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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Jinheng Automotive Safety Technology Holdings Limited (the “**Company**”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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JINHENG AUTOMOTIVE SAFETY TECHNOLOGY HOLDINGS LIMITED

錦恆汽車安全技術控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 8293)

**DISCLOSEABLE TRANSACTION
FOR ACQUISITION OF 30% EQUITY INTEREST IN
YANTAI VAST CO., LTD**

This circular will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the website of the Company at www.jinhengairbag.com.

18 October 2006

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publications on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Auto Full”	Auto Full International Limited, a company incorporated in Hong Kong and is owned as to 49% by Devon and 51% by Jay
“Company”	Jinheng Automotive Safety Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Devon”	Devon Fair Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Wong
“Devon Acquisition”	the acquisition by the Company of the entire equity interest in Devon from Ms. Wong subject to and upon the terms and conditions of the Devon SP Agreement
“Devon SP Agreement”	a conditional agreement dated 27 September 2006 and entered into between Ms. Wong and the Company in respect of the Devon Acquisition
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Harvest Full”	Harvest Full International Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Tai Tong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its subsidiaries and connected persons of the Company within the meaning of the GEM Listing Rules

DEFINITIONS

“Jay”	Jay Trump Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Fu
“Jay Acquisition”	the acquisition by the Company of the entire equity interest in Jay from Ms. Fu subject to and upon the terms and conditions of the Jay SP Agreement
“Jay SP Agreement”	a conditional agreement dated 27 September 2006 and entered into between Ms. Fu and the Company in respect of the Jay Acquisition
“Jinzhou Jinheng”	錦州錦恆汽車安全系統有限公司 (Jinzhou Jinheng Automotive Safety System Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	16 October 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Mr. Li”	Mr. Li Sai-keung
“Ms. Wong”	Ms. Wong Man Yee
“Ms. Fu”	Ms. Fu Ying
“PRC”	the People’s Republic of China, and for the purposes for this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“SP Agreements”	Tai Tong SP Agreement, Devon SP Agreement and Jay SP Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Tai Tong”	Tai Tong Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Li
“Tai Tong Acquisition”	the acquisition by the Company of approximately 33.33% equity interest in Tai Tong from Mr. Li subject to and upon the terms and conditions of the Tai Tong SP Agreement
“Tai Tong SP Agreement”	a conditional agreement dated 27 September 2006 and entered into between Mr. Li and the Company in respect of the Tai Tong Acquisition
“YanTai”	YanTai Vast Co., Ltd., a company established in the PRC with limited liability
“YanTai Acquisition”	the acquisition of an indirect 30% equity interest in YanTai contemplated under the Tai Tong Acquisition, Devon Acquisition and Jay Acquisition
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1 to RMB1.03. This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate.

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 8293)

Executive Directors:

Mr. Li Feng, *Chairman*
Mr. Xing Zhanwu, *Chief Executive Officer*
Mr. Zhao Qingjie
Mr. Yang Donglin
Mr. Foo Tin Chung, Victor, *Financial Controller*

Non-executive Directors:

Mr. Li Hong
Mr. Zeng Qingdong

Independent non-executive Directors:

Mr. Chan Wai Dune
Mr. Huang Shilin
Mr. Zhu Tong

Registered office:

Century Yard
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P.O. Box 2681 GT
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Grand Cayman
Cayman Islands
British West Indies

*Head office and principal place
of business in the PRC:*

Bohai Avenue
Jinzhou Economic &
Technical Development Zone
Jinzhou
Liaoning Province
PRC

*Principal place of business in
Hong Kong:*

Unit 1203, 12th Floor
Crocodile House II
55 Connaught Road Central
Hong Kong

18 October 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION FOR ACQUISITION OF 30% EQUITY INTEREST IN YANTAI VAST CO., LTD.

INTRODUCTION

The Board announced on 27 September 2006 that the Company entered into, among others, the SP Agreements.

The purpose of this circular is to provide you with further details of the YanTai Acquisition and other general information of the Group.

LETTER FROM THE BOARD

YANTAI ACQUISITION

(1) TAI TONG SP AGREEMENT

Date : 27 September 2006

Parties : (1) Vendor : Mr. Li

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Li is an Independent Third Party.

(2) Purchaser : The Company

Assets to be acquired

Pursuant to the Tai Tong SP Agreement, the Company has conditionally agreed to acquire approximately 33.33% equity interests of Tai Tong. Tai Tong is an investment holding company and effectively owns 30% equity interests in YanTai through Harvest Full, its wholly-owned subsidiary.

Consideration

The consideration for the Tai Tong Acquisition is RMB9,000,000 (equivalent to approximately HK\$8,737,864) payable by the Company to Mr. Li in cash upon completion. It is expected that the consideration shall be satisfied by the internal resources of the Group.

The consideration was arrived at after arm's length negotiation between the parties to the Tai Tong SP Agreement with reference to the historical earnings of YanTai up to 31 August 2006. The consideration represents a price earning ratio of about 6.5 times based on the attributable annualised net profit before tax of YanTai for the eight months ended 31 August 2006 and represents about 1.7 times of the attributable net asset value of YanTai as at 31 August 2006.

Conditions

The Tai Tong SP Agreement is conditional upon the following conditions having been fulfilled within 180 days from the date of the Tai Tong SP Agreement or such later date as may be agreed by the parties in writing:

- (i) Mr. Li and the Company having obtained all necessary consents and approvals in relation to the Tai Tong Acquisition and the transactions contemplated thereunder;
- (ii) no event having occurred which constitute material breach of the warranties given by Mr. Li under the Tai Tong SP Agreement; and

LETTER FROM THE BOARD

- (iii) the Company having satisfied with the results of the due diligence exercise to be carried out by it on Tai Tong and its group (including YanTai).

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

Completion

Completion is expected to take place on the fifth business day after the fulfillment of all the conditions of Tai Tong SP Agreement (or such later date as may be agreed by the parties to the Tai Tong SP Agreement in writing).

Upon completion of Tai Tong SP Agreement, the Company will hold approximately 10% of equity interests in YanTai.

Profit Guarantee

Mr. Li has guaranteed and warranted to the Company that the audited net profit of YanTai after taxation for the year ending 31 December 2006 (the "Net Profit") (prepared under PRC generally accepted accounting principles) shall not be less than RMB12,000,000 (the "Guaranteed Profit"). In the event the Guaranteed Profit is not achieved, Mr. Li will compensate the Company in cash in an amount equivalent to the shortfall which will be equal to the difference between the actual Net Profit and the Guaranteed Profit times 10%, which is the effective equity interests in YanTai that the Company owned after completion of the Tai Tong SP Agreement.

(2) DEVON SP AGREEMENT

Date : 27 September 2006

Parties : (1) Vendor : Ms. Wong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ms. Wong is an Independent Third Party.

(2) Purchaser : The Company

Assets to be acquired

Pursuant to the Devon SP Agreement, the Company has conditionally agreed to acquire the entire issued share capital of Devon. Devon is an investment holding company and effectively owns 9.8% equity interests in YanTai through its 49% equity interests in Auto Full.

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Consideration

The consideration for the Devon Acquisition is RMB8,820,000 (equivalent to approximately HK\$8,563,107) payable by the Company to Ms. Wong in cash upon completion. It is expected that the consideration shall be satisfied by the internal resources of the Group.

The consideration was arrived at after arm's length negotiation between the parties to the Devon SP Agreement with reference to the historical earnings of YanTai up to 31 August 2006. The consideration represents a price earning ratio of about 6.5 times based on the attributable annualised net profit before tax of YanTai for the eight months ended 31 August 2006 and represents about 1.7 times of the attributable net asset value of YanTai as at 31 August 2006.

Conditions

The Devon SP Agreement is conditional upon the following conditions having been fulfilled within 180 days from the date of the Devon SP Agreement or such later date as may be agreed by the parties in writing:

- (i) Ms. Wong and the Company having obtained all necessary consents and approvals in relation to the Devon Acquisition and the transactions contemplated thereunder;
- (ii) no event having occurred which constitute material breach of the warranties given by Ms. Wong under the Devon SP Agreement; and
- (iii) the Company having satisfied with the results of the due diligence exercise to be carried out by it on Devon and its group (including YanTai).

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

Completion

Completion is expected to take place on the fifth business day after the fulfillment of all the conditions of Devon SP Agreement (or such later date as may be agreed by the parties to the Devon SP Agreement in writing).

Profit Guarantee

Ms. Wong has guaranteed and warranted to the Company that the audited net profit of YanTai after taxation for the year ending 31 December 2006 (the "Net Profit") (prepared under PRC generally accepted accounting principles) shall not be less than RMB12,000,000 (the "Guaranteed Profit"). In the event the Guaranteed Profit is not achieved, Ms Wong will compensate the Company in cash in an amount equivalent to the shortfall which will be equal to the difference between the actual Net Profit and the Guaranteed Profit times 9.8%, which is the effective equity interests in YanTai that the Company owned after completion of the Devon SP Agreement.

LETTER FROM THE BOARD

(3) JAY SP AGREEMENT

Date : 27 September 2006

Parties : (1) Vendor : Ms. Fu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ms. Fu is an Independent Third Party.

(2) Purchaser : The Company

Assets to be acquired

Pursuant to the Jay SP Agreement, the Company has conditionally agreed to acquire the entire issued share capital of Jay. Jay is an investment holding company and effectively owns 10.2% equity interests in YanTai through its 51% equity interests in Auto Full.

Consideration

The consideration for the Jay Acquisition is RMB9,180,000 (equivalent to approximately HK\$8,912,621) payable by the Company to Ms. Fu in cash upon completion. It is expected that the consideration shall be satisfied by the internal resources of the Group.

The consideration was arrived at after arm's length negotiation between the parties to the Jay SP Agreement with reference to the historical earnings of YanTai up to 31 August 2006. The consideration represents a price earning ratio of about 6.5 times based on the attributable annualised net profit before tax of YanTai for the eight months ended 31 August 2006 and represents about 1.7 times of the attributable net asset value of YanTai as at 31 August 2006.

Conditions

The Jay SP Agreement is conditional upon the following conditions having been fulfilled within 180 days from the date of the Jay SP Agreement or such later date as may be agreed by the parties in writing:

- (i) Ms. Fu and the Company having obtained all necessary consents and approvals in relation to the Jay Acquisition and the transactions contemplated thereunder;
- (ii) no event having occurred which constitute material breach of the warranties given by Ms. Wong under the Jay SP Agreement; and
- (iii) the Company having satisfied with the results of the due diligence exercise to be carried out by it on Jay and its group (including YanTai).

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

LETTER FROM THE BOARD

Completion

Completion is expected to take place on the fifth business day after the fulfillment of all the conditions of Jay SP Agreement (or such later date as may be agreed by the parties to the Jay SP Agreement in writing).

Profit Guarantee

Ms. Fu has guaranteed and warranted to the Company that the audited net profit of YanTai after taxation for the year ending 31 December 2006 (the “Net Profit”) (prepared under PRC generally accepted accounting principles) shall not be less than RMB12,000,000 (the “Guaranteed Profit”). In the event the Guaranteed Profit is not achieved, Ms Fu will compensate the Company in cash in an amount equivalent to the shortfall which will be equal to the difference between the actual Net Profit and the Guaranteed Profit times 10.2%, which is the effective equity interests in YanTai that the Company owned after completion of the Devon SP Agreement.

Upon completion of the SP Agreements, Devon, Jay and Auto Full will become subsidiaries of the Company while Tai Tong, Harvest Full and YanTai, which are owned as to approximately 33.33%, approximately 33.33% and 30% respectively by the Company, will become the associated companies of the Company which will be accounted for using equity method in the consolidated financial statements of the Group.

The Tai Tong SP Agreement, Devon SP Agreement and Jay SP Agreement are not inter-conditional to each other.

INFORMATION OF TAI TONG, DEVON, JAY, AUTO FULL, HARVEST FULL AND YANTAI

Tai Tong is a company incorporated in the British Virgin Islands on 8 July 2005 for investment holding purpose and effectively owned 30% equity interests in YanTai through its wholly-owned subsidiary. Other than its investment in Harvest Full, Tai Tong has no other major asset.

Devon is a company incorporated in the British Virgin Islands on 5 January 2005 for investment holding purpose and effectively owned 9.8% equity interests in YanTai through its 49% equity interests in Auto Full. Other than its investment in Auto Full, Devon has no other major asset.

Jay is a company incorporated in the British Virgin Islands on 5 January 2005 for investment holding purpose and effectively owned 10.2% equity interests in Yantai through its 51% equity interests in Auto Full. Other than its investment in Auto Full, Jay has no other major asset.

Auto Full is a company incorporated in Hong Kong on 14 February 2005 for investment holding purpose and is owned as to 49% and 51% by Devon and Jay respectively. Other than its investment in YanTai, Auto Full has no other major asset.

LETTER FROM THE BOARD

Harvest Full is a company incorporated in Hong Kong on 20 July 2005 for investment holding purpose and is wholly-owned by Tai Tong. Other than its investment in YanTai, Harvest Full has no other major asset.

YanTai is a company established in the PRC in March 1993 and is principally engaged in manufacturing and sale of cylinder liners and spare parts of automobile engines. Before the YanTai Acquisition, YanTai is owned as to 30% and 20% by Harvest Full and Auto Full respectively. The remaining 40%, 5.5% and 4.5% are owned by three Independent Third Parties respectively. After the YanTai Acquisition, the Company will effectively hold 20% of equity interest in YanTai through its wholly-owned subsidiaries Devon, Jay and Auto Full. Also the Company will indirectly hold another 10% effective interest of YanTai through holding 33.33% of equity interest in Tai Tong, which wholly-owned Harvest Full and Harvest Full own 30% of equity interest in YanTai. The remaining 40%, 5.5% and 4.5% of equity interest in YanTai are owned by three Independent Third Parties respectively.

The following tables show the turnover, net profit before tax, net profit after tax, the net asset value and the total asset value of YanTai (prepared under PRC generally accepted accounting principles) based on its audited financial statements:

	For the year ended 31 December 2004			As at 31 December 2004	
	Turnover	Net profit before tax	Net profit after tax	Net asset value	Total asset value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
YanTai	81,475	7,446	7,446	11,699	156,396

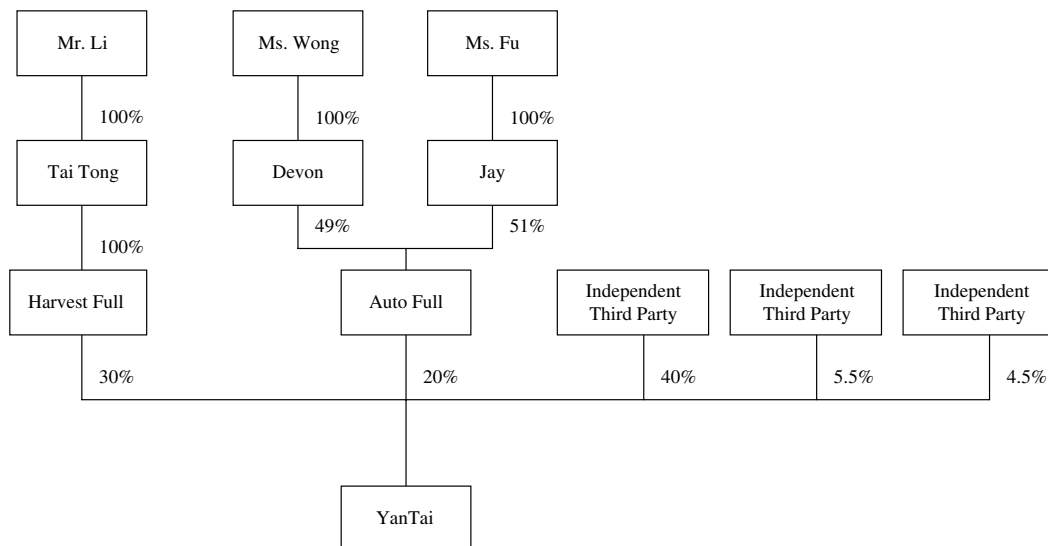
	For the year ended 31 December 2005			As at 31 December 2005	
	Turnover	Net profit before tax	Net profit after tax	Net asset value	Total asset value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
YanTai	93,107	7,841	6,893	19,201	161,433

The following table shows the turnover, net profit before tax, net profit after tax, the net asset value and the total asset value of YanTai (prepared under PRC generally accepted accounting principles) based on its unaudited management accounts for the eight months up to 31 August 2006:

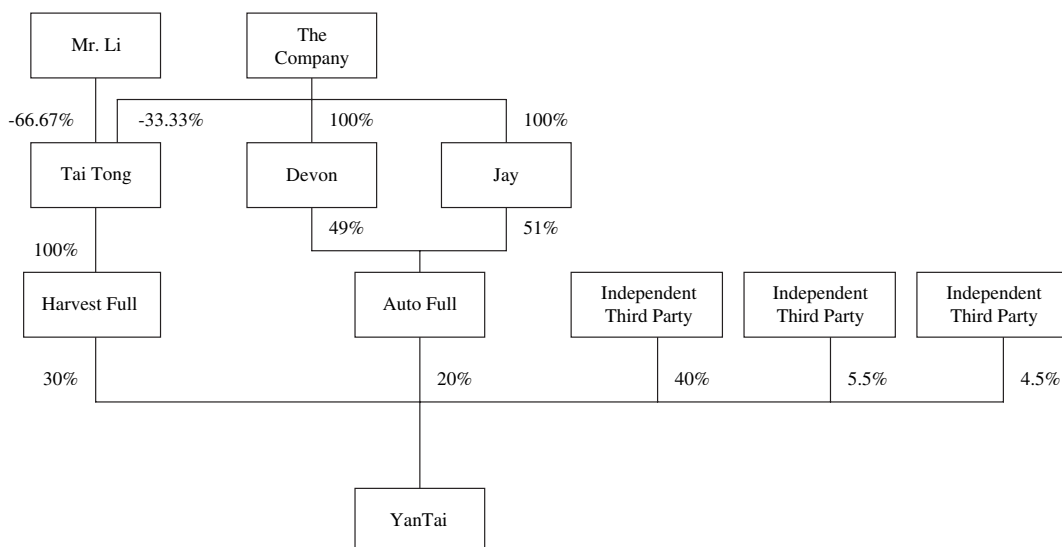
	For the eight months ended 31 August 2006			As at 31 August 2006	
	Turnover	Net profit before tax	Net profit after tax	Net asset value	Total asset value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
YanTai	71,538	9,122	8,028	52,584	183,802

LETTER FROM THE BOARD

The diagram below shows the shareholdings structure of the relevant entities immediately before completion of the YanTai Acquisition:



The diagram below shows the shareholdings structure of the relevant entities immediately after completion of the YanTai Acquisition:



LETTER FROM THE BOARD

REASONS FOR THE YANTAI ACQUISITION

In view of the Group's competitive advantages and the enormous opportunities brought by the rapid growth of the automobile industry in the PRC, the Yantai Acquisition is part of the Group's business strategies to expand its product range to capture the opportunities offered in the automobile market in the PRC. As YanTai is a well known company in automotive engine business with technical knowhow and existing established distribution and customers networks, the Board considers that the terms of the SP Agreements (including the consideration which represents a price earning ratio of about 6.5 times and a price to net asset value of about 1.7 times as mentioned above) are in the interests of the Company and the Shareholders as a whole.

Upon Completion, Jay, Devon and Auto Full will become the subsidiaries of the Company while Tai Tong, Harvest Full and YanTai will become the associated companies of the Company, their earnings, assets and liabilities of which will be accounted for using equity method in the consolidated financial statements of the Group. As YanTai will only be an associated company of the Company, the Directors believe that the YanTai Acquisition will not have a material effect on the earnings, assets and liabilities of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratios as referred to in rule 19.04(9) of the GEM Listing Rules are more than 5% but less than 25%, the YanTai Acquisition constitutes discloseable transaction on the part of Company under Chapter 19 of the GEM Listing Rules.

INFORMATION ON THE GROUP

The Group is principally engaged in the design, research and development, manufacture and sale of automotive safety systems. The Group's major product includes safety airbag systems used in automobiles.

GENERAL INFORMATION

The Directors consider that the Tai Tong SP Agreement, the Devon SP Agreement and the Jay SP Agreement are entered into upon normal commercial terms following arm's length negotiations between the parties to the Tai Tong SP Agreement, the Devon SP Agreement and the Jay SP Agreement respectively and that the terms of the Tai Tong SP Agreement, the Devon SP Agreement and the Jay SP Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board of
Jinheng Automotive Safety Technology Holdings Limited
Li Feng
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in issued Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Li Feng	Interest of a controlled corporation (Note 1)	(Note 1)	(Note 1)
	Beneficial owner (Note 2)	1,040,000 (Note 2)	0.27%
Xing Zhanwu	Interest of a controlled corporation (Note 1)	(Note 1)	(Note 1)
	Beneficial owner (Note 2)	800,000 (Note 2)	0.21%
Li Hong	Interest of a controlled corporation (Note 1)	(Note 1)	(Note 1)
Yang Donglin	Interest of a controlled corporation (Note 1)	(Note 1)	(Note 1)
Zhao Qingjie	Interest of a controlled corporation (Note 1)	(Note 1)	(Note 1)
Foo Tin Chung, Victor	Beneficial owner (Note 2)	320,000 (Note 2)	0.08%

Notes:

- The following Directors held an indirect interest in the Company through their interests in Applaud Group Limited (“Applaud Group”) which held approximately 59.30% shareholding in the Company:

Shareholder	Number of shares held in Applaud Group	Approximate percentage of shareholding (%)
Li Feng	2,386	23.86
Xing Zhanwu	900	9.00
Li Hong	643	6.43
Yang Donglin	590	5.90
Zhao Qingjie	1,827	18.27
Others	3,654	36.54
Total	<u>10,000</u>	<u>100</u>

- On 29 March 2006, each of Mr. Li, Mr. Xing and Mr. Foo exercised their respective share options granted to them under the Pre-IPO Share Options Scheme.

(ii) *Long positions in underlying Shares of equity derivatives*

The following Directors have been granted options under the Pre-IPO Share Option Scheme, details of which are set out below:

Name of Director	No. of options	Date granted	Period during which options exercisable	Exercise price per Share
Li Feng	1,560,000	22 November 2004	9 December 2005 to 9 December 2008	HK\$0.38
Xing Zhanwu	1,200,000	22 November 2004	9 December 2005 to 9 December 2008	HK\$0.38
Foo Tin Chung, Victor	480,000	22 November 2004	9 December 2005 to 9 December 2008	HK\$0.38

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding/ equity interest in a member of the Group/ an associated corporation of the Company
Applaud Group	Beneficial owner	228,620,000	59.30%
Hafei Motor Co., Ltd. (Note 1)	shareholder of a member of the Group	0	10%
Shenyang Electricity Co., Limited (Note 2)	shareholder of an associated corporation of the Company	0	22.22%
Shenyang Jinbei Automotive Company Limited (Note 3)	shareholder of an associated corporation of the Company	0	14.81%
Taiyuan Aero-Instruments Co., Ltd. (Note 4)	shareholder of an associated corporation of the Company	0	40%
Winner Investment Limited (Note 5)	shareholder of an associated corporation of the Company	0	25%
Cheah Cheng Hye (Note 6)	Substantial shareholder of investment manager	51,111,111	13.26%
Value Partners Limited (Note 6)	Investment manager	51,111,111	13.26%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding/ equity interest in a member of the Group/ an associated corporation of the Company
Sagemore Assets Limited (Note 7)	Beneficial owner	27,777,778	7.20%
CDS International Limited (Note 7)	Substantial shareholder of beneficial owner	27,777,778	7.20%
TNS Services Limited (Note 7)	Nominee of beneficial owner	27,777,778	7.20%

Notes:

1. Hafei Moto Co., Ltd., a joint venture company established in the PRC with limited liability, holds 10% equity interest in Harbin Hafei Jinheng Automotive Safety System Co. Ltd.
2. Shenyang Electricity Co., Limited, a state-owned enterprise established in the PRC with limited liability, holds 22.22% equity interest in Shenyang Jinbei Jinheng Automotive Safety System Co., Limited.
3. Shenyang Jinbei Automotive Company Limited, a stated-owned enterprise established in the PRC with limited liability, the securities of which are listed on the Shanghai Stock Exchange, holds 14.81% equity interest in Shenyang Jinbei Jinheng Automotive Safety System Co., Limited.
4. Taiyuan Aero-Instruments Co., Ltd., a state-owned enterprise established in the PRC with limited liability, holds 40% equity interest in Shanxi Jinheng Automotive Spare Parts Co. Ltd.
5. Winner Investment Limited, incorporated in Hong Kong with limited liability, holds 25% equity interest in Shanxi Jinheng Automotive Spare Parts Co. Ltd.
6. Value Partners Limited is an investment manager which holds 13.26% equity interest in the Company and Mr. Cheah, is the substantial shareholder of Value Partners Limited who holds 32.77% equity interest in Value Partners Limited.
7. Sagemore Assets Limited, incorporated in the British Virgin Islands with limited liability, beneficially owns 7.20% equity interest in the Company. CDS International Limited is a substantial shareholder of Sagemore Assets Limited and TNS Services Limited is a nominee of Sagemore Assets Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

On 22 November 2004, all the executive Directors entered into a service contract with the Company for an initial term of three years effective from 9 December 2004, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to a basic salary as follows:

Name of Director	Annual salary (HK\$)
Li Feng	700,008
Zhao Qingjie	500,004
Xing Zhanwu	500,004
Yang Donglin	180,000
Foo Tin Chung, Victor	624,000

(which is revised to HK\$702,000 since 1 September 2006)

All executive Directors are also entitled to a discretionary bonus calculated as a percentage of the audited consolidated profit of the Group attributable to Shareholders. The percentage shall be determined by the Board but in any case the aggregate amount payable for each financial year to all the executive Directors shall not exceed 4% of such profit.

Save and except the above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. GENERAL

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in the PRC is at Bohai Avenue, Jinzhou Economic & Technical Development Zone, Jinzhou, Liaoning Province, PRC and the principal place of business of the Company in Hong Kong is at Unit 1203, 12th Floor, Crocodile House II, 55 Connaught Road Central, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The compliance officer, company secretary and qualified accountant of the Company is Mr. Foo Tin Chung, Victor who is graduated from the University of New South Wales in Australia. Mr. Foo is a member of the Australia Society of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (e) The Company has established an audit committee on 22 November 2004 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The audit committee comprises the three independent non-executive Directors, namely Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong. Mr. Chan Wai Dune is the chairman of the audit committee.

Mr. Chan Wai Dune, aged 54, is a fellow member of the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Certified Public Accountants. Mr. Chan is the managing director of CCIF CPA Limited, a firm of certified public accountants in Hong Kong. Mr. Chan is currently a member of CPPCC of Guangzhou Municipal Committee and a member of the Executive Council of China Overseas Friendship Association. Mr. Chan was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan currently serves as an independent non-executive director of the Company, Chuang's China Investments Limited, Hualing Holdings Limited, Hunan Nonferrous Metals Corporation Limited, Mexan Limited, Minmetals Resources Limited, Sam Woo Holdings Limited and Sino Union Petroleum & Chemical International Limited, all are listed on the Stock Exchange. In the past three years, Mr. Chan has had, at different times, held directorships at China

Treasure (Greater China) Investments Limited, EVA Precision Industrial Holdings Limited, IIN International Limited and Zhongda International Holdings Limited but has resigned from them. Mr. Chan was appointed as independent non-executive Director in March 2004.

Mr. Huang Shilin, aged 73, graduated from 莫斯科汽車機械學院 (Moscow State Academy of Automobile Engineering) in 1957 and obtained an associate doctoral degree in 1959. Mr. Huang started working in the department of automobile engineering of Tsing Hua University, the PRC in 1960. In 1987, he became a professor and doctoral tutor, deputy head of 汽車研究所 (Automobile Research Center) at Tsing Hua University, as well as the supervisor of 汽車碰撞實驗室 (Vehicle Collision Laboratory) of National Laboratory in Automotive Safety and Energy. He is currently the honorary supervisor of the 汽車安全技術分會 (Chapter of Automobile Safety Technology) of The Society of Automotive Engineers of China. Mr. Huang was appointed as an independent non-executive Director in November 2005.

Mr. Zhu Tong, aged 34, is currently the assistant general manager of 興業證券股份有限公司 Xing Ye Securities Co., Ltd. Mr. Zhu graduated from the Research Institute of the People's Bank of China in 1998 with a master's degree in international finance. Mr. Zhu was appointed as an independent non-executive Director in March 2004.

Save as disclosed above, the members of the audit committee have no other directorship in other listed company.