



**JINHENG AUTOMOTIVE SAFETY
TECHNOLOGY HOLDINGS LIMITED**
錦恆汽車安全技術控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 872)

The background of the cover features a large, stylized gear with a blue-to-orange gradient. Inside the gear, there are various technical drawings, including a circular gauge with a needle pointing to the right, and several colored segments (green, blue, yellow, red) that resemble a pie chart or a data visualization. The overall aesthetic is industrial and technical.

Interim Report 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

- Mr. Li Feng (*Chairman*)
Ms. Cheung Joanna Wai Sze
(appointed on 25 June 2015)
Mr. Lam Wai Hung
Mr. Du Peng (appointed on 12 June 2015)
Mr. Wang Nai
(appointed on 1 September 2015)
Mr. Woo Kar Tung Raymond
(appointed on 1 September 2015)
Mr. Xing Zhanwu (retired on 2 June 2015)
Mr. Wong Ka Ching (resigned on 9 June 2015)
Ms. Ng Sau Lin (resigned on 25 June 2015)

Non-Executive Director

- Mr. Tsang Ling Biu, Gilbert
(appointed on 15 May 2015)

Independent Non-Executive Directors

- Hon. Shek Lai Him Abraham (*GBS, JP*)
(appointed on 25 June 2015)
Mr. Wong Yuk Lun, Alan
Mr. Chen Jin (appointed on 25 June 2015)
Mr. Poon Chiu Kwok
(appointed on 1 September 2015)
Mr. Hui Hung Kwan (resigned on 25 June 2015)
Mr. Lim Chi Kit (resigned on 25 June 2015)

AUTHORIZED REPRESENTATIVES

- Mr. Li Feng
Mr. Lau Chi Yuen

COMPANY SECRETARY

- Mr. Lau Chi Yuen

AUDIT COMMITTEE

- Mr. Poon Chiu Kwok (*Chairman*)
(appointed on 1 September 2015)
Mr. Tsang Ling Biu, Gilbert
(appointed on 25 June 2015)
Mr. Chen Jin (appointed on 25 June 2015)
Mr. Wong Yuk Lun, Alan (appointed
as chairman on 25 June 2015 and
re-designated as member on 1 September 2015)
Mr. Lim Chi Kit (resigned on 25 June 2015)
Mr. Hui Hung Kwan
(resigned as chairman on 25 June 2015)

REMUNERATION COMMITTEE

- Mr. Poon Chiu Kwok (*Chairman*)
(appointed on 1 September 2015)
Mr. Woo Kar Tung Raymond
(appointed on 1 September 2015)
Mr. Chen Jin (appointed on 25 June 2015)
Mr. Wong Yuk Lun, Alan (re-designated
as member on 1 September 2015)
Mr. Lam Wai Hung (appointed on 2 June 2015
and resigned on 1 September 2015)
Mr. Xing Zhanwu (ceased on 2 June 2015)
Mr. Lim Chi Kit
(resigned on 25 June 2015)

NOMINATION COMMITTEE

- Mr. Chen Jin (*Chairman*)
(appointed on 25 June 2015)
Mr. Poon Chiu Kwok
(appointed on 1 September 2015)
Mr. Woo Kar Tung Raymond
(appointed on 1 September 2015)
Mr. Wong Yuk Lun, Alan
Mr. Lam Wai Hung
(appointed on 2 June 2015 and resigned
on 1 September 2015)
Mr. Xing Zhanwu (ceased on 2 June 2015)
Mr. Hui Hung Kwan
(resigned as chairman on 25 June 2015)
Mr. Lim Chi Kit (resigned on 25 June 2015)

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KYI-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Unit 2, Building 38,
No. 2 Jing Yuan North Street,
Beijing Economic Technological
Development Area,
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 903, 9/F., Wings Building,
110-116 Queen's Road Central,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited,
4/F., Royal Bank House, 24 Shedden Road,
George Town, Grand Cayman KYI-1110,
Cayman Islands

PRINCIPAL BANKERS

The Bank of East Asia
DBS Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower, The Landmark,
11 Pedder Street, Central, Hong Kong

LEGAL ADVISER

As to Cayman Island Law:
Conyers Dill & Pearman, Cayman
Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman KYI-1111,
Cayman Islands

STOCK CODE

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The board of directors (the “Board”) of Jinheng Automotive Safety Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results for the six months ended 30 June 2015 of the Company and its subsidiaries (collectively the “Group”), together with comparative figures for the previous period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
	Note	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Turnover	3	33,622,407	54,193,851
Cost of sales		(28,820,534)	(45,354,539)
Gross profit		4,801,873	8,839,312
Other revenue		3,383,726	3,341,253
Other (loss)/income, net	5	(48,759,884)	961
Research and development expenses		(30,620,643)	(26,389,211)
Selling and distribution expenses		(3,332,471)	(4,042,585)
Administrative expenses		(33,481,594)	(26,761,254)
Finance costs	6	(742,525)	(2,601,958)
Realised and unrealised gain on held-for-trading investments	7	23,714,206	–
Share of losses of an associate		(1,000,000)	(1,943,752)
Loss before taxation	7	(86,037,312)	(49,557,234)
Income tax credit/(expenses)	8	4,125,050	(99,072)
Loss for the period		(81,912,262)	(49,656,306)
Other comprehensive loss for the period, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	(8,096,290)
Total comprehensive loss for the period		(81,912,262)	(57,752,596)
Loss for the period attributable to:			
Owners of the Company		(59,874,393)	(26,257,404)
Non-controlling interests		(22,037,869)	(23,398,902)
		(81,912,262)	(49,656,306)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(59,874,393)	(32,985,958)
Non-controlling interests		(22,037,869)	(24,766,638)
		(81,912,262)	(57,752,596)
Loss per share			
– Basic (HK cents)	10	(7.92)	(5.13)
– Diluted (HK cents)	10	(7.80)	(5.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	11	33,439,745	34,730,223
– Interests in leasehold land held for own use under operating leases	11	10,690,909	11,257,370
Deposits paid for acquisition of property, plant and equipment		726,874	726,874
Intangible assets		23,102,481	44,628,533
Goodwill		–	5,363,669
Interests in an associate		26,945,043	35,460,243
Available-for-sale investments	12	78,500,000	–
		173,405,052	132,166,912
Current assets			
Inventories		91,011,077	26,048,015
Trade receivables, prepayments and other receivables	13	138,247,595	248,106,931
Loan receivables		33,000,000	33,000,000
Held-for-trading investments	14	24,675,000	19,622,500
Cash and cash equivalents		175,341,877	105,343,549
		462,275,549	432,120,995
Current liabilities			
Trade and other payables	15	28,104,190	33,145,028
Current tax payable		361,100	95,218
Bank loans	16	23,550,000	17,526,334
		52,015,290	50,766,580
Net current assets		410,260,259	381,354,415
Total assets less current liabilities		583,665,311	513,521,327
Non-current liabilities			
Deferred tax liabilities		11,868,759	16,538,705
Net assets		571,796,552	496,982,622
Capital and reserves			
Share capital	17	9,281,849	7,368,209
Reserves		616,358,797	521,420,638
Total equity attributable to owners of the Company		625,640,646	528,788,847
Non-controlling interests		(53,844,094)	(31,806,225)
Total equity		571,796,552	496,982,622

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company									
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Statutory surplus reserve HK\$	Exchange reserve HK\$	Other reserve HK\$	Retained profits HK\$	Sub-total HK\$	Non-controlling interests HK\$	Total HK\$
At 1 January 2014 (Audited)	5,117,189	248,891,857	-	7,932,209	37,616,915	(46,562,018)	301,138,470	554,134,622	22,456,809	576,591,431
Loss for the period	-	-	-	-	-	-	(26,257,404)	(26,257,404)	(23,398,902)	(49,656,306)
Other comprehensive loss for the period, net of income tax:										
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	(6,728,554)	-	-	(6,728,554)	(1,367,736)	(8,096,290)
Total comprehensive loss for the period	-	-	-	-	(6,728,554)	-	(26,257,404)	(32,985,958)	(24,766,638)	(57,752,596)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(7,500,000)	(7,500,000)
At 30 June 2014 (Unaudited)	5,117,189	248,891,857	-	7,932,209	30,888,361	(46,562,018)	274,881,066	521,148,664	(9,809,829)	511,338,835
At 1 January 2015 (Audited)	7,368,209	335,428,960	-	7,893,657	19,802,084	(46,580,259)	204,876,196	528,788,847	(31,806,225)	496,982,622
Loss for the period	-	-	-	-	-	-	(59,874,393)	(59,874,393)	(22,037,869)	(81,912,262)
Other comprehensive loss for the period, net of income tax:										
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(59,874,393)	(59,874,393)	(22,037,869)	(81,912,262)
Issue of shares by placement (note 17(a))	1,473,640	126,143,584	-	-	-	-	-	127,617,224	-	127,617,224
Transaction costs attributable to issue of shares by placement	-	(3,345,835)	-	-	-	-	-	(3,345,835)	-	(3,345,835)
Issue of shares upon exercise of share options (note 17(b))	440,000	18,811,000	(3,411,000)	-	-	-	-	15,840,000	-	15,840,000
Equity settled share-based transactions (note 18)	-	-	16,614,803	-	-	-	-	16,614,803	-	16,614,803
At 30 June 2015 (Unaudited)	9,281,849	477,037,709	13,203,803	7,893,657	19,802,084	(46,580,259)	145,001,803	625,640,646	(53,844,094)	571,796,552

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Net cash generated from operating activities	1,179,252	36,443,006
Investing activities		
Purchase of available-for-sale investments	(78,500,000)	–
Payment for construction in progress	–	(16,381,894)
Other net cash flow arising from investing activities	1,926,546	(1,564,435)
Net cash used in investing activities	(76,573,454)	(17,946,329)
Financing activities		
Proceeds from issue of shares by placement	127,617,224	–
Proceeds from issue of shares upon exercise of share options	15,840,000	–
Dividends paid	–	(7,500,000)
Other net cash flow arising from financing activities	1,935,306	12,543,144
Net cash generated from financing activities	145,392,530	5,043,144
Net increase in cash and cash equivalents	69,998,328	23,539,821
Effect of foreign exchange rate changes	–	(972,846)
Cash and cash equivalents at 1 January	105,343,549	40,961,978
Cash and cash equivalents at 30 June	175,341,877	63,528,953

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 31 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements 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 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by audit committee of the Company.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2015.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Turnover

The Group is principally engaged in design, research and development, manufacture and sale of automotive electronic products and automotive safety spare parts, the premium cars (including classic cars) investment and trading business and property investment business.

Turnover recognised during the period was analysed as follows:

	Six months ended 30 June	
	2015 <i>HK\$</i> (Unaudited)	2014 <i>HK\$</i> (Unaudited)
Sales of automotive safety system components and other automotive components	8,891,278	26,379,184
Sales of electronic airbag systems	24,731,129	27,814,667
	33,622,407	54,193,851

4. Segment Information

Information reported to the Board, being the chief operating decision maker, for purposes of resource allocation and assessment of segment performance focuses on types of goods and services delivered.

The Group is principally engaged in production and sales of automotive related products. During the six months ended 30 June 2015, the Group is also engaged in premium car trading and other investments.

The three reportable segments of the Group are as follows:

- (a) Automotive electronic products and safety spare parts – sale of automotive electronic products and safety spare parts
- (b) Premium car trading – sale of premium cars (including classic cars)
- (c) Others – property investment business and out-of-home advertising business

4. Segment Information (continued)

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

	Automotive electronic products and safety spare parts		Premium car trading		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	33,622,407	54,193,851	-	-	-	-	33,622,407	54,193,851
Segment loss	(84,322,172)	(47,498,398)	(232,572)	-	-	-	(84,534,744)	(47,498,398)
Other income							26,892,534	-
Administrative expenses							(28,359,031)	(2,058,836)
Finance costs							(16,071)	-
Loss before taxation							(86,037,312)	(49,557,234)

Note: Revenue reported above represents revenue generated from external customers. There are no inter-segment sales for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$Nil).

	Automotive electronic products and safety spare parts		Premium car trading		Others		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	228,330,523	338,408,308	65,000,000	-	78,500,000	-	371,830,523	338,408,308
Segment liabilities	62,706,343	66,587,021	232,572	-	-	-	62,938,915	66,587,021

4. Segment Information (continued)

Reconciliations of reportable segments' assets and liabilities:

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Assets		
Total assets of reportable segments	371,830,523	338,408,308
Unallocated headquarter amounts:		
Prepayments and other receivables	32,792,381	68,380,107
Loan receivables	33,000,000	33,000,000
Held-for-trading investments	24,675,000	19,622,500
Cash and cash equivalents	173,382,697	104,876,992
Consolidated total assets	635,680,601	564,287,907
Liabilities		
Total liabilities of reportable segments	62,938,915	66,587,021
Unallocated headquarter amounts:		
Other payables	945,134	718,264
Consolidated total liabilities	63,884,049	67,305,285

5. Other loss/(income), net

	Six months ended 30 June 2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Impairment loss on intangible assets	19,237,409	–
Impairment loss on goodwill	5,363,669	–
Impairment loss on interests in an associate	7,515,200	–
Provision for inventories	16,145,421	–
Foreign exchange loss	498,185	–
Others	–	(961)
	48,759,884	(961)

6. Finance costs

	Six months ended 30 June 2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Interest expenses on bank loans wholly repayable within a year	379,167	1,322,180
Interest expenses on other loans	16,071	438,994
Discounting charges on discounted bills receivable	347,287	840,784
	742,525	2,601,958

7. Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Cost of inventories	28,820,534	45,354,539
Depreciation of property, plant and equipment	2,280,517	6,962,105
Equity-settled share-based transactions	16,614,803	–
Amortisation of leasehold land held for own use under operating leases	566,461	818,734
Amortisation of intangible assets – Patents	2,288,643	2,303,037
Realised gain on disposal of held-for-trading investments	(24,184,206)	–
Unrealised loss on fair value change in held-for-trading investments	470,000	–
	(23,714,206)	–

8. Income tax

	Six months ended 30 June	
	2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
Current tax		
PRC enterprise income tax	544,896	89,270
Deferred tax (Reversal)/origination of temporary differences	(4,669,946)	9,802
Total income tax (credited)/charged to profit or loss	(4,125,050)	99,072

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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.

Taxes on profits assessable in the PRC have been calculated at the prevailing rates, based on existing legislation, interpretations and practices in respect thereof.

9. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

10. Loss per share

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$59,874,393 (six months ended 30 June 2014: HK\$26,257,404) and the weighted average of 756,400,026 (six months ended 30 June 2014: 511,718,888) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares (basic)

	Six months ended 30 June	
	2015 Number of shares (Unaudited)	2014 Number of shares (Unaudited)
Issued ordinary shares at 1 January	736,820,888	511,718,888
Effect of issue of shares by placement	13,026,652	–
Effect of issue of shares upon exercise of share options	6,552,486	–
Weighted average number of ordinary shares (basic)	756,400,026	511,718,888

(b) Diluted loss per share

The calculation of diluted loss per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$59,874,393 (six months ended 30 June 2014: HK\$26,257,404) and the weighted average of 767,196,067 (six months ended 30 June 2014: 511,718,888) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2015 Number of shares (Unaudited)	2014 Number of shares (Unaudited)
Weighted average number of ordinary shares (basic)	756,400,026	511,718,888
Effect of deemed issue of shares, under the Company's share option scheme for nil consideration	10,796,041	–
Weighted average number of ordinary shares (diluted)	767,196,067	511,718,888

11. Fixed assets

(a) Acquisitions and disposals

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1,256,261 (six months ended 30 June 2014: HK\$790,394). During the six months ended 30 June 2015, there were disposal and written-off of property, plant and equipment with net book value of HK\$266,222 (six months ended 30 June 2014: HK\$5,178,679).

(b) As at 30 June 2015, the Group's interests in leasehold land and building are held by a subsidiary in the PRC which represent the land use rights together with the building thereon situated in Shanxi (as at 31 December 2014: Shanxi) in the PRC.

(c) As at 30 June 2015, leasehold land with carrying amount of HK\$10,690,909 (as at 31 December 2014: HK\$11,257,370) is situated outside Hong Kong under medium-term leases.

12. Available-for-sale investments

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Unlisted equity securities, at cost	78,500,000	–

(a) On 13 March 2015, the Group entered into a sale and purchase agreement with an independent third party for acquiring 18% of the entire issued share capital of More Cash Limited at a consideration of HK\$73,000,000. More Cash Limited is the owner of the entire issued share capital of a company incorporated in Hong Kong, which in turn owns as to 75% equity interest in a company established in the PRC of which is principally engaged in estate industry. The principal assets of the PRC company are properties which comprise, among others, car park, shopping mall, office, apartment, hotel and restaurant in a commercial and residential complex located in Guangzhou City, the PRC. The development of such complex has been completed and the sale of which has been commenced since year 2012. Upon completion, the Group becomes indirectly interested in 18% of the entire issued share capital of More Cash Limited and (ii) becomes indirectly interested in 13.5% equity interest in the PRC company.

(b) On 25 March 2015, the Group entered into a sale and purchase agreement with an independent third party for acquiring 5% of the entire issued share capital of Grand Vision Communications Limited at a consideration of HK\$5,500,000. Grand Vision Communications Limited is the owner of the entire issued share capital of a company incorporated in Hong Kong, which in turn wholly owns the entire equity interest in a company established in the PRC. Grand Vision Communications Limited is principally engaged in out-of-home advertising business.

13. Trade receivables, prepayments and other receivables

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Trade receivables	37,102,312	58,735,891
Less: allowance for doubtful debts	(10,026,302)	(10,027,268)
Bills receivable	27,076,010	48,708,623
	19,400,000	27,887,024
Deposits and prepayments	46,476,010	76,595,647
Other receivables	24,915,684	47,945,472
	66,855,901	123,565,812
	138,247,595	248,106,931

An ageing analysis of trade receivables, based on the invoice date, and net of allowance for doubtful debts, is as follows:

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Within 3 months	27,010,270	28,026,531
Over 3 months but less than 6 months	–	20,681,916
Over 6 months but less than 12 months	65,740	176
Over 12 months	–	–
	27,076,010	48,708,623

14. Held-for-trading investments

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Listed equity securities in Hong Kong, at fair value	24,675,000	19,622,500

15. Trade and other payables

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Trade payables	14,967,816	18,780,600
Other payables and accruals	13,136,374	14,364,428
	28,104,190	33,145,028

An ageing analysis of trade payables is as follows:

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Within 3 months	5,675,609	8,476,255
Over 3 months but less than 6 months	1,841,298	2,574,862
Over 6 months but less than 12 months	864,397	543,925
Over 12 months	6,586,512	7,185,558
	14,967,816	18,780,600

16. Bank loans

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Current		
Short term bank loans:		
– secured	23,550,000	17,526,334

As at 30 June 2015, terms of bank loans were summarised as follows:

- (a) As at 30 June 2015, the short-term secured bank loan of HK\$12,500,000 carries interest rate of 6.00% per annum. As at 31 December 2014, the short-term secured bank loan of HK\$12,500,000 carries interest rate of 6.00% per annum.

As at 30 June 2015, the loan was secured by the Group's leasehold land and building of HK\$26,751,139 (as at 31 December 2014: leasehold land and building of HK\$27,121,022).

- (b) Included in short-term secured bank loans are discounted bills with recourse of HK\$11,050,000 (as at 31 December 2014: HK\$5,026,334) are secured by the related bills receivable.

17. Share capital

	30 June 2015		31 December 2014	
	Number of shares (Unaudited)	HK\$ (Unaudited)	Number of shares (Audited)	HK\$ (Audited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000,000	10,000,000,000	100,000,000
<i>Issued:</i>				
At the beginning of the period/year	736,820,888	7,368,209	511,718,888	5,117,189
Issue of shares by placement (note (a))	147,364,000	1,473,640	225,102,000	2,251,020
Issue of shares upon exercise of share options (note (b))	44,000,000	440,000	-	-
At the end of the period/year	928,184,888	9,281,849	736,820,888	7,368,209

Note:

- (a) On 15 June 2015, the Company, through two placing agents, placed 147,364,000 ordinary shares of HK\$0.01 each at a placing price of HK\$0.866 for a total consideration, before expenses, of HK\$127,617,224, which is intended to be used for future business, development and potential investment opportunities and/or general working capital of the Group.
- (b) During the six months ended 30 June 2015, the Company allotted and issued 44,000,000 shares of HK\$0.01 each for cash with an exercise price of HK\$0.36.

18. Equity settled share-based transactions

Equity-settled share option scheme

On 19 June 2009, an ordinary resolution was proposed at the annual general meeting to approve the adoption of a share option scheme ("Share Option Scheme") and termination of the operation of the old share option scheme. The resolution was approved by the shareholders and the Share Option Scheme became effective for a period of 10 years commencing on 19 June 2009.

Under the Share Option Scheme, the consideration paid for each grant of share options will be HK\$1.00. The subscription price shall be determined by the Board of Directors and notified to a participant and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Details of the principal terms of the Share Option Scheme were summarised and set out in a circular to shareholders dated 29 April 2009.

18. Equity settled share-based transactions (continued)

Equity-settled share option scheme (continued)

During the six months ended 30 June 2015, a total number of 71,840,000 share options were granted to consultants, directors and senior management of the Company. Details of specific categories of share options are as follows:

	Date of grant	Exercise period	Exercise price	Number of share options granted
Share Option 1	28 January 2015	28 January 2015 – 27 January 2016	HK\$0.36	44,000,000
Share Option 2	25 June 2015	25 June 2015 – 24 June 2016	HK\$1.84	27,840,000

Options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, their fair values are measured by reference to the fair value of the share options granted.

During the six months ended 30 June 2015, 44,000,000 share options were exercised and no share option was lapsed.

The fair value of the options granted is estimated at the date of grant using Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the six months ended 30 June 2015 was estimated on the date of grant using the following assumptions:

	Share Option 1	Share Option 2
Date of grant	28 January 2015	25 June 2015
Share price	0.36	1.84
Exercise price	0.36	1.84
Dividend yield (%)	0.00	0.00
Expected volatility (%)	56.76	93.00
Risk-free interest rate (%)	1.420	0.033
Expected life (year)	1.00	0.50

19. Fair value measurement of financial instruments

The fair value of financial assets and liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

19. Fair value measurement of financial instruments (continued)

- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the condensed consolidated financial statements approximate to their fair value.

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 June 2015 HK\$ (Unaudited)	Fair value as at 31 December 2014 HK\$ (Audited)	Fair value hierarchy	Valuation technique and key inputs
Held-for-trading investments	24,675,000	19,622,500	Level 1	Quoted bid price in an active market

The carrying amounts of the Group's financial instruments carried at cost are not materially different from their fair values as at 30 June 2015 (as at 31 December 2014: Nil).

During the six months ended 30 June 2015, there were no transfers between Levels 1 and 2, or transfers into or out of Level 3 (six months ended 30 June 2014: Nil).

20. Event after the reporting period

On 1 September 2015, the Company had granted a total of 9,280,000 share options to certain Directors of the Company. Details of which are set out in the announcement dated 1 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2015, the Group recorded turnover of approximately HK\$33.6 million, while it was approximately HK\$54.2 million in the same period of last year. During the current period under review, the Company was in a stage of reformation, this resulted in the reduction of the turnover amount and the gross profit margin.

Nurturing for new businesses

During the year of 2014, the Company had begun to reform its business structure by disposing two subsidiaries of the Company. After streamlining the existing main business of the Company, more resources were available to be allocated to nurture the new businesses during the six months ended 30 June 2015.

Having the vision to step into the investment and trading of premium car (including classic car) business, the Group had acquired 20 premium cars in February 2015 from three independent third parties. These premium vehicles comprise classic and/or premium cars manufactured in the 1930s to 2000s by famous brand such as AC, Aston Martin, Facel Vega, Ferrari, Iso, Lamborghini, Maserati, Rolls Royce, Talbot Lago and Volvo. In view of the continuous economic growth and the accumulation of wealth in the PRC, it is estimated that there will be a substantial increase in the number of billionaires and increasing demand in luxury products in the PRC. Moreover, in recent years, premium cars had emerged as one of the most widespread luxury investment categories in Asia and has recorded rapid growth in value. The Board is of the view that the segment of investment and trading of premium car will bring benefits to the Group. The Company will continuously devote its effort in the trading of the premium vehicles acquired and may adjust its relevant plans based on the economic conditions in Hong Kong and the PRC from time to time. Details of the acquisition of premium cars are set out in the announcement of the Company dated 16 February 2015.

Meanwhile, to further diversify the business risk and broaden the income source, the Group had also acquired 18% of the equity interests in More Cash Limited in March 2015 at a consideration of HK\$73.0 million as a start to enter into the property investment business in the PRC. This enabled the Group to establish a long term relationship with the business partner in the PRC for any potential future investment opportunities. Details of the acquisition are set out in the announcements of the Company dated 13 March 2015 and 16 March 2015.

Apart from that, the Group also entered into an agreement on 25 March 2015 to acquire 5% equity interest of Grand Vision Communications Limited which, through its subsidiaries, is engaged in out-of-home advertising business, at a consideration of HK\$5.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Nurturing for new businesses *(continued)*

In response to the continuing slowdown in the growth of the traditional automotive industry, the Group is seeking new business opportunities. The Group recently announced its intention to explore the prospects of developing the business of technology innovation incubator, which includes the business of shared workspace and services for and investments in small technology enterprises. On the other hand, the Board will also proactively identify investment opportunities for automotive internet related business to expand and strengthen the business portfolio of the Group, integrate upstream and downstream resources in the industry, and generate sustainable cash flow and profits through enhanced and new investments in the long run. Further details of the information relating to the business update of the Group are set out in the announcement of the Company dated 15 September 2015.

Maintaining solid capital base

Having a healthy capital base is always essential to the growth of the Company, especially when the Company was undergoing a series of restructuring and changes. On 2 June 2015, the Company had placed an aggregate of 147,364,000 new ordinary shares of the Company under general mandate to not less than six individual third parties through two placing agents so that the Company will have more capital for future business development and potential investment opportunities and/or for general working capital.

The net proceeds from this placing, after deducting relevant expenses incurred, is approximately HK\$124.2 million. As at 30 June 2015, the net proceeds of approximately HK\$124.2 million was kept in bank as working capital. As at the date of publication of this report, approximately HK\$3.2 million of the net proceeds has been used for general working capital of the Group, while the remaining proceeds are intended to be used for future business, development and potential investment opportunities and/or general working capital of the Group.

Financial Review

As the Group was undergoing business restructuring during the six months ended 30 June 2015, in addition to the existing business segment of production and sales of automotive electronic products and safety spare parts, the Group also began to engage in premium car investment and trading business and others investments. Such development led to a change in the segment report for all comparable periods and the number of reportable segments consequently increased. Based on the information reported to the Group's chief operating decision-makers for the allocation of resources and performance of business, the reportable segments of the Group were identified as (i) automotive electronic products and safety spare parts; (ii) premium car trading; and (iii) others. Further information on the segment report is set out in note 4 to the condensed consolidated financial statements.

During the six months ended 30 June 2015, the turnover and the average gross profit margin of the Group were approximately HK\$33.6 million and approximately 14.3% respectively, while it was approximately HK\$54.2 million and approximately 16.3% respectively in the same period of last year. During the current period under review, the Company was under reform and this resulted in the reduction of the turnover and the gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

During the six months ended 30 June 2015, the Group recorded other loss (net) of approximately HK\$48.8 million which was mainly due to provision for (i) impairment loss on intangible assets of approximately HK\$19.2 million; (ii) impairment loss on goodwill of approximately HK\$5.4 million; (iii) impairment loss on interests in an associate of approximately HK\$7.5 million; and (iv) inventories of approximately HK\$16.1 million, of which the details for each of the above provision are set out as below:–

(i) *Impairment loss on intangible assets*

As disclosed in the annual report of the Company for the year ended 31 December 2014, the Group had discussed the possibility of refining the manufacturing business of the Group by sub-contracting the manufacturing process of automotive engine management system products (the “EMS”) with the support of the technology and patent of the Group. Such sub-contracting of manufacturing process has not yet commenced as originally scheduled due to the quality and arrangement issues, and it is still under negotiation and inspection.

With the rising attention to environmental issue around the world, the vehicle emission standard and requirements in the PRC are gradually becoming more stringent and moving towards the European standards. As mentioned by a PRC government official in the “2015 International Forum on Automobile Material” conducted in May 2015, the PRC Government plans to advance the implementation of “Heavy-duty vehicles and engines Gas V National Standards” (the “National Standards V”) to 1 January 2017, which was originally scheduled to be implemented on 1 January 2018. Many provinces and major cities in the PRC, including Shanghai, Tianjin, Guangdong and Beijing etc, had took a step further and already started to implement stricter policies and requirements on the vehicles before the above national schedule. The Beijing Municipal Environmental Protection Bureau announced in June 2015 that the vehicles that fail to fulfill the requirements of National Standards V are not allowed to be registered and sold. With the fast-changing national standards and requirements, the Group is still in negotiation with its subcontractors with a view to improve the sub-contracting of the manufacturing process in order to meet such higher standard and requirements and to keep pace with such trend and to search for advancement in relation to eco-friendly technology for continuous development of its business.

In addition, energy efficiency is another main environmental concern in the industry and electric vehicles and energy-efficient vehicles are becoming more popular worldwide, including in the PRC. Given that vehicle combustion was one of major reasons for air pollution problem in the PRC, the PRC Government was determined to tackle the problem by promoting eco-friendly energy source as well as energy efficient technologies and vehicles. The Group therefore has decided to deploy more resources to improve and modify the existing technologies with an aim to possess more advanced technology to produce automotive EMS which can meet the more stringent environmental standards, which results in a delay of the Group’s sub-contracting of manufacturing process. For the sake of prudence, the Company has valued the recoverable amount of the intangible assets with an updated budget and considered that the intangible assets should be carried at an amount lower than the then book value and therefore impairment loss of approximately HK\$19.2 million was made.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

(ii) Impairment loss on goodwill

The goodwill of the Group belongs to the cash-generating unit (the “CGU”) which is related to the manufacturing and sale of EMS products. As the sub-contracting of manufacturing process of the EMS has not yet commenced as originally scheduled and it is an indication that impairment on goodwill might have to be made. For the sake of prudence, the Company has valued the recoverable amount of the CGU with an updated budget and considered that impairment loss on the goodwill of approximately HK\$5.4 million should be made.

(iii) Impairment loss on interests in an associate

The subject matter of such impairment loss is an amount due from an associate of the Group, which was a long-aged debt (over 2 years). For the sake of prudence, impairment loss of approximately HK\$7.5 million was made in accordance with the Company’s accounting policy regarding the treatment of long-aged debt.

(iv) Provision for inventories

Provision for inventories of approximately HK\$16.1 million represents provision for slow moving items because of the abovementioned reasons, determined by Directors in re-assessing the net realisable value of inventories within the Group. The Group considered that the making of provision for inventories can more accurately reflect the financial position of the Group. The Group will dedicate its effort to keep itself up to date with the market conditions and manage its inventory level more effectively.

During the six months ended 30 June 2015, the administrative expenses of the Group were approximately HK\$33.5 million, while it was approximately HK\$26.8 million in the same period of last year. The increment was mainly due to the recognition of the one-off share-based payment expenses of approximately HK\$16.6 million in relation to the share options granted during the six months ended 30 June 2015.

Since 2014, the Group has changed its financing strategy from bank loans to placing of new shares. Such financing strategy not only broadened the Company’s shareholders base and strengthened its capital base, but also reduced the finance costs and improved the financial position. During the current period under review, the Group recorded finance costs of approximately HK\$0.7 million, while it was approximately HK\$2.6 million during the first half of 2014.

For the six months ended 30 June 2015, the Group recorded approximately HK\$59.9 million loss attributable to owners of the Company, while it was approximately HK\$26.3 million in the same period of last year. The increase in the loss recorded in the current period was mainly due to the increment of other loss (net) and administrative expenses as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Outlook and Prospects

Reforms and transformations are never a hasty process. 2014 was a year for the Company to well plan and equip itself and start on a new direction for sustainable growth. With the unceasing support and leadership of the directors of the Company (the “Director(s)”) and senior management and the sound foundation laid in 2014 and first half of 2015, the Company will continue to identify and leverage on any valuable potential business opportunities in order to achieve strong profit growth in 2015.

Save as disclosed in this report, as at 30 June 2015, there has been no material change in the development or future development of the Group’s business and financial position, and no important event affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2014.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, the Group had cash and cash equivalents of approximately HK\$175.3 million (31 December 2014: approximately HK\$105.3 million) and net current assets of approximately HK\$410.3 million (31 December 2014: approximately HK\$381.4 million). The total non-current assets of the Group was approximately HK\$173.4 million as at 30 June 2015, while it was approximately HK\$132.2 million as at 31 December 2014.

As at 30 June 2015, the Group had non-current liabilities of approximately HK\$11.9 million (31 December 2014: approximately HK\$16.5 million), which represent the deferred tax liabilities.

As at 30 June 2015, the Group also had short-term bank loans of approximately HK\$23.6 million which included bank loan with an amount of approximately HK\$12.5 million (equivalent to approximately RMB10.0 million) with fixed interest rate at 6.00% per annum, and discounted bills with recourse of approximately HK\$11.1 million (equivalent to approximately RMB8.8 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.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a treasury policy and allow the Group to invest its surplus funds in different investment grade debt securities or other investment vehicles. The Group currently placed the surplus funds as deposits in Hong Kong and PRC banks.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Hong Kong dollars or US dollars. 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 2015, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Meanwhile, on 2 June 2015, there was a placing of 147,364,000 new shares of the Company to not less than six independent places by the Company. The placing of 147,364,000 shares of the Company was completed on 15 June 2015. Details of the placing of 147,364,000 shares of the Company are set out in the announcements dated 2 June 2015 and 15 June 2015.

On 3 June 2015, two executive Directors and few employees of the Company exercised their share options to subscribe 33,000,000 shares of HK\$0.01 each at the exercise price of HK\$0.36 per share. As a result, 33,000,000 shares of the Company were issued and allotted on 3 June 2015.

On 5 June 2015, an employee of the Company exercised the share options to subscribe 5,000,000 shares of HK\$0.01 each at the exercise price of HK\$0.36 per share. As a result, 5,000,000 shares of the Company were issued and allotted on 5 June 2015.

On 9 June 2015, an executive Director and two independent non-executive Directors exercised their share options to subscribe 6,000,000 shares of HK\$0.01 each of the Company at the exercise price of HK\$0.36 per share. As a result, 6,000,000 shares of the Company were issued and allotted on 9 June 2015.

As at 30 June 2015, the number of total issued shares of the Company was 928,184,888 shares.

Charge of Group Assets

As at 30 June 2015, the Group pledged certain leasehold land and building of approximately HK\$26.8 million and certain discounted bills with recourse totaling approximately HK\$11.1 million that were secured by the related bills receivable and were repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Gearing Ratio

As at 30 June 2015, the Group's gearing ratio, which was derived from the total liabilities to total assets, decreased to 10.0% from 11.9% as at 31 December 2014.

Material Acquisitions and Disposals

On 16 February 2015, Splendid Best International Limited, a wholly-owned subsidiary of the Company entered into three sale and purchase agreements, pursuant to which Splendid Best International Limited had acquired 20 premium cars at a total consideration of HK\$65 million. Details of the acquisitions are set out in the announcement of the Company dated 16 February 2015.

On 13 March 2015, Bright Ample Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement, pursuant to which Bright Ample Limited had acquired 18% of the equity interests in More Cash Limited which, through its subsidiaries, is engaged in property development and trading and its principal assets of properties are located in Guangzhou City, the PRC, from an independent third party at a total consideration of HK\$73 million. Details of which are set out in the announcement of the Company dated 13 March 2015 and 16 March 2015.

On 25 March 2015, the Group entered into an agreement to acquire 5% equity interests in Grand Vision Communications Limited which, through its subsidiaries, is engaged in the out-of-home advertising business, at a consideration of HK\$ 5.5 million.

Significant Investment

There was no significant investment during the period under review.

Contingent Liabilities

As at 30 June 2015, the Directors were not aware of any material contingent liabilities.

Capital Commitment

As at 30 June 2015, the Directors were not aware of any capital commitment.

Subsequent Event

Subsequent to the reporting period, on 1 September 2015, the Company granted a total of 9,280,000 share options to certain Directors. Details of the grant of the said share options are set out in the announcement of the Company dated 1 September 2015.

Save as disclosed herein, no subsequent events occurred after 30 June 2015, which may have a significant effect, on the assets and liabilities of future operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 predictably stable over the periods 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 2015, the Group employed 270 staff in the PRC and Hong Kong, representing a decrease of 16 staff from 31 December 2014 and a decrease of 174 staff from 30 June 2014. The decrease in the number of staff was mainly due to the streamlining of the main business of the Group.

Remuneration of employees, including Directors' emoluments was approximately HK\$23.1 million for the six months period under review as compared with that of approximately HK\$17.0 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 annually or by special adjustment depending on length of services and performance of the employees. 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 and depending upon the financial performance of the Group.

OTHER INFORMATION

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

As at 30 June 2015, the interests and short positions of the directors and chief executives in shares, underlying shares and debentures of the Company or 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:

Name of Directors	Capacity	Registered Shareholders	Underlying Interest	Approximate Percentage of Interests
Cheung Joanna Wai Sze	Beneficial Owner	-	9,280,000	1.00%
Du Peng	Beneficial Owner	-	9,280,000	1.00%
Tsang Ling Biu, Gilbert	Beneficial Owner	-	4,640,000	0.50%

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 SCHEME

The Company has a share option scheme which was adopted on 19 June 2009 ("2009 Share Option Scheme"). A summary of the principal terms of the 2009 Share Option Scheme was disclosed in the circular of the Company published on 29 April 2009.

The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to eligible participants, including the directors of the Company, as incentives or rewards for their contributions to the Group. Details of the 2009 Share Option Scheme are set out in note 18 to the condensed consolidated financial statements.

SHARE OPTION SCHEME (continued)

On 28 January 2015, the Company had granted a total of 44,000,000 share options to certain Directors and employees of the Company. Details of the grant of the said share options are set out in the announcement of the Company dated 28 January 2015.

On 11 June 2015, the Company had refreshed the 10% scheme mandate limit under the 2009 Share Option Scheme. Details of the refreshment of the scheme mandate limit are set out in the circular of the Company dated 26 May 2015.

On 25 June 2015, the Company had granted a total of 27,840,000 share options to certain Directors and consultant of the Company. Details of the grant of the said share options are set out in the announcement of the Company dated 25 June 2015.

During the six months ended 30 June 2015, certain existing executive Directors and other eligible participants have interests in share options to subscribe for shares in the Company. Details of such interests and movement of share options granted by the Company are shown below:

Name	Date of Grant	Exercise Period	Balance as at 1 January 2015	Changes during the period			Balance as at 30 June 2015	Exercise price per share
				Grant during the period	Exercised during the period	Lapsed during the period		
Directors								
Lam Wai Hung	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	-	7,000,000	7,000,000	-	-	HK\$0.36
Wong Yuk Lun, Alan	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	-	500,000	500,000	-	-	HK\$0.36
Cheung Joanna Wai Sze	25 June 2015	25 June 2015 to 24 June 2016	-	9,280,000	-	-	9,280,000	HK\$1.84
Du Peng	25 June 2015	25 June 2015 to 24 June 2016	-	9,280,000	-	-	9,280,000	HK\$1.84
Tsang Ling Biu, Gilbert	25 June 2015	25 June 2015 to 24 June 2016	-	4,640,000	-	-	4,640,000	HK\$1.84
Former Directors								
Wong Ka Ching	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	-	7,000,000	7,000,000	-	-	HK\$0.36
Ng Sau Lin	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	-	5,000,000	5,000,000	-	-	HK\$0.36
Lim Chi Kit	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	-	500,000	500,000	-	-	HK\$0.36
Other Eligible participants								
Employees	28 Jan 2015	28 Jan 2015 to 27 Jan 2016	-	24,000,000	24,000,000	-	-	HK\$0.36
Consultant – Mr. Woo Kar Tung Raymond (appointed as executive Director and chief financial officer on 1 September 2015)	25 June 2015	25 June 2015 to 24 June 2016	-	4,640,000	-	-	4,640,000	HK\$1.84

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2015, 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:

Name of Shareholders	Capacity	Number of shares of the Company held	Approximate percentage
Tuspark Venture Investment Ltd	Beneficial owner	205,340,802	22.12%
啟迪控股股份有限公司 Tus-Holdings Co., Ltd.* ("Tus-Holdings") (note (a))	Interest of controlled corporation	205,340,802	22.12%
北京百駿投資有限公司 Beijing Bai Jun Investment Co., Ltd.* ("Beijing Bai Jun") (note (a))	Interest of controlled corporation	205,340,802	22.12%
Mr. Wang Jiwu (note (b))	Interest of controlled corporation	205,340,802	22.12%
清華控股有限公司* Tsinghua Holdings Co., Ltd.* ("Tsinghua Holdings") (note (a))	Interest of controlled corporation	205,340,802	22.12%
清華大學 Tsinghua University* (note (c))	Interest of controlled corporation	205,340,802	22.12%

Note:

- (a) According to the Corporate Substantial Shareholder Notice filed by Tus-Holdings on 30 June 2015, Tus-Holdings held 100% of the issued share capital of Tuspark Venture Investment Ltd. Tus-Holdings is therefore deemed under the SFO to be interested in 205,340,802 shares of the Company.

Tus-Holdings is owned as to 30.08% by Beijing Bai Jun, a company which is wholly owned by Mr. Wang Jiwu, and as to 44.92% by Tsinghua Holdings, a company which is wholly owned by Tsinghua University, respectively.

- (b) According to the Individual Substantial Shareholder Notice filed by Mr. Wang Jiwu on 30 June 2015, Mr. Wang Jiwu is deemed to be interested in 205,340,802 shares of the Company through Beijing Bai Jun, which is wholly owned by Mr. Wang Jiwu.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

(continued)

Note: (continued)

(c) According to the Corporate Substantial Shareholder Notice filed by Tsinghua University on 30 June 2015, Tsinghua University is deemed to be interested in 205,340,802 shares through Tsinghua Holdings, which is wholly owned by Tsinghua University.

* The English translation of Chinese names or words in this report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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 2015, 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 had an interest in a business which competes or may compete with the businesses of the Group as at 30 June 2015.

DIRECTORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2015, no contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director had material interest, whether directly or indirectly, subsisted at the end of the period or any time during the six months ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

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.

CORPORATE GOVERNANCE CODE

The Company has complied with all of the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2015, except the following:

Code Provision A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

For the annual general meeting held on 2 June 2015 ("AGM"), one executive Director and one independent non-executive Director attended the meeting. The rest of the Board could not attend the meeting due to their busy business schedules or other engagements.

For the extraordinary general meeting held on 11 June 2015, one executive Director and one independent non-executive Director attended the meeting. The rest of the Board could not attend the meeting due to other business engagements.

The Company will endeavor to arrange the future general meeting with the presence of non-executive Director and independent non-executive Directors so as to comply with the requirement of Code Provision A.6.7.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the AGM.

Mr. Li Feng, the chairman of the Board was unable to attend the AGM due to other business engagement. However, an executive Director had chaired the AGM and answered questions from the shareholders of the Company.

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in the Company's annual report dated 31 March 2015.

CORPORATE GOVERNANCE CODE *(continued)*

Audit Committee

The Company established an audit committee (the “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 currently comprises three independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Wong Yuk Lun, Alan and Mr. Chen Jin and one non-executive Director, Mr. Tsang Ling Biu, Gilbert. Mr. Poon Chiu Kwok is the chairman of the Audit Committee.

The changes in the composition of the Audit Committee subsequent to the publication of the annual report of the Company for the year ended 31 December 2014 are set out below:

On 25 June 2015, (i) Mr. Hui Hung Kwan ceased to be the chairman of the Audit Committee; (ii) Mr. Lim Chi Kit ceased to be a member of the Audit Committee; (iii) Mr. Wong Yuk Lun, Alan was appointed as the chairman of the Audit Committee; (iv) Mr. Chen Jin and Mr. Tsang Ling Biu, Gilbert were both appointed as members of the Audit Committee.

On 1 September 2015, (i) Mr. Wong Yuk Lun, Alan was re-designated from the chairman of the Audit Committee to a member of the Audit Committee; and (ii) Mr. Poon Chiu Kwok was appointed as the chairman of the Audit Committee.

The Audit Committee had reviewed the Group’s unaudited results for the six months ended 30 June 2015 and had provided advice and recommendation to the Board.

Remuneration Committee

The Company established a remuneration committee (the “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 currently comprises an executive Director, Mr. Woo Kar Tung Raymond and three independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Mr. Wong Yuk Lun, Alan and Mr. Chen Jin. Mr. Poon Chiu Kwok is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE CODE *(continued)*

Remuneration Committee *(continued)*

The changes in the composition of the Remuneration Committee subsequent to the publication of the annual report of the Company for the year ended 31 December 2014 are set out below:

On 2 June 2015, Mr. Xing Zhanwu ceased to be a member of the Remuneration Committee following his retirement as an executive Director and Mr. Lam Wai Hung was appointed as a member of the Remuneration Committee.

On 25 June 2015, Mr. Chen Jin was appointed as a member of the Remuneration Committee and Mr. Lim Chi Kit ceased to be a member of the Remuneration Committee.

On 1 September 2015, (i) Mr. Wong Yuk Lun, Alan has been re-designated from the chairman of the Remuneration Committee to a member of the Remuneration Committee; (ii) Mr. Poon Chiu Kwok has been appointed as the chairman of the Remuneration Committee; (iii) Mr. Woo Kar Tung Raymond has been appointed as a member of the Remuneration Committee; and (iv) Mr. Lam Wai Hung ceased to be a member of the Remuneration Committee.

Nomination Committee

The Company established a nomination committee (the “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.

The Nomination Committee currently comprises an executive Director, Mr. Woo Kar Tung Raymond and three independent non-executive Directors, namely, Mr. Chen Jin, Mr. Poon Chiu Kwok and Mr. Wong Yuk Lun, Alan. Mr. Chen Jin is the chairman of the Nomination Committee.

The changes in the composition of the Nomination Committee subsequent to the publication of the annual report of the Company for the year ended 31 December 2014 are set out below:

On 2 June 2015, Mr. Xing Zhanwu ceased to be a member of the Nomination Committee following his retirement as the Director and Mr. Lam Wai Hung was appointed as a member of the Nomination Committee.

On 25 June 2015, (i) Mr. Hui Hung Kwan ceased to be the chairman of the Nomination Committee; (ii) Mr. Lim Chi Kit ceased to be a member of the Nomination Committee; and (iii) Mr. Chen Jin was appointed as the chairman of the Nomination Committee.

On 1 September 2015, (i) Mr. Poon Chiu Kwok has been appointed as the member of the Nomination Committee; (ii) Mr. Woo Kar Tung Raymond has been appointed as a member of the Nomination Committee; and (ii) Mr. Lam Wai Hung ceased to be a member of the Nomination Committee.

CORPORATE GOVERNANCE CODE *(continued)*

Adopted Code for Securities Transactions by Directors

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 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 2015.

Board Composition

The Board currently comprises six executive Directors, one non-executive Director and four independent non-executive Directors. The non-executive Directors (including the independent non-executive Directors) have a wide range of experience and calibre and could provide valuable advice to the Board on strategic development and resource management of the Group.

The changes in the composition of the Board subsequent to publication of the annual report of the Company for the year ended 31 December 2014 are set out below:

Mr. Xing Zhanwu retired as an executive Director on 2 June 2015 and ceased to be the chief executive officer of the Company. Mr. Wong Ka Ching and Ms. Ng Sau Lin resigned as executive Directors on 9 June 2015 and 25 June 2015, respectively.

Mr. Du Peng and Ms. Cheung Joanna Wai Sze have been appointed as executive Directors on 12 June 2015 and 25 June 2015, respectively.

Mr. Tsang Ling Biu, Gilbert has been appointed as a non-executive Director on 15 May 2015.

Mr. Hui Hung Kwan and Mr. Lim Chi Kit resigned as independent non-executive Directors while Hon. Shek Lai Him Abraham (*GBS, JP*) and Mr. Chen Jin have been appointed as independent non-executive Directors on 25 June 2015.

On 1 September 2015, Mr. Woo Kar Tung Raymond has been appointed as an executive Director and the chief financial officer of the Company while Mr. Wang Nai and Mr. Poon Chiu Kwok were appointed as an executive Director and an independent non-executive Director, respectively.

CORPORATE GOVERNANCE CODE *(continued)*

Independence of Independent non-executive Directors

The Company has complied with the requirement to appoint a sufficient number of independent non-executive directors as set out in Rule 3.10(1) of the Listing Rules. Throughout the six months ended 30 June 2015, the Company has appointed three independent non-executive Directors, namely Hon. Shek Lai Him Abraham (*GBS, JP*), Mr. Wong Yuk Lun, Alan and Mr. Chen Jin.

Hon. Shek Lai Him Abraham (*GBS, JP*), Mr. Wong Yuk Lun, Alan and Mr. Chen Jin, being the independent non-executive Directors, are also appointed for a fixed term of three years. All the non-executive Directors and independent non-executive Directors 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

Lam Wai Hung

Executive Director

Hong Kong, 31 August 2015