

**NEW FOCUS AUTO TECH HOLDINGS LTD:
WRITE THIS ONE OUT OF YOUR
PROSPECTIVE INVESTMENT PORTFOLIO**

If one carefully studies the Interim Report of New Focus Auto Tech Holdings Ltd (新焦點汽車技術控股有限公司) (Code: 360, Main Board, The Stock Exchange of Hongkong Ltd), one will come to the conclusion that, in fact, the Bottom Line is regressing in terms of the business activities of this smallish manufacturer of electronic and power-related automotive parts and accessories.

The Interim Report of New Focus Auto Tech for the period, ended June 30, 2005, which was released on or about September 12, 2005, indicates the following:

	Six Months, Ended June 30	
	2005	2004
	All Figures Are Denominated In Renminbi'000 (except where otherwise specified)	
Sales	228,198	170,094
Cost of Goods Sold	(172,000)	(124,351)
Gross Profit	56,198	45,743
Gross Profit Margin*	24.63 percent	26.89 percent
Other Gains, Net	1,834	482
Selling and Marketing Costs	(13,005)	(8,804)
Administrative Expenses	(14,185)	(11,805)
Operating Profit	30,842	25,616
Financing Costs	(462)	(475)
Profit Before Income Tax	30,380	25,141
Income Tax Expense	(4,251)	(143)
Profit for the Period	26,129	24,998
Net Profit Margin*	11.45 percent	14.70 percent

* These are TARGET's calculations

From the above table, it is clear that, comparing the 2005 Interim Period with that of the 2004 Interim Period, the Turnover rose about 58.10 million renminbi, equivalent to about 34.16 percent, while the Net Profit for the Period rose by only about 1.13 million renminbi, or about 4.52 percent.

However, at Page 16 of the 2005 Interim Report, Note 4, one learns that there was an income tax refund from the Government of the People's Republic of China (PRC) in the amount of 1.70 million renminbi.

That 1.70 million renminbi, income tax refund is part of 'Other Gains, Net', mentioned in the table above.

Without that income tax refund, therefore, the Net Profit Attributable to Shareholders for the 6 months, ended June 30, 2005, would have been about 24.43 million renminbi, or about 2.28 percent less than the Bottom Line for the like 2004 period.

This may seem alarming to some people, considering that New Focus Auto Tech only went public on February 17, 2005, on the Main Board of The Stock Exchange of Hongkong Ltd, the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC.

But on scanning the 2005 Interim Report, there is a great deal more that may well scare prospective investors of this Company.

At Page 27 of the Interim Report, it is stated that, on June 30, 2005 – about 4 months after New Focus Auto Tech successfully launched its Initial Public Offering (IPO) on The Stock Exchange of Hongkong Ltd – it placed 20 million renminbi (presumably in cash) with AFG Investment Management (Shanghai) Ltd ‘to manage and invest ... on its behalf for a term commencing on 14 June 2005 and expiring on 14 September 2005.’

Note 14 continues by stating that AFG Investment Management (Shanghai) Ltd ‘guarantees the principal repayment to NF Light & Power (New Focus Light and Power Technology (Shanghai) Company Ltd (亞財同星投資管理(上海)有限公司) upon expiry of the term of management ... Management fee is charged at 0.5% per annum of the principal.’

The IPO of February 2005 raised, net of expenses, \$HK74.70 million.

According to Page 109 of the Prospectus, this money was to be used for the following purposes:

1. \$HK48 million to continue to develop the Company’s manufacturing business;
2. \$HK12 million to expand the Company’s automotive aftermarket service business; and,
3. \$HK3 million to be used as additional Working Capital.

(Editor’s Note: The above Uses of Proceeds was based on New Focus Auto Tech Holdings Ltd, netting about \$HK63 million, not \$HK74.70 million)

Today ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*