



**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 : 8293)

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This report, for which the directors of Jinheng Automotive Safety Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this report, the board of the Company comprises 5 executive directors of the Company, namely Messrs. Li Feng, Xing Zhanwu, Zhao Qingjie, Yang Donglin and Foo Tin Chung, Victor; 2 non-executive directors of the Company, namely Messrs. Li Hong and Zeng Qingdong; and 3 independent non-executive directors of the Company, namely Messrs. Chan Wai Dune, Huang Shilin and Zhu Tong.

The board of directors of the Company (the “Board”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for each of the three months and six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

CONSOLIDATED INCOME STATEMENT — UNAUDITED

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2007

	Note	Three months ended 30 June		Six months ended 30 June	
		2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Turnover	2	165,083,148	75,206,948	293,549,307	140,460,113
Cost of sales		(126,045,295)	(53,195,060)	(218,005,194)	(102,089,467)
Gross profit		39,037,853	22,011,888	75,544,113	38,370,646
Other revenue		1,656,525	910,760	1,957,780	1,162,731
Other net income/(loss)		2,392,379	(12,025)	2,928,751	(26,737)
Research and development expenses		(8,052,443)	(918,321)	(13,555,022)	(1,556,260)
Distribution costs		(4,150,438)	(1,504,913)	(8,359,859)	(2,602,402)
Administrative expenses		(13,155,580)	(7,152,857)	(24,643,840)	(12,729,509)
Recognition of negative goodwill		–	79,442	–	79,442
Profit from operations		17,728,296	13,413,974	33,871,923	22,697,911
Finance costs	3(a)	(4,405,518)	(1,898,320)	(8,461,130)	(2,752,644)
Share of profit of associates		1,240,412	–	2,177,747	–
Share of profits of jointly controlled entities		1,260,222	935,816	2,223,302	1,334,865
Profit before taxation	3	15,823,412	12,451,470	29,811,842	21,280,132
Income tax	4	(2,655,337)	(2,105,206)	(5,650,294)	(3,006,289)
Profit for the period		13,168,075	10,346,264	24,161,548	18,273,843
Attributable to:					
Equity shareholders of the Company		17,658,675	9,418,578	30,510,844	17,425,890
Minority interests		(4,490,600)	927,686	(6,349,296)	847,953
Profit for the period		13,168,075	10,346,264	24,161,548	18,273,843
Earnings per share					
– Basic	6(a)	HK4.53 cent	HK2.46 cents	HK7.83 cent	HK4.55 cents
– Diluted	6(b)	HK4.04 cent	HK2.43 cents	HK7.07 cent	HK4.49 cents

The notes on pages 5 to 19 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET – UNAUDITED

AT 30 JUNE 2007

	Note	30 June 2007 HK\$	31 December 2006 HK\$
Non-current assets			
Fixed asset			
– Property, plant and equipment	7	133,659,410	101,440,543
– Interest in leasehold land held for own use under operating leases	7	20,802,865	17,119,072
Deposit paid for acquisition of fixed assets		21,702,185	37,697,259
Construction in progress		22,283,619	17,901,153
Intangible assets		84,016,066	30,916,164
Goodwill		12,578,520	184,189
Interest in associates		29,581,409	28,631,461
Interest in jointly controlled entities		15,322,793	13,099,491
Other non-current financial assets		50,000	50,000
Deferred tax assets		24,127	24,127
		340,020,994	247,063,459
Current assets			
Inventories		170,030,203	78,687,811
Trade receivables, prepayments and other receivables	8	317,392,369	235,074,584
Current tax recoverable		915,114	1,182,749
Cash and cash equivalents	9	45,490,642	65,734,351
		533,828,328	380,679,495
Current liabilities			
Trade and other payables	10	290,800,844	152,949,496
Bank loans	11	175,996,000	93,927,000
		466,796,844	246,876,496
Net current assets			
		67,031,484	133,802,999
Total assets less current liabilities			
		407,052,478	380,866,458
Non-current liabilities			
Bank loans	11	4,000,000	24,000,000
Convertible notes	12	71,787,890	71,254,320
Deferred tax liabilities		19,959,476	4,290,784
		95,747,366	99,545,104
NET ASSETS			
		311,305,112	281,321,354
CAPITAL AND RESERVES			
Share capital	13	3,901,200	3,855,600
Reserves	14	265,898,350	247,067,839
Total equity attributable to equity shareholders of the Company		269,799,550	250,923,439
Minority interests	14	41,505,562	30,397,915
TOTAL EQUITY			
		311,305,112	281,321,354

The notes on pages 5 to 19 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Six months ended 30 June		2006	
		2007 HK\$	HK\$	HK\$	HK\$
Total equity at 1 January:			281,321,354		209,986,929
Net income recognised directly in equity:					
Profit for the period			24,161,548		18,273,843
Total recognised income and expense for the period			24,161,548		18,273,843
Attributable to:					
– Equity shareholders of the Company		30,510,844		17,425,890	
– Minority interests		(6,349,296)		847,953	
		24,161,548		18,273,843	
Dividends approved during the period	5		(13,654,200)		(12,723,480)
Movements in equity arising from capital transactions:					
Equity settled share-based transactions		278,500		1,141,000	
Capital contribution from minority shareholders		–		10,678,813	
Exercise of share options		1,687,200		1,687,200	
Issuance of shares pursuant to the exercise of share options		45,600		45,600	
Acquisition of a subsidiary		17,456,943		3,445,895	
Equity component of convertible notes		8,167		3,006,440	
			5,822,210		7,281,468
Total equity at 30 June			311,305,112		235,542,240

The notes on pages 5 to 19 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Six months ended 30 June	
		2007 HK\$	2006 HK\$
Net cash generated from operating activities		7,059,417	13,734,444
Net cash used in investing activities		(70,616,288)	(48,388,536)
Net cash generated financing activities		43,313,162	52,994,462
Net (decrease)/increase in cash and cash equivalents		(20,243,709)	18,340,370
Cash and cash equivalents at 1 January		65,734,351	44,376,663
Cash and cash equivalents at 30 June	9	45,490,642	62,717,033

The notes on pages 5 to 19 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 GEM Listing Rules.

The accounting policies adopted in the preparation of this interim report are consistent with those adopted by the Group in the 2006 annual financial statements.

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 2006 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 financial information relating to the financial year ended 31 December 2006 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 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 March 2007.

2. Turnover

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

Turnover represents the sales value of automotive safety products to customers net of sales tax and value added tax.

Turnover recognised during the period may be analysed as follows:

	Three months ended 30 June		Six months ended 30 June	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Sales of mechanical airbag systems	37,328,957	25,832,646	61,270,812	43,732,705
Sales of electronic airbag systems	65,877,374	42,587,104	140,207,419	79,328,462
Sales of automotive safety system components and other automotive spare parts	61,876,817	6,787,198	92,071,076	17,398,946
	165,083,148	75,206,948	293,549,307	140,460,113

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 making operating and financial decisions.

2. Turnover (continued)

No business segment information is presented as the Group's turnover and operating result are mainly generated from the production and sales of automotive safety 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 four 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:

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
PRC	154,136,133	67,038,262	269,809,727	128,197,285
Malaysia	567	8,168,686	10,396	11,822,981
Italy	10,902,789	–	20,814,217	150,883
Others	43,659	–	2,914,967	288,964
	165,083,148	75,206,948	293,549,307	140,460,113

3. Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Interest expense on bank advances wholly repayable within five years	2,572,847	1,215,261	4,657,316	1,991,007
Interest expense on convertible notes	1,617,217	601,891	3,214,587	601,891
Discounting charges on discounted bills	215,454	81,168	589,227	159,746
Total borrowing costs	4,405,518	1,898,320	8,461,130	2,752,644

3. Profit before taxation (continued)

(b) Other items:

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Cost of inventories	126,045,295	53,195,060	218,005,194	102,089,467
Depreciation	3,557,612	2,133,630	9,179,738	4,260,071
Amortisation of land lease premium	130,784	87,117	221,386	174,095
Amortisation of intangible assets				
– Acquired technology	2,214,655	250,750	2,886,472	879,069
– Development costs	5,669,185	2,006,035	9,506,982	2,412,479
– Patent	596	574	1,193	1,147

4. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Current tax				
PRC income tax for the period	2,480,581	1,767,963	6,054,579	2,411,939
	2,480,581	1,767,963	6,054,579	2,411,939
Deferred tax				
Origination and reversal of temporary differences	174,756	337,243	(404,285)	594,350
Total income tax expense	2,655,337	2,105,206	5,650,294	3,006,289

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, Jinzhou Jinheng Automotive Safety System Co., Ltd. (“Jinheng Automotive”), a subsidiary of the Company, which is being a wholly owned foreign enterprise, is entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years starting from its first profit-making year, followed by a 50% reduction in the PRC income tax for the next 3 years. Jinheng Automotive is in the fourth year following the first profit-making year.

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 interim period/year:

	Six months ended 30 June	
	2007 HK\$	2006 HK\$
Final dividend in respect of the financial year ended 31 December 2006 approved and paid during the following interim period of HK\$3.5 cents per share (year ended 31 December 2005: HK\$3.3 cents per share)	13,654,200	12,723,480

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$Nil).

6. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for each of the three months and six months ended 30 June 2007 are based on the profit attributable to ordinary equity shareholders of the Company HK\$17,658,675 and HK\$30,510,844 respectively (for each of the three months and six months ended 30 June 2006: HK\$9,418,578 and HK\$17,425,890 respectively) and the weighted average of 390,120,000 and 389,742,099 (for each of the three months and six months ended 30 June 2006: 383,368,177 and 383,368,177 respectively) ordinary shares respectively in issue during the period, calculated as follows:

Weighted average number of ordinary shares (basic)

	Number of shares Three months ended 30 June		Number of shares Six months ended 30 June	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Issued ordinary shares at 1 January	385,560,000	381,000,000	385,560,000	381,000,000
Effect of shares issued pursuant to the exercise of share options	4,560,000	2,368,177	4,182,099	2,368,177
Weighted average number of ordinary shares (basic) at 30 June	390,120,000	383,368,177	389,742,099	383,368,177

6. Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for each of the three months and six months ended 30 June 2007 are based on the profit attributable to ordinary equity shareholders of the Company HK\$19,275,892 and HK\$33,725,431 respectively (for each of the three months and six months ended 30 June 2006: HK\$9,418,578 and HK\$17,425,890 respectively) and the weighted average of 477,346,093 and 477,082,716 (for each of the three months and six months ended 30 June 2006: 387,220,591 and 388,354,629 respectively) ordinary shares respectively in issue during the period, calculated as follows:

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

	Three months ended 30 June		Six months ended 30 June	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Profit attributable to ordinary equity shareholders	17,658,675	9,418,578	30,510,844	17,425,890
After tax effect of effective interest on the liability component of convertible notes	1,617,217	–	3,214,587	–
Profit attributable to ordinary equity shareholders (diluted)	19,275,892	9,418,578	33,725,431	17,425,890

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

	Number of shares Three months ended 30 June		Number of shares Six months ended 30 June	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Weighted average number of ordinary shares at 30 June	390,120,000	383,368,177	389,742,099	383,368,177
Effect of conversion of convertible notes	85,555,556	–	85,555,556	–
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	1,670,537	3,852,414	1,785,061	4,986,452
Weighted average number of ordinary shares (diluted) at 30 June	477,346,093	387,220,591	477,082,716	388,354,629

7. Fixed assets

(a) Acquisitions and disposals

During the six months ended 30 June 2007, the Group acquired items of property, plant and equipment with a cost of HK\$33,410,229 (six months ended 30 June 2006: HK\$18,603,781). During the six months ended 30 June 2007, there were disposal of property, plant and equipment with net book value HK\$273,985 (six months ended 30 June 2006: HK\$135,621).

(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 Shenyang and Jinzhou, the PRC. The applications for the property ownership certificates of the leasehold land and building situated in Shenyang and Jinzhou with net book value of HK\$6,346,454 and HK\$16,851,983 respectively 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 balance sheet date. 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 2007 and, the property ownership certificates can be obtained by the end of 2007.

(c) As at 30 June 2007, leasehold land and buildings with carrying value totalling HK\$22,879,575 (31 December 2006: HK\$13,260,896) are mortgaged to banks for certain banking facilities granted to the Group.

8. Trade receivables, prepayments and other receivables

	30 June 2007 HK\$	31 December 2006 HK\$
Trade receivables	204,239,641	174,328,189
Bills receivable	53,894,903	35,906,894
	258,134,544	210,235,083
Prepayments	29,844,051	12,924,237
Other receivables	29,413,774	11,915,264
	317,392,369	235,074,584

Included in trade receivables are amounts due from related companies of HK\$32,011,071 (31 December 2006: HK\$22,628,728) (see note 16(b)).

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

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

	30 June 2007 HK\$	31 December 2006 HK\$
Current	249,196,556	205,762,456
1 to 3 months overdue	7,569,476	3,856,878
More than 3 months overdue but less than 12 months overdue	1,030,628	615,749
More than 1 year overdue but less than 2 years overdue	337,884	–
	258,134,544	210,235,083

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.

Included in trade receivables, prepayments and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	30 June 2007	31 December 2006
United States Dollars	USD116,710	USD116,559
Sterling	GBP 18,923	GBP 3,705
Euros	EUR725,201	EUR722,160

9. Cash and cash equivalents

	30 June 2007 HK\$	31 December 2006 HK\$
Cash and cash equivalents in the balance sheet and cash flow statement	45,490,642	65,734,351

9. Cash and cash equivalents (continued)

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 2007	31 December 2006
United States Dollars	USD 18,326	USD 18,596
Euros	EUR 794,832	EUR 156

Other than disclosed above, cash and cash equivalents of HK\$28,227,091 (31 December 2006: HK\$17,776,132) 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 2007 HK\$	31 December 2006 HK\$
Trade payables	187,381,247	108,596,664
Bills payables	29,721,862	–
	217,103,109	108,596,664
Other payables	73,697,735	44,352,832
	290,800,844	152,949,496

Included in trade and other payables are amounts due to related company of HK\$41,946,793 (31 December 2006: HK\$25,614,610) (see note 16(c)).

Included in other payables are certain interest-bearing borrowings of HK\$18,549,100 (31 December 2006: HK\$Nil), which carried interest at 5.85% to 7.03% (31 December 2006: Nil) and will be settled within 1 year.

An ageing analysis of trade payables is as follows:

	30 June 2007 HK\$	31 December 2006 HK\$
Within 3 months	161,802,172	80,938,618
Over 3 months but less than 6 months	53,300,659	27,658,046
Over 6 months but less than 12 months	2,000,278	–
	217,103,109	108,596,664

10. Trade and other payables (continued)

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

	30 June 2007	31 December 2007
United States Dollars	USD 146,960	USD 33,320
Sterling	GBP –	GBP 286,149
Euros	EUR 3,710	EUR 31,528

11. Bank loans

The bank loans are repayable as follows:

	30 June 2007 HK\$	31 December 2006 HK\$
Within 1 year or on demand	175,996,000	93,927,000
After 1 year but within 2 years	4,000,000	24,000,000
	179,996,000	117,927,000
Representing:		
Secured bank loans	51,996,000	27,927,000
Unsecured bank loans	128,000,000	90,000,000
	179,996,000	117,927,000

All the bank loans are with PRC commercial banks and are denominated in RMB. These were no unutilised banking facilities as at 30 June 2007 (31 December 2006: HK\$Nil).

At 30 June 2007, terms of bank loans were as follows:

- (a) A bank loan of HK\$5,800,000 (31 December 2006: HK\$5,800,000), which carried interest at 8.31% (31 December 2006: 7.61%) per annum with final maturity on 29 April 2008 (31 December 2006: 20 April 2007), was secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying value of HK\$5,879,776 (31 December 2006: HK\$6,005,634).
- (b) A bank loan of HK\$4,000,000 (31 December 2006: HK\$4,000,000), which carried interest at 7.84% (31 December 2006: 7.84%) per annum with final maturity on 30 July 2008 (31 December 2006: 30 July 2008), was secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying value of HK\$9,746,638 (31 December 2006: HK\$6,836,110).
- (c) A bank loan of HK\$12,000,000 (31 December 2006: HK\$12,000,000), which carried interest at 7.02% (31 December 2006: 7.02%) per annum with final maturity on 27 September 2007 (31 December 2006: 27 September 2007), was secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying value of HK\$2,868,156 (31 December 2006: HK\$2,900,498).

11. Bank loans (continued)

- (d) Discounted bills with recourse totalling HK\$30,196,000 (31 December 2006: HK\$6,127,000) were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying value of HK\$4,385,005 (31 December 2006: HK\$Nil).
- (e) Certain unsecured bank loans totalling HK\$128,000,000 (31 December 2006: HK\$90,000,000) carried interest at rates ranging from 5.27% to 7.34% (31 December 2006: from 5.47% to 7.02%) per annum and were repayable within one year.

12. Convertible notes

On 26 May 2006, the Company issued convertible notes with a nominal value of HK\$46,000,000 to Value Partner Limited, an independent investor. The notes bear interest rate 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 \$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 \$0.01 each of the Company.

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 rate 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 \$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 \$0.01 each of the Company.

The convertible notes were split into liability and equity components of HK\$71,849,874 and HK\$5,150,126 respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the capital reserve.

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

	30 June 2007 HK\$	31 December 2006 HK\$
At 1 January	71,254,320	–
Liability component of convertible notes issued during the year, net of issuing costs	–	70,702,242
Interest expense recognised in profit and loss	533,570	552,078
At 30 June 2007/31 December 2006	71,787,890	71,254,320

13. Share capital

	30 June 2007		31 December 2006	
	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	385,560,000	3,855,600	381,000,000	3,810,000
Issuance of shares pursuant to the exercise of share options	4,560,000	45,600	4,560,000	45,600
At 30 June 2007/31 December 2006	390,120,000	3,901,200	385,560,000	3,855,600

14. Reserves

	Attributable to equity shareholders of the Company										
	Share premium	Merger reserve	Statutory surplus reserve	Statutory public welfare fund	Capital reserve	Exchange reserve	Other reserve	Retained profit	Sub-total	Minority interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2006	80,168,124	36,341,236	12,616,183	6,308,089	9,545,757	2,357,650	-	48,199,626	195,536,665	10,640,264	206,176,929
Equity settled share-based transactions	-	-	-	-	1,141,000	-	-	-	1,141,000	-	1,141,000
Dividend approved in respect of prior years	-	-	-	-	-	-	-	(12,723,480)	(12,723,480)	-	(12,723,480)
Profit for the period	-	-	-	-	-	-	-	17,425,890	17,425,890	847,953	18,273,843
Shares issued under share option scheme	5,279,600	-	-	-	(3,592,400)	-	-	-	1,687,200	-	1,687,200
Capital contribution from minority shareholders	-	-	-	-	-	-	(1,484,235)	-	(1,484,235)	12,163,048	10,678,813
Equity component of convertible notes	-	-	-	-	3,006,440	-	-	-	3,006,440	-	3,006,440
Acquisition of subsidiaries	-	-	-	-	-	-	3,445,895	-	3,445,895	-	3,445,895
At 30 June 2006	85,447,724	36,341,236	12,616,183	6,308,089	10,100,797	2,357,650	1,961,660	52,902,036	208,035,375	23,651,265	231,686,640
At 1 January 2007	85,447,724	36,341,236	17,686,404	8,843,201	13,311,975	9,817,164	2,141,065	73,479,070	247,067,839	30,397,915	277,465,754
Equity settled share-based transactions	-	-	-	-	278,500	-	-	-	278,500	-	278,500
Dividend approved in respect of prior years	-	-	-	-	-	-	-	(13,654,200)	(13,654,200)	-	(13,654,200)
Profit/(loss) for the period	-	-	-	-	-	-	-	30,510,844	30,510,844	(6,349,296)	24,161,548
Shares issued under share option scheme	5,279,600	-	-	-	(3,592,400)	-	-	-	1,687,200	-	1,687,200
Equity component of convertible notes	-	-	-	-	8,167	-	-	-	8,167	-	8,167
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	17,456,943	17,456,943
At 30 June 2007	90,727,324	36,341,236	17,686,404	8,843,201	10,006,242	9,817,164	2,141,065	90,335,714	265,898,350	41,505,562	307,403,912

14. Reserves (continued)

On 22 November 2004, 11,400,000 share options were granted for nominal consideration to three directors and seven employees of the Company under the Company's Pre-IPO Employee Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of HK\$1 each of the Company. These share options will be vested on 9 December 2005, and then be exercisable until 9 December 2008. The exercise price is HK\$0.38.

4,560,000 options were exercised during the six months ended 30 June 2007.

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 2007 HK\$	31 December 2006 HK\$
Contracted for	8,616,260	7,132,349

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

	30 June 2007 HK\$	31 December 2006 HK\$
Properties		
Within 1 year	583,050	409,344
After 1 year but within 5 years	615,171	294,965
After 5 years	931,678	949,733
	2,129,899	1,654,042
Others		
Within 1 year	8,400	8,400
After 1 year but within 5 years	7,000	11,200
	15,400	19,600

The Group leases a number of properties and office equipment under operating leases for a period of 1 to 27 years. The leases do not include contingent rentals.

16. Material related party transactions

Name of party	Relationship
Shanxi Jinheng Automotive Spare Parts Co., Ltd. ("Jinheng Parts")	35% owned jointly controlled entity of the Group
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 (49%) of Jinbei Automotive
Li Feng ("Mr Li")	Director of the Company

(a) Recurring

	Six months ended 30 June	
	2007	2006
	HK\$	HK\$
Rental expenses paid to - Mr. Li	368,700	-
Purchases of raw materials from: - Jinheng Parts	37,697,037	23,961,878
Sales of airbag systems or other automotive safety products to:		
- Hafei Motor	7,639,209	9,552,784
- Brilliance Jinbei	32,512,404	11,597,211
- Jinheng Parts	166,838	-

The directors of the Company are of the opinion that the purchases of raw materials from and sales of airbag systems to and rental expenses paid to the above related parties were conducted in the normal course of business.

16. Material related party transactions (continued)*(b) Amounts due from related companies*

	30 June 2007 HK\$	31 December 2006 HK\$
Brilliance Jinbei	25,496,490	15,055,307
Hafei Motor	6,514,581	7,573,421
	32,011,071	22,628,728

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 balance sheet (see note 8).

(c) Amount due to related parties

	30 June 2007 HK\$	31 December 2006 HK\$
Jinheng Parts	41,297,593	25,149,070
Mr Li	649,200	465,540
	41,946,793	25,614,610

The amount due to Jinheng Parts is trade-related, unsecured, interest free and is expected to be repaid within one year.

The amount due to Mr. Li is non-trade related, unsecured, interest free and is expected to be repaid within one year.

These amounts are included in "Trade and other payables" in the consolidated balance sheet (see note 10).

17. Acquisition of subsidiary

Pursuant to the approval of the acquisition agreement and the loan agreement dated 17 November 2006, the Group held 51.2% equity interest of Honest Bright Group Limited ("Honest Bright") which obtained 61.5% equity interest of Troitec Automotive Electronics Co., Ltd. ("Troitec") under these agreement. This transaction was completed on 30 March 2007 with the total investment cost in Troitec was amounted to HK\$40,274,000, of which HK\$20,128,000 was lent to the shareholder owning 48.8% equity interest of Honest Bright and this shareholder re-lent such proceed to a Honest Bright wholly-owned subsidiary Sure Lucky Investments Limited ("Sure Lucky") through Honest Bright. Also the Group advanced the remaining HK\$20,146,000 to a Honest Bright wholly-owned subsidiary Properline Investment Limited ("Properline") through Honest Bright.

17. Acquisition of subsidiary (continued)

Honest Bright, Sure Lucky and Properline are investment holding companies. Troitec is principally engaged in the research and development, manufacture and sale of engine management system used in automobiles. Details of assets acquired and liabilities assumed as at the acquisition date were as follows:

	Pre-acquisition carrying amounts HK\$	Fair value adjustments HK\$	Recognised values on acquisitions HK\$
Fixed assets	6,912,519	–	6,912,519
Construction in progress	256,268	–	256,268
Investment	1,000,000	–	1,000,000
Intangible assets	507,954	60,462,613	60,970,567
Inventories	12,334,416	–	12,334,416
Trade and other receivables	5,617,219	–	5,617,219
Cash and cash equivalents	23,199,119	–	23,199,119
Trade and other payables	(48,884,337)	–	(48,884,337)
Deferred tax liabilities	–	(16,072,976)	(16,072,976)
Minority interests	–	(17,453,126)	(17,453,126)
Share of net identifiable assets and liabilities	943,158	26,936,511	27,879,669
Goodwill on Acquisition			12,394,331
Consideration paid			40,274,000
Less: cash of subsidiary acquired			(23,199,119)
Net cash inflow in respect of purchase of a subsidiary			17,074,881

18. Post balance sheets events

On 31 July 2007, the Company entered into the placing and subscription agreement with Applaud Group Limited and Kingsway Financial Services Group Limited (the "Placing Agent") pursuant to which the Placing Agent agreed to place, on a best efforts basis, 40,000,000 existing shares at the HK\$1.60 per share on behalf of Applaud Group to not less than six professional, institutional, corporate or individual investors who and whose ultimate beneficial owners were independent to the Company, its connected person and Applaud Group Limited. Applaud Group Limited will then subscribe 40,000,000 new shares, being the same number of the shares placed by the Placing Agent, at the HK\$1.60 per share. After the completion of placing and subscription transactions, the issued shares of the Company may become 430,120,000 shares and the shareholding of Applaud Group Limited may decrease from 58.60% as at 30 June 2007 to 53.15%. The placing was completed on 1 August 2007, and the subscription was completed on 9 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of this year, the Group recorded continuous remarkable growth and brilliant results in its business. It also achieved improvement and recognition in various aspects. During this quarter, the turnover of the Group increased by 1.1 times to approximately HK\$293.5 million in comparison with the same period in 2006. The profit after tax for this six months period was approximately HK\$30.5 million, which was 75.1% increment in comparison of the corresponding period last year. The overall results of the Group recorded a substantial growth in comparison with the same period last year due to the launching of safety airbag systems for various new models during the quarter, and at the same time, it was also due to the steady increment in the export of automotive safety airbag bodies to a world-class automotive safety system manufacturer. Besides, the Group's investment during the past years in localizing manufacturing of spare parts has begun to achieve its effect of helping to lower the production cost. During the last six months, the Group signed contracts to develop safety airbag systems for several new automotive models. Directors expect that as the Group's products grow in number with the help of stable supply from the already launched automotive models and effective execution of the plan to improve supply chain, the Group will be able to maintain stable business growth.

During the past two years, the Group has been able to introduce other kinds of new products like automotive electronic components into the Group's business other than acting solely as a manufacturer of automotive safety airbag system. The Group will work towards the strategic goal of introducing high-end, high profit margin and value-added products into our business. We will also strive to streamline our structure through various opportunities to reduce business overlapping and raise the synergy effect for new businesses. We will continuously work on effective cost control to maintain the competitiveness of the Group's product.

In the aspect of operation management, the Group has gained recognition from other parties. The Group has been award an outstanding China enterprise award by a renowned Hong Kong magazine for two consecutive years. The award, which is obtained in the international metropolitan of Hong Kong, is not only a support and recognition for the Group's dedication in improving its management, but also works as a drive for the Group in its continuous reform and development in order to achieve more remarkable results in the future.

On 1 August 2007, the Company placed 40,000,000 shares to not less than six professional investors at the price of HK\$1.60 each share by the way of top-up placing. The transaction has given the Group more capital for future business needs and has attracted different investors. It is expected that this will widen the Group's investor base and improved the liquidity of shares.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review

For the three months and six months ended 30 June 2007, the Group reported turnover of approximately HK\$165.1 million and HK\$293.5 million respectively, representing a substantial increase of approximately 1.2 times and 1.1 times from the same periods of last year. This was mainly because the significant increase of supplying automotive safety system and components to one of the biggest PRC automobile manufacturers, and also the continuous growth of sales to a PRC localized production of an international brand since the fourth quarter of 2006. Furthermore, the overseas market of the Group has made increasing contribution to the overall turnover results. It is expected that turnover of the Group in the second half of this year will have constant and healthy growth.

During the first half of 2007, the average gross profit margin of both mechanical and electric airbag systems were increased by 0.8% to 28.8% as compared with the same period of last year. The reason for such increase is mainly due to the effect of a more competitive price offered to an internationally renowned automobile manufacture in the first quarter of last year was diluted during this year. Over the six months period under review, the overall gross profit margin of the Group recorded a decrease by 1.6% to 25.7% as compared with the same period of last year. This is mainly due to the newly acquired subsidiary Troitec is still in the initial stage and the economic of scale was not yet achieved. As the production facilities will be fully utilized, it is expected that its production efficiency will be improved in the company future and hence a higher gross profit margin will be resulted.

For the current six months period under review, the profits from operation was approximately HK\$33.9 million, representing an increase of approximately 49.2% as compared to the corresponding period of previous year. This was mainly resulted from the substantial increase of turnover and the continuous contribution of our cost control policy.

For the three months ended 30 June 2007, the distribution costs increased by approximately HK\$2.6 million to approximately HK\$ 4.2 million as compared with the same period of last year. The increase was mainly due to the increased sales and exploration of new markets for our new products.

During the first half of this year, the research and development expenses were approximately HK\$13.6 million while there were HK\$1.6 million in the same period last year. This is mainly due to the newly developed and acquired automotive electronic business which is in the initial stage and investments in researching and developing new products are required.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

For the six months period ended 30 June 2007, the administrative expenses were increased by approximately HK\$11.9 million to approximately HK\$24.6 million in comparison with the corresponding period of last year. The increase was mainly due to the commencement of commercial operation of 3 new subsidiaries of the Group, Beijing Jinheng Great Idea Automotive Electronic Systems Co., Ltd. ("Beijing Great Idea"), Shenyang Jinheng Jinsida Automotive Electronic Co., Ltd. ("Jinheng Jinsida") and Troitec.

For the current six months period under review, the finance costs increased approximately HK\$5.7 million to HK\$8.5 million. Such increase was mainly contributed by the interest expenses for the newly issued convertible notes in last year.

Share of profits of jointly controlled entities and associates for the six months ended 30 June 2007 increased by approximately 2.3 times to HK\$4.4 million as compared with the same period of last year. This was mainly because the Jinheng Parts, a 35% owned jointly controlled entity of the Group, and YanTai Vast Co, Ltd., a 30% owned associate acquired in last year have operated efficiently and recorded a continuous increase in profit during the first half of 2007.

Profit for the three and six months period ended 30 June 2007 were increased by approximately 87.5% and 75.1% respectively to HK\$17.7 million and HK\$30.5 million respectively in comparison with the corresponding period of last year. Such increase is contributed mainly by the significant increase in turnover resulted from the continuous development in new products and new markets.

Outlook and Future Prospects

The Directors of the Company believe that, the PRC automotive market will remain buoyant. Its domestic and overseas supply of sedan currently is in stable increase and the overall selection and installation rate for automotive safety system will be raised. These will bring about enormous business opportunities for the Group.

The Group will aim at developing into an automotive components manufacturer with internationally competitive advanced automotive technology. It will develop and introduce more automotive products with good potential, proactively searching for international customers so as to allow the Group to enter the platform of international automobile spare parts supplier.

The Group will continue to reinforce its supervision of internal operational management, amend the existing policies to raise efficiency and thus the management can effectively manage the Group's daily production and operation and raise the Group's competitiveness to be ready for the opportunities brought by the market.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Outlook and Future Prospects *(continued)*

The Directors of the Company believe that, as we have seen positive effects from investments in the past, future implementation of the Group's business plans and the dedication and allegiance of the management staff which serve to raise the core competitiveness of the Group will enable the Group to have a good development prospect in the benefit of all investors.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2007, the Group had bank and cash balances of approximately HK\$45.5 million (31 December 2006: approximately HK\$65.7 million) and net current assets of approximately HK\$67.0 million, which decreased by HK\$66.8 million as compared with the last fiscal year. This is mainly due to the reclassification of a long term loan amounted to HK\$20 million to the current portion, and additional fund for investment in new subsidiaries.

As at 30 June 2007, the Group had non-current liabilities of approximately HK\$95.7 million for the expansion of the Group's production facilities and as investment reserves. It includes a long-term bank loan of approximately HK\$4.0 million (equivalent to RMB4.0 million) bears fixed interest rate of 7.84% per annum and is repayable on March 2008. It also includes the liabilities components of convertible notes amounted to HK\$71.8 million, which was issued by the Company to Value Partners Limited, Sagemore Assets Limited, Blue Water Ventures International Limited and Synergy Capital Co., Ltd. in the aggregate principal amount of HK\$77.0 million in 2006. Such convertible notes bears fixed interest 7% per annum and can be converted into conversion shares at initial conversion price HK\$0.90 per share.

The Group also had a current term loan of HK\$176.0 million, of which HK\$12.0 million (equivalent to RMB12.0 million) bears fixed interest rate of 7.02% per annum, HK\$5.0 million (equivalent to RMB5.0 million) bears fixed interest rate of 6.12% per annum, HK\$20.0 million (equivalent to RMB20.0 million) bears fixed interest rate of 5.47% per annum, HK\$10.0 million (equivalent to RMB10.0 million) bears fixed interest rate of 7.34% per annum, HK\$15.0 million (equivalent to RMB15.0 million) bears fixed interest rate of 7.34% per annum, HK\$15.0 million (equivalent to RMB15.0 million) bears fixed interest rate of 5.94% per annum, HK\$25.0 million (equivalent to RMB25.0 million) bears fixed interest rate of 5.75% per annum, HK\$10.0 million (equivalent to RMB10.0 million) bears fixed interest rate of 5.27% per annum, HK\$28.0 million (equivalent to RMB28.0 million) bears fixed interest rate of 5.58% per annum and HK\$5.8 million (equivalent to RMB5.8 million) bears fixed interest rate of 8.31% per annum. There were also included HK\$30.2 million (equivalent to RMB30.2 million) discounted bills not yet matured at the period end date. These were primarily used in finance short-term cash flows for our PRC operations.

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, bank facilities and balance of proceeds from the issuance of convertible notes. 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 Hong Kong dollars and Renminbi. 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 2007, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Apart from the placing transaction as disclosed above, for the six months ended 30 June 2007, 4,560,000 ordinary shares of the Company were issued resulted from the exercise of certain options issued under the Pre-IPO Share Option Scheme.

Charges on Group Assets

As at 30 June 2007, the Group pledged over its leasehold land and buildings with aggregate carrying value of approximately HK\$22.9 million for certain bank loans and discounted bills totalling RMB52.0 million (equivalent to HK\$52.0 million).

Gearing Ratio

Owing to the issuance of the convertible notes disclosed above, the Group's gearing ratio, which was derived from the total liabilities to total assets, increase to 64.3% from 55.2% as at 31 December 2006.

Future Plans for Material Investments

As at 30 June 2007, the Group had a contracted but not provided for capital commitments of approximately HK\$8.6 million in respect of acquisition of fixed assets.

Material Acquisitions and Disposals

Pursuant to the approval of the acquisition agreement and the loan agreement dated 17 November 2006, the Group held 51.2% equity interest of Honest Bright which obtained 61.5% equity interest of Troitec under these agreement. This transaction was completed on 30 March 2007 with the total investment cost in Troitec was amounted to HK\$40,274,000, of which HK\$20,128,000 was lent to the shareholder owning 48.8% equity interest of Honest Bright and this shareholder re-lent such proceed to a Honest Bright wholly-owned subsidiary Sure Lucky through Honest Bright. Also the Group advanced the remaining HK\$20,146,000 to a Honest Bright wholly-owned subsidiary Properline through Honest Bright. Honest Bright, Sure Lucky and Properline are investment holding companies. Troitec is principally engaged in the research and development, manufacture and sale of engine management system used in automobiles.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Significant Investment

Save as disclosed above, there was no significant investment during the period under review.

Contingent Liabilities

As at 30 June 2007, the directors of the Company were not aware of any contingent liabilities.

Subsequent Events

On 31 July 2007, the Company entered into the placing and subscription agreement with Applaud Group Limited and the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, 40,000,000 existing shares at the HK\$1.60 per share on behalf of Applaud Group to not less than six professional, institutional, corporate or individual investors who and whose ultimate beneficial owners were independent to the Company, its connected person and Applaud Group Limited. Applaud Group Limited will then subscribe 40,000,000 new shares, being the same number of the shares placed by the Placing Agent, at the HK\$1.60 per share. After the completion of placing and subscription transactions, the issued shares of the Company may become 430,120,000 shares and the shareholding of Applaud Group Limited may decrease from 58.60% as at 30 June 2007 to 53.15%. The placing was completed on 1 August 2007, and the subscription was completed on 9 August 2007.

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 2007, the Group employed approximately 1,406 staff in the PRC and Hong Kong, representing an increase of 430 staff from 31 December 2006 and an increase of 704 staff from 30 June 2006. The increase in staff was mainly from the PRC operations. Remuneration of employees, including directors' emoluments was approximately HK\$20.1 million for the six months period under review as compared with that of approximately HK\$8.8 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 2007, 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 Rules 5.46 to 5.67 the GEM 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 Interest of a controlled corporation (Note)	2,080,000 (Note)	0.53% (Note)
Xing Zhanwu	Beneficial owner Interest of a controlled corporation (Note)	1,600,000 (Note)	0.41% (Note)
Li Hong	Interest of a controlled corporation (Note)	(Note)	(Note)
Yang Donglin	Interest of a controlled corporation (Note)	(Note)	(Note)
Zhao Qingjie	Interest of a controlled corporation (Note)	(Note)	(Note)
Foo Tin Chung, Victor	Beneficial owner	640,000	0.16%

Note: Save as disclosed above, as at 30 June 2007, the following shareholders of the Company held an indirect interest in the Company through their interests in Applaud Group Limited which held approximately 58.60% 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 Pre-IPO Employee 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 Rules 5.46 to 5.67 of the GEM 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 two share option schemes namely, the Pre-IPO Employee Share Option Scheme and the Share Option Scheme as defined in the Prospectus which were adopted on 22 November 2004. A summary of principal terms of the share option schemes were disclosed in Appendix VI to the Prospectus.

The total number of securities available for issue under the share option schemes as at 30 June 2007 was 40,380,000 shares (including options for 2,280,000 shares that have been granted but not yet lapsed or exercised) which represented approximately 10.35% of the issued share capital of the Company as at 30 June 2007.

As at 30 June 2007, 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 2007 is HK\$1.60) 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.

(a) Pre-IPO Employee Share Option Scheme

On 22 November 2004, the Company granted options to subscribe for a total of 11,400,000 Shares under the Pre-IPO Employee Share Option Scheme to three directors and seven other 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 2007	Date granted	Period during which options exercisable	No. of share acquired on exercise of options during the period	Exercise price per share	*Market value per share at date of grant of options	*Market value per share on exercise of options
Mr. Li Feng (李峰)	Executive director and chairman of the Company	1,560,000	520,000	22 November 2004	9 December 2005 to 9 December 2008	1,040,000	HK\$0.38	HK\$0.788	HK\$0.83
Mr. Xing Zhanwu (邢戰武)	Executive director and chief executive officer of the Company	1,200,000	400,000	22 November 2004	9 December 2005 to 9 December 2008	800,000	HK\$0.38	HK\$0.788	HK\$0.83
Mr. Foo Tin Chung, Victor (傅天忠)	Executive director and financial controller of the Company	480,000	160,000	22 November 2004	9 December 2005 to 9 December 2008	320,000	HK\$0.38	HK\$0.788	HK\$0.83

SHARE OPTION SCHEMES (continued)

(a) Pre-IPO Employee Share Option Scheme (continued)

Name	Position	No. of options outstanding at the beginning of the year	No. of options outstanding as at 30 June 2007	Date granted	Period during which options exercisable	No. of share acquired on exercise of options during the period	Exercise price per share	*Market value per share at date of grant of options	* Market value per share on exercise of options
Mr. Hao Dianqing (郝殿卿)	Employee, general manager of Jinheng Automotive	648,000	216,000	22 November 2004	9 December 2005 to 9 December 2008	432,000	HK\$0.38	HK\$0.788	HK\$0.83
Mr. Xing Zhanwen (邢占文)	Employee, general manager of Jinheng Sega	528,000	176,000	22 November 2004	9 December 2005 to 9 December 2008	352,000	HK\$0.38	HK\$0.788	HK\$0.83
Mr. Zhang Qiming (張啟明)	Employee, deputy general manager of Jinheng Automotive	600,000	200,000	22 November 2004	9 December 2005 to 9 December 2008	400,000	HK\$0.38	HK\$0.788	HK\$0.83
Mr. Zhu Jiangbin (朱江濱)	Employee, deputy general manager of Beijing Great Idea	528,000	176,000	22 November 2004	9 December 2005 to 9 December 2008	352,000	HK\$0.38	HK\$0.788	HK\$0.83
Ms. Zhang Liping (張麗萍)	Employee, head of the finance department of Jinheng Automotive	504,000	168,000	22 November 2004	9 December 2005 to 9 December 2008	336,000	HK\$0.38	HK\$0.788	HK\$0.83
Mr. Zhao Chengming (趙成明)	Employee, general manager of Jinbei Jinheng	432,000	144,000	22 November 2004	9 December 2005 to 9 December 2008	288,000	HK\$0.38	HK\$0.788	HK\$0.83
Mr. Chen Lixin (沈立新)	Employee, deputy general manager of Jinheng Automotive	360,000	120,000	22 November 2004	9 December 2005 to 9 December 2008	240,000	HK\$0.38	HK\$0.788	HK\$0.83
		6,840,000	2,280,000			4,560,000			

SHARE OPTION SCHEMES *(continued)*

(a) Pre-IPO Employee Share Option Scheme *(continued)*

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

* being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

The weighted average value per option granted on 22 November 2004 and had not vested at 1 January 2005 using binomial lattice pricing model was HK\$0.788. 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:

	2007
Risk-free interest rate	2.1%
Expected life (in years)	4 years
Volatility	50.0%
Expected dividend per share	2.3%

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.

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.

(b) Share Option Scheme

As at 30 June 2007, no option has been granted under the Share Option Scheme.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2007, 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	228,620,000	-	58.60%	48.06%
Value Partners Limited (Note 1)	Investment manager	-	51,111,111	13.10%	10.74%
Mr. Cheah Cheng Hye (Note 1)	Interests of controlled corporation	-	51,111,111	13.10%	10.74%
Sagemore Assets Limited (Note 2)	Beneficial Owner	-	27,777,778	7.12%	5.84%
CDS International Limited (Note 2)	Interest of controlled corporation	-	27,777,778	7.12%	5.84%
TNS Services Limited (Note 2)	Nominee shareholder of beneficial owner	-	27,777,778	7.12%	5.84%

Note 1: Mr. Cheah Cheng Hye is the beneficial owner of 32.77% of the total issued share capital of Value Partners Limited and therefore is deemed to be interested in the underlying shares 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 2007, 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 GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Group as at 30 June 2007.

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 16 June 2006 and the circular published on 7 July 2006.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2007, 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 15 of the GEM Listing Rules throughout the six months ended 30 June 2007.

The Company established an audit committee on 22 November 2004 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM 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. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong.

The audit committee had reviewed the Group's unaudited results for the three months and six months ended 30 June 2007 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. Chan Wai Dune.

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM 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 2007.

The Company has complied with the requirement to appoint a sufficient number of independent non-executive director as set out in Rule 5.05(1) of the GEM Listing Rules. Throughout the six months ended 30 June 2007, the Company has appointed three independent non-executive directors, namely Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong.

All the non-executive directors and independent non-executive directors of the Company are not appointed for specific terms but are subject to rotation and re-election at annual general meeting of the Company in accordance with the Articles of Association of the Company.

By order of the Board

Jinheng Automotive Safety Technology Holdings Limited

Li Feng

Chairman

Hong Kong, 13 August 2007