

Exchange risk
During the period under review, approximately 83% of sales and 18% of raw material purchases were conducted with overseas customers and mainly settled in USD. In response, the Group has signed a forward contract of group exchange settlement with the Bank of China. The Group has enhance the sales in the PRC market; further heighten the proportion of overseas procurement and strict control over costs and expenses to mitigate the impact of such exchange rate movement. Meanwhile, the Group will also leverage on its strong bargaining power and established relationships with customers and suppliers to transfer to them the additional costs arising from movements in exchange rates. The Group has no material exposure to foreign exchange risks.

Employees and remuneration policy
As at 31 December 2006, the Group employed 1,804 full-time employees, of which 245 were managerial staff and 70 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 governments. Outstanding employees of the Group will be granted discretionary bonus and share options as incentives. As at 31 December 2006, 50 employees have been granted share options. It is the Group's plan to grant more options to a larger proportion of staff out of the 16,460,000 share options available, thereby further reinforcing the sense of belonging and responsibility to the Company.

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 as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review.

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

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

Audit Committee
The Audit Committee has three members, namely Mr. Du Haibo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw. Mr. Du Haibo has been appointed as the chairman of the Audit Committee. The duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Group's annual results for the year had been reviewed by the Audit Committee.

Dividends and Bonus Issue
The Board does not recommend the payment of a final dividend for 2006 (2005: HK$0.08 per share).

The Board recommended a bonus issue of one new share of HK$0.10 each credited as fully paid for every twenty issued Shares held on the register of members of the Company on 18 June 2007. An amount standing to the credit of the share premium account of the Company will be capitalized and applied in making payment in full, at par, for the new shares. The issue of bonus shares is conditional upon the passing of the relevant resolutions at the Annual General Meeting, and the Listing Committee of the Stock Exchange granting approval to the listing of and permission to deal in the new shares. Such new shares will not, however, rank for the proposed bonus issue but will in all other respects rank pari passu with the existing issued Shares. A circular containing further details of the bonus issue will be despatched to the shareholders on or about 25 May 2007.

Sale, Purchase or Redemption of the Company's Listed Shares
There were no purchases, sales or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year.

Annual General Meeting
The 2006 Annual General Meeting of the Company will be held on 18 June 2007 and the notice of annual general meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

Closure of Register of Members
The register of members will be closed from Monday, 11 June 2007 to Monday, 18 June 2007 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed bonus issue, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. Friday, 8 June 2007.

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

Hong Kong, 16 May 2007

As at the date of this announcement, the Board comprises of the executive Directors, namely, HungWei-Pi, John, Wu Kwan-Hong, Hung Ying-Lien, Lu Yuan Cheng, Douglas Charles Stuart Fresco and Norman L. Matthew, Non-executive Director, namely, Luo Xiaoping, Li Tung Hsing, Irene Shih and the independent non-executive Directors, namely, Du Haibo, Zhou Tai-Ming and Uang Chii-Maw.