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E-RENTAL CAR COMPANY LIMITED
宜租互聯網租車有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1822)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Revenue	257,105,209	17,166,563
Gross profit	15,286,685	5,786,572
Loss for the period	(9,303,860)	(10,618,007)
Total comprehensive income/(loss) for the period	1,327,897	(10,847,249)

The board (the “Board”) of directors (the “Directors”) of E-Rental Car Company Limited (the “Company”, together with its subsidiaries (the “Group”), hereby presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2015 together with the comparative unaudited figures for the six months ended 30 June 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$ (Unaudited)	2014 HK\$ (Unaudited)
REVENUE	4	257,105,209	17,166,563
Cost of sales		(241,818,524)	(11,379,991)
Gross profit		15,286,685	5,786,572
Other income and gains		10,587,961	2,639,771
Research and development costs		(1,506,612)	(1,351,133)
Selling and distribution costs		(4,936,860)	(5,796,371)
General and administrative expenses		(21,245,644)	(7,985,243)
Other expenses, net		(526,925)	(3,852,740)
Finance costs	5	(1,233,488)	(58,863)
Share of loss of a joint venture		(5,463,806)	—
LOSS BEFORE TAX	6	(9,038,689)	(10,618,007)
Income tax	7	(265,171)	—
LOSS FOR THE PERIOD		(9,303,860)	(10,618,007)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale investment			
Change in fair value		14,950,000	—
Income tax effect		(1,495,000)	—
		13,455,000	—
Exchange differences arising on translation of foreign operations		(26,214)	(229,242)
Release of exchange reserve upon disposal of subsidiaries		(2,797,029)	—
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		10,631,757	(229,242)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		10,631,757	(229,242)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		1,327,897	(10,847,249)
Loss attributable to owners of the parent		(9,303,860)	(10,618,007)
Total comprehensive income/(loss) attributable to owners of the parent		1,327,897	(10,847,249)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		(Unaudited)	(Unaudited and restated)
Basic and diluted			
– For loss for the period	9	HK (0.20) cents	HK (0.40) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2015*

		30 June	31 December
		2015	2014
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		41,338,195	32,684,920
Goodwill		72,383,420	72,383,420
Investment in a joint venture		2,381,728	7,845,534
Deferred development costs		–	2,498,264
Long term deposits		4,467,567	6,166,396
Available-for-sale investment	<i>10</i>	53,750,000	–
Total non-current assets		174,320,910	121,578,534
CURRENT ASSETS			
Inventories		1,658,612	2,479,162
Trade receivables	<i>11</i>	251,145,544	212,973,874
Prepayments, deposits and other receivables	<i>12, 13</i>	215,938,765	79,312,367
Amount due from a joint venture		8,848,642	5,842,767
Available-for-sale investment	<i>10</i>	–	1,260,000
Tax recoverable		185,278	–
Pledged bank deposit		20,000,000	–
Cash and cash equivalents		97,797,507	8,090,982
Total current assets		595,574,348	309,959,152
CURRENT LIABILITIES			
Trade payables	<i>14</i>	34,566,395	34,801,378
Other payables and accruals		8,198,302	78,488,115
Interest-bearing bank and other borrowings		29,170,131	8,386,341
Tax payable		1,336,393	2,609,609
Total current liabilities		73,271,221	124,285,443
NET CURRENT ASSETS		522,303,127	185,673,709
TOTAL ASSETS LESS CURRENT LIABILITIES		696,624,037	307,252,243

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**As at 30 June 2015*

	30 June	31 December
	2015	2014
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing other borrowings	5,927,497	5,311,104
Deferred tax liability	<u>1,495,000</u>	<u>—</u>
Total non-current liabilities	<u>7,422,497</u>	<u>5,311,104</u>
Net assets	<u>689,201,540</u>	<u>301,941,139</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	15 55,813,750	40,813,750
Reserves	<u>633,387,790</u>	<u>261,127,389</u>
Total equity	<u>689,201,540</u>	<u>301,941,139</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. Corporate Information

The Company is a limited liability company incorporated in the Cayman Islands on 11 September 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Company is located at Suites 3101-3105, 31/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

During the six months ended 30 June 2015, the Group was primarily involved in the provision of car rental services; the trading of electronic components/materials; the research, design, development and sale of digital signal processing (“DSP”) based consumer devices/platforms, including embedded firmware; and the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms.

2. Basis of Preparation and Changes in Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, (“HKFRSs”, which also include HKASs and Interpretations) which are effective for the Group’s annual periods beginning on or after 1 January 2015:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on the condensed consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Car rental segment – primarily engages in the provision of car rental services;
- (b) Electronic components/materials segment – primarily engages in the trading of electronic components/materials; and
- (c) Consumer electronic devices/platforms and related solutions/services segment – primarily engages in the research, design, development and sale of DSP-based consumer electronic devices/platforms, including embedded firmware, and the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that unallocated interest income, unallocated other income and gains, unallocated finance costs as well as corporate and other unallocated expenses, and share of loss of a joint venture are excluded from such measurement.

Segment assets exclude cash and cash equivalents, available-for-sale investments, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis, as well as investment in a joint venture.

Segment liabilities exclude tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. Operating Segment Information (continued)

	Car rental		Electronic components/ materials		Consumer electronic devices/platforms and related solutions/services		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:								
Sales of goods	—	—	240,086,783	131,354	2,121,989	8,155,815	242,208,772	8,287,169
Rendering of services	—	—	—	—	2,341,782	8,879,394	2,341,782	8,879,394
Car rental income	12,554,655	—	—	—	—	—	12,554,655	—
	<u>12,554,655</u>	<u>—</u>	<u>240,086,783</u>	<u>131,354</u>	<u>4,463,771</u>	<u>17,035,209</u>	<u>257,105,209</u>	<u>17,166,563</u>
Segment results	16,092	—	9,977,828	22,902	(8,645,141)	(5,325,024)	1,348,779	(5,302,122)
<u>Reconciliation:</u>								
Unallocated interest income							214,404	196,069
Unallocated other income and gains							9,930,761	1,883,536
Corporate and other unallocated expenses							(15,048,906)	(7,336,627)
Unallocated finance costs							(19,921)	(58,863)
Share of loss of a joint venture							(5,463,806)	—
Loss before tax							<u>(9,038,689)</u>	<u>(10,618,007)</u>
Other segment information:								
Finance costs	1,213,567	—	—	—	—	—	1,213,567	—
Depreciation	4,106,807	—	—	—	459,318	1,242,319	4,566,125	1,242,319
Amortisation of deferred development costs	—	—	—	—	1,098,296	5,868,592	1,098,296	5,868,592
Capital expenditure	<u>16,663,767</u>	<u>—</u>	<u>30,458</u>	<u>—</u>	<u>17,640</u>	<u>—</u>	<u>16,711,865</u>	<u>—</u>

	Car rental		Electronic components/ materials		Consumer electronic devices/platforms and related solutions/services		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	122,981,082	107,531,740	240,086,783	193,195,912	12,995,851	30,367,915	376,063,716	331,095,567
<u>Reconciliation:</u>								
Corporate and other unallocated assets							393,831,542	100,442,119
Total assets							<u>769,895,258</u>	<u>431,537,686</u>
Segment liabilities	42,208,185	88,231,869	1,719,976	11,429	33,735,547	36,739,853	77,663,708	124,983,151
<u>Reconciliation:</u>								
Corporate and other unallocated liabilities							3,030,010	4,613,396
Total liabilities							<u>80,693,718</u>	<u>129,596,547</u>

3. Operating Segment Information *(continued)*

Geographical information

The following table presents revenue from external customers for the six months ended 30 June 2015 and 2014 and certain non-current assets information as at 30 June 2015 and 31 December 2014, by geographical areas.

	United States of America <i>HK\$</i>	Mainland China <i>HK\$</i>	Hong Kong <i>HK\$</i>	Singapore <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
Six months ended						
30 June 2015						
Revenue from external customers (Unaudited)	<u>2,774,772</u>	<u>161,854,197</u>	<u>600,661</u>	<u>91,678,323</u>	<u>197,256</u>	<u>257,105,209</u>
Six months ended						
30 June 2014						
Revenue from external customers (Unaudited)	<u>8,131,635</u>	<u>7,493,993</u>	<u>420,426</u>	<u>—</u>	<u>1,120,509</u>	<u>17,166,563</u>
As at 30 June 2015						
Non-current assets (Unaudited)	—	166,495,751	7,825,159	—	—	174,320,910
Non-current assets (excluding financial instruments) (Unaudited)	<u>—</u>	<u>109,879,400</u>	<u>6,234,443</u>	<u>—</u>	<u>—</u>	<u>116,113,843</u>
As at 31 December 2014						
Non-current assets (Audited)	—	104,976,585	16,601,949	—	—	121,578,534
Non-current assets (excluding financial instruments) (Audited)	<u>—</u>	<u>100,541,133</u>	<u>14,881,505</u>	<u>—</u>	<u>—</u>	<u>115,422,638</u>

The Group's revenue information by geographical areas is based on the destination where the goods are delivered, except for revenue arising from the rendering of services, which is based on the locations where the customers are domiciled/located. The non-current asset information by geographical areas is based on the locations of the assets.

Information about major customers

Revenues of HK\$184.7 million and HK\$55.4 million for the six months ended 30 June 2015 were derived from the electronic components/materials segment with two customers, which individually amounted to 10 per cent or more of the Group's total revenue for the current period. Revenues of HK\$7.1 million and HK\$2.3 million for the six months ended 30 June 2014 were derived from the consumer electronic devices/platforms and related solutions/services segment with two customers, which individually amounted to 10 per cent or more of the Group's total revenue for the prior period.

4. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of car rental and other services rendered during the period.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2015 <i>HK\$</i> (Unaudited)	2014 <i>HK\$</i> (Unaudited)
Sales of goods	242,208,772	8,287,169
Rendering of services	2,341,782	8,879,394
Car rental income	12,554,655	—
	<u>257,105,209</u>	<u>17,166,563</u>

5. Finance Costs

	Six months ended 30 June	
	2015 <i>HK\$</i> (Unaudited)	2014 <i>HK\$</i> (Unaudited)
Interest on bank loans and other borrowings wholly repayable within five years	646,675	18,129
Interest on finance leases	565,949	—
Bank charges	20,864	40,734
	<u>1,233,488</u>	<u>58,863</u>

6. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of inventories sold and services rendered	241,818,524	11,379,991
Depreciation	5,417,691	1,242,319
Research and development costs:		
– Deferred expenditure amortised	1,098,296	5,868,592
– Current year expenditure	1,506,612	1,351,133
Gain on disposal of subsidiaries	(2,982,161)	–
Gain on disposal of items of property, plant and equipment, net	(103,672)	–
Write-off of items of property, plant and equipment	228,764	–
Impairment of other receivables	298,161	–
	<u>241,818,524</u>	<u>11,379,991</u>

7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made for the prior period as the Group did not generate any assessable profits arising in Hong Kong during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	214,989	–
Current — Elsewhere		
Charge for the period	24,348	–
Underprovision in prior years	25,834	–
	<u>265,171</u>	<u>–</u>
Total tax charge for the period	<u>265,171</u>	<u>–</u>

8. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

9. Loss Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$9,303,860 (2014: HK\$10,618,007) and the weighted average number of ordinary shares in issue of 4,698,288,686 (2014 (restated): 2,647,988,210) during the period. The basic loss per share amounts for the six months ended 30 June 2015 and 2014 have been adjusted to reflect the bonus element in offerings of shares of the Company during the respective reporting periods.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2015 and 2014 in respect of a dilution, as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented for the six months ended 30 June 2015 and 2014.

10. Available-for-sale Investments

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Non-current asset		
Unlisted equity investment, at fair value	<u><u>53,750,000</u></u>	<u><u>–</u></u>
Current asset		
Unlisted debt investment, at fair value	<u><u>–</u></u>	<u><u>1,260,000</u></u>

During the period, the gross fair value gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$14,950,000 (six months ended 30 June 2014: Nil).

11. Trade Receivables

The Group's trading terms with its customers are mainly on credit except for certain customers, where payment in advance is required. The credit period is generally 30 to 90 days after month-end statement, or would be longer under certain circumstances.

11. Trade Receivables (continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2015 <i>HK\$</i> (Unaudited)	31 December 2014 <i>HK\$</i> (Audited)
Within 30 days	200,192,117	86,010,534
31 to 60 days	524,221	61,306,096
61 to 90 days	41,148,730	51,551,781
Over 90 days	9,280,476	14,105,463
	<u>251,145,544</u>	<u>212,973,874</u>

12. Prepayments, Deposits and Other Receivables

The balance included non-impaired receivables, with aggregate principal amounts of HK\$100,000,000 (31 December 2014: Nil), which are unsecured, bear interest at 12% per annum and are repayable in December 2015.

13. Amounts Due From Directors

Included in “Prepayments, deposits and other receivables” are amounts due from directors, which are disclosed pursuant to section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32) as follows:

Name	30 June 2015 <i>HK\$</i> (Unaudited)	Outstanding during the period <i>HK\$</i>	1 January 2015 <i>HK\$</i> (Audited)	Security held
Ms. Deng Shufen	2,400,000	2,400,000	2,400,000	None
Ms. Liu Jiangyuan	800,000	800,000	800,000	None
Mr. Gui Bin	800,000	800,000	800,000	None
	<u>4,000,000</u>		<u>4,000,000</u>	

The amounts due from directors are unsecured, interest-free and are repayable on demand.

14. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Within 30 days	721,658	426,012
31 to 60 days	242,001	265,909
Over 60 days	33,602,736	34,109,457
	<u>34,566,395</u>	<u>34,801,378</u>

The trade payables are non-interest-bearing and credit terms generally granted by trade creditors are 30 to 120 days or 90 days after month-end statement.

15. Share Capital

Shares:

	Number of ordinary shares	Issued capital HK\$	Share premium account HK\$	Total HK\$
At 1 January 2015 (Audited)	4,081,375,000	40,813,750	372,189,470	413,003,220
Issue of new shares in connection with the Connected Placing (Note)	1,500,000,000	15,000,000	151,000,000	166,000,000
Shares issue expenses	—	—	(4,067,496)	(4,067,496)
At 30 June 2015 (Unaudited)	<u>5,581,375,000</u>	<u>55,813,750</u>	<u>519,121,974</u>	<u>574,935,724</u>

Note: On 15 June 2015, pursuant to a placing agreement dated 26 March 2015, between the Company and a placing agent, the Company completed to place an aggregate of 1,500,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.26 per share, with grant of 800,000,000 option shares at exercise price of HK\$0.26 per option share issued to Sino Merchant Car Rental Limited (“Sino Merchant”) (the “Connected Placing”). Sino Merchant is the controlling shareholder which held approximately 67.4% of equity interests of the Company immediately after completion of the placing agreement. Details of share placement were contained in the announcements of the Company dated 26 March 2015 and 15 June 2015 and the circular of the Company dated 28 April 2015. The fair value of share options issued at 15 June 2015 was HK\$224,000,000 and such amount was charged against the Company’s share premium account in the equity.

15. Share Capital *(continued)*

Warrants:

During the year ended 31 December 2012, the Group issued unlisted warrants to an independent third party (the “Warrants Subscriber”) as part of the conditions for the provision of a loan facility of HK\$50 million by the Warrants Subscriber to the Group for a period of 5 years. The warrants entitle the Warrants Subscriber to subscribe up to HK\$16,807,500 in aggregate, in cash for ordinary shares of the Company at an original subscription price of HK\$0.27 per share, subject to adjustments, at any time during the period from 31 October 2012 to 30 October 2017.

During the prior years, as a result of the completion of several open offers and placings of the Company, the subscription price of the outstanding warrants was adjusted to HK\$0.12 per share pursuant to the terms of the instrument relating to the warrants.

During the six months ended 30 June 2015, as a result of the completion of the Connected Placing in June 2015, the subscription price of the outstanding warrants was further adjusted to HK\$0.11 per share pursuant to the terms of the instrument relating to the warrants.

16. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Riding on the 7% growth for the second quarter of this year, China economy is expected to grow continually during the second half of the year. Moreover, owing to a favorable environment for the car industry development and the improvement of road construction, the car sales volume, the number of private car ownerships and the demand for private cars have all recorded increases in China. According to the statistics of the Ministry of Public Security in China, the number of civil motor vehicle ownerships nationwide amounted to 264 million, including 154 million vehicles at the end of 2014; whereas the total number of private cars exceeded 105 million, representing 25 private car ownerships per 100 households. Corresponding to the number of car ownerships, the number of motor vehicle drivers in China has exceeded the benchmark of 300 million, of which the number of car drivers amounted to 247 million, representing 81.62% of the number of total drivers; whereas the number of new car drivers was 27.84 million. The difference between the number of car drivers and car ownerships is nearly 100 million and the scale of growth in the number of drivers have clearly reflected the strong demand for the car usage. However, given that several major cities (including Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou, Guiyang and Shenzhen) have implemented stringent measures on the issuance of new license plates, the transfer of existing license plates by the license holders and the entry of cars without a local license plates into the cities, it is expected that other cities will also implement similar restrictions in the future. Under these restrictions, cost of car ownership will increase significantly and it is expected that demand for car rental services will grow accordingly.

Currently, the car rental business is still at an early stage of development with immense room for rapid development, with a penetration rate significantly lower than other countries and with approximately several thousand car rental companies scattered on the market. The average size of the car fleet for each car rental company is less than 50 vehicles. Apart from providing the freedom to travel through different provinces, the car rental business also frees car users from the risk of low residual value of car ownerships and the necessity for insurance, repair and maintenance. According to Roland Berger, self-drive tours in China have increased from approximately 38 million in 2008 to approximately 146 million in 2013, representing a CAGR of 31%. It is expected to reach approximately 477 million in 2018, representing a CAGR of 27%. With the GDP per capita in China reaching US\$7,000 in 2014, the gradual increase in the national consumption level signifies a rapid growth for tourism. As such, the car rental business becomes more popular with an increasing number of commercial and individual clients. This in turn serves as a catalyst for the car rental market in China, which leads to the market's unprecedented prosperity.

In China, the online car rental market is showing swift growth and migrating towards the mobile devices. According to the statistics of iResearch, the online car rental market in China recorded a transaction size of approximately RMB3.42 billion in 2013, representing a year-to-year growth of 69.5%. Growth of turnover from online business for the coming four years should also exceed 20%. According to the 2015 35th Statistical Report on Internet Development in China released by China Internet Network Information Center (CNNIC), as of December 2014, China had an Internet user base of approximately 649 million and an Internet penetration rate of 47.9%. There were approximately 557 million mobile Internet users, and the percentage of those using mobile phones to go online jumped from 81% in 2013 to 85.8% in 2014. The popularization of the internet has accelerated the informatization layout of the car rental business, and the online market cannot be overlooked given the backdrop of "Internet Plus" which is expected to become a major growth point for the car rental business.

BUSINESS REVIEW

Car rental business

During the period under review, in view of the full utilization of the size of existing fleet of 北京途安汽車租賃有限責任公司 ("Beijing Tu An") and its positive operating results, the Group intended to further invest approximately HK\$50 million in Beijing Tu An's operations, of which 65% (approximately HK\$32.5 million) would be used for expanding its fleet size and operations, and 35% (approximately HK\$17.5 million) would be allocated for reducing its debt level and finance costs, thereby increasing returns to shareholders. Targeting at stepping up the size and network coverage of its fleet, the Group looks to acquire existing local car rental companies or setting up new car rental companies to complement its strategy of extending its car rental network to major cities in China. This strategy depends on various operating factors such as local jurisdictions, demand and investment opportunities. Meanwhile, in the first half of this year, the Group has completed the subscription transaction of US\$5 million (approximately HK\$39 million) for approximately 10% of equity interest in Prime Elite Ventures Limited ("Prime Elite"). "AA 租車", an online car rental application of Prime Elite launched in 2013, is a mobile internet-based intelligent car rental platform, it provides users with a brand new travel service which includes reserving a car at anytime, anywhere and car booking for business use. With its headquarters in Beijing, the "AA 租車" service network covers sixteen cities including Beijing, Guangzhou, Shenzhen, Shanghai, Dalian and Shijiazhuang.

Electronic components/materials business

Since the electronic components/materials business has been a stable income source and can boost business performance, the Group intends to allocate more resources for the expansion in this segment. The Group intends to utilize approximately HK\$96.3 million to expand the electronic components/materials business. During the past year, the Group has expanded its electronic components/materials business and intended to further invest in this segment. For the six months ended 30 June 2015, revenue from the Group's trading of electronic components/materials segment significantly increased from approximately HK\$131,000 as recorded in the six months ended 30 June 2014, to approximately HK\$240.1 million. The Group recorded gross profit and gross profit margin from this segment of approximately HK\$10.8 million and 4.5% respectively.

Consumer electronic devices/platforms and related solutions/services business

The consumer electronic devices/platforms and related solutions/services business continued to make a loss during the period under review. In response, the Group has commenced streamlining and reorganizing its existing assets and has disposed of the entire interests in two subsidiaries engaged in the research, design, development and sale of DSP-based consumer electronic devices/platforms on 29 April 2015. For the six months ended 30 June 2015, revenue from this segment, decreased by 73.8% to approximately HK\$4.5 million, from approximately HK\$17.0 million as recorded in the six months ended 30 June 2014.

FUTURE OUTLOOK

As projected by Roland Berger, market size of car rental market in China is expected to grow to RMB65 billion and total fleet of vehicles is expected to reach 779,000 by 2018. The independent report by Roland Berger also pointed out that the car rental business is a capital-intensive business which business development is related to its financial resources and its ability to leverage the resources. The Group plans to raise capital to finance the imminent implementation of its business expansion plan in order to capitalize on available business opportunities promptly. The Group will continue to improve its management capabilities, strengthen its network coverage, and enhance its car fleet allocation with the view to becoming a top-notch member of the global car rental industry.

In the second half of the year, the Group will continue to closely monitor any policy changes. Embracing the integrated development of the car industry and the internet, the Group will proactively ride on the growth trend of car travel and "Internet Plus", realize rational specialization amidst an environment characterized by open cooperation and diversification, fully leverage the internet to promote corporate development, and respond to the innovations and revolutions in the sales model of the car industry. The Group will continue to proactively explore the development of the car rental market, including long-term, short-term, corporate as well as online car rental businesses. Combined with a diversified business model, the Group seeks to grasp on potential investment opportunities in investing in and merging with quality assets in the car rental industry to strategically tap into different potential arenas, such as overseas car rental reservations, online car rental services and self-owned brands. The Group looks forward to further expanding its income streams and smoothing the road for future development through the provision of a wider array of comprehensive services.

FINANCIAL REVIEW

Results of the Group

Turnover

During the six months ended 30 June 2015, the Group recorded a revenue of approximately HK\$257.1 million, which represented an increase of 1,397.7% as compared to the revenue amounted to approximately HK\$17.2 million as recorded in the six months ended 30 June 2014. As mentioned in the section headed “BUSINESS REVIEW”, the increase was mainly resulted from (i) the increase in sales of goods from approximately HK\$8.3 million in the six months ended 30 June 2014 to approximately HK\$242.2 million in the current period under review, due to the shift of business focus to the trading of electronic components/materials; and (ii) the disposal of certain subsidiaries from the consumer electronic devices/platforms and relate solutions/services segment, which resulted in the decrease in sales from the consumer electronic devices/platforms and related solution/services segment, and in turn offset certain sales brought by the trading of electronic components/materials.

Other income and gains

Other income and gains of the Group increased by 301.1%, from approximately HK\$2.6 million for the six months ended 30 June 2014 to approximately HK\$10.6 million for the six months ended 30 June 2015. The increase was mainly due to the income in relation to certain procurement and credit arrangements of approximately HK\$5.9 million and gain on disposal of subsidiaries of approximately HK\$3.0 million, which occurred only during the current period under review but not in the six months ended 30 June 2014.

Research and development costs

Research and development costs of the Group increased by 11.5% from approximately HK\$1.4 million for the six months ended 30 June 2014 to approximately HK\$1.5 million for the six months ended 30 June 2015. The increase was mainly due to the increase in research and development activities conducted during the period under review.

Selling and distribution costs

Selling and distribution costs of the Group decreased by 14.8% from approximately HK\$5.8 million during the six months ended 30 June 2014 to approximately HK\$4.9 million in the current period under review. The decrease was mainly due to the cost saving effect from the disposal of certain subsidiaries under the consumer electronic devices/platforms and related solution/services segment.

General and administrative expenses

General and administrative expenses of the Group increased by 166.1% from approximately HK\$8.0 million for the six months ended 30 June 2014 to approximately HK\$21.2 million for the six months ended 30 June 2015. The increase was mainly due to the extra cost incurred as a result from the business expansion during the current period under review.

Finance costs

Finance costs increased from approximately HK\$59,000 for the six months ended 30 June 2014 to approximately HK\$1.2 million for the six months ended 30 June 2015 due to the drawdown of certain new interest-bearing bank and other borrowings utilized to finance the purchases of certain motor vehicles for the car rental business during the current period under review.

Income tax

Income tax expense of approximately HK\$265,000 was incurred for the six months ended 30 June 2015, which was mainly due to the profit generated from the trading of electronic components/materials and car rental business in the current period under review, while no provision for taxation was provided during the six months ended 30 June 2014.

Liquidity and financial resources

As at 30 June 2015, cash and cash equivalents of the Group amounted to approximately HK\$97.8 million (31 December 2014: HK\$8.1 million), of which approximately HK\$0.4 million (31 December 2014: HK\$2.1 million) is denominated in Renminbi.

As at 30 June 2015, the Group had interest-bearing bank and other borrowings amounted to approximately HK\$35.1 million (31 December 2014: HK\$13.7 million).

In view of the Group's current cash and cash equivalents balance and funds generated internally from the Group's operations, the Board is confident that the Group have sufficient resources to meet its debt repayment and finance needs for its operations for the foreseeable future.

Gearing ratio

	As at 30 June 2015 HK\$ (Unaudited)	As at 31 December 2014 HK\$ (Audited)
Total interest-bearing bank and other borrowings	35,097,628	13,697,445
Equity	<u>689,201,540</u>	<u>301,941,139</u>
	<u><u>724,299,168</u></u>	<u><u>315,638,584</u></u>
Gearing ratio (Total interest-bearing bank and other borrowings divided by the summation of total interest-bearing bank and other borrowings and equity)	<u><u>4.8%</u></u>	<u><u>4.3%</u></u>

The increase in the gearing ratio was mainly due to the net effect of the drawdown of interest-bearing bank and other borrowings and the increase in equity from the Connected Placing during the six months ended 30 June 2015.

As at 30 June 2015, the maturity profile of the interest-bearing bank and other borrowings of the Group falling due within one year, in the second year and in the third to fifth year amounted to approximately HK\$29.2 million (31 December 2014: HK\$8.4 million), HK\$3.7 million (31 December 2014: HK\$5.3 million) and HK\$2.2 million (31 December 2014: Nil), respectively.

Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2015, the total number of the ordinary shares of the Company was 5,581,375,000 shares. During the current period under review, the total number of the ordinary shares of the Company had been changed as follows:

	<i>No. of ordinary shares</i>
1 January 2015	4,081,375,000
Add: the Connected Placing (<i>Note</i>)	<u>1,500,000,000</u>
30 June 2015	<u><u>5,581,375,000</u></u>

Note: On 26 March 2015, the Company entered into a placing agreement (the “Connected Placing Agreement”) with Sheng Yuan Securities limited (the “Placing Agent”) pursuant to which the Company agreed to (i) place, through the Placing Agent, an aggregate of up to 1,500,000,000 new ordinary shares (the “Connected Placing Shares”) of HK\$0.01 each in the Company at the placing price of HK\$0.26 per Connected Placing Share to Sino Merchant Car Rental Limited (“Sino Merchant” or the “Placee”) (the controlling shareholder and a connected person of the Company); and (ii) grant to the Placee, at an aggregate nominal consideration of HK\$1, options (the “Options”) which carry rights to subscribe for up to a total of 800,000,000 new ordinary shares (the “Option Shares”) of HK\$0.01 each at the initial exercise price of HK\$0.26 per Option Share (subject to adjustments) upon the terms and conditions contained in the Connected Placing Agreement. All the conditions of the Connected Placing Agreement was fulfilled and the completion took place on 15 June 2015 which resulted in (i) an aggregate of 1,500,000,000 Connected Placing Shares being allotted and issued to the Placee (representing approximately 26.88% of the then issued share capital of the Company as enlarged by the Connected Placing Shares); and (ii) the Options being granted to the Placee. As at 30 June 2015, none of the Options has been exercised by Sino Merchant. Please refer to the announcements of the Company dated 26 March 2015, 18 May 2015 and 15 June 2015 and the circular of the Company dated 28 April 2015 for details.

Disposal of subsidiaries

On 29 April 2015, the Company, Perception Digital Technology (BVI) Limited (“PDT”), a wholly owned subsidiary of the Company, and Atom Xquare Corporation Limited (the “Purchaser”) entered into a sale and purchase agreement (the “Disposal Agreement”), pursuant to which (i) the Purchaser agreed to purchase and the Company agreed to sell the entire issued share capital of Ace Legend International Limited (the “First Target Company”) for a consideration of US\$1.00; and (ii) the Purchaser agreed to purchase and PDT agreed to sell the entire issued share capital of Perception Digital Limited (the “Second Target Company”) for a consideration of HK\$67,690 (collectively, the “Disposals”). The Disposals, which constituted discloseable transactions for the Company under Chapter 14 of the Listing Rules, were completed simultaneously upon the signing of the Disposal Agreement on 29 April 2015. Upon completion of the Disposal Agreement, the First Target Company and the Second Target Company ceased to be subsidiaries of the Company. Please refer to the announcement of the Company dated 29 April 2015 for details.

Charges on the Group’s assets

As at 30 June 2015, certain of the Group’s bank loan, other payables and other borrowings were secured by the pledge of certain of the Group’s time deposit of approximately HK\$20.0 million (31 December 2014: Nil), motor vehicles of approximately HK\$0.4 million (31 December 2014: HK\$7.0 million) and motor vehicles of approximately HK\$20.7 million (31 December 2014: HK\$15.1 million), respectively.

Foreign currency exposure

The Group has transactional currency exposures. Such exposures primarily arise from revenue and other income generated, and cost and expenses incurred. For the Group’s operating units that have the United States dollar (“US\$”) as their functional currency, their foreign currency transactions and the units’ monetary assets and liabilities denominated in foreign currencies that were retranslated at the functional currency rates of exchange ruling as at 30 June 2015 were mainly denominated in Hong Kong dollars (“HK\$”). As the HK\$ is pegged to the US\$ within a narrow band, the Group does not expect any significant movements in the US\$/HK\$ exchange rate. Accordingly, we consider the Group’s foreign currency risk exposure to be low.

Contingent liabilities

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

Commitments

(i) Operating lease arrangements

(a) As lessor

The Group leases its motor vehicles and subleases its office premises under operating lease arrangements, with leases negotiated for a term ranging from five months to four years while certain leases can be early terminated by serving one to two months notice or paying 20% to 100% of total remaining unpaid lease payments.

As at 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	As at 30 June 2015 HK\$ (Unaudited)	As at 31 December 2014 HK\$ (Audited)
Within one year	6,139,577	6,852,566
In the second to fifth years, inclusive	<u>—</u>	<u>14,913</u>
	<u><u>6,139,577</u></u>	<u><u>6,867,479</u></u>

(b) *As lessee*

The Group leases its office premises and certain of its office equipment and motor vehicles under operating lease arrangements with leases negotiated for terms ranging from one to ten years which certain leases can be early terminated by serving fifteen days to six months notice or paying 15% to 30% of total unpaid lease payments. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2015 HK\$ (Unaudited)	As at 31 December 2014 HK\$ (Audited)
Within one year	7,516,937	2,710,407
In the second to fifth years, inclusive	<u>3,763,980</u>	<u>187,451</u>
	<u>11,280,917</u>	<u>2,897,858</u>

(ii) *Capital commitments*

In addition to the operating lease commitments detailed in (i) above, the Group's share of the joint venture's own capital commitments is as follows:

	As at 30 June 2015 HK\$	As at 31 December 2014 HK\$
Contracted, but not provided for	<u>—</u>	<u>3,249,000</u>

DIVIDENDS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group employed a total of 36 employees. Total staff costs, including directors emoluments, amounted to approximately HK\$11.1 million for the six months ended 30 June 2015. The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group provided discretionary bonuses, medical insurance, provident fund contribution, education subsidy and training to its employees.

EVENTS AFTER THE BALANCE SHEET DATE

On 2 July 2015, the Company received an option notice executed and submitted by Sino Merchant to partially exercise the Options granted by the Company and subscribe for 400,000,000 new Option Shares. The Option Shares were allotted and issued on 2 July 2015. Please refer to the announcement of the Company dated 2 July 2015 for details.

On 3 July 2015, Sino Merchant disposed of 789,500,000 ordinary shares of HK\$0.01 each in the Company to a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). Please refer to the announcement of the Company dated 3 July 2015 for details.

On 7 July 2015, the Company entered into a placing agreement with the Placing Agent whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 500,000,000 new ordinary shares (the "July Placing Shares") of HK\$0.01 each in the Company to not less than six independent placees at a price of HK\$0.30 per July Placing Share. The above placing was completed on 3 August 2015 in accordance with the terms and conditions of the placing agreement. Please refer to the announcements of the Company dated 10 July 2015 and 3 August 2015 for details.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as its own code for dealing in securities of the Company by Directors. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period under review.

AUDIT COMMITTEE REVIEW

The interim results for the period under review are unaudited but have been reviewed by the auditors of the Company. The audit committee of the Company, comprised all three independent non-executive Directors, namely, Mr. Fang Jun, Mr. Zhao Xianming and Mr. Wong Yiu Kit, Ernest, where Mr. Zhao Xianming is the Chairman of the audit committee. The audit committee has reviewed with the management the accounting principles adopted by the Group and the unaudited financial statements of the Group for the six months ended 30 June 2015.

By order of the Board
E-Rental Car Company Limited
Deng Shufen
Chairman and Executive Director

Hong Kong, 28 August 2015

As at the date of this announcement, the Board comprises of the following Directors:

Executive Directors:

Ms Deng Shufen (*Chairman*)
Mr Dai Yumin
Ms Liu Jiangyuan
Mr Gui Bin

Independent non-executive Directors:

Mr Fang Jun
Mr Zhao Xianming
Mr Wong Yiu Kit, Ernest