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CORPORATE INFORMATION

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Hung Wei-Pi, John *(Chairman)*
Wu Kwan-Hong
Hung Ying-Lien
Lu Yuan Cheng
Douglas Charles Stuart Fresco

Non-executive Directors

Low Hsiao-Ping
Hsu Ming Chyuan

Independent non-executive Directors

Du Haibo
Zhou Tai-Ming
Uang Chii-Maw

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360

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On behalf of the management team and our 3,200 staff members in the Mainland, Hong Kong and Taiwan, it is my honor to take this opportunity to express my sincere gratitude to all our shareholders, customers and parties who have long been supportive of the Group. I hereby present the results of the Group for 2009 and its future prospect for 2010.

Overall Results and Dividend Policy

During 2009, under the haze of the global economic crisis triggered by the credit crunch and Dubai turmoil, the demand of worldwide consumer market continued to plunge and the confidence of consumers wavered, meanwhile the tremendous price fluctuation of the raw materials had posed difficulties to many companies worldwide. Fortunately China managed to stay clear of this crisis with outstanding economic performance and recorded approximately 8% growth in its gross domestic products (GDP).The annual total automotive sales of more than 13.60 million in 2009, an increase of 45% compared to 2008, and put China in the first-ever top position in the world. During 2009, the network of the automotive aftermarket services has achieved double digit growth as compared to 2008.

New Focus Auto Tech Holdings Limited (the "Company", and together with its Subsidiaries, the "Group") is principally engaged in the operation of the automotive aftermarket services network as well as the development of innovative products in respect of environmentally friendly auto lighting and automotive electronic power products.

Being the pioneer in automotive aftermarket services network sector, Autolife enjoys the largest market share in the Greater China Region. It is also the only chain store operator who could break through provincial boundaries and became the industry leader in the region. A series of automotive aftermarket services provided by Autolife, such as rapid repair and maintenance, auto care sales of auto accessories, are there to satisfy the basic needs of consumers. We also engage in the distribution of automotive insurance products in Beijing.

Looking back in the previous year, the management team of Autolife successfully built up its foothold in Shenzhen. This facilitates the Group in realising the Group's strategy in expanding the operating scale and perspective, and marks a big step towards entering the economic circle in the Pearl River Delta. The strategic layout of the Golden Cross in Greater China, covering Shanghai in the East, Chengdu (Chengyu economic circle) in the West, Beijing in the North and Shenzhen in the South, has been completed. It has resulted in a strong increase in the number of self-operated large-scale Super stores from 25 in 2007 to 34 in 2008 and 42 in 2009. The operating revenue and net profits of Autolife has exceeded its target, enjoying remarkable and sustainable growth. As such, the Group anticipates and is confident that 2010 will be a fruitful year with remarkable increase in profit and growth. Thanks to the present dramatic growth in the domestic consumption demand in China and the introduction of car subsidy program for rural areas, it is expected that the potential of the automotive aftermarket business is enormous and will continue into the next decade. We expect that these positive factors will be translated into persistent double digit growth in both turnover and profit.

CHAIRMAN'S STATEMENT

The export of NFA (representing the Group's manufacturing business) was affected by the downward pressure in international financial and economic environment. Fortunately, due to the flourishing domestic demand in China, the sales of NFA in the Mainland achieved significant increased while the sales revenue of the Group's manufacturing business in China continued to record positive growth. The manufacturing division of the Group has achieved flying colours through overseas promotions of its own brand products, under which products were sold directly to the end-consumers market by various world-class auto-accessories retailers and chain supermarkets in North America, resulting in a considerable increase in the operating revenue and operating profit in our overseas business, and so did the Company's in 2009. The Group's achievement in 2009 was the result of the management's solid experience accumulated over the years with sound and flexible management skills and the crisis resistant capability we were able to excel in such unfavourable economic environment.

As at 31 December 2009, the consolidated turnover of the Group amounted to approximately RMB642,349,000, representing a decrease of approximately 9.2% as compared to the corresponding period of 2008. Gross profit was approximately RMB184,629,000, representing a growth of about 11.5% as compared to the corresponding period of 2008. Operating profit was RMB34,546,000, representing a growth of approximately 60.86% as compared to the corresponding period of 2008. If the effect of the one-off expense incurred due to the redemption of convertible bonds was excluded, the operating profit would have been approximately RMB44,215,000, representing an increase of 105% over the corresponding period of 2008. Profit attributable to shareholders was approximately RMB11,533,000, up about 5.59% as compared to the corresponding period of 2008. It would have been approximately RMB24,963,000, representing an increase of about 129% over corresponding period last year, if the effect of one-off expense incurred by the redemption of convertible bonds was excluded. Earnings per share were RMB2.45 fen.

The consolidated turnover of AUTOLIFE (representing the Group's chain store business) amounted to approximately RMB263,414,000, representing a growth of approximately 18.5% as compared to the corresponding period of 2008. Gross profit was approximately RMB106,527,000, representing a growth of approximately 23.4% as compared to the corresponding period of 2008, while gross profit margin was about 40.4%, an increase of approximately 2 percentage points over the corresponding period of 2008. Operating profit was approximately RMB12,311,000, a rise of 548% over the corresponding period of 2008. Net profit was approximately RMB8,501,000, representing a growth of approximately RMB9,436,000 over the corresponding period of 2008. Such results demonstrated a strong momentum of the Group's chain store business and we are confident that we have entered a period of profit surge.

The consolidated turnover of NFA amounted to approximately RMB378,935,000, representing a decrease of 22% as compared to the corresponding period of 2008. Gross profit was approximately RMB78,102,000, representing a drop of 1.49% as compared to the corresponding period of 2008. Operating profit was approximately RMB31,842,000, up 4.14% compared to the corresponding period of 2008. Net profit was approximately RMB22,176,000, representing a growth of approximately 2.72% compared to the corresponding period of 2008. Such results reflected that the growth of domestic sales, manufacturing business of the Group had offset the decline of international export. In addition, the reduced cost through direct sales to market and increase in gross profit margin by promoting self-brand products have all contributed to the increase in profit.

Turnovers from the Greater China region comprising those from AUTOLIFE chain store services and domestic market sales accounted for approximately 50% of the total turnover, and 60% of consolidated gross profit. The domestic sales market of the Greater China region will become the operation hub of the Group and the major contributor to the Group's turnover and profit.

The board of Directors is of the opinion that sufficient cash should be reserved in order to fully implement the expansion plan by increasing the number of Super stores to 60 by 2010 so as to fulfill the target of becoming the Autozone* in China. Hence the board of Directors does not recommend the payment of final dividend for the year ended 31 December 2009.

Future Prospects

Following the successful transformation of our business to the automotive aftermarket chain retail services network, the operating strategies will be implemented in 2010 as follows:

1. Strengthening the Golden Cross in China: the Group will extend its cross-provincial exposure through prudent mergers and acquisitions. NFA Richahaus in Taiwan and Aiyihang in Beijing were the examples of successful duplication of this business model. By entering into the Northeastern and southern China in 2010, the Group can expand its penetration.

2. Continuing to expand Super Stores: in order to strengthen its leading position in every self-operated site, the Group will continue to set up outlets in Beijing, Chengdu, Taiwan and Shenzhen. In addition, as the leading operator of automotive aftermarket chain retail services in the Greater China, the Group will extend its exposure by exploring profitable merger and acquisition opportunities in the Northern and Southern China. It is expected that the number of self-operated Super Store will increase from 42 in 2009 to over 60 in 2010 and it will ensure that every new store will bring contributions to the operating profit of the Group.

3. Enhancing customer satisfaction: through friendly services, professional skills and diversified range of products, the customer satisfaction for the Group's services will be steadily enhanced. It is a fundamental element for a consistent growth of the Group. It aims to achieve a higher growth rate in terms of customer flow and the average transaction volume in 2010 as compared to 2009 in each of the stores within the Group.

4. Integrating IT system to improve efficiency: the integration of the internal financial and information technology resources will be completed in 2010 to further consolidate the needs of centralised purchasing. It will increase the gross profit margin and net profit margin of the Group.

5. Improving the penetration of its own-brand products: NFA achieved fruitful results from its effort in domestic sales and overseas marketing of its own brand products. The Group anticipates a higher penetration in the end-consumer market in 2010.

Leveraging on the 5 strategies mentioned above, the Group will be able to grasp any opportunity emerging from the strong growth of the automotive aftermarket and maintain its leading position in the automotive aftermarket chain service sector.

With the global economic uncertainties in 2010, the overall export business is still under pressure and facing challenges. However, thanks to the flourishing domestic market demand in the PRC, the operating revenue of domestic sales continues to grow. The government policies continue to be a driving force for the overall growth of the automobile industry; therefore the Group is confident that the overall results will continue to be remarkable in 2010.

As the largest player in the automotive aftermarket chain service sector, it is expected that Autolife will record double digit growth in both the operating revenue and net profit in 2010. By promoting its own brand products directly to the end-customers and enhancing the products penetration in the end market, NFA is also expected to achieve double digit growth in both the operating revenue and net profit.

Lastly, I would like to take this opportunity to express my sincere gratitude to all shareholders, staff and parties who have shown their continuing support to the Group in 2009.

* Autozone is the largest operator in the automotive aftermarket chain service network in the US which mainly provides DIY products. Currently, it has approximately 4,417 chain stores. The annual turnover of Autozone for the period from 2008 to August 2009 amounted to approximately US$6.7 billion (approximately RMB46.4 billion) with net profit margin of approximately 18.6%.

Overview

The Company is principally engaged in the operation of automotive chain service network in the Greater China region as well as the development and production of automotive lighting and electronic products that are both innovative and environmentally friendly.

Results Highlights

Revenue

For the year ended 31 December 2009, the Group recorded a consolidated turnover of approximately RMB642,349,000.

The consolidated turnover of AUTOLIFE (representing the Group's automotive aftermarket chain store business) amounted to approximately RMB263,414,000, representing an increase of approximately 18.46% as compared to the corresponding period of 2008. AUTOLIFE business in the Group's consolidated turnover increased from approximately 31.43% in the corresponding period of 2008 to 41.01%. The management team of the AUTOLIFE has successfully built up its foothold in Shenzhen where the Group will use as a base to implement its expansion plan in the Pearl River Delta. AUTOLIFE has already completed the strategic layout of the "Golden Cross" in the Greater China region, resulting in a significant increase in the number of self-operated large-scale Super Stores from 25 in 2007 to 34 in 2008 and to 42 in 2009.

The consolidated turnover of NFA (representing the Group's manufacturing business) amounted to approximately RMB378,935,000, representing a decrease of approximately 21.88% as compared to the corresponding period of 2008. The operating revenue from export was down because of the negative outlook of the international financial markets and economic condition. Fortunately, thanks to the flourishing domestic market in China, the sales volume of NFA in the Mainland continued to grow. Meanwhile, the manufacturing division of the Group has achieved flying colours through overseas promotion of its own brand products, resulting in a considerable increase in the Company's operating profits in 2009.

The operating revenue from the Greater China Region comprising those of the AUTOLIFE chain service business and the domestic sales market in China accounted for approximately 50% of the total operating revenue of the Group. The domestic sales market in the Greater China region will become the operating hub of the Group and also the major contributor to the operating revenue of the Group.

Gross Profit and Gross Margin

The overall gross profit of the Group was RMB184,629,000 in 2009, up 11.48% as compared to that of 2008. Gross margin increased from approximately 23.41% in 2008 to approximately 28.74% in 2009.

The gross profit of AUTOLIFE was approximately RMB106,527,000, representing an increase of approximately 23.38% as compared to that of 2008, while its overall gross margin reached approximately 40.44%, representing a growth of approximately 2 percent points as compared to the corresponding period of 2008.

The gross profit of NFA was approximately RMB78,102,000. Despite the great pressure exerted from the dramatic price fluctuations of raw materials in 2009, the overall gross margin of NFA reached 20.61%, representing a growth of 4 percent points as compared to the corresponding period of 2008.

The combined gross profits of the Greater China Region, including those from the AUTOLIFE chain service business and domestic market sales in China, accounted for over 60% of the total gross profits. The domestic sales market of the Greater China Region will be the major contributor to the Group's profit.

Expenses

Sales and marketing expenses for the period were approximately RMB101,421,000 (corresponding period of 2008: approximately RMB89,973,000), representing a growth of 12.72%. The increase was mainly attributable to:

- the increase in marketing expenses due to the active exploration of direct sales channels by NFA;
- the increase in marketing expenses due to the addition of 1 Super Store in the regional headquarters in Shanghai by AUTOLIFE;
- the increase in marketing expenses due to the mergers and acquisitions of 7 Super Stores in Shenzhen by AUTOLIFE;

During the period, the administrative expenses were approximately RMB57,870,000, representing a decrease of approximately 12.19% as compared to the corresponding period of 2008. It was mainly due to tightened control on expenses by the management in response to the financial crisis and credit crunch.

Operating profit

The operating profit of the Group was approximately RMB34,546,000 (the corresponding period of 2008: approximately RMB21,476,000), representing an increase of approximately 60.86% as compared to the corresponding period of 2008. If the effect of one-off expense incurred by the early redemption of convertible bond was excluded, the operating profit of the Group would have been RMB44,215,000, representing an increase of 105% compared to the corresponding period of 2008.

The operating profit of NFA was approximately RMB31,842,000 (the corresponding period of 2008: approximately RMB30,577,000), representing an increase of approximately 4.14% over the corresponding period of 2008. The operating profit of AUTOLIFE was approximately RMB12,311,000 (the corresponding period of 2008: approximately RMB 1,901,000), representing a surge of approximately 547.61% as compared to the corresponding period of 2008.

Finance costs

Net finance costs amounted to approximately RMB9,909,000 (corresponding period of 2008: approximately RMB15,562,000), down 36%. The decrease was mainly attributable to the assumption of year-round interests amounting to approximately RMB3,761,000 in respect of the convertible bond in 2009.

Taxation

Income tax expense was approximately RMB7,496,000 (corresponding period of 2008: approximately RMB4,996,000), representing a growth of 50.04%, which was mainly due to the following:

- the applicable income tax rate of NFA L&P was 15% (2008: 15%), while the applicable income tax rate of Shandong enterprise was 12.5% (2008: 12.5%). The profit of NFA in 2009 increased as compared to 2008; and

- the applicable income tax rate of the companies under AUTOLIFE in 2009 was 25%, meanwhile, the profit of AUTOLIFE in 2009 was substantially improved as compared to 2008.

Profit attributable to shareholders

Profit attributable to shareholders was approximately RMB11,533,000 (2008: approximately RMB10,922,000), while earnings per share were RMB2.45 fen (2008: 2.42 fen). If the effect of one-off expense incurred by the early redemption of convertible bonds was excluded, profit attributable to shareholders would have been RMB24,963,000, representing an increase of approximately 129% over the corresponding period of 2008.

Financial status and liquidity

The Group had maintained stable financial status during the period. During the period under review, the liquidity of assets of the Group remained healthy.

The cash flow generated from the operating activities of the Group was approximately RMB57,643,000 (2008: approximately RMB18,434,000).

The fixed assets were approximately RMB321,265,000 (2008: approximately RMB254,496,000).

The net current assets were approximately RMB157,612,000 (2008: approximately RMB116,203,000), with a liquidity ratio of 1.76 (2008: approximately 1.47).

Gearing ratio calculated by dividing total liabilities by total assets was 35.3% (2008: approximately 53.6%).

As at 31 December 2009, the total bank borrowings of the Company were approximately RMB42,412,000 (2008: approximately RMB110,289,000).

On 12 October 2009, the Company issued 90,000,000 units of Taiwan depository receipts ("TDR"), comprising 90,000,000 ordinary shares of HK$0.10 each in the share capital of the Company, at an issue price of NTD 7 (equivalent to HKD1.68) per TDR, raising a total proceed of NTD 630,000,000 (equivalent to RMB133,195,000). The closing price of the ordinary shares on 23 September 2009, when the terms of the issue were fixed, was HKD1.82 each. The net proceed from the issue of each TDR is about RMB1.42. After deduction of expenses, approximately RMB85,000,000 was used to repay bank loan and the remaining was used as working capital. As at 31 December 2009, the cash remaining in the bank account from the TDR issuance was approximately RMB23,000,000.

The Group maintains strong and sufficient cash flow, bank deposits and banking facilities to finance its daily operation, capital expenditure as well as the merger and acquisition activities and future investments for further expansion to the domestic market of the Greater China region.

Exchange risk

During the period under review, the settlement currency of the Group was mainly USD. In order to minimize foreign exchange risk, the Group fixed exchange rate with procurement contracts and adjusted the quotation policy the Group can transfer cost to both up and down streams. Thus, the foreign exchange risk of the Group was minimised.

Employees and remuneration policy

As at 31 December 2009, the Group employed a total of 3,282 full-time employees, of which 341 were managerial staff. In order to attract and retain the loyalty of the work force and managerial team, the Group intends to grant 15,260,000 share options to the staff by its share options available so as to further enhance the accountability and stability of the Group's employees. The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees.

Business Review

Operating revenue from Greater China region comprising those from AUTOLIFE chain store service business and domestic market sales in the PRC was included in the consolidated turnover of the Group, accounting for to approximately 50% of the total operating revenue, with combined gross profit of more than 60%. The domestic sales market of the Greater China region will become the operation hub of the Group and the major contributor to the Group's turnover and profit.

Automotive aftermarket chain retail business –AUTOLIFE

Autolife is committed to providing professional automotive aftermarket services. After six years of market exploration, it ploughed into the development of various strategic locations along the "Golden Cross" in the Greater China region and, leveraging on its dynamic, robust and diversified product range, it was able to build up and expand its economies of scale and market share. At present, AUTOLIFE takes the market lead in various regions. In the Greater China market, AUTOLIFE pioneered the provision of cross-provincial, large-scale chain services for the automotive aftermarket sector, and kept ahead of the industry in breaking through the provincial political and economic barriers. It successfully gained an in-depth exposure in the five economic hubs, fulfilling its target of seizing the highest overall market share in the Greater China region and being a leading operator in the automotive aftermarket chain service industry.

During 2009, the turnover of AUTOLIFE increased by approximately 18.46% and its operating profit reached RMB12,311,000, representing a remarkable improvement of approximately

547.61% as compared to the corresponding period of 2008. Such remarkable increase in operating profit demonstrated the results of its strategies and efforts made in order to be ranked the top in the Greater China region in terms of store network and sales revenue.

AUTOLIFE achieved the following milestones:

- the number of self-operated Super stores increased from 34 in 2008 to 42 in 2009. The rapid growth in the number of Super stores laid a solid foundation for the continuous growth of sales and profit margin in 2010;

  – regarding the regional headquarters in Taiwan: in 2009, the headquarters in Taiwan continued to expand new network by adding 1 store to the existing 15 Super Stores in 2008, resulting in it being ranked the top in Taiwan in terms of customer retention and brand awareness.

  – regarding Shenzhen region: the merger and acquisition of Yonglonghang in Shenzhen in 2009 enabled the entering of the AUTOLIFE's chain into the Pearl River Delta Region. It represents a break through of southern boundary to the Southern China market. With 7 large-scale chain stores in total, it is the top amongst all industry operators in Shenzhen in respect of the number of customers and the popularity.

- the long-standing integration of procurement and information system paid off. The financial consolidation further enhanced single store profitability, leading the AUTOLIFE to a stage of profit surge in 2009.

Automobile green lighting and electronic power manufacturing business – NFA

Due to the financial crisis triggered by the continuous global credit crunch in the first half of 2009 and the Dubai turmoil in the second half of the year, the market demand in North America continued to plunge and the confidence of consumers wavered. Many enterprises principally engaged in export were faced with operational difficulties. The product export of NFA to a certain extent was affected. In addition, the dramatic price fluctuation of the raw material also exerted pressure on the export business of NFA.

NFA proactively implemented a triple-target strategy, under which, apart from the long-term overseas customers, NFA also made direct sales to overseas large-scale end customers. The domestic market in China was also the target for NFA' s active expansion in 2009. As a result, despite the challenging international economic environment in 2009, the operating profit of NFA was approximately RMB31,842,000 in 2009, up 4.14% as compared to the corresponding period of 2008. This was caused by a healthy and flexible management team of NFA with their risk resistant capability under such adverse economic condition.

Future Prospects

With China becoming the world's largest automotive sales market in 2009, the Group took the Greater China region as its operating focus in 2009. AUTOLIFE chain service business and the sales in the domestic market in China accounted for approximately 50% of the Group's total turnover with gross profit even exceeding 60% of the Group's total turnover. As such, the profit growth of the Group surpassed that of the flourishing Greater China region. Following the successful transformation of its business model by focusing on the automotive aftermarket chain retail services network, during 2010, in order to satisfy the enormous increase in the domestic needs of the automotive aftermarket service in Greater China, to maintain the leading position of AUTOLIFE in China, and to further enhance the competitive edge in the industry, the key operating strategies of the Group in 2010 are as follows:

1. emphasising both quality and quantity of the Golden Cross of China: the Group will explore cross-provincial, new business area through mergers and acquisitions of profitable businesses. NFA Richahaus in Taiwan and Aiyihang in Beijing were the examples of successful duplication of this profitable business model. Entering into the Northeastern and Southern China in 2010 is expected. Under the principle of maintaining both quality and quantity, the existing territory of the Group will be expanded, and so does the profitability of the Group .

2. Continuing to expand Super Stores: in order to strengthen its leading position in every self-operated stones, the Group will continue to set up chain stores in Beijing, Chengdu, Shenzhen and Taiwan. In addition, as the leading operator of automotive aftermarket chain retail services in the Greater China Region, the Group will extend its exposure by exploring merger and acquisition opportunities with high profitability in the Northern and Southern China in 2010, targeting to increase the number of large-scale self-operated Super stores from 42 in 2009 to over 60 in 2010 so as to further extend the Company's network. Under the prudent assessment of merger and acquisitions, every new chain store will bring contributions to the operating revenue and profit of the Group.

3. Enhancing customer satisfaction: through internal upgrades of professional skill set, diversified and quality products and friendly services, the customer loyalty and confidence in the Group's services will be enhanced. It is a fundamental element for the persistent growth of the Group. It aims to achieve a higher same store growth in terms of customer flow and the average transaction volume of AUTOLIFE in 2010 as compared to 2009 and maintain steady increase in the operating revenue of NFA in 2010.

4. Conducing centralised purchasing to improved efficiency: the integration of the internal financial and information technology resources will be completed in 2010 to further implement the cross-provincial centralised purchasing. It will effectively lower the cost of each store and proactively increase the gross profit margin and net profit margin of the Group.

5. Improving the penetration of its own brand products: NFA achieved fruitful results from its effort in domestic sales and marketing of its own brand products through direct sales channels in 2009. Such results not only alleviated the effect of the sluggish international market, but also enabled an increase in the net profit of AUTOLIFE. Through strategic marketing and promotion, the own brand products of NFA will boom in the end-customer market.

Leveraging on the 5 strategies mentioned above, the Group will be able to grasp any opportunity emerging from the strong growth of the automotive aftermarket and maintain its leading position in the automotive aftermarket chain services. Although the economic environment in 2010 is still uncertain, the Group is confident that, through the top five operational strategies of the Group, the Group will be positioned at the top in terms of market share of the automobile aftermarket chain service business in the Greater China Region, and achieve sustainable profit of the Group.

Executive Directors

Mr. Hung Wei-Pi, John *(Chairman)*

Mr. Hung, aged 49, is one of the founders and the chairman and president of the Company. He is primarily responsible for the management of the board of Directors and formulation of the future development strategies and planning of the Group.

He graduated from Chung Yuan Christian University (台灣中原大學) with a bachelor's degree in commerce in 1982. Prior to the establishment of Shanghai New Focus Auto Parts Co., Ltd. ("NFA Parts"), Mr. Hung was the founder and general manager of New Focus Line Limited. In March 1994, Mr. Hung established NFA Parts. He assumed the positions of both the director and general manager and actively participated in NFA Parts' daily operations. In 2001, Mr. Hung established Shanghai New Focus Auto Repair Services Co., Ltd. ("NFA Service"). Mr. Hung is the brother of Ms. Hung Ying-lien and the brother-in-law of Mr. Wu Kwan-Hong.

Mr. Wu Kwan-Hong

Mr. Wu, aged 49, is an executive Director and is responsible for the overall business development and operational management of the manufacturing business of the Group.

He graduated from Taiwan Feng Chia University (台灣逢甲大學) with a bachelor's degree in banking insurance in 1984. Prior to joining the Group, Mr. Wu was a manager in charge of warehousing management and procurement of New Focus Line Limited from 1990 to 1998. He formally joined NFA Parts as vice general manager in April 1998, and participated in business planning and management. He is the spouse of Ms. Hung Ying-Lien and the brother-in-law of Mr. Hung Wei-Pi, John.

Ms. Hung Ying-Lien

Ms. Hung, aged 44, is an executive Director, vice-president and chief financial controller of the Group and is responsible for the duties of the chief financial controller of the Group and the overall business development and operational management of the chain stores business.

She graduated from Taiwan Fu Jen Catholic University (台灣輔仁大學) with a bachelor's degree in accountancy in 1988. She has extensive experience in the retail and wholesale service sector and in the finance field. Prior to joining the Group, Ms. Hung had worked as various positions in a hypermarket chain stores in Taiwan from 1991 to 2001, responsible for wholesale operations, human resource management, product management, inventory logistics and financial management. Ms. Hung joined the Group in July 2001. She is currently in charge of the financial budget and capital management of the Group as well as the operation of NFA Service. She is the sister of Mr. Hung Wei-Pi, John and the spouse of Mr. Wu Kwan-Hong.

Mr. Lu Yuan Cheng

Mr. Lu, aged 49, is an executive Director and the chief technology officer of the manufacturing business of the Group. He is responsible for the research and development of new technologies and products.

Mr. Lu graduated from the Light Sources and Illumination Engineering Department of Shanghai Fudan University with a master degree of science in 1993. He is a member of Shanghai Vacuum Society and council member of the Professional Transportation Lightings and Optical Signals Committee (交通運輸照明和光信號專業委員會) of the China Illuminating Engineering Society. He also takes up certain scientific research and teaching tasks for Physics Department of the East China University of Science and Technology and has extensive technical cooperation relationship with various academies in Shanghai. Mr. Lu has been involved in certain projects supported by the Shanghai Spark Programe (上海星火計劃) and Torch Programe (火炬計劃). In particular, the HID development project has passed expert assessment and received subsidy from the Ministry of Education of the PRC. 15 patents are registered for the products developed. Mr. Lu joined NFA Parts in 1996.

Mr. Douglas Charles Stuart Fresco

Mr. Fresco, aged 65, is an executive Director and one of the founders of the Group.

He has extensive experience in the distribution of automotive products. He is one of the founders of Custom Accessories Asia Limited ("Custom Accessories"), a company established in Hong Kong in 1982 which is engaged in the wholesale and distribution of automotive accessories for the US and European aftermarkets. Since the establishment of NFA Parts in March 1994, Mr. Fresco has been responsible for the expansion of overseas market for the Group's products. He also acts as one of the Company's authorised representatives in Hong Kong.

Non-executive Directors

Mr. Low Hsiao-Ping

Mr. Low, aged 56, is a non-executive Director. He graduated from the NihonBunka University (日本文化大學) and Kuwasuwa Kenkyujo (桑澤研究所). Mr. Low joined Qiu's Group (邱氏集團) since 1981 and is currently a general manager of Yung Han Financial Consultant Co., Ltd. in Taiwan (永漢理財顧問有限公司), Chuang Wen Co, Ltd. in Taiwan (創文股份有限公司), Tianjin Yongli Jianji International Trade Co., Ltd. (天津永立建機國際貿易有限公司), a director-general of Yung Han Short-term Tutorial Course in Taiwan (永漢語文短期補習班總幹事) and a council member of Yung Han Golf Course in Taiwan (永漢高爾夫理事). He joined the Group in April 2006.

Mr. Hsu Ming Chyuan

Mr. Hsu, aged 55, is a non-executive Director. He received a bachelor degree in telecommunication engineering from the National Chao Tung University, Hsinchu, Taiwan and a master degree in computer and electronical engineering from the North Carolina State University, USA. He is the co-founder of Elitegroup Computer Systems, APAQ Technology and Luxo Corporation, and has more than 25 years of experience in IT industry. He is currently a general manager of Pac-Link, gaining over 10 years of experience in investment sector. Mr. Hsu joined the Group in March 2010.

Independent non-executive Directors

Mr. Du Haibo

Mr. Du, aged 40, is an independent non-executive Director. He graduated from Zhengzhou University (鄭州大學) in 1989 and obtained a EMBA degree from 中歐國際工商管理學院 in 2005. He has 17 years of professional experience in accounting and auditing and is a senior auditor and senior accountant. He has obtained the professional qualifications as a certified accountant, registered tax expert and land valuer. Mr. Du was the vice-chairman of Lingbao County Auditors (靈寶縣審計師事務所) and Henan C.P.A. (河南審計事務所). He is the legal representative of Henan Zheng Yong C.P.A. Limited (河南正永會計師事務所有限公司) and an independent non-executive director of two listed companies in the PRC, namely, Henan Taloph Pharmaceutical Stock Co., Ltd. listed on the Shanghai Stock Exchange and Henan Shuanghui Investment & Development Company Limited listed on the Shenzhen Stock Exchange. Mr. Du joined the Group in February 2005.

Mr. Zhou Tai-Ming

Mr. Zhou, aged 70, is an independent non-executive Director. He graduated from Fudan University (復旦大學) with a bachelor degree in electrical physics in 1964 and has become a professor there in the department of physics since 1996. He was appointed as a member of the expert team of "electrical appliances in lightings" under the Science and Technology Committee (科學技術委員會) of the PRC Light Industry Ministry (中華人民共和國輕工業部) in 1990, the officer of the Professional Transportation Lightings and Optical Signals Committee of the China Illuminating Engineering Society in 2000, and the consultant of the Shanghai Government Sourcing Administration Office (上海市政府採購辦公室) in 2003. Mr. Zhou joined the Group in February 2005.

Mr. Uang Chii-Maw

Mr. Uang, aged 59, is an independent non-executive Director. He graduated from the University of Pennsylvania with a doctorate degree in electrical engineering. He is a professor of electronics at I-Shou University in Taiwan and is an expert in optics and microcontroller, specialising in structural design of computer system, disposal of optoelectric signals and design of mechatronic system. Mr. Uang has been the adviser of several high technology companies. He joined the Group in February 2005.

Senior Management

Mr. Ronie Yun Chung Cheng

Mr. Cheng, aged 37, is the qualified accountant and company secretary of the Group.

He graduated from the University of Warwick with a bachelor degree in accounting and financial analysis. Prior to joining the Group, Mr. Cheng had 6 years experience in public practice accounting in the UK and in Hong Kong. Mr. Cheng also has 5 years of experience in fund management. Mr. Cheng is an associate of the Institution of Chartered Accountant of England and Wales. He joined the Group in May 2006.

CORPORATE GOVERNANCE REPORT

Introduction

The Board of Directors (the "Board" or the "Directors") believes that good corporate governance practice is the key to business growth and management of the Group. Since the listing of the shares of the Company on 28 February 2005, except the deviations disclosed in this report, the Company has complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Code") by establishing a formal and transparent procedure to safeguard and maximize the return to shareholders.

Securities Transactions of Directors

The Company has adopted a code of conduct regarding securities transactions of Directors with terms no less exacting than the required standards set out in Appendix 10 of the Listing Rules (the "Code"). To ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Code, a committee (the "Securities Committee") under 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 enquiries to 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 under review.

Board of Directors

The Board currently comprises five executive Directors and five non-executive Directors with three of them being independent directors:

Executive Directors

Mr. Hung Wei-Pi, John
Mr. Wu Kwan-Hong
Ms. Hung Ying-Lien
Mr. Lu Yuan Cheng
Mr. Douglas Charles Stuart Fresco

Non-executive Directors

Mr. Low Hsiao-Ping
Mr. Hsu Ming Chyuan

Independent non-executive Directors

Mr. Du Haibo
Mr. Zhou Tai-Ming
Mr. Uang Chii-Maw

Issues pending discussion and approval by the Board include the following:

- corporate strategies
- annual and interim results
- risk management
- major acquisitions, disposals and capital transactions
- other significant operational and financial issues

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.

Major corporate issues that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control and risk management system, and compliance with relevant statutory requirements and rules and regulations. Each executive Director should assume individual responsibilities to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The independent non-executive Directors will provide independent advices to the Board and share their knowledge and experience with the other members of the Board. Apart from the letters of appointment entered into by each non-executive Director with a term of three years, none of them has signed any form of service contract with the Company or any of its subsidiaries.

The Board has implemented appropriate measures and internal control procedures to ensure that the Company runs its business pursuant to all legal and regulatory requirements with prudence and integrity. The senior management are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions. Each of the Directors is entitled to obtain such records of the Company as are necessary to enable them to make informed decisions. Biographical details of the Directors and their relationships are set out under the section headed "Profiles of the Directors and senior management" in this annual report.

The names of the Directors and individual attendance of each Director at each regular board meeting during the year are as follows:

Executive Directors	**Attendance**
Mr. Hung Wei-Pi, John *(Chairman and Chief executive officer)*	4/4
Mr. Wu Kwan-Hong	4/4
Ms. Hung Ying-Lien	4/4
Mr. Lu Yuan Cheng	4/4
Mr. Douglas Charles Stuart Fresco	4/4
Mr. Norman L. Matthew (deceased on 26 March 2010)	4/4
Non-executive Directors	
Mr. Low Hsiao-Ping	4/4
Mr. Li Jung Hsing (resigned on 26 June 2009)	2/2
Ms. Irene Shih (resigned on 30 March 2010)	4/4
Mr. Hsu Ming Chyuan (appointed on 30 March 2010)	N/A
Independent Non-executive Directors	
Mr. Du Haibo	4/4
Mr. Zhou Tai-Ming	4/4
Mr. Uang Chii-Maw	4/4

Apart from the regular board meetings during the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items in advance of each of the board meetings and minutes of meetings afterwards.

Remuneration, Examination and Nomination Committee

The remuneration committee of the Company was set up on 13 February 2005 with written terms of reference formulated with reference to the provisions of the Code. The Remuneration Committee, which has changed its name as Remuneration, Examination and Nomination Committee on 4 December 2005, was established with written terms of reference formulated with reference to the provisions of the Code. It consists of five members, namely Mr. Hung Wei-Pi, John, Ms. Hung Ying-Lien, and three Independent Non-executive Directors, Mr. Du Haibo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw. The chairman of the Remuneration, Examination and Nomination Committee is Mr. Hung Wei-Pi, John. The principal duties of the Remuneration, Examination and Nomination Committee include recommending appropriate candidates to the Board as directors and senior management, assessing the performance of the Directors and the senior management and making recommendations on their remuneration package and evaluating and advising on the Share Option Scheme and other employee benefit arrangements.

The Remuneration, Examination and Nomination Committee shall convene meeting at least once a year to formulate the remuneration policy for Directors and senior management of the Company. The Remuneration, Examination and Nomination Committee will ensure the remuneration determined are corresponding to the duties and responsibilities and in line with normal market practice. The Remuneration, Examination and Nomination Committee shall further ensure that neither Directors nor any of their associate involve in the determination of their respective compensation.

Details of the attendance of the Remuneration, Examination and Nomination Committee meetings during the period under review are as follows:

Members	Attendance
Mr. Hung Wei-Pi, John	1/1
Ms. Hung Ying-Lien	1/1
Mr. Du Haibo	1/1
Mr. Zhou Tai-Ming	1/1
Mr. Uang Chii-Maw	1/1

The Remuneration, Examination and Nomination Committee had considered and reviewed the existing terms of the service contracts of the executive Directors and appointment letters of the non-executive Directors. The Remuneration, Examination and Nomination Committee believes that the existing terms of service contracts of the executive Directors and appointment letters of the non-executive Directors and independent non-executive Directors are fair and reasonable.

All Directors are appointed for a fixed term of 3 years. The articles of association of the Company requires that one-third of the Directors (including executive and non-executive Directors) to retire each year. The Directors to retire each year shall be those appointed by the Board during that year and those who have been longest in office since their election or re-election. A retiring director is eligible for re-election.

Auditors' remuneration

During the year, the fees paid/payable to BDO Limited (the "Auditors") in respect of their audit services for the year 2009 amounted to approximately RMB900,000. In addition, the Company has engaged the Auditors to perform certain agreed procedures in relation to its financial statements during the year. Other than that, the Auditors did not provide other non-audit services.

Audit Committee

The audit committee (the "Audit Committee") has three members, namely Mr. Du Haibo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw. Mr. Du Haibo is the chairman of the Audit Committee. The duties of the Audit Committee include reviewing and supervising the financial reporting process and internal control system of the Group.

The Audit Committee meets at least twice a year. A special meeting may be called at the discretion of the Audit Committee or the request of the Board to review material internal control or financial issues. The functions of Audit Committee are to review significant accounting policies and supervise the preparation of financial reports of the Group, monitor the performance of both the internal and external auditors, review and examine the effectiveness of the Group's financial reporting procedure and internal controls in order to ensure the compliance of the Group with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board.

Details of the attendance of the Audit Committee meetings during the period are as follows:

Members	**Attendance**
Mr. Du Haibo	2/2
Mr. Zhou Tai-Ming	2/2
Mr. Uang Chii-Maw	2/2

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2009 and the audited annual results for the year ended 31 December 2009, and is of the view that the preparation of such results has been in compliance with the relevant accounting standards and requirements and has made adequate disclosures.

Strategy, Investment and Financing Decision Making Committee

The Strategy, Investment and Financing Decision Making Committee of the Company (the "Strategy, Investment and Financing Decision Making Committee") consists of six members, namely Mr. Hung Wei-Pi, John, Mr. Wu Kwan-Hong, Ms. Hung Ying-Lien, Mr. Lu Yuan Cheng, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw. Mr. Hung Wei-Pi, John is the chairman of the Strategy, Investment and Financing Decision Making Committee. The duties of the Strategy, Investment and Financing Decision Making Committee include formulating and revising the Group's future development strategies, carrying out procedures and enhancing the efficiency and quality of important decision making procedures. The Strategy, Investment and Financing Decision Making Committee shall convene meetings subject to important investment and financing matters.

During the year, the Group has not involved in any corporate action that requires the involvement of the Strategy, Investment and Financing Decision Marking Committee.

Directors' and Auditors' Responsibilities for the Consolidated Financial Statements

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 32 and 33.

Internal Control

The Company has conducted regular review of its internal control system to ensure that the system is effectively operating, adequate and comprehensive. The Company convenes meetings periodically to discuss financial, operational and risk management control issues.

Investors Relations

The Company has disclosed all necessary information to the shareholders in compliance with Listing Rules. Meetings are held with investors periodically. The Company has also made timely replies to the enquiries from shareholders. The Directors host the annual general meeting each year to meet with the shareholders and answer their enquiries.

Auditors

During the year, the performance of the Auditors has been reviewed by the Audit Committee and the Audit Committee recommended to the Board (which endorsed the view) that subject to shareholders' approval at the forthcoming annual general meeting the Auditors be re-appointed as the external auditors of the Company for 2010.

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report for the year ended 31 December 2009 (the "Year") and the audited consolidated financial statements ("Financial Statements") of the Group for the year ended 31 December 2009.

Group Reorganisation, Subsidiaries and Basis of Presentation

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. Pursuant to the group reorganisation (the "Reorganisation") as detailed in section 4 headed "Corporate Reorganisation" in Appendix VI to the prospectus dated 17 February 2005 (the "Prospectus") of the Company, in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of other companies comprising the Group on 13 February 2005.

Principal Activities

The Group is principally engaged in the manufacturing and sales of electronic and power-related automobile parts and accessories, and the provision of automobile repair, maintenance and restyling services as well as retail of products through its service chain stores network in the Greater China region.

Details of the principal activities of the subsidiaries of the Company are set out in note 20 to the Financial Statements.

Results and Dividends

The consolidated results of the Group for the Year are set out in the consolidated income statement on page 34. An analysis of turnover and segmental results for the Year by geographical and business segments is set out in note 5 to the Financial Statements.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

Property, Plant and Equipment

Details of the movements of property, plant and equipment of the Group during the Year are set out in note 15 to the Financial Statements.

Investment Properties

Details of the movements of investment properties of the Group during the Year are set out in note 17 to the Financial Statements.

Share Capital

Details of the issued share capital of the Company and its movements during the Year along with the relevant reasons are set out in note 29 to the Financial Statements.

Reserves
Movements of reserves of the Group and the Company on a consolidated basis are set out in note 30 to the Financial Statements.

Distributable Reserves
Under the Companies Law of the Cayman Islands, share premium amounting to approximately RMB217,876,000 is distributable to shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to settle its debts as they fall due in the ordinary course of business.

As at 31 December 2009, the reserve available for distribution to Shareholders of the Company amounted to approximately RMB272,337,000.

Closure of Register of Members
The register of members will be closed from 7 June 2010 to 9 June 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 4 June 2010.

Directors
The Directors who held office during the Year and up to the date of this report were:

Executive Directors
Hung Wei-Pi, John *(Chairman and Chief executive officer)*
Wu Kwan-Hong
Hung Ying-Lien
Lu Yuan Cheng
Douglas Charles Stuart Fresco
Norman L. Matthew (deceased on 26 March 2010)

Non-executive Directors
Low Hsiao-Ping
Li Jung Hsing (resigned on 26 June 2009)
Irene Shih (resigned on 30 March 2010)
Hsu Ming Chyuan (appointed on 30 March 2010)

Independent non-executive Directors
Du Haibo
Zhou Tai-Ming
Uang Chii-Maw

Directors *(Continued)*

Biographical details of the Directors are set out in the section headed "Profiles of the Directors and senior management" in this annual report.

In accordance with Article 87(1) of the Company's articles of association, Ms. Hung Ying-Lien, Mr. Low Hsiao-Ping and Mr. Wu Kwan-Hong will retire by rotation at the forthcoming annual general meeting of the Company. All such Directors being eligible, offer themselves for re-election. According to Article 86(2)(3) of the Company's articles of association, the Board appointed Mr. Hsu Ming Chyuan as non-executive director of the Company on 30 March 2010, subject to retirement at the forthcoming annual general meeting of the Company, upon which being eligible to offer himself for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence. The Company considers that all of its independent non-executive Directors are independent.

Director's Service Contracts

Each of Mr. Hung Wei-Pi, John, Mr. Wu Kwan-Hong, Ms. Hung Ying-Lien, Mr. Lu Yuan Cheng and Mr. Douglas Charles Stuart Fresco, being the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 13 February 2005. Each of the executive Directors renewed the service contract for another term of three years commencing from 13 February 2008, subject to retirement by rotation in accordance with the articles of association of the Company.

Pursuant to the respective letters of appointment of the non-executive Director Mr. Low Hsiao-Ping and the independent non-executive Directors, namely, Mr. Du Haibo, Mr. Zhou Tai-Ming and Mr. Uang Chii-Maw, each of them was reappointed for a term of three years commencing from 13 February 2008 subject to retirement by rotation in accordance with the articles of association of the Company.

Pursuant to the relevant letter of appointment, Mr. Hsu Ming Chyuan, the non-executive Director, has entered into a service contract with the Company for a term of three years commencing from 30 March 2010, subject to retirement by rotation in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors had entered into service contracts with the Company which are not determinable by the Company within one year without compensation (other than statutory compensation).

Directors' Interests in Contracts

Save as disclosed in the section headed "Connected Transactions" in this report, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year.

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 operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 28 February 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Scheme is 40,000,000 shares, representing 10% and 7.37% of the shares of the Company in issue as at the date of listing of the Company and as at the date of this annual report respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and to be issued under share options to each eligible participant in the Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Directors, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum holding period or a performance target which must be achieved before an option can be exercised.

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Share Option Scheme *(Continued)*

As at 31 December 2009, options had been granted by the Company under the Scheme which, if exercised in full, would entitle the grantees to subscribe for 12,360,000 shares. The total number of shares available for issue under the Scheme (excluding options already granted) is 15,260,000 shares, representing approximately 2.84% of the total issued share capital of the Company as at that date.

As at 31 December 2009, details of options granted under the Scheme are as follows:

Name of option holder	Date of grant	Exercise period	Exercise price (per share)	Closing price of share on date of grant (per share)	Number of shares subject to options outstanding as at 1 January 2009	Number of shares subject to options lapsed/cancelled as at 1 January 2009	Number of options exercised since 1 January 2009	Number of shares subject to options outstanding as at 31 December 2009
Mr. Wu Kwan-Hong *Executive Director*	28 February 2005	1 January 2006 to 12 February 2015 *(Note 1)*	HK$0.94	HK$0.94	3,400,000	–	–	3,400,000
Ms. Hung Ying-Lien *Executive Director*	28 February 2005	1 January 2006 to 12 February 2015 *(Note 1)*	HK$0.94	HK$0.94	3,400,000	–	–	3,400,000
Mr. Lu Yuan Cheng *Executive Director*	28 February 2005	1 January 2006 to 12 February 2015 *(Note 1)*	HK$0.94	HK$0.94	3,240,000	–	–	3,240,000
Continuous contractual employees in aggregate	28 February 2005	From 1 January 2006 *(Note 2)*	HK$0.94	HK$0.94	3,070,000	750,000	–	2,320,000
Total					13,110,000	750,000	–	12,360,000

Notes:

1. None of the share option was exercised during the period from 1 January 2009 to 31 December 2009 and the remaining share options are exercisable during the period from 1 January 2010 to 12 February 2015 subject to such performance targets or conditions as determined by the Board.

2. Share options granted to other employees are exercisable within 1 to 2 years subject to performance targets or conditions as determined by the Board.

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

As at 31 December 2009, the interests and short positions of each of 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 (the "SFO")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

(i) The Company

(a) Interest in shares of the Company

Name	Capacity/Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Percentage of issued shares
Mr. Hung Wei-Pi, John	Interest in a controlled company *(Note 2)*	177,256,120(L)	32.94%
Mr. Douglas Charles Stuart Fresco	Interest in a controlled company *(Note 3)*	57,127,805(L)	10.61%
Ms. Hung Ying Lien	Personal	383,145(L)	0.07%
Mr. Lu Yuan Cheng	Personal	805,035(L)	0.15%
Mr. Norman L. Matthew *(Note 4)*	Personal	20,744,350(L)	3.85%
Mr. Wu Kwang Hong	Personal	513,935(L)	0.10%

Notes:

1. The letter "L" denotes a long position in the shares.

2. These shares are registered in the name of and beneficially owned by Sharp Concept Industrial Limited, the entire issued share capital of which is 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. 53,590,690 shares are registered in the name of and beneficially owned by Golden Century Industrial Limited, the entire issued share capital of which is 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. The remaining 3,537,115 shares are registered in the name of Mr. Douglas Charles Stuart Fresco.

4. Mr. Norman L. Matthew passed away on 26 March 2010.

Directors' and Chief Executives' Interests and Short Positions in the Shares of the Company and its Associated Corporations (Continued)

(i) The Company *(Continued)*

(b) Interests in the underlying shares of the Company through equity derivatives

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 31 December 2009 were as follows:

Name	Nature of interest	Number of underlying shares in respect of options granted	Exercise period	Price for grant	Exercise price	Percentage of issued share capital of the Company (%)
Mr. Wu Kwan-Hong	Beneficial owner	3,400,000(L)	1 January 2007 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)	0.63%
Ms. Hung Ying-Lien	Beneficial owner	3,400,000(L)	1 January 2007 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)	0.63%
Mr. Lu Yuan Cheng	Beneficial owner	3,240,000(L)	1 January 2007 to 12 February 2015	HK$10.00 (for all)	HK$0.94 (per share)	0.60%

Notes:

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

(ii) The associated corporation

As at 31 December 2009, to the knowledge 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 or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded 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 in the Listing Rules.

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

As at 31 December 2009, the Directors were not aware of any disclosure of interests or short positions of the persons, other than Directors and chief executives of the Company, in the shares and underlying shares of the Company, as required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or the interests of persons directly or indirectly holding 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of the Group were as follows:

Name	Capacity/Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares 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	32.94%
Ms. Jin Xiao-Yan	Family interest *(Note 2)*	177,256,120(L)	Nil	177,256,120	32.94%
Mr. Douglas Charles Stuart Fresco	Family interest *(Note 3)*	57,127,805(L)	Nil	57,127,805	10.61%
Golden Century Industrial Limited	Beneficial owner *(Note 3)*	53,590,690(L)	Nil	53,590,690	9.96%
Ms. Linda Fresco	Family interest *(Note 3, 4)*	57,127,805(L)	Nil	57,127,805	10.61%

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 Mr. Hung Wei-Pi, John and by Sharp Concept Industrial Limited which in turn 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 in turn is wholly and beneficially owned by Mr. Douglas Charles Stuart Fresco. The difference between the shareholdings of Mr. Douglas Charles Stuart Fresco and Golden Century Industrial Limited represents the shares held by Mr. Douglas Charles Stuart Fresco personally.

4. Mrs. Linda Fresco passed away on 17 February 2010.

Save as disclosed above, the Directors are not aware of any person, other than the Directors and 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 who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group as at 31 December 2009.

Arrangements to Purchase Shares or Debentures

Save as disclosed above and under the section headed "Share Option Scheme", at no time during the Year 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, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Sale, Purchase or 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 Hong Kong Stock Exchange 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 1,732,000 ordinary shares of the Company on the Hong Kong Stock Exchange under the general mandate granted at the annual general meeting 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 Year.

The details of the purchase of shares by the Company during the Year are as follows:

Month	Highest Price (HK$)	Lowest price (HK$)	Average price (HK$)	Number of shares repurchased	Aggregate consideration paid (excluding expenses (HK$)
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
July 2009	1.06	1.03	1.04	380,000	393,558
November 2009	1.84	1.83	1.839	600,000	1,103,100

The Board of Directors considers that the purchase of shares by the Company leads to an enhancement of the net asset value per share of the Company and is in the best interest of the Company and its shareholders.

Continuing Connected Transaction

During 2009, the following continuing connected transaction was carried out by the Company and its subsidiaries pursuant to Rule 14A.34 of the Listing Rules of the Hong Kong Stock Exchange. These continuing connected transactions were subject to reporting and announcement requirements but were exempt from independent shareholders' approval requirements under the Listing Rules.

Custom Accessories Sales Agreement

On 23 April 2008, New Focus Auto Parts Co. Limited (上海紐福克斯汽車配件有限公司) ("NFAP") and New Focus Light and Power (Shanghai) Limited (紐福克斯光電科技（上海）有限公司) ("NFA L&P"), both being wholly-owned subsidiaries of the Company, entered into a sales agreement ("C&A Agreement") with Custom Accessories Limited ("C&A"), which is 50% owned by Mr. Douglas Fresco (a substantial shareholder and Director of the Company) and his wife, 48% owned by Mr. Norman Matthew (a Director of the Company) and his family members and 2% by independent third party. C&A is therefore a connected person of the Company within the meaning of the Listing Rules retrospectively to formalize and record the terms of sales of goods for the period from 1 January 2007 to 30 April 2008. Under the C&A Agreement, NFAP and NFA L&P were to supply products to C&A. The prices were determined with reference to market conditions and on the basis that the terms and those prices would not be less favourable to the Company/ Group than those offered to other independent third parties for similar products. A new contract covering the period from 23 April 2008 to 31 December 2010 with the same terms of and among the same parties to the C&A Agreement was executed and the expiry date of which is 31 December 2010.

For the year ended 31 December 2009, the sales of products to C&A by NFAP and NFA L&P amounted to approximately RMB8,745,000.

Confirmation from auditors

The Board of Directors has received a comfort letter from the auditors of the Company with respect to the above continuing connected transaction and the letter stated that for the year 2009, the above continuing connected transaction:

(1) was approved by the Board of Directors;

(2) was entered into in accordance with the terms of the agreement governing the transaction; and

(3) has not exceeded the cap amount announced by the Company and/or specified within the relevant agreement, where applicable.

Continuing Connected Transaction *(Continued)*

Confirmation of Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the above continuing connected transaction which was subject to reporting and announcement requirements, and confirmed that:

(1) the transaction was entered into in the ordinary and usual course of the business of the Company;

(2) the transaction was conducted either on normal commercial terms or on terms that are fair and reasonable so far as the independent non-executive Directors are concerned;

(3) the transaction was entered into in accordance with the agreement governing the connected transaction; and

(4) the amount of the transaction had not exceeded the cap amount announced by the Company and/or specified within the relevant agreement.

Major Customers and Suppliers

Sales of five largest customers accounted for 23% of the total revenue for the year ended 31 December 2009, whereas the largest customer accounted for 9%. Purchases from the five largest suppliers were less than 30% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Public Float

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being 25% of the issued share capital of the Company as required under the Listing Rules.

Auditors

The financial statements have been audited by BDO Limited. At the forthcoming annual general meeting, the Company will propose a resolution to re-appoint BDO Limited as the auditors of the Company.

On behalf of the Board
Hung Wei-Pi, John
Chairman

Hong Kong, 30 March 2010

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF 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)

We have audited the financial statements of New Focus Auto Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 119, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 30 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	5	**642,349**	707,426
Cost of sales		**(457,720)**	(541,805)
Gross profit		**184,629**	165,621
Fair value gain on the derivative component of convertible bond	27	**409**	11,877
Other income and gains and losses	6	**8,799**	11,729
Distribution costs		**(101,421)**	(89,973)
Administrative expenses		**(57,870)**	(65,901)
Finance costs	7	**(9,909)**	(15,562)
Profit before taxation	8	**24,637**	17,791
Income tax	10	**(7,496)**	(4,996)
Profit for the year		**17,141**	12,795
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations		**1,182**	(4,632)
Less: Reclassification adjustments of exchange reserve on partial disposal of equity interest in a subsidiary		**724**	–
Gain on revaluation of properties		**3,215**	–
Other comprehensive income, net of tax	14	**5,121**	(4,632)
Total comprehensive income for the year		**22,262**	8,163
Profit for the year attributable to:			
Owners of the Company	11	**11,533**	10,922
Minority interests		**5,608**	1,873
		17,141	12,795
Total comprehensive income for the year attributable to:			
Owners of the Company	11	**16,480**	6,290
Minority interests		**5,782**	1,873
		22,262	8,163
Earnings per share:	13		
– Basic		**RMB2.45 fen**	RMB2.42 fen
– Diluted		**RMB2.43 fen**	RMB1.54 fen

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**169,656**	150,401
Leasehold land and land use rights	*16*	**18,676**	20,508
Investment properties	*17*	**40,698**	26,047
Goodwill	*18*	**70,461**	46,068
Other intangible assets	*19*	**21,719**	8,601
Other financial asset	*21(a)*	**–**	2,778
Deferred tax assets	*28*	**55**	93
		321,265	254,496
Current assets			
Trading securities	*21(b)*	**339**	227
Inventories	*22*	**144,477**	125,695
Trade receivables	*23*	**81,075**	78,175
Deposits, prepayments and other receivables		**54,670**	57,782
Amount due from a related company	*24(a)*	**34**	316
Tax recoverable		**–**	3,527
Pledged time deposits	*32*	**2,563**	1,877
Cash and cash equivalents	*32*	**82,572**	95,726
		365,730	363,325
Current liabilities			
Bank borrowings, secured	*25*	**14,042**	95,940
Trade payables	*26*	**134,977**	110,707
Accruals and other payables		**56,903**	39,294
Amounts due to directors	*24(b)*	**61**	450
Tax payable		**2,135**	731
		208,118	247,122
Net current assets		**157,612**	116,203
Total assets less current liabilities		**478,877**	370,699

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank borrowings, secured	*25*	**28,370**	14,349
Convertible bond	*27*	**–**	68,591
Deferred tax liabilities	*28*	**5,746**	1,389
		34,116	84,329
Net assets		**444,761**	286,370
CAPITAL AND RESERVES			
Share capital	*29*	**55,003**	47,354
Reserves		**339,283**	205,476
Equity attributable to owners of the Company		**394,286**	252,830
Minority interests		**50,475**	33,540
Total equity		**444,761**	286,370

These financial statements were approved and authorised for issue by the board of directors on 30 March 2010.

Mr. Hung Wei-Pi, John
Director

Ms. Hung Yi-Lien
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**54**	71
Investments in subsidiaries	*20*	**164,066**	164,066
Loan to a subsidiary	*20*	**–**	37,044
		164,120	201,181
Current assets			
Deposits, prepayments and other receivables		**445**	449
Short term loan to a subsidiary	*20*	**30,044**	27,328
Amounts due from subsidiaries	*20*	**143,183**	34,673
Cash and cash equivalents	*32*	**1,929**	21,387
		175,601	83,837
Current liabilities			
Accruals and other payables		**13,629**	1,096
Amount due to a director	*24(b)*	**14**	14
Amounts due to subsidiaries	*20*	**485**	486
		14,128	1,596
Net current assets		**161,473**	82,241
Total assets less current liabilities		**325,593**	283,422

	Notes	2009 RMB'000	2008 RMB'000
Non-current liability			
Convertible bond	*27*	**–**	68,591
Net assets		**325,593**	214,831
CAPITAL AND RESERVES			
Share capital	*29*	**55,003**	47,354
Reserves	*30(ii)*	**270,590**	167,477
Total equity		**325,593**	214,831

These financial statements were approved and authorised for issue by the board of directors on 30 March 2010.

Mr. Hung Wei-Pi, John
Director

Ms. Hung Yi-Lien
Director

For the year ended 31 December 2009

	Share capital RMB'000 *(Note 29)*	Share premium RMB'000 *(Note 30(i)(a))*	Statutory reserve fund RMB'000 *(Note 30(i)(b))*	Reorgan-isation reserve RMB'000 *(Note 30(i)(c))*	Enterprise expansion fund RMB'000 *(Note 30(i)(d))*	Others, including share options reserve and property revaluation reserve RMB'000 *(Note 30(i)(e))*	Capital redemption reserve RMB'000	Exchange reserve RMB'000 *(Note 30(i)(f))*	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	46,394	101,985	25,028	2,738	2,756	2,713	–	(3,973)	69,076	246,717	31,667	278,384
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	(4,632)	10,922	6,290	1,873	8,163
Lapse of share options	–	–	–	–	–	(238)	–	–	238	–	–	–
Transfer of reserves	–	–	1,865	–	–	–	–	–	(1,865)	–	–	–
Issue of shares on exercise of share options *(Note 29(i))*	3	25	–	–	–	(3)	–	–	–	25	–	25
Bonus issue *(Note 29(ii))*	980	(980)	–	–	–	–	–	–	–	–	–	–
Repurchases and cancellation of shares *(Note 29(iii))*	(23)	(179)	–	–	–	–	23	–	(23)	(202)	–	(202)
At 31 December 2008 and 1 January 2009	47,354	100,851	26,893	2,738	2,756	2,472	23	(8,605)	78,348	252,830	33,540	286,370
Total comprehensive income for the year, net of tax	–	–	–	–	–	3,215	–	1,732	11,533	16,480	5,782	22,262
Lapse of share options	–	–	–	–	–	(89)	–	–	89	–	–	–
Transfer of reserves	–	–	2,630	–	–	–	–	–	(2,630)	–	–	–
Recognition of equity-settled-share based payments *(Note 36)*	–	–	–	–	–	302	–	–	–	302	–	302
Issue of shares *(Note 29(iv))*	7,928	119,819	–	–	–	–	–	–	–	127,747	–	127,747
Repurchases and cancellation of shares *(Note 29(iii))*	(279)	(2,794)	–	–	–	–	279	–	(279)	(3,073)	–	(3,073)
Contribution from minority owner of a subsidiary	–	–	–	–	–	–	–	–	–	–	903	903
Arising from acquisition of a subsidiary *(Note 31)*	–	–	–	–	–	–	–	–	–	–	8,625	8,625
Arising from partial disposal of equity interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	4,372	4,372
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,638)	(2,638)
Dividend paid to minority owner of a subsidiary	–	–	–	–	–	–	–	–	–	–	(109)	(109)
At 31 December 2009	55,003	217,876	29,523	2,738	2,756	5,900	302	(6,873)	87,061	394,286	50,475	444,761

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before taxation		**24,637**	17,791
Adjustments for:			
Fair value gain on the derivative component of convertible bond		**(409)**	(11,877)
(Reversal of write-off)/write-off for inventories	8	**(92)**	39
Depreciation of property, plant and equipment	8	**21,737**	19,527
Amortisation of leasehold land and land use rights	8	**494**	578
Amortisation of other intangible assets	8	**133**	133
Additional allowance for/(reversal of allowance for) doubtful debts for trade receivables	8	**1,450**	(608)
Additional impairment for deposits, prepayments and other receivables	8	**285**	–
Equity-settled-share-based payments	8	**302**	–
Interest income from bank deposits	6	**(880)**	(1,020)
Imputed interest income from earnest money deposit	6	**(166)**	(167)
Net loss on redemption of convertible bond	6	**5,126**	–
Loss on partial disposal of equity interest in a subsidiary	6	**1,438**	–
Loss/(gain) on disposal of property, plant and equipment	6	**417**	(191)
Fair value gain on investment properties	6	**(3,015)**	(761)
Discount on acquisition of additional interest in a subsidiary	6	**(2,638)**	–
Fair value (gain)/loss on trading securities	6	**(112)**	510
Net realised gain on trading securities	6	**–**	(64)
Exchange loss/(gain) on convertible bond	7	**168**	(4,775)
Other finance costs	7	**9,741**	20,337
Operating cash flows before working capital changes		**58,616**	39,452
(Increase)/decrease in inventories		**(14,535)**	1,348
(Increase)/decrease in trade receivables		**(3,616)**	43,698
Decrease in prepayments, deposits and other receivables		**7,196**	1,762
Decrease/(increase) in amount due from a related company		**282**	(224)
Increase/(decrease) in trade payables		**20,858**	(40,017)
Decrease in accruals and other payables		**(3,387)**	(7,390)
Effect of foreign exchange rate changes		**63**	(2,046)
Cash generated from operations		**65,477**	36,583
Income tax paid		**(1,854)**	(7,057)
Interest paid		**(5,980)**	(11,092)
Net cash generated from operating activities		**57,643**	18,434

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Investing activities			
Purchase of other intangible assets	*19*	**–**	(16)
Purchase of property, plant and equipment	*15*	**(40,655)**	(67,526)
Proceeds from disposal of property, plant and equipment		**369**	2,916
Net cash (outflow)/inflow arising from acquisitions of subsidiaries	*31*	**(12,341)**	122
Net proceeds from partial disposal of equity interest in a subsidiary		**4,160**	–
Additional cash consideration paid for the acquisition of a subsidiary		**(2,544)**	(1,762)
Proceeds from disposal of trading securities		**–**	199
Purchase of trading securities		**–**	(135)
Interest received		**880**	1,020
Net cash used in investing activities		**(50,131)**	(65,182)
Financing activities			
(Increase)/decrease in pledged time deposits		**(686)**	1,465
Contribution from minority owner of a subsidiary		**903**	–
Repayment of convertible bond		**(77,237)**	–
Proceeds from new bank loans		**130,990**	95,814
Repayment of bank loans		**(199,153)**	(64,413)
Repayment to directors		**(389)**	(938)
Repayment to related company		**–**	(1,504)
Proceeds from issue of shares		**133,195**	25
Expenses on issue of shares		**(5,448)**	–
Repurchases of shares		**(3,073)**	(202)
Dividend paid to minority owner of a subsidiary		**(109)**	–
Net cash (used in)/generated from financing activities		**(21,007)**	30,247
Net decrease in cash and cash equivalents		**(13,495)**	(16,501)
Cash and cash equivalents at beginning of year		**95,726**	113,130
Effect of foreign exchange rate changes		**329**	(903)
Cash and cash equivalents at end of year		**82,560**	95,726
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		**82,572**	95,726
Bank overdrafts	*25*	**(12)**	–
		82,560	95,726

(Expressed in Renminbi)

1. ORGANISATION AND OPERATIONS

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "PRC").

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region. Further details of the Company's subsidiaries are set out in Note 20.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new and revised HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 related to the amendment paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 & HKAS 39 (Amendments)	Embedded Derivatives

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new and revised HKFRSs *(Continued)*

The adoption of the above new/revised HKFRSs had no material effect on the financial statements of the Group and the Company for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 31 December 2008 have not been presented as there were no changes to the originally published statements.

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to chief operating decision-makers as required by HKFRS 8, there are no changes to the operating segments and the results of operating segments on the adoption of HKFRS 8.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(Expressed in Renminbi)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs potentially relevant to the Group, that have been issued but are not yet effective:

		Effective date
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs	(i)
HKFRSs (Amendments)	Improvements to HKFRSs 2009	(ii)
Amendments to HKAS 39	Eligible Hedged Items	(i)
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions	(iii)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	(i)
HKFRS 3 (Revised)	Business Combinations	(i)
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners	(i)
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(iv)
HKAS 24 (Revised)	Related Party Disclosures	(v)
HKFRS 9	Financial Instruments	(vi)

Effective date:

(i) Annual periods beginning on or after 1 July 2009
(ii) Annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
(iii) Annual periods beginning on or after 1 January 2010
(iv) Annual periods beginning on or after 1 July 2010
(v) Annual periods beginning on or after 1 January 2011
(vi) Annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance.

In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, trading securities and derivative component of convertible bond which are carried at fair value.

(c) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, income, expense and unrealised gains and losses resulting from intercompany balances and unrealised gains on transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Business combinations

Acquisition of subsidiaries and businesses is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised and is subsequently measured in accordance with the accounting policy set out in Note 3(c) above.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent period.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Property, plant and equipment

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The historical cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each end of reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Freehold land	Not depreciated
Buildings	5%
Leasehold improvements	Over the remaining term of the lease but not exceeding 10 years
Plant and machinery	10% to 33%
Motor vehicles	20%
Office equipment, furniture and fixtures	20% to 33%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at their costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

(i) Other intangible assets

Other intangible assets are initially recognised at cost. Subsequently, other intangible assets with indefinite useful lives are carried at cost less any impairment losses and other intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The principal annual rates of other intangible assets with definite useful lives are as follows:

Trademarks with definite useful lives	6.6% to 10 %

3. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(j) Impairment of tangible and intangible assets excluding goodwill

At each end of reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(k) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued using a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(m) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. During the year, the Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial asset. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Available-for-sale financial assets

Investments in securities which do not fall into any of the above categories or held-to-maturity securities are classified as available-for-sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(iv) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each end of reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For the Group's loans and receivables, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

For trade and other current receivables and other financial assets carried at amortised cost, if any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(iv) Impairment of financial assets (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which has been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iii) Convertible bond

Convertible bond issued by the Company is regarded as a hybrid instrument. Derivatives embedded in the host debt contract is treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The conversion option is classified as equity component only if the option can be converted by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. In the case that the conversion option is not settled by the exchange of a fixed amount of cash or another financial asset for fixed number of equity instrument, the conversion component is an embedded derivative.

At the date of issue, the conversion option derivative and holder redemption option (collectively the "derivative component") and liability component are recognised at its fair value.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative component in proportion to the allocation of the proceeds. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities and equity instrument issued by the Group *(Continued)*

(iv) Other financial liabilities

Other financial liabilities of the Group are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(v) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives that do not qualify for hedge accounting are deemed as financial assets/ financial liabilities held for trading and are measured at fair value with fair value changes recognised in profit or loss except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less any impairment losses, if applicable.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms and less any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Taxation *(Continued)*

(ii) Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Renminbi ("RMB") which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

– exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the exchange reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operations or the underlying assets are disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been paid.

(u) Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve), based on the Group's estimate of equity instruments that will eventually vest. At each end of reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

At the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

3. *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(v) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which necessarily require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Revenue from the sale of products is recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(ii) Revenue for providing services is recognised to the extent of services rendered and according to the terms of the agreement.

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

(v) Grants from the government are recognised at their fair value when there is reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

The following is the critical judgement that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recognised in financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Further details are set out in Note 18.

(ii) *Estimation of fair value of investment properties*

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(iii) *Fair value of the derivative component of convertible bond*

As explained in Note 27, the directors use their judgment in selecting an appropriate valuation technique for the derivative component of convertible bond not quoted in an active market before the redemption during the year. Should the estimates including the early exercise behaviour and the relevant parameters of the valuation model be changed, there would be material changes in the amount of the fair value gain recognised in profit or loss in respect of the derivative component of convertible bond.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at each end of reporting period.

(v) Impairment of trade and other receivables

The Group's management determines the allowance for impairment of trade receivables. This estimate is based on the credit history of its customers and the current market condition. Management will reassess the provision at each end of reporting period.

5. TURNOVER AND SEGMENT INFORMATION

Turnover, which is also revenue, represents the sales value of goods supplied and services provided to customers and is analysed as follows:

	2009	2008
	RMB'000	RMB'000
Sale of goods	**378,935**	485,062
Service income	**263,414**	222,364
	642,349	707,426

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segments

The Group operates in two reportable segments, (i) the manufacture and sale of automobile accessories, and (ii) the provision of automobile repair, maintenance and restyling services. Set out below is an analysis of information of these segments:

2009	Manufacture and sale of automobile accessories	Provision of automobile repair, maintenance and restyling services	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
External sales revenue	378,935	263,414	–	642,349
Inter-segment sales revenue	715	120	(835)	–
External other income and gains and losses	8,780	3,759	–	12,539
Total	388,430	267,293	(835)	654,888
Reportable segment profit	26,313	11,860	–	38,173
Interest income	484	459	–	943
Unallocated interest income				103
Total interest income				1,046
Interest expense	(5,529)	(451)	–	(5,980)
Unallocated interest expense				(3,761)
Total interest expenses				(9,741)
Depreciation and amortisation charges	(12,396)	(9,951)	–	(22,347)
Unallocated depreciation and amortisation charges				(17)
Total depreciation and amortisation charges				(22,364)
Income tax	(4,137)	(3,359)	–	(7,496)
Reportable segment assets	365,456	302,807	–	668,263
Additions to non-current assets	34,328	6,327	–	40,655
Reportable segment liabilities	137,559	99,566	–	237,125

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

2008	Manufacture and sale of automobile accessories	Provision of automobile repair, maintenance and restyling services	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
External sales revenue	485,062	222,364	–	707,426
Inter-segment sales revenue	7,901	2,804	(10,705)	–
External other income and gains and losses	5,527	5,487	–	11,014
Inter-segment other income and gains and losses	294	–	(294)	–
Total	498,784	230,655	(10,999)	718,440
Reportable segment profit	24,516	1,136	–	25,652
Interest income	886	301	–	1,187
Interest expense	(6,061)	(765)	–	(6,826)
Unallocated interest expense				(13,511)
Total interest expense				(20,337)
Depreciation and amortisation charges	(10,407)	(9,799)	–	(20,206)
Unallocated depreciation and amortisation charges				(32)
Total depreciation and amortisation charges				(20,238)
Income tax	(3,112)	(1,884)	–	(4,996)
Reportable segment assets	379,390	211,059	–	590,449
Additions to non-current assets	55,751	11,791	–	67,542
Reportable segment liabilities	194,811	94,820	–	289,631

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment profit or loss, and assets and liabilities

	2009 RMB'000	2008 RMB'000
Profit before taxation		
Reportable segment profit	**38,173**	25,652
Unallocated other income and gains and losses	**(3,740)**	715
Unallocated corporate expenses	**(6,276)**	(11,717)
Fair value losses on the derivative component of convertible bond	**409**	11,877
Unallocated finance costs	**(3,929)**	(8,736)
Consolidated profit before taxation	**24,637**	17,791

	2009 RMB'000	2008 RMB'000
Assets		
Reportable segment assets	**668,263**	590,449
Unallocated corporate assets	**18,732**	27,372
Consolidated total assets	**686,995**	617,821
Liabilities		
Reportable segment liabilities	**237,125**	289,631
Unallocated corporate liabilities	**5,109**	41,820
Consolidated total liabilities	**242,234**	331,451

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(c) Geographical segments

During the year, the Group's operations and assets are located in North America, Europe, Asia Pacific, Asia Pacific, Greater China (including Taiwan) and South America.

Segment revenue from external customers of the Group and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by geographical locations is presented as below:

	Revenue from external customers		**Specified non-current assets**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
North America	**255,338**	323,635	**–**	–
Europe	**39,973**	68,496	**–**	–
Asia Pacific	**48,097**	30,976	**–**	–
Greater China (including Taiwan)	**298,941**	283,958	**321,210**	251,625
South America	**–**	361	**–**	–
	642,349	707,426	**321,210**	251,625

(d) Major customers

During the year, the Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenues. In 2008, revenues from a customer in the manufacture and sale of automobile accessories segment amounted to approximately RMB95,122,000.

6. OTHER INCOME AND GAINS AND LOSSES

	Notes	2009 RMB'000	2008 RMB'000
Gross rentals from investment properties and other rental income		**3,658**	1,809
Interest income from bank deposits		**880**	1,020
Imputed interest income from earnest money deposit		**166**	167
Income from provision of repair and maintenance and rework of automobile accessories in the manufacture and sale of automobile accessories segment		**531**	1,029
Net loss on redemption of convertible bond	27	**(5,126)**	–
Loss on partial disposal of equity interest in a subsidiary		**(1,438)**	–
(Loss)/gain on disposal of property, plant and equipment		**(417)**	191
Fair value gain on investment properties	17	**3,015**	761
Discount on acquisition of additional interest in a subsidiary		**2,638**	–
Fair value gain/(loss) on trading securities		**112**	(510)
Net realised gain on trading securities		**–**	64
Sale of scrap inventories and sample income		**1,980**	828
Government subsidies #		**482**	630
Others		**2,318**	5,740
		8,799	11,729

Compensation income from local governments for taxes paid by the PRC subsidiaries.

7. FINANCE COSTS

	Note	2009 RMB'000	2008 RMB'000
Interest expense:			
Bank borrowings wholly repayable within five years		**5,762**	6,527
Bank borrowings wholly repayable after five years		**218**	302
Imputed interest on convertible bond	27	**3,761**	13,508
Exchange loss/(gain) on convertible bond	27	**168**	(4,775)
		9,909	15,562

8. PROFIT BEFORE TAXATION

	Notes	2009 RMB'000	2008 RMB'000
Profit before taxation is arrived at after charging/(crediting):			
Net foreign exchange losses		**360**	3,148
Cost of inventories *(Note)*		**285,963**	404,975
Cost of services		**171,849**	136,791
(Reversal of write-off)/write-off of inventories		**(92)**	39
		457,720	541,805
Depreciation of property, plant and equipment	*15*	**21,737**	19,527
Amortisation of:			
Leasehold land and land use rights	*16*	**494**	578
Other intangible assets*	*19*	**133**	133
Total depreciation and amortisation charges		**22,364**	20,238
Additional allowance for/(reversal of allowance for) doubtful debts on trade receivables	*23(ii)*	**1,450**	(608)
Additional impairment for deposits, prepayment and other receivables		**285**	–
Auditors' remuneration		**900**	1,380
Under-provision in respect of prior years		**–**	146
		900	1,526
Employee benefit expenses (including directors' remuneration *(Note 9(a))*):			
Salaries and allowances		**77,781**	63,304
Pension fund contributions		**5,917**	5,274
Equity-settled-share-based payments		**302**	–
Other benefits		**5,261**	6,200
Total employee benefit expenses		**89,261**	74,778

Note: Cost of inventories includes RMB32,468,000 (2008: RMB39,076,000) relating to staff costs, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

* Included in administrative expenses.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The directors' remuneration for the years ended 31 December 2008 and 2009 is set out below:

2009

Name of director	Fees RMB'000	Salaries and other allowances RMB'000	Total RMB'000
Executive directors			
Hung Wei-Pi, John	–	1,640	1,640
Wu Kwan-Hong	–	868	868
Hung Ying-Lien	–	657	657
Lu Yuan Cheng	–	354	354
Douglas Charles Stuart Fresco (Mr. Fresco)	–	53	53
Norman L. Matthew (Mr. Matthew)	–	53	53
Non-executive directors			
Low Hsiao Ping	–	60	60
Irene Shih	–	60	60
Li Jung-Hsing	–	15	15
Independent non-executive directors			
Zhou Tai-Ming	72	–	72
Du Haibo	72	–	72
Uang Chii-Maw	72	–	72
	216	3,760	3,976

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

2008

Name of director	Fees	Salaries and other allowances	Total
	RMB'000	RMB'000	RMB'000
Executive directors			
Hung Wei-Pi, John	–	1,635	1,635
Wu Kwan-Hong	–	850	850
Hung Ying-Lien	–	645	645
Lu Yuan Cheng	–	360	360
Douglas Charles Stuart Fresco (Mr. Fresco)	–	53	53
Norman L. Matthew (Mr. Matthew)	–	53	53
Non-executive directors			
Low Hsiao Ping	–	60	60
Irene Shih	–	60	60
Li Jung-Hsing	–	60	60
Independent non-executive directors			
Zhou Tai-Ming	72	–	72
Du Haibo	72	–	72
Uang Chii-Maw	72	–	72
	216	3,776	3,992

No discretionary bonuses, inducement fees, employer's contribution to pension scheme or compensation for loss of office as directors were given to any of the directors during the year ended 31 December 2009 (2008: RMBNil).

None of the directors has waived or agreed to waive any emolument paid by the Group during the year ended 31 December 2009 (2008: RMBNil).

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2009 included three (2008: four) directors whose emoluments are reflected in the analysis presented in Note 9(a) above. The emolument paid or payable to the remaining two (2008: one) non-director highest paid employees whose emolument is less than RMB1,000,000 is as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries and other allowances	**898**	381

10. INCOME TAX

(a) The amount of taxation in the consolidated statement of comprehensive income represents:

	2009 RMB'000	2008 RMB'000
Current tax – overseas		
– Provision for the year	**6,554**	5,222
– Under/(over)-provision in respect of prior years	**231**	(574)
	6,785	4,648
Deferred taxation *(Note 28)*		
– attributable to the origination and reversal of temporary differences, net	**705**	157
– resulting from a change in tax rate	**6**	191
	7,496	4,996

10. INCOME TAX *(Continued)*

(b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2008 and 2009. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC and Taiwan income tax rate is 25%. Pursuant to the relevant laws and regulations in the PRC, (i) one major PRC subsidiary of the Company is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years, and (ii) one major PRC subsidiary of the Company, being qualified as a foreign investment production enterprise and a high and new tech enterprise in the PRC, is subject to an applicable national PRC income tax rate of 15% for three years commencing from 1 January 2008.

(c) The income tax for the year can be reconciled to the accounting profit as follows:

	2009 **RMB'000**	2008 RMB'000
Profit before taxation	**24,637**	17,791
Tax calculated at applicable tax rate of 25% (2008: 25%)	**6,159**	4,448
Tax effect of non-taxable income	**(595)**	(585)
Effect of change in tax rate	**6**	191
Unrecognised tax losses	**3,453**	3,523
Unrecognition of temporary differences	**–**	127
Effect of preferential tax treatments and tax exemptions	**(2,413)**	(2,523)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**655**	389
Under/(over)-provision in respect of prior years	**231**	(574)
Income tax	**7,496**	4,996

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company includes a loss of RMB16,357,000 (2008: a loss of RMB9,558,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: RMBNil). No interim dividend was declared in respect of the year ended 31 December 2009 (2008: RMBNil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to the owners of the Company, adjusted to add the imputed interest on convertible bond, the exchange gain on convertible bond and fair value gain on the derivative component of convertible bond, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2009	2008
	RMB'000	RMB'000
Earnings		
Profit attributable to the owners of the Company, used in the basic earnings per share calculation	**11,533**	10,922
Add: Imputed interest on convertible bond	–*	13,508
Less: Exchange gain on convertible bond	–*	(4,775)
Less: Fair value gain on the derivative component of convertible bond	–*	(11,877)
Profit attributable to the owners of the Company as adjusted for the effect of convertible bond	**11,533**	7,778

13. EARNINGS PER SHARE *(Continued)*

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares for the basic earnings per share calculation	**471,043,000**	451,590,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,423,000**	4,242,000
Convertible bond	**–***	48,665,000
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**474,466,000**	504,497,000

* The convertible bond has an anti-dilutive effect on the basic earnings per share for the year. Accordingly, the effects of the convertible bond and the potential ordinary shares from the convertible bond were not assumed in the calculation of the diluted earnings per share for the year ended 31 December 2009.

14. OTHER COMPREHENSIVE INCOME, NET OF TAX

	2009			2008		
	Before-tax-amount RMB'000	**Tax expense RMB'000** *(Note 28)*	**Net-of-tax amount RMB'000**	Before-tax-amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translating foreign operations	**1,182**	**–**	**1,182**	(4,632)	–	(4,632)
Less: Reclassification adjustments of exchange reserve on partial disposal of equity interest in a subsidiary included in profit or loss	**724**	**–**	**724**	–	–	–
Gain on revaluation of properties upon transfer to investment properties *(Note 15)*	**4,286**	**(1,071)**	**3,215**	–	–	–
	6,192	**(1,071)**	**5,121**	(4,632)	–	(4,632)

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Notes	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Opening net carrying amount as at 1 January 2009		56,429	32,544	19,168	23,971	4,905	13,384	150,401
Reclassifications		175	–	(52)	–	–	(123)	–
Additions		16,546	56	2,530	18,764	709	2,050	40,655
Acquisition of a subsidiary	31	699	–	2,477	2,787	408	–	6,371
Transfer to investment properties	17	–	(10,298)	–	–	–	–	(10,298)
Fair value adjustment upon transfer to investment properties	14	–	4,286	–	–	–	–	4,286
Transfers upon completion		(72,581)	66,378	528	165	–	5,510	–
Disposals		–	–	(71)	(402)	(245)	(68)	(786)
Depreciation charge for the year	8	–	(2,696)	(4,859)	(8,218)	(1,664)	(4,300)	(21,737)
Exchange realignment		5	460	165	63	4	67	764
Closing net carrying amount as at 31 December 2009		1,273	90,730	19,886	37,130	4,117	16,520	169,656

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Notes	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Opening net carrying amount as at 1 January 2008		9,208	34,158	17,246	25,716	6,597	13,596	106,521
Reclassifications		(184)	159	(1)	(20)	19	27	
Additions		49,482	–	5,424	7,270	2,034	3,316	67,526
Acquisition of a subsidiary	*31*	–	721	–	–	121	–	842
Transfers upon completion		(2,052)	269	941	376	–	466	–
Disposals		(25)	(153)	(309)	(928)	(1,258)	(52)	(2,725)
Depreciation charge for the year	*8*	–	(1,123)	(3,767)	(8,324)	(2,595)	(3,718)	(19,527)
Exchange realignment		–	(1,487)	(366)	(119)	(13)	(251)	(2,236)
Closing net carrying amount as at 31 December 2008		56,429	32,544	19,168	23,971	4,905	13,384	150,401
At 31 December 2009:								
Cost		1,273	94,708	36,188	75,780	10,701	33,239	251,889
Accumulated depreciation and impairment		–	(3,978)	(16,302)	(38,650)	(6,584)	(16,719)	(82,233)
Net carrying amount		1,273	90,730	19,886	37,130	4,117	16,520	169,656
At 31 December 2008:								
Cost		56,429	37,090	30,311	52,733	9,828	26,187	212,578
Accumulated depreciation and impairment		–	(4,546)	(11,143)	(28,762)	(4,923)	(12,803)	(62,177)
Net carrying amount		56,429	32,544	19,168	23,971	4,905	13,384	150,401

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Leasehold improvements RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Net carrying amount as at 1 January 2008	34	70	104
Depreciation charge for the year	(15)	(18)	(33)
Net carrying amount as at 31 December 2008	19	52	71
Depreciation charge for the year	–	(17)	(17)
Net carrying amount as at 31 December 2009	**19**	**35**	**54**
At 31 December 2009:			
Cost	45	108	153
Accumulated depreciation	(26)	(73)	(99)
Net carrying amount	19	35	54
At 31 December 2008:			
Cost	45	108	153
Accumulated depreciation	(26)	(56)	(82)
Net carrying amount	19	52	71

Freehold land and buildings of the Group are located outside Hong Kong. Freehold land and certain buildings of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 25.

16. LEASEHOLD LAND AND LAND USE RIGHTS

The Group

	2009 RMB'000	2008 RMB'000
Net carrying amount:		
At beginning of year	**20,508**	21,086
Amortisation charge for the year *(Note 8)*	**(494)**	(578)
Transfer to investment properties *(Note 17)*	**(1,338)**	–
At end of year	**18,676**	20,508
Cost	**20,547**	22,587
Accumulated amortisation	**(1,871)**	(2,079)
Net carrying amount	**18,676**	20,508

The Group's interests in leasehold land and land use rights were held outside Hong Kong under medium term leases.

Leasehold land and land use rights of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 25.

17. INVESTMENT PROPERTIES

The Group

FAIR VALUE	*Notes*	2009 RMB'000	2008 RMB'000
At beginning of year		**26,047**	25,286
Transfer from property, plant and equipment	*15*	**10,298**	–
Transfer from leasehold land and land use rights	*16*	**1,338**	–
Fair value gain	*6*	**3,015**	761
At end of year		**40,698**	26,047

17. INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2008 and 2009, the investment properties were revalued at RMB26,047,000 and RMB40,698,000 respectively by Shanghai ZhongHua Real Estate Appraisal Co., Ltd., an independent firm of professionally qualified valuers recognised by the relevant PRC association of valuers with recent experience in the location and category of property being valued, on an open market value basis. All investment properties of the Group are located outside Hong Kong and held under medium term.

Details of the property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, are set out in Notes 6 and 35.

18. GOODWILL

The Group

	Notes	RMB'000
Carrying amount:		
At 1 January 2008		43,161
Arising on acquisition of a subsidiary	*31*	609
Adjustment *(Note)*		2,544
Exchange realignment		(246)
At 31 December 2008 and 1 January 2009		46,068
Partial disposal of equity interest in a subsidiary		(502)
Arising on acquisition of a subsidiary	*31*	16,378
Adjustment *(Note)*		8,402
Exchange realignment		115
At 31 December 2009		**70,461**

Note: It represents the adjustments to the final considerations paid in respect of acquisitions of subsidiaries in prior years, according to the respective acquisition agreements.

18. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill is allocated as follows:

	2009	2008
	RMB'000	RMB'000
Provision of automobile repair, maintenance and restyling services	**70,461**	46,068

The recoverable amount of this CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates of 8%-20%. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

	2009	2008
	%	%
Gross margin	**30-50**	32-50
Growth rate within the five-year period	**8-20**	8-20
Discount rate	**16**	12-16

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rate used is consistent with the forecasts generally adopted in the industry. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Based on the above, the directors consider that there was no need for any impairment of goodwill as at the end of reporting period.

19. OTHER INTANGIBLE ASSETS

The Group

	Notes	Trademarks RMB'000	Tradename RMB'000	Total RMB'000
Net carrying amount:				
At 1 January 2008		9,310	–	9,310
Addition		16	–	16
Amortisation charge for the year	8	(133)	–	(133)
Exchange realignment		(592)	–	(592)
At 31 December 2008 and 1 January 2009		8,601	–	8,601
Amortisation charge for the year	8	(133)	–	(133)
Exchange realignment		184	–	184
Arising from acquisition of a subsidiary	31	–	13,067	13,067
At 31 December 2009		8,652	13,067	21,719
At 31 December 2009:				
Cost		9,334	13,067	22,401
Accumulated amortisation		(682)	–	(682)
Net carrying amount		8,652	13,067	21,719
At 31 December 2008:				
Cost		9,150	–	9,150
Accumulated amortisation		(549)	–	(549)
Net carrying amount		8,601	–	8,601

Included in the above intangible assets as at 31 December 2009 are (i) certain trademarks and (ii) tradename with indefinite useful lives which are attributable to the same CGU with which the goodwill amounts are recognised. Details of the impairment assessment of the CGU are set out in Note 18.

As at end of reporting period, trademarks with aggregate carrying amount of RMB7,851,000 (2008: RMB7,667,000) have indefinite useful lives as they are considered renewable at minimal costs. Management of the Group are of the opinion that the Group would renew the trademarks continuously and has the ability to do so.

During the year, tradename with carrying amount of RMB13,067,000 was acquired through business combination and is considered by management of the Group as having indefinite useful life as there was no limit to the period the tradename would contribute to net cash inflows.

20. INTERESTS IN SUBSIDIARIES

The Company

	2009 **RMB'000**	2008 RMB'000
Unlisted shares, at cost	**164,066**	164,066
Loan to a subsidiary *(Note (ii))*	**–**	37,044
Short term loan to a subsidiary *(Note (ii))*	**30,044**	27,328
Amounts due from subsidiaries *(Note (ii))*	**143,183**	34,673
Amounts due to subsidiaries *(Note (ii))*	**(485)**	(486)

Particulars of the Company's principal subsidiaries as at 31 December 2009 are as follows:

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/ share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Interests directly held:						
Perfect Progress Investments Limited ("Perfect Progress")	The British Virgin Islands 8 April 2002	–	US$50,000 Ordinary shares	US$500	100%	Investment holding Hong Kong
Interests indirectly held:						
Shanghai New Focus Auto Parts Co., Ltd. ("NFA Parts") *(Note (i))*	The PRC 1 March 1994	Wholly-owned foreign enterprise	US$4,100,000 Registered capital	US$4,100,000	100%	Manufacture and sale of automobile accessories The PRC
New Focus Light and Power Technology (Shanghai) Co., Ltd. ("NF Light & Power") *(Note (i))*	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$16,300,000 Registered capital	US$16,300,000	100%	Manufacture and sale of automobile accessories The PRC

(Expressed in Renminbi)

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/ share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Shanghai New Focus Auto Repair Services Co., Ltd. *(Note (i))*	The PRC 21 December 2000	Limited liability company	RMB23,500,000 Registered capital	RMB23,500,000	100%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Shanghai Likeliang Auto Service Co., Ltd.	The PRC 23 March 2005	Limited liability company	RMB1,000,000 Registered capital	RMB1,000,000	95%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Shanghai Hualiang Vocational and Technical Training School *(Note (i))*	The PRC March 2004	Civilian sponsored non- enterprise unit	RMB1,000,000 Registered capital	RMB1,000,000	100%	Automobile repair, maintenance and restyling services training The PRC
Xinjiaodian (Chengdu) Auto Maintain Co. Ltd.	The PRC 27 April 2005	Limited liability company	RMB11,584,870 Registered capital	RMB11,584,870	90.07%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
New Focus Richahaus Co. Ltd.	Taiwan 15 September 2006	–	NT$202,574,000 Share capital	NT$202,574,000	88.05%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan

(Expressed in Renminbi)

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/ share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Shandong New Focus Longsheng Auto Parts Co. Ltd.	The PRC 26 April 2006	Limited liability company	US$3,584,000 Registered capital	US$3,584,000	66.04%	Manufacture and sale of automobile accessories The PRC
Beijing Aiyihang Auto Service Ltd. ("Aiyihang")	The PRC September 1997	Limited liability company	RMB38,500,000 Registered capital	RMB38,500,000	51%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Shenzhen Yonglonghang Auto Service Ltd.	The PRC June 2002	Limited liability company	RMB7,000,000 Registered capital	RMB7,000,000	51%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(i) The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

(ii) Loan to a subsidiary as at 31 December 2008 was unsecured, interest-free and was in substance a part of the Company's interest in the subsidiary in the form of a quasi-equity loan. Short term loan to a subsidiary of US$4,400,000 (equivalent to RMB30,044,000) is unsecured, interest free and repayable in September 2010 (2008: repayable in December 2009). Amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

21. OTHER FINANCIAL ASSETS AND TRADING SECURITIES

The Group

(a) *Other financial assets*

The balance as at 31 December 2008 of RMB2,778,000 represented a non-current earnest money deposit with initial cost of RMB2,500,000 in connection with the Group's acquisition of 51% equity interest in Aiyihang in the prior years which is refundable in 2010 and the related accumulated imputed interest of RMB444,000 and RMB278,000 earned up to 31 December 2009 and 2008 respectively. Accordingly, the balance as at 31 December 2009 of RMB2,944,000 was included under deposits, prepayments and other receivables under current assets.

In prior years, the Group disposed of 85% equity interest in Shanghai Beforly Investment Management Limited ("Beforly"). The Group's remaining 15% equity interest in Beforly is classified as an available-for-sale financial asset of the Group with nil carrying amount as at 31 December 2008 and 2009.

(b) *Trading securities*

The balance represented investments in equity securities that were listed in the PRC, and were stated at fair value based on quoted market prices as at the end of reporting period.

22. INVENTORIES

The Group

	2009 **RMB'000**	2008 RMB'000
Raw materials	**35,441**	26,675
Work-in-progress	**22,841**	26,200
Finished goods	**18,596**	24,037
Merchandise goods	**67,599**	48,783
	144,477	125,695

23. TRADE RECEIVABLES

The Group

	2009	2008
	RMB'000	RMB'000
Trade receivables	**83,584**	79,234
Less: allowance for doubtful debts	**(2,509)**	(1,059)
	81,075	78,175

(i) The average credit period to the Group's trade debtors is 30 days.

(ii) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

The Group

	2009	2008
	RMB'000	RMB'000
At beginning of year	**1,059**	1,667
Additional allowance for the year *(Note 8)*	**1,450**	–
Reversal of allowance for the year *(Note 8)*	**–**	(608)
At end of year	**2,509**	1,059

At 31 December 2009, the Group's trade receivables of RMB7,717,000 (2008: RMB8,361,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, an accumulated allowance for doubtful debts of RMB2,509,000 (2008: RMB1,059,000) is made as at 31 December 2009. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

23. TRADE RECEIVABLES *(Continued)*

(iii) The ageing analysis of trade receivables by invoice date is as follows:

The Group

	2009 RMB'000	2008 RMB'000
Current to 30 days	**41,738**	26,336
31 to 60 days	**20,767**	29,894
61 to 90 days	**13,362**	14,643
Over 90 days	**7,717**	8,361
	83,584	79,234
Less: allowance for doubtful debts	**(2,509)**	(1,059)
	81,075	78,175

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

The Group

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	**41,738**	26,336
Less than 1 months past due	**20,767**	29,894
1 to 2 months past due	**13,362**	14,643
	34,129	44,537
	75,867	70,873

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

23. TRADE RECEIVABLES *(Continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. AMOUNTS DUE FROM/TO A RELATED COMPANY AND DIRECTORS

The Group

(a) *Amount due from a related company*

Amount due from a related company, which is disclosed pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

The related company is Custom Accessories Asia Limited ("Custom Accessories"). Majority interests of Custom Accessories are mainly held by Mr Fresco, Mr Matthew and their close family members. Mr Fresco and Mr Matthew were directors of Custom Accessories and the Company and have beneficial interests in the Company as at the end of reporting period. Details of the balance with Custom Accessories are as follows:

	2009	2008
	RMB'000	RMB'000
Balance at 1 January	**316**	92
Balance at 31 December	**34**	316
Maximum amount outstanding during the year	**316**	316

Amount due from Custom Accessories arises from trading activities with ageing from current to 30 days. The amount due from the related company is unsecured, interest-free and repayable on trading terms.

There was no amount due but unpaid, nor any allowance for doubtful debts made against the principal amounts at 31 December 2008 and 2009.

(b) *Amounts due to directors*

As at 31 December 2008 and 2009, the amounts due to directors are unsecured, interest-free and repayable on demand.

25. BANK BORROWINGS, SECURED

The Group

	2009 RMB'000	2008 RMB'000
Bank loans	**42,400**	110,289
Bank overdrafts	**12**	–
	42,412	110,289
Bank borrowings are repayable as follows:		
On demand or within one year	**14,042**	95,940
After one year but within two years	**16,241**	1,069
After two years but within five years	**2,778**	2,969
After five years	**9,351**	10,311
	42,412	110,289
Amount due within one year included in current liabilities	**(14,042)**	(95,940)
Amount included in non-current liabilities	**28,370**	14,349

The banking facilities are secured by (i) the Group's freehold land and certain buildings with an aggregate net carrying amount of RMB90,043,000 as at 31 December 2009 (2008: RMB26,394,000); (ii) the Group's leasehold land and land use rights of RMB18,676,000 as at 31 December 2009 (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 of RMB2,563,000; and (v) corporate guarantee of the Company.

Most of the bank loans bear fixed interest rates ranging from 1.658% to 5.310% per annum (2008: 2.930% to 8.964% per annum). The bank overdrafts were repayable on demand and bore interest at the lending rate stipulated by the People's Bank of China applicable to the 6-month loan period (2008: lending rate applicable to the 6-month loan period with 10% mark-down).

At 31 December 2009, the Group had available RMB122,867,000 (2008: RMB75,443,000) of undrawn committed banking facilities in respect of which all conditions precedent was met.

25. BANK BORROWINGS, SECURED *(Continued)*

	2009 RMB'000	2008 RMB'000
Bank borrowings were denominated in:		
RMB	**25,712**	74,900
United States dollars ("US$")	**1,284**	16,698
Taiwan dollars ("TWD")	**15,416**	18,691
	42,412	110,289

26. TRADE PAYABLES

The ageing analysis of trade payables of the Group by invoice date is as follows:

The Group

	2009 RMB'000	2008 RMB'000
Current to 30 days	**80,517**	56,843
31 to 60 days	**26,599**	23,849
61 to 90 days	**12,754**	14,669
Over 90 days	**15,107**	15,346
	134,977	110,707

The average credit period for the Group's trade creditors is 60 days.

27. CONVERTIBLE BOND

The Group and the Company

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$2.070 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.

27. CONVERTIBLE BOND *(Continued)*

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.

The convertible bond is denominated in 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 end of the reporting period are recognised in profit or loss.

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 instalments of US$3,000,000 (the "First Instalment"), US$4,000,000 (the "Second Instalment") and US$5,000,000 (the "Third Instalment") are repayable on 26 February 2009, 30 April 2009 and 30 June 2009, respectively. The obligations of the Company under the Promissory Note are fully and irrevocably guaranteed by a director of the Company. Details of the above transaction are set out in the Company's announcement dated 23 February 2009.

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) from the amounts of repayment of the Promissory Note (the "Early Repayment Compensation") if the Company repays the Third Instalment on or before 30 April 2009 after having fully repaid the First Instalment and the Second Instalment on or before 26 February and 30 April 2009, respectively. As the above conditions were met during the year, the Company was entitled to the Early Repayment Compensation of RMB4,784,000 and recognised in profit or loss.

27. CONVERTIBLE BOND *(Continued)*

The movements of the liability component and derivative component of the convertible bond are as follows:

	Liability component of convertible bond RMB'000	Derivative component of convertible bond RMB'000	Total 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 1 January 2008	62,195	13,803	75,998
Imputed interest *(Note 7)*	13,508	–	13,508
Fair value gain	–	(11,877)	(11,877)
Unrealised exchange gain *(Note 7)*	(3,931)	(844)	(4,775)
At 31 December 2008 and 1 January 2009	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 and 1 January 2009	67,509	1,082	68,591
Imputed interest *(Note 7)*	3,761	–	3,761
Fair value gain	–	(409)	(409)
Unrealised exchange loss *(Note 7)*	168	–	168
Net loss on redemption of convertible bond, net of gain on the Early Repayment Compensation *(Note 6)*	5,126	–	5,126
Early redemption	(76,564)	(673)	(77,237)
At 31 December 2009	–	–	–

Interest on the convertible bond is calculated using the effective interest method by applying the effective interest rate of 19.5% per annum.

27. CONVERTIBLE BOND *(Continued)*

The fair value of the derivative component of the convertible bond is determined taking into account the valuation performed by RHL Appraisal Ltd., an independent firm of professionally qualified valuers, using the Binomial Model with the major inputs as at 31 December 2008 and the date of early redemption as follows:

	31 December 2008	Date of early redemption
Share price	HK$0.900	HK$0.880
Exercise price	HK$1.923	HK$1.923
Volatility	47.164%	45.800%
Risk free rate	0.352%	0.360%

During the year, there was a decrease in the share price of the Company, and accordingly, the fair value of the derivative component of the convertible bond decreased, resulting in a fair value gain of RMB409,000 (2008: fair value gain of RMB11,877,000).

28. DEFERRED TAX

The Group

The movement in deferred tax assets/(liabilities) is as follows:

Deferred tax assets:

	Accrued expenses RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2008	96	32	128
Charged to profit or loss *(Note 10)*	(30)	–	(30)
Exchange alignment	(5)	–	(5)
At 31 December 2008	61	32	93
Charged to profit or loss *(Note 10)*	(33)	–	(33)
Effect of change in tax rate *(Note 10)*	(6)	–	(6)
Exchange alignment	1	–	1
At 31 December 2009	**23**	**32**	**55**

28. DEFERRED TAX *(Continued)*

Deferred tax assets: *(Continued)*

In accordance with the PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. As at 31 December 2009, the Group had tax losses carried forward of RMB57,702,000 (2008: RMB43,890,000). As at 31 December 2008 and 2009, the Group did not recognise any deferred tax asset arising from such tax losses as management is of the view that it was not probable that such benefits of tax losses would be realised before they expire.

The Group

Deferred tax liabilities:

	Other intangible assets	**Fair value gain on properties**	**Accrued subsidy income**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	–	(879)	(192)	(1,071)
Charged to profit or loss *(Note 10)*	–	(127)	–	(127)
Effect on change in tax rate *(Note 10)*	–	(191)	–	(191)
At 31 December 2008	–	(1,197)	(192)	(1,389)
Arising from acquisition of a subsidiary *(Note 31)*	(2,614)	–	–	(2,614)
Charged to equity for the year *(Note 14)*	–	(1,071)	–	(1,071)
Charged to profit or loss *(Note 10)*	–	(672)	–	(672)
At 31 December 2009	**(2,614)**	**(2,940)**	**(192)**	**(5,746)**

29. SHARE CAPITAL

	2009			2008		
	Number of shares '000	**Amount HK$'000**	**Amount RMB'000**	Number of shares '000	Amount HK$'000	Amount RMB'000
Authorised:						
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	**200,000**	2,000,000	200,000	200,000
Issued and fully paid:						
At beginning of year	**451,344**	**45,134**	**47,354**	440,564	44,056	46,394
Issue of shares *(Note (iv))*	**90,000**	**9,000**	**7,928**	–	–	–
Issue of shares on exercise of share options *(Note (i))*	**–**	**–**	**–**	30	3	3
Bonus issue *(Note (ii))*	**–**	**–**	**–**	11,014	1,101	980
Repurchases and cancellation of shares *(Note (iii))*	**(3,164)**	**(316)**	**(279)**	(264)	(26)	(23)
At end of year	**538,180**	**53,818**	**55,003**	451,344	45,134	47,354

Notes:

(i) In July 2008, 30,000 share options were exercised to subscribe for 30,000 ordinary shares of the Company of HK$0.1 each at a consideration of RMB25,000 of which RMB3,000 was credited to share capital and the remaining balance of RMB22,000 was credited to the share premium account and RMB3,000 has been transferred from the share options reserve (included in other reserves) to the share premium account. Such shares rank pari passu with the existing issued shares.

(ii) The Company issued one bonus share of HK$0.1 each credited as fully paid for every forty issued shares held on the register of members of the Company on 18 June 2008. An amount standing to the credit of the share premium account of the Company of RMB980,000 was capitalised and applied in making payment in full, at par, for the new shares. Such bonus shares rank pari passu with the existing issued shares.

(iii) During the year ended 31 December 2009, by virtue of exercise of the rights granted by the Company's shareholders to the directors under general mandate, the Company repurchased on the Stock Exchange 3,164,000 (2008: 264,000) ordinary shares of HK$0.1 each at a total consideration before expenses of RMB3,073,000 (2008: RMB202,000). These shares were cancelled after repurchases during the year.

(iv) On 12 October 2009, the Company issued 90,000,000 units of Taiwan depository receipts, representing 90,000,000 new shares of the Company, which were listed on the Taiwan Stock Exchange Corporation on the same day. These new shares were issued at HK$1.68 each under at an aggregate consideration of RMB127,747,000, net of issuing expenses, of which RMB7,928,000 was credited to share capital and the remaining balance of RMB119,819,000 was credited to the share premium account. Further details are set out in the Company's announcements dated 29 July 2009, 16 September 2009, 23 September 2009 and 9 October 2009. Such shares rank pari passu with the existing issued shares.

30. RESERVES

(i) Reserves of the Group

(a) Share premium

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

(b) Statutory reserve fund

The Group's wholly-foreign-owned subsidiaries established in the PRC are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the applicable PRC accounting standards, to statutory reserve fund until the fund aggregates to 50% of their respective registered capital.

The statutory reserve fund can only be used, upon approval by the respective board of directors, to offset any accumulated losses or increase capital.

(c) Reorganisation reserve mainly represents:

(i) the difference of RMB8,263,000 between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation and the nominal value of Perfect Progress's shares issued in exchange therefor;

(ii) in 2001, Custom Accessories, the former investor of NF Light & Power, contributed capital of RMB19,959,000;

(iii) as part of the reorganisation and pursuant to the share transfer agreement dated 3 June 2002, which became effective on 20 June 2002 according to the Certificate of Approval issued by the Shanghai People's Government (the "Certificate of Approval"), Mr Hung Wei-Pi, John, the only shareholder of Sharp Concept Industrial Limited which held 60% ownership of Perfect Progress, purchased 10% of the equity interest of NFA Parts (the "Transferring Interests") from the original local shareholder of NFA Parts at RMB2,800,000. Pursuant to the share transfer agreement dated 4 December 2002, which became effective on 12 December 2002 according to the Certificate of Approval, Perfect Progress acquired the Transferring Interests from Mr Hung Wei-Pi, John, in consideration of the allotment and issue of 40 shares of US$1.00 each in Perfect Progress to Sharp Concept Industrial Limited. The difference of RMB6,312,000 between the nominal value of the shares of Perfect Progress and the Transferring Interests' share of the fair value of NFA Parts on acquisition pursuant to the reorganisation is accounted for as reorganisation reserve of the Group;

30. RESERVES *(Continued)*

(i) Reserves of the Group *(Continued)*

(c) Reorganisation reserve mainly represents: (Continued)

(iv) on 13 February 2005, an aggregate of 90 shares were allotted and issued by the Company in exchange for the 100% of share interest in Perfect Progress. The difference of RMB4,000 between the nominal value of the shares of issued by the Company and Transferring Interest's share of the fair value of Perfect Progress pursuant to the reorganisation is accounted for as reorganisation reserve of the Group; and

(v) on 13 February 2005, the directors of the Company were authorised to capitalise HK$29,999,990 towards paying up in full at par 299,999,900 shares for allotment.

(d) Enterprise expansion fund

In accordance with the Company Law of the PRC and the articles of association of a subsidiary, the subsidiary shall appropriate 5% of its annual statutory net profit (after offsetting any prior years' losses) to enterprise expansion fund.

(e) Share options reserve and property revaluation reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy in Note 3(u).

The property revaluation reserve represents the gains/losses arising on the revaluation of property (other than investment property). The balance on this reserve is wholly undistributable.

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 3(s).

30. RESERVES *(Continued)*

(ii) Reserves of the Company

	Notes	Share premium RMB'000	Contributed surplus RMB'000	Others, including share options reserve, capital redemption reserve and exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008		101,985	84,242	424	(6,336)	180,315
Total comprehensive income for the year		–	–	(2,143)	(9,558)	(11,701)
Lapse of share options		–	–	(238)	238	–
Issue of shares on exercise of share options	*29(i)*	25	–	(3)	–	22
Bonus issues	*29(ii)*	(980)	–	–	–	(980)
Repurchases and cancellation of shares	*29(iii)*	(179)	–	23	(23)	(179)
At 31 December 2008 and 1 January 2009		100,851	84,242	(1,937)	(15,679)	167,477
Total comprehensive income for the year		–	–	2,143	(16,357)	(14,214)
Lapse of share options		–	–	(89)	89	–
Recognition of equity-settled-share-based payments	*36*	–	–	302	–	302
Issue of shares	*29(iv)*	119,819	–	–	–	119,819
Repurchases and cancellation of shares	*29(iii)*	(2,794)	–	279	(279)	(2,794)
At 31 December 2009		217,876	84,242	698	(32,226)	270,590

31. BUSINESS COMBINATIONS

In July 2008, the Group acquired 100% equity interest in Road Star Limited ("Road Star"), a company incorporated in Taiwan, for a total consideration of NT$4.5 million (equivalent to RMB1,007,000) in cash. Road Star is engaged in providing automotive services, namely repair, maintenance and restyling services, and sale of automotive products in Taiwan.

In November 2009, the Group acquired 51% equity interest in Shenzhen Youglonghang Auto Service Ltd. ("Yonglonghang"), a company established in Shenzhen, the PRC, for a total consideration of approximately RMB25.3 million of which RMB12.6 million was satisfied in cash and the remaining RMB12.7 million was satisfied by the allotment and issue of 8,049,505 ordinary shares of HK$0.1 each of the Company (the "Consideration Shares"). Yonglonghang is engaged in providing automotive services, namely repair, maintenance and restyling services, and sales of automotive products in Shenzhen, the PRC. Further details are set out in the Company's announcement dated 25 November 2009.

Details of net assets acquired and goodwill arising therefrom are as follows:

	2009	2008
	RMB'000	RMB'000
Purchase considerations:		
Cash paid	**12,622**	1,007
Consideration payable to be settled by allotment and issue of shares of the Company *(Note)*	**12,732**	–
Fair value of net assets acquired – shown as below	**(8,976)**	(398)
Goodwill *(Note 18)*	**16,378**	609

Note: The Consideration Shares have been allotted and issued after the end of the reporting period. The consideration payable is valued at the market value of the Company's Consideration Shares at the date of completion of the acquisition during the year, and is included in accruals and other payables of the Company and the Group at the end of the reporting period.

The directors believe that the acquisitions would create synergy and strengthen the competitiveness of the Group's automotive service business.

31. BUSINESS COMBINATIONS *(Continued)*

The Group had no presence in Southern part of Taiwan and Shenzhen before the acquisitions of equity interests in Road Star and Yonglonghang, respectively. Road Star and Yonglonghang, on the other hand, have been operating in the cities with well established network and reputation. It has been the Group's plan to strengthen establishment in Taiwan and extend operations in Shenzhen, the two influential cities in the Greater China Region. Given the vast differences in the level of economic development and consumer behaviours and preference in different cities in the Greater China Region, entry into the Taiwan and Shenzhen markets through acquisitions of Road Star and Yonglonghang, companies already operating there, would be the most efficient and effective way in terms of both time and costs.

The acquisitions also helped to improve the overall strengths of the Group. The Group now has more chain stores providing automobile services, most of which are medium-sized stores.

The net assets acquired in the acquisitions are as follows:

		Fair value of net assets acquired	
	Notes	**2009**	2008
		RMB'000	RMB'000
Property, plant and equipment	*15*	**6,371**	842
Other intangible assets*	*19*	**13,067**	–
Inventories		**4,155**	279
Trade receivables		**734**	1,315
Deposits, prepayments and other receivables		**1,425**	623
Cash and cash equivalents		**281**	1,129
Bank borrowing		**–**	(231)
Trade payables		**(3,412)**	(1,541)
Accruals and other payables		**(2,406)**	(2,018)
Deferred tax liabilities*	*28*	**(2,614)**	–
		17,601	398
Less: Minority interests		**(8,625)**	–
Fair value of net assets acquired attributable to the Group		**8,976**	398
Purchase considerations settled in cash		**12,622**	1,007
Cash and cash equivalents in the subsidiaries acquired		**(281)**	(1,129)
Net cash outflow/(inflow) on acquisitions		**12,341**	(122)

* The balance represents fair value adjustment upon the acquisition.

31. BUSINESS COMBINATIONS *(Continued)*

The carrying amount of the acquirees' assets and liabilities approximates the fair value of the assets and liabilities acquired.

Since the acquisition in 2008, Road Star contributed insignificant amounts to the Group's turnover and results for the year ended 31 December 2008. Had the acquisition taken place at the beginning of the prior year, Road Star would have also contributed insignificant amounts to the Group's turnover and results for that year.

Since the acquisition in 2009, Yonglonghang contributed RMB3.4 million to the Group's turnover and a profit of RMB0.4 million to the Group's results for the current year. Had the acquisition taken place at the beginning of the year, Yonglonghang would have contributed RMB24.3 million to the turnover of the Group and the loss of RMB3.3 million to the Group's results for the current year.

32. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged time deposits approximate their fair values.

The Group

	2009	2008
	RMB'000	RMB'000
Cash and cash equivalents were denominated in:		
RMB	**42,874**	47,602
US$	**28,471**	44,654
HK$	**80**	1,807
EURO	**–**	6
TWD	**11,147**	1,657
	82,572	95,726

32. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(Continued)*

The Company

As at 31 December 2008 and 2009, most of the cash and cash equivalents of the Company were denominated in US$.

33. MAJOR NON-CASH TRANSACTIONS

Additional consideration for acquisition of a subsidiary of RMB8,402,000 (2008: RMB2,544,000) has not been paid by the Group and was included in accruals and other payables of the Group as at 31 December 2009.

As detailed in Note 21(a), the other financial asset of RMB2,944,000 (2008: RMB2,778,000) is reclassified into deposits, prepayments and other receivables as at 31 December 2009.

34. COMMITMENTS

Capital commitments outstanding at the end of reporting period not provided for in the financial statements were as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Capital commitments				
Construction of buildings, contracted but not provided for	**1,982**	11,814	**–**	–
Other commitment				
Capital injection in respect of subsidiary	**–**	–	**3,060**	–

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2009 RMB'000	2008 RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	**33,034**	29,280

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**33,061**	24,129
After one year but within five years	**101,609**	54,401
After five years	**21,940**	15,439
	156,610	93,969

The Group as lessor

As at 31 December 2009, the Group leased out its investment properties under operating leases.

At the end of reporting period, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**3,218**	1,377
After one year but within five years	**6,958**	195
After five years	**7,322**	–
	17,498	1,572

36. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to employees and other parties who contribute to the success of the Group’s operations.

On 28 February 2005, the Company granted share options of 23,780,000 to its employees. The exercise price of the granted options is equal to the closing price of the shares on the date of grant. There are 10 vesting periods ending on consecutive years from 31 December 2006 to 31 December 2014 and the period ending 12 February 2015. The options are exercisable starting from 1 January 2006 to 12 February 2015 subject to accomplishing performance targets or conditions, as determined by the board of directors of the Company.

The Group amortises the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of RMB302,000 was charged as an equity-settled share-based payment (2008: RMBNil) to profit or loss for the year.

The number and weighted average exercise prices of the share options are as follows:

	Share options (in thousands)
At 1 January 2008	15,380
Exercised	(30)
Lapsed	(2,240)
At 31 December 2008 and 1 January 2009	13,110
Lapsed	(750)
At 31 December 2009	**12,360**

The weighted average exercise price for the share options lapsed during the year was HK$0.94 (2008: HK$0.97). The weighted average exercise price for the share options exercised during the prior year was HK$0.94.

36. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

At the end of reporting period and the date of approval of these financial statements, the Company had 12,360,000 share options outstanding under the Scheme, which represented 2.3% of the Company's shares in issue as at 31 December 2009. The exercise in full of the remaining outstanding share options would, under the present capital structure of the Company, result in the issue of 12,360,000 additional ordinary shares of the Company and additional share capital of RMB1,085,000 and share premium of RMB9,115,000 (before issue expenses and transfer from share options reserve).

Share options outstanding as at 31 December 2008 and 2009 have the following expiry dates and exercise prices:

2009

		Share options		
Expiry date	**Exercise price HK$ per share**	**granted to directors**	**granted to employees**	**Total**
		'000	'000	'000
31 December 2010	0.94	–	2,320	2,320
12 February 2015	0.94	10,040	–	10,040
		10,040	2,320	12,360
Weighted average exercise price (HK$)		0.94	0.94	0.94

2008

		Share options		
Expiry date	Exercise price HK$ per share	granted to directors	granted to employees	Total
		'000	'000	'000
31 December 2010	0.94	–	3,070	3,070
12 February 2015	0.94	10,040	–	10,040
		10,040	3,070	13,110
Weighted average exercise price (HK$)		0.94	0.94	0.94

37. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in full and are not disclosed in this Note. Except for disclosed elsewhere in the these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year and in the ordinary course of business, the Group had the following material transactions with related company which are not members of the Group:

	2009	2008
	RMB'000	RMB'000
Sale of goods to Custom Accessories	**8,745**	7,812

Sale of goods was made at the Group's usual list prices discounted to reflect the quantity of purchase and the relationships between the parties.

(b) During the year, the Group disposed of 11.95% equity interest in a subsidiary in Taiwan to the senior management of the subsidiary at a cash consideration of approximately RMB4,160,000.

(c) Members of key management during the year comprised only of the executive directors whose remuneration is set out in Note 9(a).

38. *CAPITAL RISK MANAGEMENT*

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings and convertible bond disclosed in Notes 25 and 27 respectively, cash and cash equivalents and pledged time deposits in Note 32 and equity attributable to owners of the Company, comprising share capital disclosed in Note 29 and other reserves as disclosed in consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 10–20% determined as the proportion of net debt to equity. Based on the management's recommendations, the Group expects to increase its gearing ratio closer to 25% through the issue of new debt and the payment of dividends.

The gearing ratio at end of the reporting periods was as follows:

	2009 **RMB'000**	2008 RMB'000
Debts	**42,412**	178,880
Cash and cash equivalents and pledged time deposits	**(85,135)**	(97,603)
Net (cash)/debt position	**(42,723)**	81,277
Equity	**444,761**	286,370
Net debt to equity ratio	**N/A**	28.4%

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. During the years, the Group is also exposed to equity price risk mainly arising from its own equity share price and copper price risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 17% (2008: 28%) and 50% (2008: 65%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively within the manufacture and sale of automobile accessories business segment.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 23.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

The Group

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009						
Bank borrowings	**42,412**	**43,512**	**14,305**	**16,477**	**3,353**	**9,377**
Trade and other payables and amounts due to directors	**191,941**	**191,941**	**191,941**	**–**	**–**	**–**
Total	**234,353**	**235,453**	**206,246**	**16,477**	**3,353**	**9,377**
2008						
Bank borrowings	110,289	111,271	96,922	1,069	2,969	10,311
Convertible bond	68,591	87,846	4,263	83,583	–	–
Trade and other payables and amounts due to directors	150,451	150,451	150,451	–	–	–
Total	329,331	349,568	251,636	84,652	2,969	10,311

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000
2009					
Other payables, amounts due to a director and subsidiaries	**14,128**	**14,128**	**14,128**	**–**	**–**
Financial guarantees issued					
Maximum amount guaranteed	–	–	29,296	–	–
2008					
Convertible bond	68,591	87,846	4,263	83,583	–
Other payables, amounts due to a director and subsidiaries	1,596	1,596	1,596	–	–
Total	70,187	89,442	5,859	83,583	–
Financial guarantees issued					
Maximum amount guaranteed	–	–	29,378	–	–

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk

The Group's and the Company's fair value interest-rate risk mainly arises from bank borrowings and convertible bond as disclosed in Notes 25 and 27 respectively. Most of bank borrowings, and convertible bond were issued at fixed rates which expose the Group and Company to fair value interest-rate risk. The Group and the Company have no significant cash flow interest-rate risk as there are no significant borrowings which bear floating interest rates for a significant period of time during the year.

The Group's cash and cash equivalents bore floating interest rates and expose the Group to cash flow interest rate risk. It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation for the year and retained profits as at 31 December 2009 by RMB826,000 (2008: RMB957,000). The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's and the Company's borrowings are disclosed in Notes 25 and 27.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US$.

The Group and Company are also exposed to foreign currency exchange risk arising from the cash and cash equivalents and convertible bond denominated in US$.

The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

The Group

	2009 US$'000	2008 US$'000
Trade and other receivables	**10,178**	9,814
Cash and cash equivalents	**4,171**	6,535
Convertible bond and interest payable	**–**	(10,040)
Bank loans	**(188)**	(2,443)
Overall net exposure	**14,161**	3,866

The Company

	2009 US$'000	2008 US$'000
Cash and cash equivalents	**251**	3,086
Convertible bond and interest payable	**–**	(10,040)
Overall net exposure	**251**	(6,954)

The following table indicates the approximate change in the Group's profit for the year and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

39. *FINANCIAL RISK MANAGEMENT (Continued)*

(d) Currency risk *(Continued)*

The Group	2009 Increase in foreign exchange rate	2009 Effect on profit for the year and retained profits RMB'000	2009 Effect on other components of equity RMB'000	2008 Increase in foreign exchange rate	2008 Effect on profit for the year and retained profits RMB'000	2008 Effect on other components of equity RMB'000
US$	5%	4,815	–	7%	2,055	–

The Company	2009 Increase in foreign exchange rate	2009 Effect on profit for the year and retained profits RMB'000	2009 Effect on other components of equity RMB'000	2008 Increase in foreign exchange rate	2008 Effect on profit for the year and retained profits RMB'000	2008 Effect on other components of equity RMB'000
US$	5%	86	–	7%	(3,127)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the end of the next reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2008.

39. *FINANCIAL RISK MANAGEMENT (Continued)*

(e) Equity price risk

During the year, the Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own ordinary shares underlie the fair value of derivative component of convertible bond as further disclosed in Note 27. As the convertible bond has been early redeemed during the year, no sensitivity analysis for the current year is presented therefor.

As the Group's exposure of price risk for its trading securities is not significant, no sensitivity analysis is presented therefor.

(f) Copper price risk

The Group is exposed to price risk of copper, which are one of the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. Details of the copper future contracts outstanding at end of reporting period are set out in Note 42.

At 31 December 2009, it is estimated that a general increase/decrease of 10% in copper future contract price, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately RMB522,000 (2008: RMBNil) in respect of the instruments outstanding throughout the year.

The sensitivity analysis above has been determined assuming that the change in copper future contract price had occurred at the end of reporting period and had been applied to the exposure to copper future contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper future contract price over the period until the next annual end of reporting period.

(g) Fair values

All financial instruments of the Group and Company are carried at amounts not materially different from their fair values as at 31 December 2008 and 2009 except that the fair value of the liability component of convertible bond, with a carrying amount of RMB71,772,000 as at 31 December 2008, was RMB80,851,000 as at that date. The convertible bond has been early redeemed during the year.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

(h) Fair values estimation

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments of the Group set out in Notes 21, 25 and 27.

(i) Trading securities

Fair value is based on quoted market prices at the end of reporting period without any deduction for transaction costs.

(ii) Interest-bearing bank borrowings and liability component of convertible bond

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Derivative component of convertible bond

The estimate of fair value of the conversion option embedded in convertible bond is measured using an option pricing model.

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2008 and 2009 may be categorised as follows:

	2009	2008
	RMB'000	RMB'000
Financial assets		
Trading securities, at fair value	**339**	227
Loans and receivables (including cash and cash equivalents and pledged time deposits), at amortised cost	**220,914**	236,654
Financial liabilities		
Financial liabilities measured, at amortised cost	**234,353**	328,249
Derivative component of convertible bond, at fair value	**–**	1,082

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group 2009			
	Level 1 RMB	**Level 2 RMB**	**Level 3 RMB**	**Total RMB**
Trading securities, listed	339	–	–	339

41. CONTINGENT LIABILITIES

At the end of reporting period, contingent liabilities not provided for in the financial statements were as follows:

The Company

	2009 RMB'000	2008 RMB'000
Guarantee given to a bank in connection with banking facilities granted to a subsidiary	**29,296**	29,378

The banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of RMB12,000 and RMBNil as at 31 December 2009 and 2008, respectively.

(Expressed in Renminbi)

42. COPPER FUTURE CONTRACTS

In December 2009, the Group has entered into copper future contracts to hedge against the fluctuations of copper price. The copper future contracts have not been designated as hedging instruments. As these copper future contracts were entered into near the end of reporting period and there was no significant change in the contract price, the directors have the opinion that the fair value of the copper future contracts approximates their carrying values at the end of reporting period.

The major terms of these outstanding copper future contracts of the Group were as follows:

	As at 31 December 2009	As at 31 December 2008
Quantities (in tonnes)	**100**	N/A
Average price per tonne	**RMB58,510**	N/A
Delivery period	**From December 2009 to April 2010**	N/A

43. COMPARATIVE AMOUNT

Decrease in pledged time deposits of RMB1,465,000 in investing activities in the 2008 consolidated statement of cash flows has been reclassified to financing activities to confirm with current year's classification.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified and adjusted as appropriate, is set out below:

RESULTS

	1.1.2009 to 31.12.2009 RMB'000	1.1.2008 to 31.12.2008 RMB'000	1.1.2007 to 31.12.2007 RMB'000	1.1.2006 to 31.12.2006 RMB'000 (Restated)	1.1.2005 to 31.12.2005 RMB'000
Turnover	**642,349**	707,426	763,451	533,302	507,471
Profit before taxation	**24,637**	17,791	22,429	2,460	65,542
Income tax	**(7,496)**	(4,996)	(1,067)	(4,201)	(9,924)
Profit/(loss) for the year	**17,141**	12,795	21,362	(1,741)	55,618
Attributable to:					
Equity holders of the Company	**11,533**	10,922	17,849	(3,089)	55,618
Minority interests	**5,608**	1,873	3,513	1,348	–
	17,141	12,795	21,362	(1,741)	55,618

ASSETS AND LIABILITIES

	31.12.2009 RMB'000	31.12.2008 RMB'000	31.12.2007 RMB'000	31.12.2006 RMB'000 (Restated)	31.12.2005 RMB'000
Total assets	**686,995**	617,821	653,867	442,212	325,910
Total liabilities	**(242,234)**	(331,451)	(375,483)	(232,742)	(94,241)
	444,761	286,370	278,384	209,470	231,669