



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)

PROPOSED ISSUE OF THE CONVERTIBLE BOND PURSUANT TO THE 2006 GENERAL MANDATE

The Convertible Bond

The Board is pleased to announce that the Subscription Agreement has been entered into whereby ARCH has agreed to subscribe for, and the Company has agreed to issue, the Convertible Bond subject to the Conditions.

The Convertible Bond will be due in 2010. The initial Conversion Price is 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 11.14% of the number of the Shares in issue as at the date hereof and approximately 10.02% of the enlarged number of the Shares in issue, taking no consideration of the Shares to be issued pursuant to the Aiyihang Agreement.

The net proceeds from the issuance of the Convertible Bond are expected to be approximately HK\$92 million. 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 (original equipment manufacturer) automotive accessories and automotive services retailing all in accordance with the operating budget as approved by the Board after Completion.

Completion is subject to satisfaction or waiver of the Conditions and hence, may or may not take place. Investors are advised to exercise extreme caution in dealing with the Shares.

The Convertible Bond and the Conversion Shares will be issued by the Company pursuant to the 2006 General Mandate. The Company will apply to the Stock Exchange for the listing of, and permission to deal with, the Conversion Shares on the Main Board.

The Company will issue a separate announcement immediately after Completion.

Suspension of trading of the Shares

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 30 April 2007 pending the release of an announcement on 11 May 2007 relating to the preliminary results of the Company in respect of the financial year ended 31 December 2006.

THE SUBSCRIPTION AGREEMENT

Date : 30 April 2007

Parties : The Company, *the issuer of the Convertible Bond*
ARCH, *the sole subscriber of the Convertible Bond*

Subject to the satisfaction or waiver of the Conditions, ARCH has agreed to subscribe, and the Company has agreed to issue, the Convertible Bond.

ARCH is an independent third party and is not a connected person (as defined in the Listing Rules) of the Company. ARCH will become a substantial shareholder (as such term is defined under the Listing Rules) of the Company if the Convertible Bond is converted into the Shares.

Conditions

Completion is conditional upon the following:—

- completion of due diligence on the financial, commercial and legal aspects of the Group to the satisfaction of ARCH;
- Mr. HUNG entering into the Deed of Undertakings;
- each member of the Group shall have performed all the obligations set forth in the Subscription Agreement as required to be performed prior to Completion;
- the Company shall have obtained all relevant consents, approvals and ratifications for entering into and implementation of each of the Transaction Documents (other than the Deed of Undertakings), including the corporate approvals of the Company and all third-parties' consents and approvals;
- the Stock Exchange having granted the listing of, and permission to deal with, the Conversion Shares; and
- due appointment of Mr. LI Jung Hsing (or such other person as nominated by ARCH) as a non-executive Director following Completion.

If any of the above Conditions cannot be satisfied (or otherwise waived (except Conditions (iv) and (v)) by ARCH) by 1 June 2007, Completion will not take place, and all obligations set forth under the Subscription Agreement will lapse.

The Company will issue an announcement immediately following Completion.

Termination

The Subscription Agreement shall terminate upon:

- all the condition precedents for Completion not satisfied or waived on or before 1 June 2007 or such later date as may be agreed between the Company and ARCH;
- ARCH ceasing to hold the Bond; or
- by agreement of the Company and ARCH.

Conversion Price and Conversion Shares

The Convertible Bond may be converted into the Shares on or prior to the Maturity Date.

The initial Conversion Price of HK\$2.07 is determined by the parties to the Subscription Agreement on an arm's length basis, represents:—

- a discount of approximately 8.81% to volume weighted average price of the Shares quoted on the Main Board on 27 April 2007 of HK\$2.27;
- a discount of approximately 7.59% to the closing price of the Shares on 27 April 2007 of HK\$2.24 quoted on the Main Board;
- a discount of approximately 10% to the 5-day average closing price of the Shares over the last five Trading Days immediately preceding and including 27 April 2007 of HK\$2.30 quoted on the Stock Exchange;
- a discount of approximately 12.7% to the 10-day average closing price of the Shares over the last ten Trading Days immediately preceding and including 27 April 2007 of HK\$2.37 quoted on the Stock Exchange;
- a discount of approximately 16.5% to the 20-day average closing price of the Shares over the last twenty Trading Days immediately preceding and including 27 April 2007 of HK\$2.48 quoted on the Stock Exchange; and
- a discount of approximately 10% of the Benchmarked Price.

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 11.14% of the number of the Shares in issue as at the date hereof and approximately 10.02% of the enlarged number of the Shares in issue, taking no consideration of the Shares to be issued pursuant to the Aiyihang Agreement.

The Convertible Bond and the Conversion Shares will be issued by the Company pursuant to the 2006 General Mandate. The Company will apply to the Stock Exchange for the listing of, and permission to deal with, the Conversion Shares on the Main Board.

Voluntary redemption by ARCH

ARCH shall have a right (but not an obligation), exercisable at its sole discretion, to require the Company to redeem the Convertible Bond, together with the accrued outstanding interest, with 60-day notice, upon the occurrence of any of the following events:—

- the turnover, as published in the interim and annual consolidated financial statements of the Company (as the case may be) prepared in accordance with the HKFRS, for all financial years ending 31 December 2007 and after, equals to or is less than 75% of the same in the interim and annual consolidated financial statements of the Group for the financial year ended 31 December 2006; or
- the EBITDA margin (the EBITDA divided by the turnover), as published in the interim and annual consolidated financial statements of the Company (as the case may be) prepared in accordance with the HKFRS, for all financial years ending 31 December 2007 and after, is less than 2% for any two consecutive 6-month periods; or
- the current ratio (as defined to be the current assets divided by the current liabilities) of the Company as at the date of the interim and annual consolidated financial statements of the Company (as the case may be) prepared in accordance with the HKFRS is less than 1.5.

Other additional covenants

As long as ARCH (or its assignees) holds the Convertible Bond, ARCH shall have a right to nominate a non-executive Director, whose presence is required to form a quorum of any board meeting held during the period

* For identification purpose only

from the Completion Date until the day the Convertible Bond is converted into Conversion Shares. In addition, so long as ARCH (or its assignees) holds the Convertible Bond, the Company shall not conduct any of the following corporate acts unless with the written consent of ARCH (or its assignees) and such consent shall not be unreasonably withheld:—

- changing in material respect the scope and the nature of business of the Company;
- amending any provision in the constitutional document of any member of the Group;
- increasing the authorised capital or changing in capital structure of any member of the Group;
- approving the annual operating budget and any material amendments thereto;
- making any investment or engaging in any acquisition, disposal or merger (collectively, the “**Corporate Transactions**”) involving aggregate amount of more than 10% of the value of the principal amount of the Convertible Bond within a period of twelve (12) month period except for those Corporate Transactions that are subject matter of binding agreements as of the date of the Completion and disclosed to ARCH;
- engaging new employee, officer or consultant of the Company involving compensation (including all benefits) of more than US\$150,000 per annum;
- changing the auditors of the Company or any of its Subsidiaries;
- making any loans or advancement exceeding US\$300,000 by any member of the Group outside their respective ordinary course of business;
- assuming any liability of more than US\$300,000 by any member of the Group outside their respective ordinary course of business;
- engaging in any related party transactions of more than US\$200,000;
- involving in any material litigation, arbitration or other proceedings by any member of the Group of more than US\$100,000; and
- proceeding to wind-up, liquidation or receivership, or entering into any composition or arrangement with creditors, by the Company.

The Directors (including the independent non-executive Directors) consider that the above covenants are not particularly onerous and will not impose any unnecessary restrictions or inconvenience on the Group in conducting its ordinary course of business. Most of these covenants would have been required if the Company secured debt financing from financial institutions and other financial investors. On this basis, the Directors (including the independent non-executive Directors) confirm that the above covenants are negotiated on an arm's length basis and fair and reasonable to the Company.

Warranties

As long as ARCH holds the Convertible Bond, the Company represents, undertakes and warrants to ARCH the following:—

- the Company shall not declare any cash dividend for any financial year in which the aggregate cash investments (defined as any acquisitions or investments made by the Company) and capital expenditures in cash are greater than EBITDA of the relevant year;
- the Company shall not create any security interest over any of its assets without prior written consent of ARCH which consent shall not be unreasonably withheld;
- the Company shall procure that the Board shall have reasonable access to all information and materials, financial or otherwise, available to all Directors and Shareholders;
- the Company shall prepare and maintain its financial statements on a consolidated basis in accordance with the HKFRS and shall not at all times breach any of the following ratios:—
 - the Total Net Debt to the EBITDA as at 31 December of any year shall not be more than 2.75; and
 - the Debt Service Coverage Ratio as at 30 June and 31 December of any year shall be not less than 1.5;
- the Company shall seek approval from ARCH prior to any change in the chief financial officer or the financial officer of the Company; and
- any transaction between any member of the Group and Mr. HUNG and/or his associates (as such term is defined under the Listing Rules) shall be disclosed to the Board and conducted in accordance with the requirements of the Listing Rules.

Indemnity

The Company shall indemnify and shall keep ARCH at all times fully indemnified against all costs and expenses which ARCH may reasonably suffer or incur either before or after the commencement of, or arising out of, any action in connection with any legal proceedings taken by ARCH claiming any breach of the Warranties and in which judgment has been given in favour of ARCH and/or enforcement of judgment in favor of ARCH.

PRINCIPAL TERMS OF THE CONVERTIBLE BOND AND BOND CONDITIONS

Issue price of the Convertible Bond

100% of the principal amount of the Convertible Bond of US\$12.0 million.

Conversion Period

The Convertible Bond can only be converted into the Shares at the applicable Conversion Price in its entirety at any time prior to the Maturity Date. The number of Shares to be issued on conversion of the Convertible Bond will be determined by dividing (i) the relevant principal amount of the Convertible Bond and interest accrued but unpaid by (ii) the applicable Conversion Price. The interest accrued on the Convertible Bond, including the Default Interest, according to the Bond Conditions, may be settled by the Company in cash or additional Shares. In any event, the maximum number of Shares that may be issued following conversion of the Convertible Bond will not exceed the number of Shares that may be issued by the Company under the 2006 General Mandate after deduction of the Shares proposed to be issued pursuant to the Aiyihang Agreement. Assuming an Event of Default occurs and that the Company fails to pay any interest under the Convertible Bond, the maximum number of Shares that may be issued following conversion of the Convertible Bond will be 66,859,558 Shares, of which 64,551,724 Shares will be issued following conversion of the principal amount of the Convertible Bond and the remaining 2,307,834 Shares may be issued for the accrued and unpaid interest. No fractional Shares will be issued upon conversion of the principal amount of the Convertible Bond and the interest accrued thereon. The remaining unpaid interest will be settled by the Company in cash.

Conversion Price

The initial Convertible Bond is HK\$2.07, but will be subject to adjustment for any consolidation, subdivision or conversion of Shares, issue of Shares by way of capitalization of profits or reserves, bonus issues, rights issues, distributions and other dilutive events of similar nature except for:—

- an issue of Shares to any grantees of any share option scheme in existing and in full compliance with the Listing Rules;

- (ii) an issue of Shares arising from the conversion of the Convertible Bond; or
- (iii) an issue of Shares at a price per Share of not less than ninety percent (90%) of the 30-day weighted average traded price of the Shares, as quoted on the Main Board, ending on and inclusive of the Trading Day immediately preceding the date of the agreement for the new issue for the sole purpose of payment of consideration in any future acquisition.

Ranking of the Conversion Shares

Conversion Shares will rank *pari passu* in all respects with the Ordinary Shares.

Form of the Convertible Bond

The Convertible Bond will be in registered form.

Ranking of the Convertible Bond

The Convertible Bond constitutes direct, unsubordinated, unconditional and unsecured obligations of the Company and rank *pari passu* among themselves.

No voting rights

Holder of the Convertible Bond shall have no voting right at general meetings of the Company.

Listing

The Convertible Bond will not be listed on any stock exchange, but the Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Transfer of the Convertible Bond in whole

The Convertible Bond is transferable in whole pursuant to the terms and conditions set forth in the Bond Conditions.

Mandatory redemption

If the Convertible Bond has not been converted, the Company shall redeem the principal amount of the Convertible Bond and pay all the accrued outstanding interest on the Maturity Date.

Voluntary redemption

Any holder of the Convertible Bond may require the Company to redeem the principal amount of the Convertible Bond and pay all the accrued outstanding interest on the occurrence of any of the following events:–

- (i) if the Company does not repay or otherwise redeem the Convertible Bond on the date upon which such repayment or redemption becomes due in accordance with the Bond Conditions;
- (ii) if the Company is in default (as principal or as guarantor or other surety) in the payment of any principal amount of the Convertible Bond or of premium, if any, or interest on any indebtedness in respect of borrowed money (other than the Convertible Bond), or in the performance of or compliance with any term of any evidence of such indebtedness or of any mortgage, indenture, or other agreement relating to such indebtedness, and the holder of the obligation has exercised its right to accelerate the indebtedness;
- (iii) if any action is taken for the winding up of the Company or any of its Major Subsidiaries (including the appointment of a provisional liquidator) and that the action is not stayed or dismissed within thirty (30) days;
- (iv) if an order is made for the winding up, or dissolution without winding up, of the Company or any of its Major Subsidiaries;
- (v) if a resolution is passed for the winding up of the Company unless the winding up is for the purpose of reconstruction or amalgamation and the scheme of reconstruction or amalgamation with or without modification has the prior consent of the holder of the Convertible Bond;
- (vi) if any distress or execution is levied or enforced upon or against any of the assets or property of the Company for a sum or sums exceeding in aggregate US\$400,000 or its equivalent in any other currency;
- (vii) if a controller, receiver or receiver and manager is appointed or an encumbrancer takes possession of the undertaking of the Company or any of its Major Subsidiaries or any part thereof and such appointment has not been removed within 30 days from the appointment date;
- (viii) if the Company or any of its Major Subsidiaries stops payment of its debts generally;
- (ix) if the Company ceases or threatens to cease to carry on its business; or
- (x) if the Company is in breach of any other of these Conditions and such default is not remedied within thirty (30) days of notice in writing being given by any holder of the Convertible Bond to the Company.

Interest, Events of Default, Default Interest and consequential redemption and conversion

Interest and default interest

The Convertible Bond bears interest from the date of issue to the date of conversion or the date of redemption (as the case may be) in the amount representing 5.2% per annum on the principal amount. The interest payment shall be settled by the Company semi-annually in arrears on 30 June and 31 December.

Under each of the following events (the “**Events of Default**”), the Company will be required to pay a higher interest rate. These events include:–

- (i) any delay or non-payment of any amount which is due and payable to the holder of the Convertible Bond under the Subscription Agreement or pursuant to the Bond Conditions;
- (ii) delay or inaction by the Company with respect to actions required of it pursuant to the exercise of any conversion or redemption right by the holder of the Convertible Bond;
- (iii) material breach of any of those provisions of the Subscription Agreement as set out under the heading “Other additional covenants” above;
- (iv) circumvention of powers of the Board which, in the reasonable opinion of ARCH, goes against the provision or spirit of the Subscription Agreement; or
- (v) material breach of the Warranties.

If any of the events (i) or (ii) above occurs, the Company shall pay, in addition to the applicable interest, a Default Interest:–

- (i) at the rate of 8% per annum on the principal amount of the Convertible Bond then outstanding as at the date on which such Event of Default occurs; or
- (ii) at the rate of 12% per annum on the principal amount of the Convertible Bond then outstanding as at the date on which such Event of Default occurs if such Event of Default has not been remedied by the Company in full to the reasonable satisfaction of the holder of the Convertible Bond within seventy-five (75) days of the occurrence of such Event of Default.

If any of the events (iii), (iv) or (v) has occurred and has not been remedied by the Company in full to the satisfaction of holder of the Convertible Bond, holder of the Convertible Bond may:–

- (i) within thirty (30) days of the date of notification (the “**Default Notification Date**”) in writing of such Event of Default to the Company, require the Company to pay, in addition to the applicable interest, a Default Interest at the rate of 8% per annum on the outstanding principal amount of the Convertible Bond as at the Default Notification Date; or
- (ii) within seventy-five (75) days of the Default Notification Date, require the Company to pay, in addition to the applicable interest, a Default Interest at the rate of 12% per annum on the outstanding principal amount of the Convertible Bond as at the date of the Default Notification Date.

For any holder of the Convertible Bond other than ARCH, the applicable Default Interest shall be at the rate of 5% and 9%, respectively.

Redemption and conversion following an Event of Default

If an Event of Default (other than caused by an Event of Force Majeure) has not been remedied by the Company in full to the reasonable satisfaction of the holder of the Convertible Bond within 120 days from the Default Notification Date, in addition to the Default Interest, the holder of the Convertible Bond may

- (i) request the Company to redeem the Convertible Bond at their respective principal amounts; or
- (ii) exercise the Conversion Right at 70% of the applicable Conversion Price.

The Events of Default do not include any change of laws or regulations which prevents the Company from legally performing relevant obligations under the Convertible Bond (an “**Event of Force Majeure**”). Within 10 business days after the determination of such Event of Force Majeure, the Company shall perform its obligations under the Bond Conditions, failing which the holder of the Convertible Bond will be entitled to exercise its option to redeem the Convertible Bond. Where the Event of Force Majeure has continued or is expected to continue for 30 days or more, the holder of the Convertible Bond and the Company shall negotiate in good faith to resolve the problem to the satisfaction of both parties.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION

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 11.14% of the number of the Shares in issue as at the date hereof and approximately 10.02% of

the enlarged number of the Shares in issue, taking no consideration of the Shares to be issued pursuant to the Aiyihang Agreement. The following table illustrates the then Shareholding structure of the Company:–

Name of Shareholder	Existing Shareholding		Assuming full conversion of the Convertible Bond at the Conversion Price of HK\$2.07	
	No. of Shares Held	Percentage of Shareholding	No. of Shares	Percentage of Shareholding
Mr. HUNG ^(Note A)	162,404,000	40.02%	162,404,000	36.01%
Mr. FRESCO Douglas Charles Stuart ^(Note A)	50,524,000	12.45%	50,524,000	11.20%
Directors ^(Note B)	24,908,000	6.14%	24,908,000	5.52%
ARCH	0	0%	45,217,391	10.02%
Public	167,999,000	41.40%	167,999,000	37.25%
Total:	405,835,000	100%	451,052,391	100%

Note A: Including the interest of their respective associate.

Note B: Excluding the interest of Mr. HUNG and Mr. FRESCOS.

Following an Event of Default, the holder of the Convertible Bond may elect to convert the Convertible Bond into the Conversion Shares 70% of the applicable Conversion Price. Assuming that the Conversion Price remains unchanged at HK\$2.07, the Company will be required to issue 64,551,724 Shares, representing approximately 15.91% of the number of the Shares in issue as at the date hereof and approximately 13.72% of the enlarged number of the Shares in issue, taking no consideration of the Shares to be issued pursuant to the Aiyihang Agreement. The following table illustrates the then Shareholding structure of the Company:–

Name of Shareholder	Existing Shareholding		Assuming full conversion of the Convertible Bond following an Event of Default at the Conversion Price of HK\$1.45	
	No. of Shares Held	Percentage of Shareholding	No. of Shares	Percentage of Shareholding
Mr. HUNG ^(Note A)	162,404,000	40.02%	162,404,000	34.53%
Mr. FRESCO Douglas Charles Stuart ^(Note A)	50,524,000	12.45%	50,524,000	10.74%
Directors ^(Note B)	24,908,000	6.14%	24,908,000	5.30%
ARCH	0	0%	64,551,724	13.72%
Public	167,999,000	41.40%	167,999,000	35.72%
Total:	405,835,000	100%	470,386,724	100%

Note A: Including the interest of their respective associate.

Note B: Excluding the interest of Mr. HUNG and Mr. FRESCOS.

DEED OF UNDERTAKINGS

In consideration of ARCH agreeing to subscribe for the Convertible Bond, Mr. HUNG will enter into a deed of undertaking in favour of ARCH whereby Mr. HUNG will represent, warrant and undertake to ARCH, among other things:

- (i) as long as ARCH holds the Convertible Bond, Mr. HUNG shall not sell, encumber, transfer, assign or otherwise diminish his equity interest in the Company by more than 10% of his interest in the issued Shares in each calendar year commencing from the date of the Deed of Undertakings, unless with the prior written consent from ARCH;
- (ii) as long as ARCH holds the Convertible Bond, Mr. HUNG shall not, directly or indirectly, engage or invest in another business, entity or venture that in any way competes with the Company or any subsidiary or affiliate of the Company until he ceases to be a shareholder/director/employee of the Company and Subsidiaries for more than two (2) years;
- (iii) Mr. HUNG irrevocably and unconditionally indemnifies, defends and holds harmless ARCH from and against any and all losses, costs, and claims suffered by ARCH or incurred by ARCH that arise from any breach by Mr. HUNG of the representations, warranties and undertakings contained in the Deed of Undertakings;
- (iv) any transaction between any member of the Group and Mr. HUNG and/or his associates (as such term is defined under the Listing Rules) shall be disclosed to the Board and conducted in accordance with the requirements of the Listing Rules;
- (v) on the date on which a conversion notice is served, if the 90-day weighted average (“**90-day Average Price**”) traded price of the Share, as quoted on the Main Board is less than HK\$2.00 (the “**Reference Price**”), Mr. HUNG shall unconditionally transfer or procure the transfer of, at a nominal aggregate consideration of HK\$1.00, such number of Shares held by him (whether directly or indirectly), representing the additional number of Shares that ARCH would have received if the conversion is made at the 90-day Average Price; and
- (vi) if Mr. HUNG receives a *bona fide* third party offer (the “**Proposed Purchaser**”) to purchase a number of Ordinary Shares held by him (whether directly or indirectly), ARCH shall have the right to convert the Convertible Bond into the Shares, being the subject matter of a tag-along right, and offer the Shares for sale (in proportion to the respective shareholdings of Mr. HUNG and ARCH) to the Proposed Purchaser upon the same terms and conditions as offered to Mr. HUNG.

USE OF NET PROCEEDS FROM THE ISSUE OF THE CONVERTIBLE BOND

The net proceeds from the issuance of the Convertible Bond are expected to be approximately HK\$92 million. The Company intends to use the net proceeds as general working capital and capital expenditures to operate and expand the business of the Company, namely, the manufacturing and distribution of aftermarket and OEM (original equipment manufacturer) automotive accessories and automotive services retailing all in accordance with the operating budget as approved by the Board after Completion.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BOND

It is the Group’s strategy to expand its business through mergers and acquisitions in addition to organic growth. To implement this strategy, the Company will require sufficient cash to acquire suitable assets or businesses with critical mass to penetrate the market. The Company is from time to time looking out for investment opportunities and in discussion with potential targets which meet Company’s investment criteria. Some of them are still in the early stage of due diligence whilst others are in the negotiation process of the detailed terms of the agreement. The issue of the Convertible Bond will provide additional fund to the Group which can be used for different purposes. The Company seeks to capitalize on the current market environment for convertible bond issues to raise capital to facilitate further development and expansion of the Company. The Directors are of the view that the terms of the Convertible Bond are fair and reasonable and are in the interest of the Group, and consider that 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.

Despite the terms of the Default Interest, the Board is of the view that the terms of the Convertible Bond are fair and reasonable and are in the interest of the Group as a whole for the reasons set out below:–

- (i) in addition to the cash investment, the Group is expected to benefit from the experience of ARC Capital Holdings Limited in merger and acquisition transactions in the PRC retailing business;
- (ii) the appointment of non-executive Director will promote the corporate governance of the Group as a whole; and
- (iii) the payment of Default Interest is only required when the Company fails to honour its obligation under the Bond Conditions. It is therefore not an important factor for the Board in considering the merits of the issuance of the Convertible Bond.

INFORMATION ON ARCH

ARCH is a special purpose vehicle established in the British Virgin Islands for the subscription of the Convertible Bond. ARCH is a wholly-owned subsidiary of ARC Capital Holdings Limited, an investment fund listed on the AIM market of the London Stock Exchange, traded as ARCH. LN, and focused on investing in the retail and consumer sectors primarily in the PRC and other Asian countries. The Directors believe that the business network may assist the Group to explore the domestic retail market in the PRC as well as to form strategic alliances and partnerships with other players in the industry. Furthermore, the proposed investment will also promote the corporate governance of the Group with a leading investor to be a substantial shareholder (as such term is defined under the Listing Rules) of the Company following the conversion of the Convertible Bond.

ARCH is an independent third party and is not a connected person (as defined in the Listing Rules) of the Company. ARCH will become a substantial shareholder (as such term is defined under the Listing Rules) of the Company if the Convertible Bond is converted into the Shares.

GENERAL INFORMATION

The Company will promptly notify the Stock Exchange if it becomes aware of any dealings in the Convertible Bond by any connected person (as defined in the Listing Rules) of the Company.

Completion is subject to satisfaction or waiver of the Conditions and hence, may or may not take place. Investors are advised to exercise extreme caution in dealing with the Shares.

Except for Shares issued pursuant to the share option scheme of the Company adopted on 13 February 2005, the Company has not raised any funds from any issue of equity securities in the last 12 months.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and sale of electronic and power-related automotive parts and accessories which are for leisure and safety purposes.

On 22 May 2006, the Company granted the 2006 General Mandate to the Directors. As of the date hereof, the Directors have not used the mandate granted except for the 13,660,442 new Shares proposed to be issued pursuant to and upon completion of the Aiyihang Agreement, details of which were set out in Company's announcement dated 27 March 2007. Based on the initial Conversion Price, the 2006 General Mandate should be sufficient for the issue of all the Conversion Shares on the basis that all the interest payable under the Convertible Bond will be settled in cash. It is not the intention of the Company to be in default of the payment of any interest under the Convertible Bond. Nevertheless, if there is any default of its obligations under the Bond Conditions that results in the exercise of the Conversion Right, the Company will issue an announcement. ARCH or any holder of the Convertible Bond, as the case may be, will decide whether the accrued interest is required to be settled by way of cash or issue of additional Shares or a combination of both.

SUSPENSION OF TRADING OF THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 30 April 2007 pending the release of an announcement on 11 May 2007 relating to the preliminary results of the Company in respect of the financial year ended 31 December 2006.

DEFINITIONS

Unless the context requires otherwise, the capitalized terms used in this announcement shall have the following meanings:–

“2006 General Mandate”	the general mandate granted to the Directors at the annual general meeting held on 22 May 2006 to allot and issue up to 80,520,000 Shares or other securities convertible to such number of Shares, representing 20% of the aggregate nominal amount of the Shares in issue on that date;
“Aiyihang Agreement”	the Equity Transfer Agreement dated 19 March 2007 pursuant to which the Company has agreed to acquire 51% equity interest in 北京愛義行汽車服務有限公司 (Beijing Aiyihang Auto Service Ltd.*); * Direct translation only
“ARCH”	ARCH Auto Limited, a company incorporated in the British Virgin Islands and the subscriber of the Convertible Bond;
“Benchmarked Price”	the price as determined in accordance with rule 13.36(5) of the Listing Rules;
“Board”	the board of directors of the Company;
“Bond Certificate”	the title certificate to be issued for the Convertible Bond setting out the Bond Conditions;
“Bond Conditions”	conditions of the Convertible Bond set forth in the Bond Certificate which include, but without limitation to, the Conversion Right and the Conversion Price;
“Company”	New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability;
“Completion”	completion of the issuance of the Convertible Bond pursuant to the terms and conditions of the Subscription Agreement;
“Completion Date”	the date on which the Completion takes place;
“Conditions”	the conditions precedent to Completion which are set forth in the Subscription Agreement;
“Conversion Price”	the price per Share at which the Convertible Bond may be converted into the Conversion Shares based on its principal amount, which is initially determined to be HK\$2.07 for each Share;
“Conversion Right”	the right of any holder of the Convertible Bond to convert the Convertible Bond in its entirety into the Conversion Shares at the Conversion Price;
“Conversion Shares”	the Shares to be allotted and issued upon conversion of any of the Convertible Bond;
“Convertible Bond”	the redeemable convertible bond in the principal amount of US\$12.0 million with coupon rate of 5.2% due in 2010 proposed to be issued by the Company pursuant to the terms and conditions set forth in the Subscription Agreement;
“Debt Service Coverage Ratio”	such ratio to be calculated at (x) the net profit of the Company before deduction of interest expenses and taxes divided by (y) the interest expenses and the net repayment of any loan principal, in accordance with the HKFRS;
“Deed of Undertakings”	the deed of undertakings to be entered by Mr. HUNG in favor of ARCH;
“Default Interest”	an additional interest over and above the interest rate under the Convertible Bond arising from the occurrence of an Event of Default;
“Directors”	directors of the Company;
“EBITDA”	the net profit of the Company before deduction of interest expenses, taxes, depreciation or amortization expenses, in accordance with the HKFRS;
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as amended from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Main Board”	the main board of the Stock Exchange;
“Major Subsidiary”	having the same meaning as set forth in rule 13.25(2) of the Listing Rules;
“Maturity Date”	the date falling three anniversary from the date of issue of the Convertible Bond, or such other date as the Company and ARCH may agree, on which the Convertible Bond matures;
“Mr. HUNG”	Mr. HUNG Wei-Pi, John, a Director and a controlling Shareholder (as such term is defined under the Listing Rules) of the Company;
“PRC”	the People's Republic of China which for the purpose of this announcement, does not include Hong Kong, Taiwan and The Macau Special Administrative Region of the People's Republic of China;
“Share(s)” or “Ordinary Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and ARCH on 30 April 2007 in connection with the issue by the Company of the Convertible Bond in the principal amount of US\$12.0 million;
“Subsidiary”	each of the subsidiaries of the Company;
“Total Net Debt”	the total amount of all interest-bearing debt of the Company minus cash on hand or cash equivalent;
“Trading Day”	a day on which the main board of the Stock Exchange is open for trading of securities;
“Transaction Documents”	means the Subscription Agreement, the Bond Certificate(s) and the Deed of Undertakings;
“United States” or “US”	the United States of America; and
“Warranties”	the representations and warranties set forth in the Subscription Agreement.

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

Hong Kong, 30 April 2007

As at the date of this announcement, the Directors are Mr. HUNG, Mr. WU Kwan-Hong, Ms. HUNG Ying-Lien, Mr. LU Yuan Chen, Mr. Douglas Charles Stuart FRESCO, Mr. Norman L. MATTHEW, Mr. LOW Hsiao-Ping, Mr. DU Haibo, Mr. ZHOU Tai-Ming and Mr. UANG Chii-Maw.