



JIN HENG 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)

THIRD QUARTERLY REPORT 2007



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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 nine months ended 30 September 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

CONSOLIDATED INCOME STATEMENT — UNAUDITED

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2007

	Note	Three months ended 30 September		Nine months ended 30 September	
		2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Turnover	2	183,126,703	75,054,591	476,676,010	215,514,704
Cost of sales		(141,641,402)	(50,326,860)	(359,646,596)	(152,416,327)
Gross profit		41,485,301	24,727,731	117,029,414	63,098,377
Other revenue		372,399	1,798,584	2,330,179	2,961,315
Other net income/(loss)		312,989	(197,956)	3,241,740	(224,693)
Research and development expenses		(723,716)	(1,225,168)	(14,278,738)	(2,781,428)
Distribution costs		(4,554,414)	(1,411,289)	(12,914,273)	(4,013,691)
Administrative expenses		(14,797,759)	(6,703,061)	(39,441,599)	(19,432,570)
Recognition of negative goodwill		-	-	-	79,442
Profit from operations		22,094,800	16,988,841	55,966,723	39,686,752
Finance costs		(4,956,619)	(2,717,657)	(13,417,749)	(5,470,301)
Share of (losses)/profits of associates		(857,804)	-	1,319,943	-
Share of profits of jointly controlled entities		1,087,678	191,210	3,310,980	1,526,075
Profit before taxation		17,368,055	14,462,394	47,179,897	35,742,526
Income tax	3	(2,679,046)	(2,186,289)	(8,329,340)	(5,192,578)
Profit for the period		14,689,009	12,276,105	38,850,557	30,549,948
Attributable to:					
Equity shareholders of the Company		14,638,320	12,374,347	45,149,164	29,800,237
Minority interests		50,689	(98,242)	(6,298,607)	749,711
Profit for the period		14,689,009	12,276,105	38,850,557	30,549,948
Earnings per share					
- Basic	4(a)	HK3.54 cents	HK3.22 cents	HK11.35 cents	HK7.76 cents
- Diluted	4(b)	HK3.13 cents	HK3.19 cents	HK9.15 cents	HK7.67 cents

The notes on pages 3 to 7 form part of this financial report.

Notes:

1. Basis of preparation

This quarterly 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 quarterly report are consistent with those adopted by the Group in the 2006 annual financial statements.

This quarterly 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 quarterly 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 quarterly 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 September		Nine months ended 30 September	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Sales of mechanical airbag systems	25,622,563	11,468,478	86,893,375	55,201,183
Sales of electronic airbag systems	124,421,399	53,050,677	264,628,818	132,379,139
Sales of automotive safety system components and other automotive spare parts	33,082,741	10,535,436	125,153,817	27,934,382
	183,126,703	75,054,591	476,676,010	215,514,704

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		Nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
PRC	167,134,438	68,031,846	436,944,166	196,229,131
Malaysia	14,363	7,022,745	24,759	18,845,726
Italy	11,211,990	–	32,026,206	150,883
Others	4,765,912	–	7,680,879	288,964
	183,126,703	75,054,591	476,676,010	215,514,704

3. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Three months ended		Nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Current tax				
PRC income tax for the period	2,313,438	1,718,933	8,368,017	4,130,872
	2,313,438	1,718,933	8,368,017	4,130,872
Deferred tax				
Origination and reversal of temporary differences	365,608	467,356	(38,677)	1,061,706
Total income tax expense	2,679,046	2,186,289	8,329,340	5,192,578

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.

3. Income tax in the consolidated income statement (continued)

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.

4. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for each of the three months and nine months ended 30 September 2007 are based on the profit attributable to ordinary equity shareholders of the Company HK\$14,638,320 and HK\$45,149,164 respectively (for each of the three months and nine months ended 30 September 2006: HK\$12,374,347 and HK\$29,800,237 respectively) and the weighted average of 414,033,043 and 397,928,059 (for each of the three months and nine months ended 30 September 2006: 384,106,813 and 384,106,813 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 September		Number of shares Nine months ended 30 September	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	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	3,106,813	4,309,451	3,106,813
Effect of shares issued pursuant to the placing of shares	23,913,043	–	8,058,608	–
Weighted average number of ordinary shares (basic) at 30 September	414,033,043	384,106,813	397,928,059	384,106,813

4. Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for each of the three months and nine months ended 30 September 2007 are based on the profit attributable to ordinary equity shareholders of the Company HK\$16,279,003 and HK\$50,004,434 respectively (for each of the three months and nine months ended 30 September 2006: HK\$12,374,347 and HK\$29,800,237 respectively) and the weighted average of 520,703,048 and 546,340,658 (for each of the three months and nine months ended 30 September 2006: 388,005,606 and 388,736,224 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 September		Nine months ended 30 September	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Profit attributable to ordinary equity shareholders	14,638,320	12,374,347	45,149,164	29,800,237
After tax effect of effective interest on the liability component of convertible notes	1,640,683	-	4,855,270	-
Profit attributable to ordinary equity shareholders (diluted)	16,279,003	12,374,347	50,004,434	29,800,237

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

	Number of shares Three months ended 30 September		Number of shares Nine months ended 30 September	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Weighted average number of ordinary shares at 30 September	414,033,043	384,106,813	397,928,059	384,106,813
Effect of conversion of convertible notes	86,495,727	-	129,042,357	-
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	20,174,278	3,898,193	19,370,242	4,629,411
Weighted average number of ordinary shares (diluted) at 30 September	520,703,048	388,005,006	546,340,658	388,736,224

5. 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 profits	Sub-total	Minority interests	Total
			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	-	-	-	-	1,711,500	-	-	-	1,711,500	-	1,711,500
Dividend approved in respect of prior years	-	-	-	-	-	-	-	(12,723,480)	(12,723,480)	-	(12,723,480)
Profit for the period	-	-	-	-	-	-	-	29,800,237	29,800,237	749,711	30,549,948
Exercise of share options	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	-	-	-	-	5,150,126	-	-	-	5,150,126	-	5,150,126
Acquisition of subsidiaries	-	-	-	-	-	-	-	3,445,895	-	3,445,895	3,445,895
At 30 September 2006	85,447,724	36,341,236	12,616,183	6,308,089	12,814,983	2,357,650	1,961,660	65,276,383	223,123,908	23,553,023	246,676,931
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	-	-	-	-	417,750	-	-	-	417,750	-	417,750
Dividend approved in respect of prior years	-	-	-	-	-	-	-	(13,654,200)	(13,654,200)	-	(13,654,200)
Profit/(loss) for the period	-	-	-	-	-	-	-	45,149,164	45,149,164	(6,298,607)	38,850,557
Shares issued under share option scheme	5,279,600	-	-	-	(3,592,400)	-	-	-	1,687,200	-	1,687,200
Equity component of convertible notes	-	-	-	-	12,251	-	-	-	12,251	-	12,251
Placing of Shares	61,198,135	-	-	-	-	-	-	-	61,198,135	-	61,198,135
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	17,456,943	17,456,943
At 30 September 2007	151,925,459	36,341,236	17,686,404	8,843,201	10,149,576	9,817,164	2,141,065	104,974,034	341,878,139	41,556,251	383,434,390

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\$0.01 each of the Company. These share options were 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 nine months ended 30 September 2007.

On 23 August 2007, 20,600,000 share options were granted for nominal consideration to five directors and two employees of the Company under the Company's Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company. These share options were vested on 23 August 2007, and then be exercisable until 22 August 2012. The exercise price is HK\$1.60. No options granted under the Share Option Scheme were exercised during the nine months ended 30 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the three months period ended 30 September 2007, the sales of the Group maintained a healthy and significant increase immediately followed the tendency in the first half-year. The turnover during this nine months period increased about 1.2 times to approximately HK\$476.7 million in compared with those in the corresponding period of last year. The reason for significant increase of the results as a whole was that the increase of the turnover of the existing products as well as the commencement on the provision of automotive safety airbag systems for several new car models. The export business of the Group during the period was in the course of stable development, in which the business on the export of automotive safety airbag bodies remained stable and steps forward to the target of the sales of 600,000 sets per annum. As the important milestone of the Group, it is proved that our products enable to meet the strict requirements of international customers. Apart from that, the Group has also entered into over 20 new automotive safety system development and improvement projects, together with the fact that the projects in the process of research and development are gradually put into production, it is expected to bring more benefits for the Group.

The investment made by the Group in the past few years for the optimization of supply chain has made returns, and thereof established subsidiaries have also commenced commercial production and reached the economies of scale, which have made contribution to the overall results of the Group. As these companies can make breakeven in their initial stage, therefore they are of significance to the Group. The quality of their products can achieve the customers' recognition, which provides great encouragement for the future development of the business of the Group.

The second stage of business optimization plan of the Group is in the process. Besides the continuous introduction of various automotive spare parts products to expand the market, we also make all efforts to rectify the structure of the Group so as to increase the management effectiveness of the Group, strengthen its competition capacity, and further reduce production cost and control quality. These can also shorten the product improvement time in order to match the changing requirements of customers.

This year the Group got an outstanding China enterprise award from a renowned Hong Kong magazine again. This proves that our efforts in carrying out the business strategies in the past years have been recognized by the public, and it may be a motivation for the Group to achieve broader and long-term strategic goals.

On 1 August of this year, the Company placed 40,000,000 shares by top-up placement to a few professional investors, thereby securing more resources to finance the future development strategy of the Group, with an aim to cope with the increasingly strict standard of domestic customers, confront the challenges emerged by the fact that foreign suppliers enter into PRC's automotive safety spare parts and components markets, and maintain its position as the largest automotive safety airbag system manufacturer in PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review

For the three months and nine months ended 30 September 2007, the turnover of the Group substantially increased by approximately 1.4 times and 1.2 times to approximately HK\$183.1 million and HK\$476.7 million respectively as compared with the same periods of last year. This encouraging result was not only due to the continuous growth in sales of our old products, but also due to the launch of several new models and the progressive expansion of our export business.

During the nine months period ended 30 September 2007, the average gross profit margin of both mechanical and electric airbag systems recorded a slightly decrease of 1.7% to 27.1% as compared with the first half of this year. This is mainly due to the continuous change in sales mix. With the expansion on sales of automotive safety airbag bodies for oversea market and other automotive spare parts by 3.5 times more than the same period of last year, which were generally sold at a lower profit margin as compared with airbag systems, the overall gross profit margin for this nine months period was decreased by 4.7% to 24.6% as compared with the same period of last year.

The profits from operation for the three and nine months period ended 30 September 2007 were increased by approximately 67.8% and 85.5% to approximately HK\$41.5 million and HK\$117.0 million respectively as compared to the corresponding period of previous year. This was mainly resulted from the continuing improvement of turnover.

The Group is actively promoting our products in PRC and oversea, and hence more marketing activities were held in the past few months. As a result, for the three months ended 30 September 2007, the distribution costs increased by approximately HK\$3.1 million to approximately HK\$ 4.6 million as compared with the same period of last year.

For the nine months period under review, the research and development expenses were approximately HK\$14.3 million while it was HK\$2.8 million in the same period last year. Such increase was mainly resulted by the launch of over 20 projects for development and improvement of automotive safety airbag systems during the review period.

For the three months period ended 30 September 2007, the administrative expenses were increased by approximately HK\$8.1 million to approximately HK\$14.7 million in comparison with the corresponding period of last year. The increase was mainly due to the commencement of commercial operation of 3 subsidiaries during this year.

For the current nine months period under review, the finance costs increased by approximately HK\$7.9 million to HK\$13.4 million. Such increase was mainly contributed by the interest expenses for the convertible notes newly issued on May and July last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Share of profits of jointly controlled entities and associates for the nine months ended 30 September 2007 increased from approximately HK\$3.1 million to approximately HK\$4.6 million as compared with the same period of last year. This was due to an associate company was joined the Group since October last year, and the jointly control entity was operating under its optimal production level this year.

Profit for the nine months period ended 30 September 2007 were increased by approximately 51.5% to HK\$45.1 million in comparison with the corresponding period of last year. Such increase is contributed from the return of investment in product and market expansion in previous years, which lead to the significant increase in turnover during this review period.

Outlook and Future Prospects

In the past few years, the automobile market in PRC was in fierce competition, which is fit for young enterprises with creativity, bravery to face the challenge and to continuously seek changes, like the Group. As the domestic automobile users began to aware the importance of automotive safety, the Group will have larger rooms of development in such gradually matured market. The Group will strengthen the research and development process of new products, accelerated the launch of new automotive safety products and related spare parts in order to grasp the opportunities brought by the speedy growth of automobile market in PRC.

With the gradual implementation of all short-term and long-term plans, the Group expected that there will be improvement on cost control and quality control. It will also expand its series of automotive spare parts and exploration of new markets at home and abroad. These not only will bring more returns for us, but also will reinforce customers' confidence in us, consolidate existing markets of the Group and enhance our capacity in new market exploration.

The directors of the Company believe that the speedy development steps of the Group and standardization of the management on the entire group can strengthen our competitiveness and enable us to grasp the opportunities ahead to bring about stable and good returns for our investors.

INTERIM DIVIDEND

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

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

As at 30 September 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	2,080,000	0.48%
	Interest of a controlled corporation (Note)	(Note)	(Note)
Xing Zhanwu	Beneficial owner	1,600,000	0.37%
	Interest of a controlled corporation (Note)	(Note)	(Note)
Li Hong	Interest of a controlled corporation (Note)	(Note)	(Note)
Yang Donglin	Interest of a controlled corporation (Note)	(Note)	(Note)
Zhao Qingjie	Interest of a controlled corporation (Note)	(Note)	(Note)
Foo Tin Chung, Victor	Beneficial owner	640,000	0.15%

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

(a) Long positions in issued shares (continued)

Note: As at 30 September 2007, the following shareholders of the Company held an indirect interest in the Company through their interests in Applaud Group Limited which held approximately 53.15% in the Company:

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 and Share Option Scheme, details of which are set out in the section headed "Share Option Schemes" 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 of the Company dated 30 November 2004 (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 September 2007 was 40,380,000 shares (including options for 22,880,000 shares that have been granted but not yet lapsed or exercised) which represented approximately 9.39% of the issued share capital of the Company as at 30 September 2007.

As at 30 September 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 September 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 September 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 (傅天志)	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 September 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			

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.

SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme

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

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

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

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

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 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	-	53.15%	44.33%
Value Partners Limited (Note 1)	Investment manager	-	51,111,111	11.88%	9.91%
Mr. Cheah Cheng Hye (Note 1)	Interests of controlled corporation	-	51,111,111	11.88%	9.91%
Sagemore Assets Limited (Note 2)	Beneficial Owner	-	27,777,778	6.46%	5.39%
CDS International Limited (Note 2)	Interest of controlled corporation	-	27,777,778	6.46%	5.39%
TNS Services Limited (Note 2)	Nominee shareholder of beneficial owner	-	27,777,778	6.46%	5.39%

Note 1: Mr. Cheah Cheng Hye is the beneficial owner of 35.65% 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.

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.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

(continued)

Short positions in underlying shares *(continued)*

Save as disclosed above, as at 30 September 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 September 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 nine months ended 30 September 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 the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 30 September 2007.

THE CODE OF CORPORATE GOVERNANCE PRACTICES *(continued)*

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 nine months ended 30 September 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 nine months ended 30 September 2006.

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 nine months ended 30 September 2007, the Company has appointed three independent non-executive directors, namely Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong.

By order of the Board
Jinheng Automotive Safety Technology Holdings Limited
Li Feng
Chairman

Hong Kong, 13 November 2007