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New Focus Auto Tech Holdings Limited
新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 360



INTERIM REPORT

2009

* For identification purpose only

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CORPORATE INFORMATION

Directors

Executive Directors

Hung Wei-Pi, John (*Chairman*)

Wu Kwan-Hong

Hung Ying-Lien

Lu Yuan Cheng

Douglas Charles Stuart Fresco

Norman L. Matthew

Non-executive Directors

Low Hsiao-Ping

Irene Shih

Independent non-executive Directors

Du Haibo

Zhou Tai-Ming

Uang Chii-Maw

Company Secretary

Cheng, Yun Chung Ronie, ACA

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Grand Cayman

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Certified Public Accountants

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111 Connaught Road Central

Hong Kong

Legal Advisers

Jones Day

29/F, Edinburgh Tower,

The Landmark,

15 Queen's Road Central

Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Bank (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

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Grand Cayman

Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

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Hong Kong

Stock Code

360

Websites

<http://www.nfa360.com>

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited results of New Focus Auto Tech Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2009 (the “Period”) are as follows:

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2009

	Note	Unaudited Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
Turnover	3	276,447	341,724
Cost of sales and services		(199,802)	(264,165)
Gross profit		76,645	77,559
Other income and net gains	3	1,372	12,670
Distribution costs		(46,044)	(40,057)
Administrative expenses		(25,945)	(27,257)
Finance costs	4	(6,720)	(9,846)
(Loss)/profit before taxation		(692)	13,069
Taxation	5	(2,297)	(4,289)
(Loss)/profit for the period		(2,989)	8,780
Other comprehensive expense:			
Exchange differences arising on translation of overseas operations		(303)	(4,299)
Total comprehensive (expense)/income for the period		(3,292)	4,481
(Loss)/profit attributable to:			
Equity holders of the Company		(4,596)	7,256
Non-controlling interests		1,607	1,524
		(2,989)	8,780
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(4,888)	2,957
Non-controlling interests		1,596	1,524
		(3,292)	4,481
(Loss)/earnings per share			
– Basic	6	RMB(0.010)	RMB 0.016
– Diluted	6	RMB(0.010)	RMB 0.009
Dividend	7	–	–

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	<i>Note</i>	As at 30 June 2009 RMB'000 (Unaudited)	As at 31 December 2008 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	171,349	150,401
Leasehold land and land use rights	8	20,506	20,508
Investment properties	8	26,047	26,047
Goodwill	8	45,837	46,068
Other intangible assets	8	8,501	8,601
Other financial assets		2,861	2,778
Deferred tax assets		258	93
		275,359	254,496
Current assets			
Trading securities		342	227
Inventories	9	127,545	125,695
Trade receivables	10	60,186	78,175
Deposits, prepayments and other receivables		55,840	57,782
Amount due from a related party	11(a)	1,669	316
Tax recoverable		2,920	3,527
Pledged time deposits		2,181	1,877
Cash and cash equivalents		74,797	95,726
		325,480	363,325

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2009

	Note	As at 30 June 2009 RMB'000 (Unaudited)	As at 31 December 2008 RMB'000 (Audited)
Current liabilities			
Trade payables	12	116,319	110,707
Accruals and other payables		39,502	39,294
Amounts due to directors	11(b)	450	450
Bank borrowings, secured	13	75,146	95,940
Tax payable		1,234	731
		232,651	247,122
Net current assets		92,829	116,203
Total assets less current liabilities		368,188	370,699
Non-current liabilities			
Bank borrowings, secured	13	83,610	14,349
Convertible bond	14	–	68,591
Deferred tax liabilities		1,389	1,389
		84,999	84,329
Net assets		283,189	286,370
CAPITAL AND RESERVES			
Share capital	15	47,209	47,354
Reserves	16	199,070	205,476
		246,279	252,830
Non-controlling interests		36,910	33,540
Total equity		283,189	286,370

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital RMB'000 (Note 15)	Treasury stock RMB'000	Share premium and other reserves RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at 1 January 2009	47,354	-	127,128	78,348	252,830	33,540	286,370
Exchange differences arising on translation of overseas operations	-	-	(292)	-	(292)	(11)	(303)
Loss for the period	-	-	-	(4,596)	(4,596)	1,607	(2,989)
Total comprehensive expense for the period	-	-	(292)	(4,596)	(4,888)	1,596	(3,292)
Transfer of reserves	-	-	452	(452)	-	-	-
Arising from disposal of partial equity interest in a subsidiary	-	-	-	-	-	1,796	1,796
Contribution from minority owner of a subsidiary	-	-	-	-	-	87	87
Dividend	-	-	-	-	-	(109)	(109)
Repurchase of shares and cancelled	(145)	-	(980)	(145)	(1,270)	-	(1,270)
Treasury stock	-	(393)	-	-	(393)	-	(393)
Balance at 30 June 2009	47,209	(393)	126,308	73,155	246,279	36,910	283,189

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2008

	Share capital RMB'000 (Note 15)	Treasury stock RMB'000	Share premium and other reserves RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at 1 January 2008	46,394	-	131,247	69,076	246,717	31,667	278,384
Exchange differences arising on translation of overseas operations	-	-	(4,299)	-	(4,299)	-	(4,299)
Profit for the period	-	-	-	7,256	7,256	1,524	8,780
Total comprehensive income for the period	-	-	(4,299)	7,256	2,957	1,524	4,481
Lapse of share options	-	-	(6)	6	-	-	-
Transfer of reserves	-	-	917	(917)	-	-	-
Bonus issue	980	-	(980)	-	-	-	-
Balance at 30 June 2008	47,374	-	126,879	75,421	249,674	33,191	282,865

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	32,464	(34,914)
Net cash used in investing activities	(28,859)	(18,288)
Net cash used in financing activities	(24,549)	(2,125)
Net decrease in cash and cash equivalents	(20,944)	(55,327)
Cash and cash equivalents at the beginning of the period	95,726	113,130
Effect of foreign exchange rate change	9	–
Cash and cash equivalents at the end of the period	74,791	57,803
Analysis of cash and cash equivalents:		
Cash and bank balances	74,797	80,835
Bank overdrafts	(6)	(23,032)
	74,791	57,803

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

1. Organisation

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

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

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations ("new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2008 annual financial statements included in the Company's 2008 Annual Report.

The adoption of the new HKFRSs, except for HKAS 1 (Revised) as described below, had no material effect on the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised) separates owner and non-owners changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but not yet effective at 30 June 2009.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ³
HKFRS 3 (Revised)	Business Combinations ³
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives ⁴
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁵

¹ Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods ending on or after 30 June 2009.

⁵ Effective for transfer of assets from customers received on or after 1 July 2009.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover, other income and net gains 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 period are as follows:

	Unaudited Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Turnover	276,447	341,724
Other income and net gains:		
Realised gain on trading securities	116	64
Interest income	468	1,077
Government subsidies	899	63
(Loss)/gain on disposal of property, plant and equipment	(59)	718
Fair value gain on derivative component of convertible bond	409	4,822
Loss on redemption of convertible bond	(9,910)	–
Early repayment compensation from redemption of convertible bond <i>(Note 14)</i>	4,784	–
Exchange loss on convertible bond	(168)	–
Rental income	1,014	789
Gain on sale of scrap materials	–	352
Imputed interest income from non-current earnest money deposit	131	83
Sponsorship income	–	1,898
Sampling income	135	102
Income from provision of repair and maintenance services	438	433
Exchange gains	335	–
Others	2,780	2,269
	1,372	12,670
Total	277,819	354,394

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and net gains and segment information *(continued)*

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

Analysis of the segment revenues and results is as follows:

	Unaudited Six months ended 30 June 2009			
	Manufacture and sale of automobile accessories RMB'000	Provision of automobile repair, maintenance and restyling services RMB'000	Eliminations RMB'000	Group RMB'000
Segment revenues				
External sales	152,757	123,690	-	276,447
Inter-segment sales	2,980	-	(2,980)	-
Other revenue and gains	2,855	3,142	-	5,997
Inter-segment other revenue and gains	-	83	(83)	-
	158,592	126,915	(3,063)	282,444
Segment results	10,359	3,508		13,867
Unallocated other revenue and gains				(4,625)
Unallocated costs				(3,214)
Finance costs				(6,720)
Loss before taxation				(692)
Taxation				(2,297)
Loss for the period				(2,989)
Segment assets	377,032	181,843		558,875
Unallocated corporate assets				41,964
Total assets				600,839
Segment liabilities	249,313	66,170		315,483
Unallocated corporate liabilities				2,167
Total liabilities				317,650
Capital expenditures	28,190	3,241		31,431
Unallocated capital expenditures				-
				31,431
Depreciation and amortisation charges	5,350	4,697		10,047
Unallocated depreciation and amortisation charges				9
				10,056

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and net gains and segment information (continued)

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover, other income and net gains and segment information *(continued)*

Secondary reporting format – geographical segments

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Segment turnover:		
North America	90,938	147,413
Europe	16,576	40,269
Asia Pacific	12,750	16,159
Greater China (including Taiwan and the People's Republic of China (the "PRC"))	156,183	137,883
Total	276,447	341,724

There are no sales between the geographical segments during the six months ended 30 June 2009 and 2008.

4. Finance costs

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	2,959	3,402
Imputed interest on convertible bond wholly repayable within five years	3,761	6,444
	6,720	9,846

5. Income tax

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current tax – PRC and Taiwan corporate income tax	2,442	4,209
Deferred tax	(145)	80
	2,297	4,289

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the six months ended 30 June 2009 (2008: RMB Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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6. (Loss)/earnings per share

– *Basic*

Basic (loss)/ earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2009	2008
(Loss)/profit attributable to equity holders of the Company (RMB thousands)	(4,596)	7,256
Weighted average number of ordinary shares in issue (thousands)	451,833	451,579
Basic (loss)/earnings per share (RMB per share)	(0.010)	0.016

– *Diluted*

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
(Loss)/profit attributable to equity holders of the Company and used to determine diluted earnings per share (RMB thousands)	(4,596)	4,565
Weighted average number of ordinary shares in issue (thousands)	451,833	451,579
Adjustments for share options (thousands)	–	7,039
Adjustments for convertible bond (thousands)	–	48,665
Weighted average number of ordinary shares for diluted earnings per share (thousands)	451,833	507,283
Diluted (loss)/earnings per share (RMB per share)	(0.010)	0.009

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 and 2008.

8. Capital expenditures

	Goodwill RMB'000	Other intangible assets RMB'000	Property, plant and equipment RMB'000	Leasehold land and land use rights RMB'000	Investment properties RMB'000
Opening net carrying amount as at 1 January 2008	43,161	9,310	106,521	21,086	25,286
Additions	–	16	67,526	–	–
Acquisition of a subsidiary	609	–	842	–	–
Disposals	–	–	(2,725)	–	–
Depreciation/amortisation charge	–	(133)	(19,527)	(578)	–
Fair value gain	–	–	–	–	761
Adjustment (<i>note 1</i>)	2,544	–	–	–	–
Exchange realignment	(246)	(592)	(2,236)	–	–
Closing net carrying amount as at 31 December 2008	46,068	8,601	150,401	20,508	26,047
Additions	–	–	31,431	–	–
Disposals	–	–	(240)	–	–
Depreciation/amortisation charge	–	(66)	(9,702)	(288)	–
Reallocation	–	–	(286)	286	–
Disposal of equity interest in a subsidiary	(208)	–	–	–	–
Exchange realignment	(23)	(34)	(255)	–	–
Closing net carrying amount as at 30 June 2009 (unaudited)	45,837	8,501	171,349	20,506	26,047

Note:

1. It represents the adjustments to the final consideration paid in respect of an acquisition of a subsidiary in prior year, according to the acquisition agreement.
2. Leasehold land and land use rights, freehold land and certain buildings of the Group were pledged to secure the bank borrowings of the Group as at 30 June 2009 as detailed in Note 13.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Inventories

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Raw materials	33,042	27,258
Work-in-progress	26,398	26,200
Finished goods	22,129	24,037
Merchandise goods	46,567	48,783
	128,136	126,278
<i>Less: Provision for obsolete inventories</i>	(591)	(583)
	127,545	125,695

10. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Current to 30 days	34,765	26,336
31 to 60 days	14,694	29,894
61 to 90 days	2,215	14,643
Over 91 days	9,513	8,361
	61,187	79,234
<i>Less: allowance for doubtful debts</i>	(1,001)	(1,059)
	60,186	78,175

Credit terms generally range from 30 days to 90 days.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Amounts due from related parties

(a) Amount due from a related party

Amount due from a related party represented an amount of RMB1,669,000 (31 December 2008: RMB316,000) due from Custom Accessories Asia Limited ("Custom Accessories"). Majority interests of Custom Accessories are mainly held by Mr. Fresco and his spouse, who together held 50% of its equity interest, and Mr. Matthew and his family members, who together held 48% of its equity interest. Mr. Fresco and Mr. Matthew are directors of Custom Accessories and directors of the Company and have beneficial interests in the Company.

Name	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Custom Accessories		
Balance at beginning of period/year	316	92
Balance at end of period/year	1,669	316
Maximum amount outstanding during the period/year	1,669	316

Amount due from Custom Accessories arising from trading activities with ageing from current to 30 days. The amount due from a related party is unsecured, interest-free and repayable on demand.

(b) Amounts due to directors

The amounts due to directors are unsecured, interest-free and repayable on demand.

12. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Current to 30 days	61,790	56,843
31 to 60 days	25,509	23,849
61 to 90 days	13,691	14,669
Over 91 days	15,329	15,346
	116,319	110,707

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Bank borrowings, secured

At 30 June 2009, bank borrowings were repayable as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
On demand or within one year	75,146	95,940
After one year but within two years	71,176	1,069
Within two to five years	2,945	2,969
After five years	9,489	10,311
	158,756	110,289
Amount due within one year included in current liabilities	(75,146)	(95,940)
Amount included in non-current liabilities	83,610	14,349

The banking facilities are secured by (i) the Group's freehold land and buildings with an aggregate net carrying amount of RMB39,903,000 as at 30 June 2009 (31 December 2008: RMB26,394,000); (ii) the Group's leasehold land and land use rights of RMB5,583,000 as at 30 June 2009 (31 December 2008: RMB5,687,000); (iii) personal guarantees from a director of the Company, two chief executives of a subsidiary, and a director of a subsidiary and her husband; (iv) pledged time deposits; and (v) corporate guarantees of the Company and a subsidiary.

Most of the bank borrowings bear fixed interest rates ranging from 2.67% to 6.584% (31 December 2008: 2.93% to 8.964%).

At 30 June 2009, the Group had available RMB113,640,000 (31 December 2008: RMB75,443,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Convertible bond

On 16 May 2007, the Company issued US\$12,000,000 redeemable convertible bond. The bond carries coupon interest rate of 5.2% per annum, which is payable semi-annually in arrears. The bond is convertible into ordinary shares of the Company at an initial conversion price of HK\$2.07 per conversion share and subsequently HK\$1.923 as a result of adjustments arising from the bonus issue of the Company (subject to adjustments in accordance with the terms of the convertible bond), at any time during the period commencing from the date of issue of convertible bond.

Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible bond shall be redeemed, plus any accrued and unpaid interest, on the third anniversary of the issue date of the convertible bond.

The Company has no right to make early redemption without the consent of bondholder or its designated affiliates.

On 23 February 2009, at the bondholder's request and in consideration for the bondholder's agreement to terminate the convertible bond, the Company issued a promissory note (the "Promissory Note") in favour of the bondholder whereby the Company promised to pay to the bondholder the loan of US\$12,000,000 in accordance with the terms and conditions set forth in the Promissory Note, whereby installments of US\$3,000,000 (the "First Installment"), US\$4,000,000 (the "Second Installment") and US\$5,000,000 (the "Third Installment") are repayable on 26 February 2009, 30 April 2009 and 30 June 2009, respectively.

Pursuant to the terms and conditions of the Promissory Note, the Company shall be entitled to deduct US\$700,000 (equivalent to RMB4,784,000 (Note 3)) from the amounts of repayment of the loan (the "Early Repayment Compensation") if the Company repays the Third Installment on or before 30 April 2009 after having fully repaid the First Installment and the Second Installment on or before 26 February and 30 April 2009, respectively. As the convertible bond was settled before 30 April 2009, the Company was entitled to the Early Repayment Compensation of RMB4,784,000 and recognised as other income and net gains in Note 3.

The convertible bond is denominated in United States dollar ("US\$") which is different from the functional currency of the Company, the bond issuing entity. As such, the exercise of conversion option would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivative of conversion option is therefore accounted for as a financial liability. The proceeds from the issue of the convertible bond of US\$12,000,000 (equivalent to RMB91,897,000) have been split into liability and derivative components. On issue of the convertible bond, the fair value of the derivative component is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the balance sheet date are recognised in the consolidated statement of comprehensive income.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Convertible bond (continued)

The movements of the liability and derivative components of the convertible bond up to 30 June 2009 are as follows:

	Liability component of convertible bond	Derivative component of convertible bond	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008	65,122	13,803	78,925
Amount due within one year (interest payable included in accruals and other payables)	(2,927)	–	(2,927)
Amount classified as non-current liabilities as at 31 December 2007	62,195	13,803	75,998
Imputed interest	13,508	–	13,508
Fair value gain	–	(11,877)	(11,877)
Unrealised exchange gain	(3,931)	(844)	(4,775)
At 31 December 2008	71,772	1,082	72,854
Amount due within one year (interest payable included in accruals and other payables)	(4,263)	–	(4,263)
Amount classified as non-current liabilities as at 31 December 2008	67,509	1,082	68,591
Imputed interest	3,761	–	3,761
Fair value gain	–	(409)	(409)
Unrealised exchange loss	168	–	168
Early redemption	(71,438)	(673)	(72,111)
At 30 June 2009	–	–	–

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Share capital

Details of the movements in issued share capital of the Company are as follows:

	Number of shares	Nominal Value	
	'000	HKD'000	RMB'000
At 1 January 2008	440,564	44,056	46,394
Issue of shares on exercise of share options	30	3	3
Bonus issue	11,014	1,101	980
Repurchase of shares and cancelled	(264)	(26)	(23)
At 31 December 2008	451,344	45,134	47,354
Repurchase of shares and cancelled	(1,644)	(164)	(145)
At 30 June 2009	449,700	44,970	47,209

Movements in the number of share options outstanding are as follows:

	Options (thousands)
At 1 January and 30 June 2009	13,110

Share options outstanding (in thousands) at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Granted to Directors (thousands)	Granted to Employees (thousands)	Total (thousands)
31 December 2010	0.94	–	3,070	3,070
12 February 2015	0.94	10,040	–	10,040
		10,040	3,070	13,110

There was no new share option granted during the six months ended 30 June 2009.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Reserves

	Share Premium RMB'000	Treasury stock RMB'000	Statutory reserve fund RMB'000	Reorg- anisation reserve RMB'000	Enterprise expansion fund RMB'000	Retained profits reserve RMB'000	Others, including share options RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2008	101,985	-	25,028	2,738	2,756	69,076	2,713	-	(3,973)	200,323
Exchange differences arising from translations of overseas operations	-	-	-	-	-	-	-	-	(4,632)	(4,632)
Profit for the year	-	-	-	-	-	10,922	-	-	-	10,922
Total comprehensive income for the period	-	-	-	-	-	10,922	-	-	(4,632)	6,290
Issue of shares on exercise of share options	25	-	-	-	-	-	(3)	-	-	22
Repurchase of shares and cancelled	(179)	-	-	-	-	(23)	-	23	-	(179)
Lapse of share options	-	-	-	-	-	238	(238)	-	-	-
Transfer of reserves	-	-	1,865	-	-	(1,865)	-	-	-	-
Bonus issue	(980)	-	-	-	-	-	-	-	-	(980)
At 31 December 2008	100,851	-	26,893	2,738	2,756	78,348	2,472	23	(8,605)	205,476
Exchange differences arising from translations of overseas operations	-	-	-	-	-	-	-	-	(292)	(292)
Loss for the period	-	-	-	-	-	(4,596)	-	-	-	(4,596)
Total comprehensive loss for the period	-	-	-	-	-	(4,596)	-	-	(292)	(4,888)
Repurchase of shares and cancelled	(1,125)	-	-	-	-	(145)	-	145	-	(1,125)
Transfer of reserves	-	-	452	-	-	(452)	-	-	-	-
Treasury stock	-	(393)	-	-	-	-	-	-	-	(393)
At 30 June 2009	99,726	(393)	27,345	2,738	2,756	73,155	2,472	168	(8,897)	199,070

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments

(a) Commitments under operating leases

The Group as lessee

The Group has future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Within one year	26,583	24,129
In the second to fifth years inclusive	64,087	54,401
After the fifth years	15,953	15,439
	106,623	93,969

The Group as lessor

The Group has future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Within one year	1,754	1,377
In the second to fifth years inclusive	4,655	195
	6,409	1,572

(b) Capital commitments

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Construction of buildings, – contracted but not provided for	2,331	11,814

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. Related party transactions

Apart from the transactions or balances as disclosed in Notes 11 and 13, the Group had the following significant related party transactions:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Sales of goods to Custom Accessories	6,490	3,423

The directors consider the above transactions were conducted in the normal course of business at prices and terms determined by reference to those charged to and contracted with other third party customers or suppliers of the Group.

19. Significant event after the balance sheet date

On 29 July 2009, the Company made an application to The Taiwan Stock Exchange Corporation (the "Taiwan Stock Exchange") and The Central Bank of the Republic of China (the "Taiwan Central Bank") for the offering and listing of the Taiwan depository receipts proposed to be issued by a depository bank in Taiwan (the "TDR"), representing not more than 90 million new shares of the Company to be issued by the Company on the Taiwan Stock Exchange. This TDR issue is also subject to approval by the Taiwan Securities and Futures Bureau, application for which will be made after the grant of approvals by the Taiwan Stock Exchange and the Taiwan Central Bank. The Company will also apply to The Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the new shares proposed to be issued in this TDR issue on The Stock Exchange of Hong Kong Limited.

20. Approval of financial statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issued by the board of directors on 4 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group for the first time recorded higher turnover from the Greater China region than that from overseas, representing 56% of the Group's consolidated turnover, an increase of 13% compared to the corresponding period in 2008, of which, AUTOLIFE (representing the Group's chain store business), being the main profit stream of the Greater China region, accounted for 79%. This puts the Greater China region, the Group's core market for business development, and the chain store business its major focus.

Financial Review

Revenue

For the six months ended 30 June 2009 (the "Period"), the Group's consolidated turnover was approximately RMB276,447,000, representing a decrease of 19% as compared to that of the corresponding period in 2008 (approximately RMB341,724,000). Being affected by the global financial crisis during the Period, the consolidated turnover of NFA (representing the Group's manufacturing business) amounted to RMB152,757,000, a fall of 35% as compared to that of corresponding period in 2008; and being affected by the automobile market of the PRC and because of the shift of the Group's strategic focus to chain store business, the consolidated turnover of AUTOLIFE (representing the Group's chain store business) was approximately RMB123,690,000, representing a growth of 15% as compared to that of the corresponding period in 2008. The chain store business accounted for 45% of the Group's consolidated turnover at present, an increase from 32% in the corresponding period in 2008.

During the Period, the Group has recorded a consolidated turnover of approximately RMB156,183,000 from the Greater China region, representing a growth of 13% as compared to the corresponding period in 2008 (approximately RMB137,883,000), and being the first time exceeding the turnover generated from the overseas markets. It accounted for 56% of the Group's consolidated turnover compared with 40% in the corresponding period in 2008. Such increase also represents its rising self-owned brand recognition in the Greater China region as well as the expansion of its distribution network.

Gross profit

Gross profit for the Period amounted to RMB76,645,000, representing a small drop of 1% as compared to that of the corresponding period in 2008 of approximately RMB77,559,000, while the gross profit margin increased to 28%, representing an increase of 5% as compared to that of the corresponding period in 2008. Despite the global financial crisis and the fluctuation of the prices of raw materials, the gross profit margin of NFA (representing the Group's manufacturing business) continued to rise to 20%, representing an increase of 4% as compared to that of 2008. During the Period, the gross profit of AUTOLIFE (representing the Group's chain store business) grew by 13% as compared to 2008, and the gross profit margin continuously maintained at a relatively higher level of 37%. This was caused by the maturing effect of the Super Store operating model.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

During the Period, the Group recorded other income of approximately RMB1,372,000 (corresponding period of 2008: approximately RMB12,670,000), representing a substantial decrease from the same period in 2008. It was mainly due to the effect of early repayment of the convertible bond during the Period. The impact of such early redemption of convertible bond was an additional one-off expense of approximately RMB13,430,000.

Expenses

During the Period, the sales and marketing expenses were approximately RMB46,044,000 (corresponding period of 2008: approximately RMB40,057,000), representing an increase of 15% as compared to that of 2008. The increase in expenses was mainly due to:

1. the corresponding increase in the sales and marketing expenses due to the establishment of overseas subsidiaries in the North American market, through which a local team comprising of marketing and business professions was set up; and
2. an addition of two directly operated Super stores, leading to an increase in sales and marketing expenses accordingly as follows:

An addition of a Super store in the regional headquarters in Taiwan.

An addition of a Super store in the regional headquarters in Shanghai.

The administrative expenses for the Period amounted to approximately RMB25,945,000 (corresponding period of 2008: approximately RMB27,257,000), representing a decrease of 5% as compared to that of 2008.

Operating profit

The operating profit for the Period was approximately RMB6,028,000 (corresponding period of 2008: approximately RMB22,915,000). Excluding the impact of the early redemption of the convertible bond, the operating profit during the Period would have been RMB15,697,000. Of which, the operating profit of NFA (representing the Group's manufacturing business) would have been approximately RMB10,359,000, while that of AUTOLIFE (representing the Group's chain store business) would have been approximately RMB3,508,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The net finance costs for the Period amounted to approximately RMB6,720,000 (corresponding period of 2008: approximately RMB9,846,000), representing a decrease of 32% as compared to that of 2008.

Taxation

The income tax expenses for the Period was approximately RMB2,297,000 (corresponding period of 2008: approximately RMB4,289,000), representing a decrease of 46% as compared to that of 2008.

Loss attributable to shareholders

The loss attributable to shareholders for the Period was approximately RMB4,596,000 (corresponding period of 2008: profit of approximately RMB7,256,000). Had an one-off expense of RMB13,430,000 arising from the early repayment of the convertible bond been excluded during the Period, the on-going profit attributable to shareholders would have been RMB8,834,000, representing an increase of approximately 22% as compared to the corresponding period of 2008.

Financial status and liquidity

As at 30 June 2009, the Group had adequate cash and bank balance, amounting to approximately RMB74,797,000 (31 December 2008: approximately RMB95,726,000).

As at 30 June 2009, the Group maintained a healthy liquidity level with a current ratio (current assets: current liabilities) of 1.40 (31 December 2008: 1.47). The gearing ratio (total liabilities: total assets) was 53% (31 December 2008: approximately 54%). As at 30 June 2009, the Group had long-term loans of approximately RMB83,610,000 (31 December 2008: approximately RMB82,940,000); while the short-term bank loans amounted to approximately RMB75,146,000 (31 December 2008: RMB95,940,000).

Operating cash flow

The operating cash inflow of the Group during the Period was RMB32,464,000. The Group will continue to maintain its stable financial status. The Group has sufficient financial resources for its commitments and payable working capital requirements and for the investment of future expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial guarantees and pledge of assets

As at 30 June 2009, the net book values of property, plant and equipment and leasehold land and land use rights pledged as securities for the Group's bank borrowings totalled to approximately RMB45,486,000 (31 December 2008: approximately RMB32,081,000).

Material acquisitions and disposals of subsidiaries and associated companies

During the Period, the Group had no material acquisition and disposal of subsidiaries and associated companies.

Significant investments

During the Period, the Group has no material investments.

During the Period, the total capital expenditure of the Group amounted to approximately RMB31,431,000 (corresponding period of 2008: approximately RMB21,230,000).

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

During the Period, the Group had no investments in hedging derivatives.

Employees and remuneration policy

As at 30 June 2009, the Group employed 2,530 full-time employees (30 June 2008: 2,393), of which 119 (30 June 2008: 110) were dedicated to the research and development of new products. The Group has committed to the recruitment of high quality staff to enrich its talent pool. In order to attract and retain outstanding employees, the Group has provided benefits such as medical insurance and housing allowances in addition to the various mandatory pension schemes stipulated by the municipal government.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: RMBnil).

Business progress

Automobile green lighting and electronic power manufacturing business – NFA

During the Period, the operating profit of NFA was undoubtedly affected by the global economic crisis. Facing numerous challenges and a difficult market environment, the export volume and turnover were decreased. However, thanks to the effective implementation of a number of strategies and policies, NFA successfully minimised the impact of many unfavorable factors brought by the macro-economic environment:

Strategies for export market:

1. Adjust the product profile and increase the marketing effort invested in the products with higher gross margin.
2. Strengthen the cost control and transfer products with low gross margin to the production facility with lower costs. This helped increase the overall gross margin.
3. Centralise the purchase of materials, and lock-in purchase prices, the costs of raw material is efficiently maintained at a low level.
4. Continue to increase the proportion of direct sales to overseas retailers. It enables the Group to obtain first hand market information and to streamline the sales structure in order to enhance gross profit margin of the products. The products directly supplied to overseas retailers can achieve a profit margin of 5-8% higher than through importers.
5. Improve the functions and appearance of the products to enhance their competitiveness and quality. It had a stabilising effect on the gross profit margin of the products.
6. Accelerate the development of new products and green energy products to cope with the global demand of environmental protection products which promote energy-saving and carbon-reduction.

MANAGEMENT DISCUSSION AND ANALYSIS

NFA has been increasing its efforts in the development of the automotive accessories market in the PRC since 2008. On top of actively expanding its sales channels, NFA has also endeavored to enhance its brand awareness and enhance the influence of its brand. A number of sales strategies was proven effective during the first six months of 2009, which have helped mitigate the impacts of the shrinking export volume.

Strategies for domestic market:

1. Continue to penetrate the market and establish solid sales channels. The Group will increase its attention on the development of agency business. Currently, NFA has 35 first-class provincial agents, covering 29 provinces across the PRC, the store network and its coverage will continue to expand and the Group currently has around 2,000 distributors.
2. Carry out thorough market research so as to develop and innovate products that cater for the PRC market. Apart from enriching its own product range, NFA will also strive to enhance the practicality and reputation of the products.

During the Period, according to the statistics of China Association of Automobile Manufacturers, China's domestic sales volume in new vehicle has reached historical high, amounting to 6,000,000 units. It is the first time China overtook the United States in terms of half-yearly sales volume. China has become the world's largest automotive market. China's flourishing automotive market had benefited NFA and lead to a fruitful half-yearly results for that particular sector, in which the sales volume increased by 26% as compared to the corresponding period in 2008.

Benefiting from the emerging domestic market and the success of certain corresponding strategies. NFA's overall profit margin remains on the rise. Gross profit margin maintains at a level of 20%.

MANAGEMENT DISCUSSION AND ANALYSIS

Automotive aftermarket chain retail business – AUTOLIFE

AUTOLIFE is committed to providing professional automotive aftermarket services. Since entering into the market in 2002, AUTOLIFE has gone through several business models including small retail shop and franchise store, and is ultimately developed into a chain automotive service corporation focusing on self-operated large Super stores. After years of effort, AUTOLIFE eventually came to fruition in 2008 when it became break-even and starting to be profitable. Simultaneously, AUTOLIFE has already established strong brand awareness within the Greater China region through stable and progressive development and so far is the only large-scale chain automotive service operator spanning across the Taiwan Strait. It is an industry leader.

AUTOLIFE owns a number of brands such as “Richahaus”, “Aiyihang” and “AUTOLIFE”, and has its regional development headquarters in different regions including Shanghai, Beijing, Chengdu and Taiwan as follows:

- Regional headquarters in Shanghai: the headquarters were established in 2002, currently adopting the brand name of “NF Richahaus”. During the Period, an additional Super store has been established and there were two Super stores in total as at 30 June 2009. Shanghai, being the most important trading hub of the PRC, is the most critical strategic foothold for maintaining in the PRC’s mainstream market.
- Regional headquarters in Beijing: current brand name is “Aiyihang AUTOLIFE” after integrated into AUTOLIFE group in 2007 and had 15 Super stores in total as at 30 June 2009. With over 300,000-strong members, it ranks number one in Beijing in respect of customer base and brand recognition. Beijing is the largest automobile market in China with the highest car count, and therefore, it is crucial to dominate the Beijing market before claiming the China market.
- Regional headquarters in Chengdu: current brand name is “Aiyihang AUTOLIFE” after integrated into AUTOLIFE group in 2005 and owned two Super stores in total as at 30 June, 2009. Chengdu is the market with the highest potential in the South-West of China, and Aiyihang AUTOLIFE is currently the sole chain organisation with large operating scale in Chengdu. This has laid a solid foundation for its future development into the markets in other second and third tier cities.

MANAGEMENT DISCUSSION AND ANALYSIS

- Regional headquarters in Taiwan – Taipei: current brand name is “Richahaus AUTOLIFE” after integrated into AUTOLIFE group in 2006. During the Period, an additional Super store has been established and there were 16 large Super stores in total as at 30 June 2009. After beating the strong competitors from Japan, Richahaus AUTOLIFE has been the leading automotive service provider in Taiwan in terms of the scale of store network, turnover and the brand recognition, with a base of over 400,000 members.

As an extension of the major strategic plan of developing Super stores since 2008, during the Period, the service business has set up two additional Super stores in Shanghai and Taiwan respectively in response to the demand from these regional markets. During the Period, regarding the development of the number of stores for the service business, the Group deliberately caps the growth rate because the Group needed to improve the management quality and profitability of individual store during the first half of 2009.

Through the successful implementation of the integration of various resources and marketing strategies, AUTOLIFE has effectively increased the operating efficiency, resulting in a significant enhancement in both quality and profitability in respect of its services and operations.

1. Owing to the vast expanse of the PRC territories, the demand for auto services differentiates among provinces and regions. Therefore, AUTOLIFE has employed competent management and personnel locally, and has implemented policies according to the regions to enhance the quality of management and ensure customer satisfaction.
2. The cost of procurement has been effectively reduced by implementing IT integration and bulk-purchase. However, the contribution to profits will gradually increase. Moreover, the ECFA (Economic Cooperation Framework Agreement) between Taiwan and the PRC will also have remarkable contribution in lowering the costs for AUTOLIFE.

MANAGEMENT DISCUSSION AND ANALYSIS

3. In addition to auto cosmetics, decoration and modification, sales and maintenance, sales of auto amenities, the Group has been constantly increasing the service range to provide a more comprehensive one-stop auto services. By capitalising on its existing clientele, AUTOLIFE in Beijing successfully introduced auto insurance services. As for AUTOLIFE in Taiwan, as the environmental awareness among the general public in Taiwan grows, new demand, new technologies and equipment have been introduced and the carbon deposits cleaning service has been added to meet such new demand. Such new technologies not only have provided more advanced and more environment-friendly ways to maintain engines for customers, but also have brought considerable operating revenue and profits for AUTOLIFE in Taiwan.

During the Period, the turnover of the services business of the Group amounted to RMB123,690,000 with an operating profit of RMB3,508,000.

During the Period, the world was still shrouded in the haze of economic crisis. However, thanks to the state policies in the PRC such as concessionary tax on automotive purchase and the introduction of automobiles to rural areas that boosted consumption in the automotive market, the PRC has become the world's largest consumer market of automobile, and the PRC automotive aftermarket looks set to become the world leader. Under the incentives from a number of favorable factors under the macro-industry environment, AUTOLIFE is more confident of developing the automotive services chain business in the PRC. In order to maintain the leading position in the industry and to cope with the huge demand from this emerging market, AUTOLIFE has devised a three-year expansion plan for Super store. By enhancing operation scale and capturing market share, it will strengthen the leading position of AUTOLIFE in the increasingly sophisticated automotive services market notwithstanding the influx of local competitors.

AUTOLIFE has maintained a 2-way expansion for new stores: firstly, set up self-operated stores in its own right; secondly, under the encouragement of the successful integration of Richahaus in Taiwan and Aiyihang in Beijing, AUTOLIFE will also continue to form alliance with the regional peers in the PRC by way of merger and acquisition, speeding up the pace of development of AUTOLIFE in the Greater China market and maintaining its leading position in the industry.

As at 30 June 2009, AUTOLIFE had 35 large-scale self-operated Super stores across the Taiwan Strait, with a total of 398 services outlets, including small-scale stores and franchise stores.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

In respect of the manufacturing business, the Group will incorporate new sales strategies and continue to increase the proportion of direct sales to overseas retailers. By optimising the product mix, it will effectively increase the overall gross profit and promote business growth. Moreover, riding on the trend that the PRC automotive industry will become the world's largest automotive market, there will definitely be huge opportunities arising from the automotive accessories market. In order to cater for the demand from the vast and emerging automotive accessories market and to capture such opportunities, NFA currently has accelerated its pace to develop the domestic market of the PRC. It has strived to develop products that meet the demand of the PRC market, by conducting self-initiated research and development as well as combining the brand-marketing strategies, to enhance brand recognition and the reputation of the products, and to build up a stronger sales network to increase market share and enhance competitive edges.

To meet the demand from the increasing number of new automotive users in the PRC and to maintain the leading position of AUTOLIFE in the industry, the Group will put more efforts in operating the services business in the second half of the year, with the following major projects:

1. Integrating the marketing and branding strategies, the Group will continue to increase the individual store profitability and customer satisfaction of the large-scale Super stores to enhance its competitiveness in the market.
2. The Group will continue to expand AUTOLIFE, radiating from where its regional headquarters are located to their respective peripheral cities by a comprehensive penetration approach to capture the Golden Cross Lines of the PRC, which covers the five main economic circles of the PRC, being Huanbohai in the North, Yangtze River Delta region in the East, Pearl River Delta region in the South, Chengyu in the West, with a combined GDP representing 90% of the nation and a population of 960,000,000. AUTOLIFE has planned to enter into the Shenzhen and Xian markets within the next 6 to 12 months.

It is expected that within the next three years, the number of Super store chain will experience a significant growth and the profits will also have a dramatic growth as a result of economies of scale. In addition, the turnover and profits derived from the services business will also become a prime driver for growth of operating profits for the Group for the next three years.

Given the Group's significant improvement on the sales volume in the Greater China market, inclusive of the sales aftermarket of the service business and manufacturing business, the Board expects that both turnover and profit will record a steady growth in the second half of the year compared to that of the first half of the year. It is also expected that the turnover derived from the Greater China market will continue to exceed that of the overseas markets. The positioning of the Group has been successfully transformed from a manufacturer of automotive accessories primarily for export into a brand operator targeting the Greater China's automobile services market.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 30 June 2009, the interests and short positions of each of the directors of the Company (the "Directors") and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) The Company

(a) Interest in shares of the Company

Name	Capacity/ Nature of interest	Number of shares	Number of	Total	Approximate
		in which interested (other than under equity derivatives)	shares in which interested under equity derivatives		
Mr. Hung Wei-Pi, John	Interest in a controlled corporation (Note 2)	177,256,120 (L)	Nil	177,256,120 (L)	39.43%
Mr. Douglas Charles Stuart Fresco	Interest in a controlled corporation (Note 3)	53,590,690 (L)	Nil	53,590,690 (L)	11.92%
	Beneficial Owner	3,529,115 (L)	Nil	3,529,115 (L)	0.79%
Mr. Lu Yuan Cheng	Beneficial Owner	805,035 (L)	3,240,000 (L)	4,045,035 (L)	0.90%
			(Note 4)		
Ms. Hung Ying-Lien	Beneficial Owner	383,145 (L)	3,400,000 (L)	3,783,145 (L)	0.84%
			(Note 4)		
Mr. Wu Kwan-Hong	Beneficial Owner	513,935 (L)	3,400,000 (L)	3,913,935 (L)	0.87%
			(Note 4)		

OTHER INFORMATION

Notes:

1. The letter "L" denotes a long position in the shares.
2. These shares were registered in the name of and beneficially owned by Sharp Concept Industrial Limited, the entire issued share capital of which was registered in the name of and beneficially owned by Mr. Hung Wei-Pi, John. Under the SFO, Mr. Hung Wei-Pi, John is deemed to be interested in all the shares of the Company held by Sharp Concept Industrial Limited.
3. These shares were registered in the name of and beneficially owned by Golden Century Industrial Limited, the entire issued share capital of which was registered in the name of and beneficially owned by Mr. Douglas Charles Stuart Fresco. Under the SFO, Mr. Douglas Charles Stuart Fresco is deemed to be interested in all the shares of the Company held by Golden Century Industrial Limited.
4. Details of these equity derivatives are set out in sub-section (b) below.

(b) Interests in the underlying shares of the Company through unlisted and physically settled equity derivatives (as defined in the SFO)

Certain Directors were granted share options under the share option scheme of the Company dated 13 February 2005. Share options granted to the Directors to subscribe for shares of the Company which were outstanding on 30 June 2009 were as follows:

Name	Nature of interest	Number of underlying shares in respect of options granted but not exercised	Exercise period	Price for grant	Exercise price
Ms. Hung Ying-Lien	Beneficial Owner	3,400,000 (L)	1 January 2006 to 12 February 2015	HK\$10.00 (for all)	HK\$0.94 (per share)
Mr. Wu Kwan-Hong	Beneficial Owner	3,400,000 (L)	1 January 2006 to 12 February 2015	HK\$10.00 (for all)	HK\$0.94 (per share)
Mr. Lu Yuan-Cheng	Beneficial Owner	3,240,000 (L)	1 January 2006 to 12 February 2015	HK\$10.00 (for all)	HK\$0.94 (per share)

The letter "L" denotes a long position in underlying shares of the Company.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2009, to the knowledge of the Directors and chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

So far as the Directors and chief executives of the Company are aware, as at 30 June 2009, the interests and short positions of the persons, other than Directors and chief executives of the Company, in the shares and underlying shares of the Company, as notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of shares in which interested (other than under equity derivatives) <i>(Note 1)</i>	Number of shares in which interested under equity derivatives	Total number of shares	Percentage of issued shares
Sharp Concept Industrial Limited	Beneficial owner	177,256,120 (L)	Nil	177,256,120	39.43%
Ms. Jinxiao Yan	Family interest <i>(Note 2)</i>	177,256,120 (L)	Nil	177,256,120	39.43%
Mr. Douglas Charles Stuart Fresco	Family interest <i>(Note 3)</i>	57,119,805 (L)	Nil	57,119,805	12.71%
Golden Century Industrial Limited	Beneficial owner	53,590,690 (L)	Nil	53,590,690	11.92%
Ms. Linda Fresco	Family interest <i>(Note 3)</i>	57,119,805 (L)	Nil	57,119,805	12.71%

OTHER INFORMATION

Notes:

1. The letter "L" denotes a long position in the shares.
2. Ms. Jin Xiao-Yan is the wife of Mr. Hung Wei-Pi, John, an executive Director. Under the SFO, she is deemed to be interested in all the shares of the Company held by Sharp Concept Industrial Limited which is wholly and beneficially owned by Mr. Hung Wei-Pi, John.
3. Mrs. Linda Fresco is the wife of Mr. Douglas Charles Stuart Fresco, an executive Director. Under the SFO, she is deemed to be interested in all the shares of the Company held by Golden Century Industrial Limited which is wholly and beneficially owned by Mr. Douglas Charles Stuart Fresco. The difference between the number of shares held by Golden Century Industrial Limited and Mr. Douglas Charles Stuart Fresco represent shares that are held under Mr. Douglas Charles Stuart Fresco personal name.

Save as disclosed above, the Directors are not aware of any person, other than the Directors or chief executives of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2009.

Share Option Scheme

The Company conditionally adopted a share option scheme (the "Scheme") on 13 February 2005 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

There have been no changes in the terms of Scheme during the six months ended 30 June 2009. The detailed terms of the Scheme were disclosed in the 2005 annual report of the Company.

As at 30 June 2009, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 13,110,000 shares. The total number of shares available for issue under the Scheme (excluding options already granted) is 14,510,000 shares, representing approximately 3.23% of the total issued share capital of the Company on that date.

OTHER INFORMATION

Details of the share options granted under the Scheme as at 30 June 2009 are as follows:

Name of option holder	Date of grant of share option	Exercise period of share option	Exercise price of share option (per share)	Closing price on date of grant (per share)	Number of	Number of	Lapsed/ cancelled since 1 January 2009	Number of
					underlying shares subject to options at 1 January 2009	underlying shares subject to options exercised since 1 January 2009		underlying shares subject to outstanding options at 30 June 2009
Ms. Hung Ying-Lien Executive Director	28/2/2005	1/1/2006– 12/2/2015 <i>(Note 1)</i>	HK\$0.94	HK\$0.94	3,400,000	–	–	3,400,000
Mr. Wu Kwan-Hong Executive Director	28/2/2005	1/1/2006– 12/2/2015 <i>(Note 1)</i>	HK\$0.94	HK\$0.94	3,400,000	–	–	3,400,000
Mr. Lu Yuan-Cheng Executive Director	28/2/2005	1/1/2006– 12/2/2015 <i>(Note 1)</i>	HK\$0.94	HK\$0.94	3,240,000	–	–	3,240,000
Continuous contract employees in aggregate	28/2/2005	From 1/1/2007 <i>(Note 2)</i>	HK\$0.94	HK\$0.94	3,070,000	–	–	3,070,000
Total					13,110,000	–	–	13,110,000

OTHER INFORMATION

Notes:

1. Those remaining share options are exercisable during the period from 1 January 2006 to 12 February 2015 subject to such performance targets or conditions as determined by the Board.
2. Share options to other employees are exercisable within periods ranging from 1 year to 5 years subject to such performance targets or conditions as determined by the Board.

Arrangements to Purchase Shares or Debentures

Save as disclosed above and save as disclosed in the section headed “Share Option Scheme”, at no time during the Period were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, any of its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Purchase, Sale and Redemption of the Company's Listed Shares

During the period under review, the Company repurchased 1,432,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited under the general mandate to repurchase shares granted by the shareholders at the annual general meeting of the Company held on 4 June 2008, and repurchased 752,000 ordinary Shares of the Company on The Stock Exchange of Hong Kong Limited under the general mandate to repurchase shares granted by the shareholders at the annual general meeting of the Company held on 3 June 2009. Save as disclosed, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Period.

OTHER INFORMATION

The details of the repurchase of shares by the Company during the Period under review is as follow:

Month	Highest price (HK\$)	Lowest price (HK\$)	Average price (HK\$)	Number of shares repurchased	Consideration paid (HK\$)
January 2009	0.83	0.80	0.81	440,000	354,400
February 2009	0.87	0.80	0.86	356,000	306,000
March 2009	0.89	0.88	0.88	532,000	468,604
April 2009	0.95	0.95	0.95	40,000	38,000
May 2009	0.98	0.95	0.97	64,000	61,880
June 2009	1.03	0.99	1.01	752,000	760,680

The Board of Directors considered that the repurchase of shares by the Company would lead to an enhancement of the net asset value per share of the Company and was in the best interest of the Company and its shareholders.

Corporate Governance

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

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

OTHER INFORMATION

Directors' Securities Transactions

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

Audit Committee

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

By Order of the Board

New Focus Auto Tech Holdings Limited

Hung Wei-Pi, John

Chairman

Hong Kong, 4 September 2009