



**JINHENG AUTOMOTIVE SAFETY
TECHNOLOGY HOLDINGS LIMITED**
錦恒汽車安全技術控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 872)



*Safety
On
Road*



The board of directors (the “Board”) of Jinheng Automotive Safety Technology Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2009, together with the unaudited comparative figures for the corresponding periods in 2008 as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Six months ended 30 June	
		2009 HK\$	2008 HK\$
Turnover	2	393,506,744	321,276,522
Cost of sales		(306,277,636)	(247,309,962)
Gross profit		87,229,108	73,966,560
Other revenue		1,222,421	46,919,930
Other net (loss)/income		(2,584,756)	4,293,576
Research and development expenses		(9,811,498)	(9,528,496)
Distribution costs		(10,759,206)	(10,228,884)
Administrative expenses		(29,903,593)	(29,102,301)
Profit from operations		35,392,476	76,320,385
Finance costs	3(a)	(13,343,202)	(12,605,892)
Share of (losses)/profits of jointly controlled entities		(955,949)	255,250
Profit before taxation	3	21,093,325	63,969,743
Income tax	4	(5,725,190)	(3,070,266)
Profit for the period		15,368,135	60,899,477
Attributable to:			
Equity shareholders of the Company		11,024,340	47,654,689
Minority interests		4,343,795	13,244,788
Profit for the period		15,368,135	60,899,477
Earnings per share			
– Basic	6(a)	HK2.49 cents	HK10.83 cents
– Diluted	6(b)	HK2.49 cents	HK9.23 cents

The notes on pages 6 to 18 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
Profit for the period	15,368,135	60,899,477
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	15,463,946
Total comprehensive income for the period	15,368,135	76,363,423
Attributable to:		
Equity shareholders of the Company	11,024,340	62,272,328
Minority interests	4,343,795	14,091,095
Total comprehensive income for the period	15,368,135	76,363,423

The notes on page 6 to 18 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

AT 30 JUNE 2009

	Note	30 June 2009 HK\$	31 December 2008 HK\$
Non-current assets			
Fixed asset			
– Property, plant and equipment	7	247,408,489	245,573,805
– Interest in leasehold land held for own use under operating leases	7	38,017,856	38,846,021
Deposit paid for acquisition of fixed assets		61,058,459	43,457,855
Construction in progress		39,518,647	43,304,754
Intangible assets		176,532,630	179,601,475
Goodwill		6,153,549	6,153,549
Interests in a jointly controlled entity		54,501,884	55,457,833
Other non-current financial assets		125,000	125,000
Deferred tax assets		27,417	27,417
		623,343,931	612,547,709
Current assets			
Inventories		173,640,172	142,100,762
Trade receivables, prepayments and other receivables	8	497,558,337	474,605,369
Loan receivable		11,000,400	11,000,400
Current tax recoverable		–	154,986
Pledged bank deposits		17,612,124	16,897,349
Cash and cash equivalents	9	64,595,380	56,919,885
		764,406,413	701,678,751
Current liabilities			
Trade and other payables	10	381,149,748	316,422,377
Bank loans	11	251,829,947	305,782,598
Other loans		8,238,636	8,227,272
Current tax payable		872,034	–
Convertible notes	12	72,410,482	68,775,613
Convertible preferred shares		85,982,840	85,982,840
Derivatives		6,056,199	6,056,199
		806,539,886	791,246,899
Net current liabilities		(42,133,473)	(89,568,148)
Total assets less current liabilities		581,210,458	522,979,561
Non-current liabilities			
Bank loans	11	45,454,546	–
Deferred tax liabilities		34,641,606	31,667,889
		80,096,152	31,667,889
NET ASSETS		501,114,306	491,311,672
CAPITAL AND RESERVES			
Share capital	13	4,435,000	4,435,000
Reserves	14	430,292,658	425,402,002
Total equity attributable to equity shareholders of the Company		434,727,658	429,837,002
Minority interests	14	66,386,648	61,474,670
TOTAL EQUITY		501,114,306	491,311,672

The notes on pages 6 to 18 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Six months ended 30 June			
		2009		2008	
		HK\$	HK\$	HK\$	HK\$
Total equity at 1 January:		491,311,672		445,100,571	
Total comprehensive income for the period		15,368,135		76,363,423	
Attributable to:					
– Equity shareholders of the Company		11,024,340		62,272,328	
– Minority interests		4,343,795		14,091,095	
		15,368,135		76,363,423	
Dividends approved during the period	5		(6,652,500)		(15,951,600)
Movements in equity arising from capital transactions:					
Equity settled share-based transactions		518,816		1,429,500	
Capital contribution from minority shareholder		568,183		–	
Acquisition and disposal of subsidiaries		–		10,090,828	
Shares issued under share option scheme		–		866,400	
Shares issued for acquisition of Winner Investment Limited		–		11,770,000	
			(5,565,501)		8,205,128
Total equity at 30 June		501,114,306		529,669,122	

The notes on pages 6 to 18 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	<i>Note</i>	Six months ended 30 June	
		2009 HK\$	2008 HK\$
Net cash generated from operating activities		69,891,687	31,830,205
Net cash used in investing activities		(39,073,984)	(40,291,646)
Net cash used in financing activities		(23,142,208)	(2,487,817)
Net increase/(decrease) in cash and cash equivalents		7,675,495	(10,949,258)
Effect of foreign exchange rate difference		–	1,088,607
Cash and cash equivalents at 1 January		56,919,885	56,156,196
Cash and cash equivalents at 30 June	9	64,595,380	46,295,545

The notes on pages 6 to 18 form part of this interim financial report.

Notes:

1. Basis of preparation

This interim report has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

This interim report contains consolidated financial results and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. This consolidated interim financial results and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Report Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and methods of computation used in the preparation of this interim report are consistent with those adopted by the Group in the 2008 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2009. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position. However, the adoption of Hong Kong Accounting Standard 1 (revised) “Presentation of Financial Statements” has resulted in certain changes to the format of the Group’s accounts in 2009 (including revised titles for the interim report).

The financial information relating to the financial year ended 31 December 2008 included in this interim report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 April 2009.

2. Turnover

The principal activities of the Group are production and sales of automotive safety products and other automotive components in the People’s Republic of China (“PRC”).

Turnover represents the sales value of goods to customers net of sales tax and value added tax.

Turnover recognised during the period may be analysed as follows:

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
Sales of mechanical airbag systems	3,318,568	47,966,829
Sales of electronic airbag systems	256,831,879	217,168,297
Sales of automotive safety system components and other automotive spare parts	133,356,297	56,141,396
	393,506,744	321,276,522

2. Turnover (continued)

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is more relevant to the Group in marking operating and financial decisions.

No business segment information is presented as the Group's turnover and operating result are mainly generated from the production and sales of automotive related products.

Geographical segments by the location of assets and by the location of customers

As the Group's business fundamentally participates in one geographical location classified by the location of assets, i.e. the PRC, no separate geographical segment analysis based on the location of assets is presented.

The Group's geographical segments are also classified according to the location of customers. There are five customer-based geographical segments. The PRC is the major market for the Group's business. Segment revenue from external customers by the location of customers is analysed as follows:

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
PRC	375,139,737	304,720,330
Iran	9,448,461	8,225,823
Korea	7,830,532	1,809,874
Italy	–	6,330,504
Others	1,088,014	189,991
	393,506,744	321,276,522

3. Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
Interest expense on bank advances wholly repayable within five years	8,317,981	7,831,662
Interest expense on convertible notes	3,461,108	2,787,612
Interest expense on other loans	123,963	875,860
Discounting charges on discounted bills	1,440,150	1,110,758
Total borrowing costs	13,343,202	12,605,892

3. Profit before taxation (continued)

(b) Other items:

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
Cost of inventories	306,277,636	247,309,962
Depreciation	15,976,169	10,751,875
Amortisation of land lease premium	828,165	455,151
Amortisation of intangible assets		
– Acquired technology	1,573,747	1,068,693
– Development costs	9,359,392	3,570,532
– Patent	2,082,587	3,387,213

4. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
Current tax		
PRC income tax for the period	2,751,473	2,934,577
	2,751,473	2,934,577
Deferred tax		
Origination of temporary differences	2,973,717	135,689
Total income tax expense	5,725,190	3,070,266

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax during the period.

Pursuant to the income tax rules and regulations of the PRC, Shenyang Jinbei Jinheng Automotive Safety System Co., Ltd. (“Jinbei Jinheng”), Shanxi Winner Auto-Parts Ltd. (“Shanxi Winner”), Beijing Jinheng Great Idea Automotive Electronic Systems Co., Ltd. (“Beijing Great Idea”) and Troitec Automotive Electronics Co., Ltd. (“Beijing Troitec”), subsidiaries of the Company, are entitled to a tax concession in which they are fully exempted from PRC income tax for 2 years starting from their first profit-making year after net off accumulated tax losses, followed by a 50% reduction in the PRC income tax for the next 3 years (“Tax Holidays”). Pursuant to the Corporate Income Tax Law of the PRC promulgated on 16 March 2007, even the entity was not yet turning to a profit after net off its accumulated tax losses, the tax holidays commenced mandatorily on 1 January 2008. Jinbei Jinheng, Shanxi Winner, Beijing Great Idea and Beijing Troitec are in the third year, fourth year, second year and second year respectively.

Income tax for other subsidiaries established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

5. Dividends

Dividends attributable to prior financial year, approved and paid during the period:

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
Final dividend in respect of the financial year ended 31 December 2008 approved and paid during the following interim period of 1.5 HK cents per share (year ended 31 December 2007: 3.6 HK cents per share)	6,652,500	15,951,600

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

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 are based on the profit attributable to ordinary equity shareholders of the Company HK\$11,024,340 (for the six months ended 30 June 2008: HK\$47,654,689) and the weighted average of 443,500,000 (for the six months ended 30 June 2008: 440,090,110) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares (basic)

	Number of shares Six months ended 30 June	
	2009	2008
Issued ordinary shares at 1 January	443,500,000	430,120,000
Effect of shares issued for acquisition of Winner Investment Limited	–	7,878,022
Effect of shares issued pursuant to the exercise of share options	–	2,092,088
Weighted average number of ordinary shares (basic) at 30 June	443,500,000	440,090,110

6. Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2009 are based on the profit attributable to ordinary equity shareholders of the Company HK\$11,024,340 (for the six months ended 30 June 2008: HK\$50,442,301) and the weighted average of 443,500,000 (for the six months ended 30 June 2008: 546,245,666) ordinary shares in issue during the period, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June	
	2009 HK\$	2008 HK\$
Profit attributable to ordinary equity shareholders	11,024,340	47,654,689
After tax effect of effective interest on the liability component of convertible notes	–	2,787,612
Profit attributable to ordinary equity shareholders (diluted)	11,024,340	50,442,301

(ii) Weighted average number of ordinary shares (diluted)

	Number of shares Six months ended 30 June	
	2009	2008
Weighted average number of ordinary shares at 30 June	443,500,000	440,090,110
Effect of conversion of convertible notes	–	85,555,556
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	–	20,600,000
Weighted average number of ordinary shares (diluted) at 30 June	443,500,000	546,245,666

7. Fixed assets

(a) Acquisitions and disposals

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment with a cost of HK\$17,871,017 (six months ended 30 June 2008: HK\$17,102,536). During the six months ended 30 June 2009, there were disposal of property, plant and equipment with net book value HK\$60,164 (six months ended 30 June 2008: HK\$49,419).

(b) The Group's interest in leasehold land and buildings for own use is held by the subsidiaries in the PRC. The interest in leasehold land and buildings represents the land use rights together with the buildings thereon situated in Beijing, Shanxi, Shenyang and Jinzhou, the PRC. The applications for the property ownership certificates of the leasehold land and building situated in Jinzhou with net book value of HK\$8,970,599 are still in progress and the property ownership certificates have not yet been issued to the Group by the relevant offices of the State-owned Land Bureau in the PRC as at the end of the reporting period. Notwithstanding this, the directors are of the opinion that the Group has acquired the beneficial titles to these leasehold land and buildings as at 30 June 2009 and, the property ownership certificates can be obtained when the administrative procedures are completed.

(c) As at 30 June 2009, leasehold land and buildings with carrying value totalling HK\$27,321,281 (31 December 2008: HK\$15,372,920) are mortgaged to banks for certain banking facilities granted to the Group.

8. Trade receivables, prepayments and other receivables

	30 June 2009 HK\$	31 December 2008 HK\$
Trade receivables	363,091,902	300,838,873
Bills receivable	79,076,851	109,774,533
	442,168,753	410,613,406
Prepayments	18,899,331	29,727,156
Other receivables	36,490,253	34,264,807
	497,558,337	474,605,369

Included in trade receivables are amounts due from related companies of HK\$86,143,820 (31 December 2008: HK\$42,572,402) (see note 16(b)).

8. Trade receivables, prepayments and other receivables (continued)

An ageing analysis of trade receivables and bills receivables (net of impairment losses for bad and doubtful debts) is as follows:

	30 June 2009 HK\$	31 December 2008 HK\$
Current	283,428,979	305,426,090
Less than 3 months past due	120,339,347	80,404,730
3 to 12 months past due	38,400,427	24,782,586
	442,168,753	410,613,406

The Group generally grants credit periods with 0 to 90 days from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and credit worthiness, extend the credit period upon customers' request.

9. Cash and cash equivalents

	30 June 2009 HK\$	31 December 2008 HK\$
Cash and cash equivalents in the statement of financial position and cash flow statement	64,595,380	56,919,885

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	30 June 2009	31 December 2008
United States Dollars	USD1,440,603	USD1,441,758
Euros	EUR60,766	EUR306,798

Other than disclosed above, cash and cash equivalents of HK\$37,611,299 (31 December 2008: HK\$54,151,881) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

10. Trade and other payables

	30 June 2009 HK\$	31 December 2008 HK\$
Trade payables	217,055,018	171,579,136
Bills payables	47,999,770	33,299,822
	265,054,788	204,878,958
Amount due to the ultimate holding company	–	6,087,850
Other payables	116,094,960	105,455,569
	381,149,748	316,422,377

An ageing analysis of trade payables and bills payables is as follows:

	30 June 2009 HK\$	31 December 2008 HK\$
Within 3 months	195,991,402	154,411,833
Over 3 months but less than 6 months	49,125,370	40,851,312
Over 6 months but less than 12 months	19,938,016	9,615,813
	265,054,788	204,878,958

11. Bank loans

The bank loans are repayable as follows:

	30 June 2009 HK\$	31 December 2008 HK\$
Within 1 year or on demand	251,829,947	305,782,598
After 1 year but within 2 years	45,454,546	–
	297,284,493	305,782,598
Representing:		
Secured bank loans	64,159,611	67,146,234
Unsecured bank loans	233,124,882	238,636,364
	297,284,493	305,782,598

All the bank loans are with PRC commercial banks and are denominated in RMB. These were no unutilised banking facilities as at 30 June 2009 (31 December 2008: HK\$Nil).

11. Bank loans (continued)

At 30 June 2009, terms of bank loans were as follows:

- (a) Bank loans of HK\$7,954,545 (31 December 2008: HK\$Nil), HK\$6,590,909 (31 December 2008: HK\$6,590,909) and HK\$4,545,455 (31 December 2008: HK\$4,545,455), which carried interest at 5.84% (31 December 2008: Nil), 8.40% (31 December 2008: 8.40%) and 7.80% (31 December 2008: 7.80%) per annum respectively, were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying value of HK\$27,321,281 (31 December 2008: HK\$15,372,920).
- (b) Bank loans totalling HK\$17,215,791 (31 December 2008: HK\$11,363,636) carried interest at rates ranging from 4.86% to 8.32% (31 December 2008: from 7.99% to 8.32%) per annum, were guaranteed by third parties.
- (c) Bank loans of HK\$5,284,091 (31 December 2008: HK\$1,482,954), which carried interest at rates ranging from 4.37% to 4.86% (31 December 2008: from 5.91% to 6.12%) per annum were secured by bills receivables of HK\$5,875,000 (31 December 2008: HK\$1,534,091) and were repayable within one year.
- (d) Discounted bills with recourse totalling HK\$39,784,611 (31 December 2008: HK\$54,526,916) were secured by the related bills receivable and were repayable within one year.
- (e) Certain unsecured bank loans totalling HK\$170,454,545 (31 December 2008: HK\$227,272,728) carried interest at rates ranging from 4.78% to 6.48% (31 December 2008: from 5.02% to 6.95%) per annum and were repayable within one year.
- (f) An unsecured bank loan of HK\$45,454,546 (31 December 2008: HK\$Nil) carried interest at 5.40% (31 December 2008: Nil) per annum with final maturity on 30 May 2011.

12. Convertible notes

On 26 May 2006, the Company issued convertible notes with a nominal value of HK\$46,000,000 to Value Partners Limited, an independent investor. The notes bear interest at 7% per annum with a maturity date of 25 May 2011. The convertible notes are, at the option of the holder, convertible on or after 26 November 2007 up to and including 25 May 2011, into ordinary shares of the Company at an initial conversion price of HK\$0.90 per share, subject to adjustment under certain events. Upon full conversion, the notes shall be converted into 51,111,111 ordinary shares of HK\$0.01 each of the Company. Both the Company and holders of the convertible notes could redeem the convertible note at par at any time between 26 May 2009 (the third anniversary of the date of issue of the convertible notes) and the maturity date.

On 14 July 2006, the Company issued convertible notes with a nominal value of HK\$25,000,000, HK\$3,000,000 and HK\$3,000,000 to three independent investors, Sagemore Assets Limited, Blue Water Ventures International Ltd. and Synergy Capital Co., Ltd. respectively. The notes bear interest at 7% per annum with a maturity date of 13 July 2011. The convertible notes are, at the option of the holders, convertible on or after 14 January 2008 up to and including 13 July 2011, into ordinary shares of the Company at an initial conversion price of HK\$0.90 per share, subject to adjustment under certain events. Upon full conversion, the notes shall be converted into 34,444,444 ordinary shares of HK\$0.01 each of the Company. Both the Company and holders of the convertible notes could redeem the convertible note at par at any time between 14 July 2009 (the third anniversary of the date of issue of the convertible notes) and the maturity date.

12. Convertible notes (continued)

As both of the Company and holders of the convertible notes could redeem the convertible notes during the periods as set out in the preceding paragraphs, the convertible notes at 30 June 2009 were classified as current liabilities. As at the date of this report, the Company has already received the requests from the holders of the convertible notes for the redemption of convertible notes with nominal value of totally HK\$29,000,000. The redemption amount will be satisfied by the internal resources of the Group before the end of this year.

The convertible notes were split into liability, derivative and equity components of HK\$70,544,443, HK\$1,305,431 and HK\$5,150,126 respectively upon initial recognition by recognising the liability component and derivative components at their fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost while the derivative component is carried at fair value to be remeasured at the end of each reporting period. The equity component is recognised in the capital reserve.

The movements of convertible notes during the period are as follows:

	Liability component HK\$	Derivative component HK\$	Total HK\$
At 1 January 2008	71,446,841	(3,147,084)	68,299,757
Interest charged during the period	6,840,150	–	6,840,150
Interest paid during the period	(5,390,000)	–	(5,390,000)
Change in fair value	–	(974,294)	(974,294)
At 31 December 2008	72,896,991	(4,121,378)	68,775,613
At 1 January 2009	72,896,991	(4,121,378)	68,775,613
Interest charged during the period	3,461,108	–	3,461,108
Interest paid during the period	(2,672,849)	–	(2,672,849)
Change in fair value	–	2,846,610	2,846,610
At 30 June 2009	73,685,250	(1,274,768)	72,410,482

13. Share capital

	30 June 2009		31 December 2008	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000,000	10,000,000,000	100,000,000
Issued:				
At 1 January	443,500,000	4,435,000	430,120,000	4,301,200
Shares issued under share option scheme	–	–	2,680,000	26,800
Shares issued for acquisition of Winner Investment Limited	–	–	10,700,000	107,000
At 30 June 2009/31 December 2008	443,500,000	4,435,000	443,500,000	4,435,000

14. Reserves

	Attributable to equity shareholders of the Company								Minority interests	Total
	Share premium	Merger reserve	Statutory reserve	Capital reserve	Exchange reserve	Other reserve	Retained profit	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 January 2008	151,912,459	36,341,236	32,737,143	15,739,575	28,826,674	2,141,065	120,248,177	387,946,329	52,853,042	440,799,371
Equity settled share-based transactions	-	-	-	1,429,500	-	-	-	1,429,500	-	1,429,500
Dividend approved in respect of prior years	-	-	-	-	-	-	(15,951,600)	(15,951,600)	-	(15,951,600)
Total comprehensive income for the period	-	-	-	-	14,617,639	-	47,654,689	62,272,328	14,091,095	76,363,423
Shares issued under share option scheme	2,639,800	-	-	(1,796,200)	-	-	-	843,600	-	843,600
Shares issued for acquisition of Winner Investment Limited	11,663,000	-	-	-	-	-	-	11,663,000	-	11,663,000
Acquisition and disposal of subsidiaries	-	-	-	-	-	2,083,281	-	2,083,281	8,007,547	10,090,828
At 30 June 2008	166,215,259	36,341,236	32,737,143	15,372,875	43,444,313	4,224,346	151,951,266	450,286,438	74,951,684	525,238,122
At 1 January 2009	166,680,213	36,341,236	36,849,018	17,290,956	54,097,178	(24,786,281)	138,929,682	425,402,002	61,474,670	486,876,672
Equity settled share-based transactions	-	-	-	518,816	-	-	-	518,816	-	518,816
Dividend approved in respect of prior years	-	-	-	-	-	-	(6,652,500)	(6,652,500)	-	(6,652,500)
Total comprehensive income for the period	-	-	-	-	-	-	11,024,340	11,024,340	4,343,795	15,368,135
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	568,183	568,183
At 30 June 2009	166,680,213	36,341,236	36,849,018	17,809,772	54,097,178	(24,786,281)	143,301,522	430,292,658	66,386,648	496,679,306

On 23 August 2007, 20,600,000 share options were granted for nominal consideration to five directors and two employees of the Company under the Company's share option scheme adopted on 22 November 2004 ("2004 Share Option Scheme"). Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company. These share options were vested on 23 August 2007, and then be exercisable until 22 August 2012. The exercise price is HK\$1.60.

On 11 November 2008, 17,100,000 share options were granted for nominal consideration to six employees of the Company under the 2004 Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company. These share options were vested on 11 November 2008, and then be exercisable until 10 November 2011. The exercise price is HK\$0.59.

No options granted under the 2004 Share Option Scheme were exercised during the six months ended 30 June 2009.

15. Commitments

- (a) Capital commitments, representing purchase of property, plant and equipment, not provided for in the consolidated financial statements were as follows:

	30 June 2009 HK\$	31 December 2008 HK\$
Contracted for	14,162,159	20,265,342

- (b) The total minimum lease payments under non-cancellable operating leases were payable as follows:

	30 June 2009 HK\$	31 December 2008 HK\$
Properties		
Within 1 year	1,587,943	1,592,354
After 1 year but within 5 years	3,520,913	5,006,356
After 5 years	1,973,178	9,611,434
	7,082,034	16,210,144
Others		
Within 1 year	–	2,800

The Group leases a number of properties and office equipment under operating leases for a period of 1 to 25 years. The leases do not include contingent rentals.

16. Material related party transactions

Name of party	Relationship
Hafei Motor Co., Ltd. ("Hafei Motor")	Minority shareholder (10%) of Harbin Hafei Jinheng Automotive Safety System Co., Limited
Shenyang Jinbei Automotive Company Limited ("Jinbei Automotive")	Minority shareholder (14.81%) Shenyang Jinbei Jinheng Automotive Safety System Co., Limited ("Jinbei Jinheng")
Shenyang Brilliance Jinbei Automobile Company Limited ("Brilliance Jinbei")	An associate (39.1%) of Jinbei Automotive
Li Feng ("Mr Li")	Director of the Company

16. Material related party transactions *(continued)**(a) Recurring*

	Six months ended 30 June	
	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Rental expenses paid to		
– Mr. Li	409,091	408,400
Sales of airbag systems and other automotive components to:		
– Hafei Motor	24,413,877	4,428,150
– Brilliance Jinbei	44,538,720	15,769,172

The directors of the Company are of the opinion that the sales of airbag systems and other automotive components to and rental expenses paid to the above related parties were conducted in the normal course of business.

(b) Amounts due from related companies

	30 June	31 December
	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Hafei Motor	29,999,892	5,032,672
Brilliance Jinbei	56,143,928	37,539,730
	86,143,820	42,572,402

The amounts due from related companies are trade-related, unsecured, interest free and are expected to be repaid within one year. These amounts are included in "Trade receivables, prepayments and other receivables" in the consolidated statement of financial position (see note 8).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2009, the Group recorded turnover amount of approximately HK\$393.5 million, representing an increase of approximately 22.5% in comparison with the same period of last year. The increment of the turnover amount was mainly due to several new models of automotive safety systems have launched commercial production during the current period, and our automobile electronic business has resumed several delayed business plan in the first half of 2009. We will put more efforts in improving our current products in order to satisfy the increasing market demands on products with high safety standard and thus the management believe that the penetration rate of our products will increase in the coming future.

During the first half of 2009, the PRC government has already promulgated certain policies to support internal consumption in order to stimulate the economy of the PRC, including the financial subsidy to peasants for buying new cars. Our business was beneficial from the implementation of these national policies, especially our newly developed automobile electronic business. The Group will put more efforts in developing the new markets for our automobile electronic products in order to capture the business opportunities brought by the recovery of the PRC economy.

The management is pleased to report that our new automobile seat belts have launched commercial production and the side airbag safety systems have also commenced trial production during the current reporting period. This indicated that our previous investment in strengthen the depth and width of our product range for satisfaction of local and overseas markets demands has provided return to the Group. It is expected that the installation rate of our automotive safety products will increase and thus facilitate the Group not just only strengthen the Group's leading position in the PRC automotive safety market but also build up the solid foundations for further development in other markets and products.

Financial Review

During the six months ended 30 June 2009, the turnover amount of the Group were approximately HK\$393.5 million, which were increased by approximately 22.5% as compared with the same period of last year. During the first half of 2009, the Group has commenced the commercial production of a few new models of automotive safety systems.

For the six months ended 30 June 2009, the average gross profit margin of the Group was slightly decreased by 0.8% to 22.2% as compared with the same period of last year. The decrease was mainly due to the change of product mix since a few slightly lower gross profit margin products mainly for economic automobiles were newly launched. The average gross profit margin of both mechanical and electronic airbag systems was approximately 22.1%, which was maintain constant in compared with the fiscal year 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

The other revenue of the Group during the reporting period was approximately HK\$1.2 million, while it was approximately HK\$46.9 million in the same period of 2008. The difference was resulted from the one-off disposal gain of a subsidiary recorded in 2008.

For the first half of this year, the research and development expenses of the Group were slightly increased by approximately HK\$0.3 million to approximately HK\$9.8 million as compared with the same period of last year. This is mainly due to several delayed business plans of the automotive engine management system business have been resumed during the current period.

Distribution costs of the Group recorded in the first six months of this year were increased by approximately HK\$0.6 million to approximately HK\$10.8 million as in comparison with the same period of last year. Even though the Group has recorded a 22.5% increment in the overall turnover amount, the Group has also launched several cost control policies and thus can maintain the expenses consumed in the similar level as compared with last year.

During the first half of the current year, the administrative expenses were approximately HK\$29.9 million, which represent a slightly increment of approximately HK\$0.8 million as compared with the first half of 2008. The maintenance of the similar expenses level was mainly the return of the implementation of the cost control programs.

The finance costs during the current six-month period under review were increased by approximately HK\$0.7 million to approximately HK\$13.3 million as compared with the same period of 2008. The increment was mainly due to the addition of bank loans mainly used for financing our new businesses which are still in the initial stages.

For the six months ended 30 June 2009, the profit attributable to equity shareholders of the Company was approximately HK\$11.0 million, while it was approximately HK\$47.7 million in the same period of 2008. The decrease was mainly due to the one-off gain from disposal of a subsidiary recorded in 2008.

Outlook and Future Prospects

The Group is currently developing the automobile safety airbag systems for over 40 new car models, and several delayed business plans of our automotive engine management system business have also been resumed during the year. The directors of the Company believe that with the launch of commercial production of these new products and provide positive contributions to the Group, it is expected that the operating results of the Group can maintain a steady growth in the coming future.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Outlook and Future Prospects *(continued)*

The Group has established a new joint venture company in Tianjian which is mainly for manufacturing spare parts for the automotive engine management systems. It has completed the preparation works and will commence production in the second half of this year. The management believes that such enhancement of the seamless supply chain can reduce the production costs and maintain the quality of our engine management system products in the coming future.

Our cost management teams will continuously work on reducing the production costs and enhancement of the internal resources usage efficiency. We will strive to maintain the overall costs in a reasonable level in order to maintain the competitiveness in the market.

The directors of the Company believe that with the launch of new products and the implementation of the mid-to-long term strategies, the Group can capture the business opportunities brought by the market and thus can deliver fruitful returns to the investors.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2009, the Group had bank and cash balances of approximately HK\$64.6 million (31 December 2008: approximately HK\$56.9 million) and net current liabilities of approximately HK\$42.1 million while it was approximately HK\$89.6 million in the last fiscal year. The improvement was mainly due to the restructuring of the bank loans and the positive contributions from our businesses. As a result of the expansion in production capacities, the total non-current assets of the Group increased by approximately HK\$10.8 million to approximately HK\$623.3 million in the first half of 2009.

As at 30 June 2009, the Group had non-current liabilities of approximately HK\$80.1 million, which represent the deferred tax liabilities and a long term bank loan amounted to approximately HK\$45.5 million (equivalent to RMB40.0 million) used for financing the technical reformation project.

The Group also had short-term bank loans of HK\$251.8 million which included bank loans with an aggregate amount of HK\$212.0 million (equivalent to RMB186.6 million) with fixed interest rates ranging from 4.37% to 8.40% per annum, and discounted bills of HK\$39.8 million (equivalent to RMB35.0 million) which were not yet matured at the period end date. The short-term bank loans were primarily used to finance short-term cash flows for our PRC operations. Also the Group had convertible notes issued in 2006 with an aggregate principal amount of HK\$77.0 million. The convertible notes bear fixed interest at 7% per annum and can be converted into conversion shares at initial conversion price of HK\$0.90 per share.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources and Capital Structure *(continued)*

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The directors of the Company believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Hong Kong dollars, US dollars or, to a lesser extent, Euro. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2009, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Charges on Group Assets

As at 30 June 2009, the Group pledged over its leasehold land and buildings with aggregate carrying value of approximately HK\$27.3 million for certain bank loans totalling RMB16.8 million (equivalent to HK\$19.1 million).

In additions, discounted bills with recourse totaling HK\$39.8 million were secured by the related bills receivable and were repayable with one year.

Gearing Ratio

The Group's gearing ratio, which was derived from the total liabilities to total assets, increase to 63.9% from 62.6% as at 31 December 2008.

Future Plans for Material Investments

As at 30 June 2009, the Group had the contracted but not provided for capital commitments of approximately HK\$14.2 million in respect of acquisition of fixed assets.

Material Acquisitions and Disposals

During the six months period ended 30 June 2009, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Significant Investment

There was no significant investment during the period under review.

Contingent Liabilities

As at 30 June 2009, the directors of the Company were not aware of any contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Subsequent Events

No subsequent events occurred after 30 June 2009, which may have a significant effect, on the assets and liabilities of future operations of the Group.

Foreign Exchange Exposure

Since almost all transactions of the Group are denominated either in Renminbi or Hong Kong dollars or US dollars and the exchange rates of such currencies were stable over the years under review, the Directors believe that such exposure does not have any significant adverse effect to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Employees and Remuneration Policy

As at 30 June 2009, the Group employed approximately 1,310 staff in the PRC and Hong Kong, representing a decrease of 60 staff from 31 December 2008 and a decrease of 564 staff from 30 June 2008. The decrease in staff was mainly from the PRC operations. Remuneration of employees, including directors' emoluments was approximately HK\$26.5 million for the six months period under review as compared with that of approximately HK\$35.0 million for the corresponding period of the preceding financial year.

The Group reviews employee remuneration from time to time and salary increment is normally approved or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors of the Company and depending upon the financial performance of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the interests and short positions of the directors and chief executives in shares and underlying shares and in debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "SFO") as recorded in the register required to be kept under section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

(a) Long positions in issued shares

Name of director	Capacity	Number of shares	Approximate percentage of shareholding
Li Feng	Beneficial owner	2,400,000	0.54%
	Interest of a controlled corporation (Note)	(Note)	(Note)
Xing Zhanwu	Beneficial owner	8,420,000	1.90%
	Interest of a controlled corporation (Note)	(Note)	(Note)
Li Hong	Interest of a controlled corporation (Note)	(Note)	(Note)
Yang Donglin	Interest of a controlled corporation (Note)	(Note)	(Note)
Zhao Qingjie	Beneficial owner	4,280,000	0.97%
	Interest of a controlled corporation (Note)	(Note)	(Note)
Foo Tin Chung, Victor	Beneficial owner	800,000	0.18%

Note: Save as disclosed above, as at 30 June 2009, the following shareholders of the Company held an indirect interest in the Company through their interests in Applaud Group Limited which held approximately 51.66% in the Company:

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(a) Long positions in issued shares *(continued)*

Shareholder	Number of shares held in Applaud Group Limited		%
The controlling group	5,269		52.69
Li Feng	2,386	23.86	
Xing Zhanwu	900	9.00	
Xu Jianzhong	750	7.50	
Li Hong	643	6.43	
Yang Donglin	590	5.90	
Zhao Qingjie	1,827		18.27
Gao Xiangdong	1,566		15.66
Zhao Jiyu	417		4.17
Lin Qing	233		2.33
Zhou Yuquan	223		2.23
Cao Feng	139		1.39
Zhang Chengyu	134		1.34
Zhang Chenye	104		1.04
Zhang Meina	88		0.88
Total	10,000		100

(b) Interests in underlying shares

The directors and chief executive of the Company have been granted options under the share option scheme, details of which are set out in the section headed "Share Option Scheme" below.

Apart from the foregoing, none of the directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

SHARE OPTION SCHEMES

The Company has a share option scheme which was adopted on 19 June 2009 (“2009 Share Option Scheme”). A summary of principal terms of the 2009 Share Option Scheme was disclosed in the circular of the Company published on 29 April 2009. The Company also had a share option scheme which was adopted on 22 November 2004 (“2004 Share Option Scheme”). A summary of principal terms of the 2004 Share Option Scheme was disclosed in the appendix VI of the prospectus of the Company published on 30 November 2004. The 2004 Share Option Scheme was terminated with effect from the adoption of the 2009 Share Option Scheme. After its termination, no further options would be offered under the 2004 Share Option Scheme but outstanding options granted pursuant to the 2004 Share Option Scheme which entitle the holders thereof to subscribe for a total of 37,700,000 shares of the Company will remain valid and exercisable in accordance with their terms of issue.

The total number of securities available for issue under the share option schemes as at 30 June 2009 was 82,050,000 shares (including options for 37,700,000 shares that have been granted but not yet lapsed or exercised) which represented approximately 18.50% of the issued share capital of the Company as at 30 June 2009.

As at 30 June 2009, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 30 June 2009 is HK\$0.64) granted for at a consideration of HK\$1 under the share option schemes of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company.

SHARE OPTION SCHEMES (continued)

On 23 August 2007, the Company granted options to subscribe for a total of 20,600,000 Shares under the 2004 Share Option Scheme to five directors and two employees of the Group, with the following details:

Name	Position	No. of options outstanding at the beginning of the year	No. of options outstanding as at 30 June 2009	Date granted	Period during which options exercisable	No. of shares acquired on exercise of options during the period	Exercise price per share	Market value per share before the date on which the options were granted	Market value per share on exercise of options
Mr. Xing Zhanwu (邢戰武)	Executive director and chief executive officer of the Company	4,000,000	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	-	HK\$1.60	HK\$1.58	N/A
Mr. Foo Tin Chung, Victor (傅天忠)	Executive director and financial controller of the Company	4,000,000	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	-	HK\$1.60	HK\$1.58	N/A
Mr. Zeng Qingdong (曾慶東)	Non-executive director of the Company	4,000,000	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	-	HK\$1.60	HK\$1.58	N/A
Mr. Li Hong (李宏)	Non-executive director of the Company	4,000,000	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	-	HK\$1.60	HK\$1.58	N/A
Mr. Chan Wan Dune (陳雄瑞) (Note)	Independent non-executive director of the Company	400,000	400,000	23 August 2007	23 August 2007 to 22 August 2012	-	HK\$1.60	HK\$1.58	N/A
Mr. Hao Dianqing (郝踐卿)	Employee, vice president of the Group	4,000,000	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	-	HK\$1.60	HK\$1.58	N/A
Mr. Wong Wah Wai (黃華威) (Note)	Employee, senior accountant of the Company	200,000	200,000	23 August 2007	23 August 2007 to 22 August 2012	-	HK\$1.60	HK\$1.58	N/A
		20,600,000	20,600,000			-			

Note: Mr. Chan and Mr. Wong accepted the offer of the share options from the Company on 3 September 2007.

The options granted to the directors/employees are registered under the names of the directors/ employees who are also the beneficial owners.

SHARE OPTION SCHEMES *(continued)*

The weighted average value per option granted on 23 August 2007 using binomial lattice pricing model was HK\$0.426. The calculation of the weighted average value per option granted during the period does not take into account options granted and forfeited during the period. The weighted average assumptions used are as follows:

	2009
Risk-free interest rate	4.03%
Expected life (in years)	5 years
Volatility	50.0%
Expected dividend per share	4.0%

The binomial lattice pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the binomial lattice pricing model does not necessarily provide a reliable measure of the fair value of the share options.

SHARE OPTION SCHEMES *(continued)*

On 11 November 2008, the Company offered options to subscribe for a total of 17,100,000 Shares under the 2004 Share Option Scheme to 6 employees of the Group, with the following details:

Name	Position	No. of options outstanding at the beginning of the year	No. of options outstanding as at 30 June 2009	Date offered	Period during which options exercisable	No. of shares acquired on exercise of options during the period	Exercise price per share	Market value per share before the date on which the options were granted	Market value per share on exercise of options
Mr Dong Zhongjiang (董眾江)	Employee, deputy general manager of the Shanxi Winner	3,100,000	3,100,000	11 November 2008	11 November 2008 to 10 November 2011	-	HK\$0.59	HK\$0.5	N/A
Ms Shi Li (石莉)	Employee, accounting manager of the Company	1,800,000	1,800,000	11 November 2008	11 November 2008 to 10 November 2011	-	HK\$0.59	HK\$0.5	N/A
Mr Wong Wah Wai (黃華威)	Employee, senior accountant of the Company	4,200,000	4,200,000	11 November 2008	11 November 2008 to 10 November 2011	-	HK\$0.59	HK\$0.5	N/A
Mr Xing Zhanwen (邢占文)	Employee, general manager of the Shanxi Winner	3,000,000	3,000,000	11 November 2008	11 November 2008 to 10 November 2011	-	HK\$0.59	HK\$0.5	N/A
Ms Zhang Liping (張麗萍)	Employee, head of the finance department of Jinheng Automotive	3,000,000	3,000,000	11 November 2008	11 November 2008 to 10 November 2011	-	HK\$0.59	HK\$0.5	N/A
Mr Zhao Chengming (趙成明)	Employee, general manager of Jinbei Jinheng	2,000,000	2,000,000	11 November 2008	11 November 2008 to 10 November 2011	-	HK\$0.59	HK\$0.5	N/A
		17,100,000	17,100,000			-			

The options granted to employees are registered under the names of the employees who are also the beneficial owners.

SHARE OPTION SCHEMES *(continued)*

The weighted average value per option granted on 11 November 2008 using trinomial model was HK\$0.098. The calculation of the weighted average value per option granted during the period does not take into account options granted and forfeited during the period. The weighted average assumptions used are as follows:

	2009
Risk-free interest rate	1.09%
Expected life (in years)	3 years
Volatility	49.70%
Expected dividend per share	4.00%

The trinomial model involves the construction of a trinomial lattice which represents different possible paths that might be followed by the stock price over the life of the options. In developing the trinomial lattice, the life of the option is divided into various time steps. In each time step, there is a binomial stock movement. The fair value of the options would then be calculated by making use of the trinomial lattice.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2009, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

	Capacity	Number of ordinary shares of the Company held	Number of the underlying shares of the Company held under equity derivatives	Approximately percentage of the total issued shares of the Company before full conversion of all convertible notes	Approximately percentage of the total issued shares of the Company after full conversion of all convertible notes
Applaud Group Limited	Beneficial owner	229,130,000	–	51.66%	43.31%
Value Partners Limited (Note 1)	Investment manager	–	51,111,111	11.52%	9.66%
Value Partners Group Limited (Note 1)	Interests of controlled corporation	–	51,111,111	11.52%	9.66%
Cheah Capital Management Limited (Note 1)	Interests of controlled corporation	–	51,111,111	11.52%	9.66%
Cheah Company Limited (Note 1)	Interests of controlled corporation	–	51,111,111	11.52%	9.66%
Hang Seng Bank Trustee International Limited (Note 1)	Trustee	–	51,111,111	11.52%	9.66%
Mr. Cheah Cheng Hye (Note 1)	Founder of discretionary trust	–	51,111,111	11.52%	9.66%
Ms. To Hau Yin (Note 1)	Spouse of Mr Cheah Cheng Hye	–	51,111,111	11.52%	9.66%
Sagemore Assets Limited (Note 2)	Beneficial Owner	–	27,777,778	6.26%	5.25%
CDS International Limited (Note 2)	Interest of controlled corporation	–	27,777,778	6.26%	5.25%
TNS Services Limited (Note 2)	Nominee shareholder of beneficial owner	–	27,777,778	6.26%	5.25%

Note 1: Hang Seng Bank Trustee International Limited, the trustee of the C H Cheah Family Trust, has 100% control of Cheah Company Limited, which has 100% control of Cheah Capital Management Limited, which has 35.65% control of Value Partners Group Limited, which in turn has 100% control of Value Partners Limited. Mr. Cheah Cheng Hye is the founder of C H Cheah Family Trust. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye. They are all deemed to be interested in the interest to be held by Value Partners Limited pursuant to the SFO.

Note 2: CDS International Limited is a director of Sagemore Assets Limited and TNS Services Limited is a nominee shareholder of Sagemore Assets Limited and therefore both of them are deemed to be interested in the underlying shares to be held by Sagemore Assets Limited pursuant to the SFO.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

(continued)

Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 30 June 2009, the directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or 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 is, directly or indirectly, interested in 5% 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, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

None of the directors or management shareholders of the Company (as defined in the Listing Rules) had an interest in a business which competes or may compete with the businesses of the Group as at 30 June 2009.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or any time during the period save and except for the agreements as stated in section headed "Connected transactions" in the Prospectus, the announcement published on 18 July 2008 and 14 July 2009, and the circular published on 4 August 2008 and 30 July 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

The Company established an audit committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors, namely Mr. Hui Hung Kwan, Mr. Huang Shilin and Mr. Zhu Tong.

Effect from 31 July 2009, Mr Hui Hung Kwan has been appointed as an independent non-executive director, the chairman of the audit committee and the chairman of the nomination committee of the Company. Mr Chan Wai Dune (“Mr Chan”) has resigned as an independent non-executive director, the chairman of the audit committee and the chairman of the nomination committee of the Company with effect from 31 July 2009 due to his heavy work commitment and overseas duties. Mr Chan has confirmed to the Board that he has no disagreement with the Board and there are no other matters in relation to Mr Chan’s resignation that need to be brought to the attention of the Stock Exchange and the shareholders of the Company.

The audit committee had reviewed the Group’s unaudited results for the six months ended 30 June 2009 and had provided advice and recommendation to the Board.

The Company established a remuneration committee in November 2005. The primary duties of the remuneration committee are to assist the Board in the overall management of the remuneration practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the incentives for the directors and senior management of the Company. The remuneration committee comprises executive director Mr. Xing Zhanwu and independent non-executive directors Mr. Zhu Tong and Mr. Huang Shilin.

The Company also established a nomination committee in November 2005. The primary duties of the nomination committee are to assist the Board in the overall management of the nomination practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the appointment and removal of directors of the Company. The nomination committee comprises executive director Mr. Xing Zhanwu and independent non-executive directors Mr. Zhu Tong and Mr. Hui Hung Kwan.

THE CODE OF CORPORATE GOVERNANCE PRACTICES *(continued)*

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors of the Company adopted by the Company throughout the six months ended 30 June 2009.

The Company has complied with the requirement to appoint a sufficient number of independent non-executive director as set out in Rule 3.10(1) of the Listing Rules. Throughout the six months ended 30 June 2009, the Company has appointed three independent non-executive directors, namely Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong.

Mr Li Hong and Mr Zeng Qingdong, being the non-executive directors of the Company, are appointed for a fixed term of three years. Mr Huang Shilin and Mr Zhu Tong, being the independent non-executive directors of the Company, are also appointed for a fixed term of three years. Mr Hui Hung Kwan, being the independent non-executive directors of the Company, is appointed for a fixed term of one year. All the non-executive directors and independent non-executive directors of the Company are subject to normal retirement and re-election by shareholders of the Company pursuant to the Articles of Association of the Company at the annual general meeting of the Company.

By order of the Board

Jinheng Automotive Safety Technology Holdings Limited

Li Feng

Chairman

Hong Kong, 14 September 2009