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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(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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 66.67% EQUITY INTEREST IN
TAI TONG INVESTMENTS LIMITED
AND
DISCLOSEABLE AND CONNECTED TRANSACTION
FOR ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
WINNER INVESTMENT LIMITED

Independent financial adviser to the Independent Board Committee
and the Independent Shareholders

VEDA | CAPITAL
智略資本

A letter of advice from the independent board committee of the Company is set out on page 18 of this circular.

A letter of advice of Veda Capital Limited, the independent financial adviser of the Company, containing its opinion and advice to the independent board committee and independent shareholders of the Company is set out on pages 19 to 26 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 33rd Floor, 9 Queen's Road Central, Central, Hong Kong at 10:00 a.m. on Wednesday, 2 January 2008 is set out on pages 38 to 39 herein. A form of proxy for the extraordinary general meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the form of proxy and return the same to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting (or any adjourned meeting) if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for seven days from the date of its publication and on the Company's website at www.jinhengairbag.com.

17 December 2007

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
“Articles of Association”	the articles of association of the Company
“Auto Full”	Auto Full International Limited, a company incorporated in Hong Kong and is owned as to 100% by Jinheng Engine
“Board”	the Board of Directors
“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
“Completion”	completion of the Tai Tong SP Agreement or the Winner SP Agreement, as the case may be
“connected persons”	has the meaning ascribed to this term under the GEM Listing Rules
“Consideration Shares”	a total of 10,700,000 Shares to be allotted and issued by the Company to Mr Xing and Mr Zhao to satisfy the consideration under the Winner SP Agreement
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Winner Acquisition and the transactions contemplated thereunder (including but not limited to the allot and issue of the Consideration Shares under specific mandate)
“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

DEFINITIONS

“Independent Board Committee”	an independent board committee, comprising Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong, all being independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Winner SP Agreement and the transactions contemplated therein
“Independent Shareholders”	Shareholders other than Mr Xing and Mr Zhao and their respective associates (including Applaud Group Limited)
“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 and not connected with any directors, chief executive or substantial Shareholders of the Company and its subsidiaries or any of their respective associate
“Issue Price”	the price of HK\$1.28 per Consideration Share
“Jinheng Engine”	Jinheng Engine Limited (formerly known as Devon Fair Investments Limited), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company
“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”	14 December 2007, 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, the vendor under the Tai Tong SP Agreement
“Mr Xing”	Mr Xing Zhanwu, being one of the vendors under the Winner SP Agreement
“Mr Zhao”	Mr Zhao Qingjie, being one of the vendors under the Winner SP Agreement
“Net Asset Value of Winner Group”	the net asset value of Winner Investment (excluding the investment cost of Shanxi), including 25% share of total net asset value of Shanxi, based on unaudited management accounts of Winner Investment and Shanxi for the nine months up to 30 September 2007

DEFINITIONS

“PRC”	the People’s Republic of China, and for the purposes of 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)
“Shanxi”	Shanxi Winner Auto-Parts Co. Limited, a company established in the PRC with limited liability and owned as to 25% by Winner Investment
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Smooth Ever”	Smooth Ever Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Tong”	Tai Tong Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 66.67% by Mr. Li and 33.33% by the Company before the Completion of the Tai Tong SP Agreement
“Tai Tong Acquisition”	the acquisition by the Company of approximately 66.67% equity interest in Tai Tong from Mr. Li subject to and upon the terms and conditions of Tai Tong SP Agreement
“Tai Tong SP Agreement”	a conditional agreement dated 24 November 2007 and entered into between Mr. Li and the Company in respect of the Tai Tong Acquisition
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Winner Acquisition
“Winner Acquisition”	the acquisition by the Group of the entire equity interest in Winner Investment from Mr. Xing and Mr. Zhao subject to and upon the terms and conditions of the Winner SP Agreement

DEFINITIONS

“Winner Investment”	Winner Investment Limited, a company incorporated in Hong Kong and wholly- owned by Mr. Xing and Mr. Zhao
“Winner SP Agreement”	an agreement dated 24 November 2007 and entered into between Smooth Ever, Mr. Xing and Mr. Zhao in respect of the Winner Acquisition
“YanTai”	YanTai Vast Co., Ltd., a company established in the PRC with limited liability
“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 specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$100 to RMB95. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.

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
Mr. Zhao Qingjie
Mr. Yang Donglin
Mr. Foo Tin Chung

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Directors

Mr. Li Hong
Mr. Zeng Qingdong

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

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

Independent non-executive Directors

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

Principal place of business in Hong Kong

Unit 605
6th Floor
Beautiful Group Tower
74-77 Connaught Road Central
Hong Kong

17 December 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
FOR ACQUISITION OF 66.67% EQUITY INTEREST IN
TAI TONG INVESTMENTS LIMITED
AND
DISCLOSEABLE AND CONNECTED TRANSACTION
FOR ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
WINNER INVESTMENT LIMITED**

INTRODUCTION

Reference is made to the announcement of the Company dated 28 November 2007 in relation to (i) the Tai Tong SP Agreement entered into by the Company pursuant to which the Company has agreed to acquire and Mr. Li has agreed to sell approximately 66.67% equity interests of Tai Tong; and (ii) the Winner SP Agreement entered into by Smooth Ever pursuant to which Smooth Ever has agreed to acquire and Mr. Xing and Mr. Zhao have agreed to sell the entire issue capital of Winner Investment.

LETTER FROM THE BOARD

The purposes of this circular are, among others, (i) to provide you with further information relating to the Tai Tong Acquisition and the Tai Tong SP Agreement and the transactions contemplated thereunder; (ii) to provide you with further information relating to the Winner Acquisition and the Winner SP Agreement and the transactions contemplated thereunder (including but not limited to allotment and issue of the Consideration Shares under specific mandate); (iii) to set out the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Winner Acquisition and the transactions contemplated thereunder; (iv) to set out the recommendation from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Winner Acquisition and the transactions contemplated thereunder; and (v) to give you the notice of EGM.

(A) TAI TONG ACQUISITION

TAI TONG SP AGREEMENT

Date : 24 November 2007

Parties : (1) Vendor : Mr. Li

(2) Purchaser : The Company

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

Assets to be acquired

Pursuant to the Tai Tong SP Agreement, the Company has conditionally agreed to acquire approximately 66.67% 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 RMB18,000,000 (equivalent to approximately HK\$18,950,000) 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 30 September 2007. The consideration represents a price earning ratio of about 8.8 times based on the attributable annualised net profit before tax of YanTai for the nine months ended 30 September 2007 and represents about 1.5 times of the attributable net asset value of YanTai as at 30 September 2007.

LETTER FROM THE BOARD

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
- (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, the Company will hold 50% equity interests in YanTai of which 20% is owned through its wholly-owned subsidiaries Jinheng Engine and its investment in Auto Full and 30% is owned through its wholly-owned subsidiary Tai Tong and its investment in Harvest Full. Upon completion of the Tai Tong SP Agreement, YanTai will become a jointly controlled entity of the Group and its results will not be consolidated into those of the Group.

INFORMATION OF TAI TONG, 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, Harvest Full. Other than its investment in Harvest Full, Tai Tong has no other major asset or liabilities.

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 or liabilities.

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 Tai Tong Acquisition, YanTai is owned as to 30% by Harvest Full and 20% by Auto Full respectively. The Company effectively hold 30% equity interest in YanTai of which (i) 20% through its wholly-owned subsidiaries Jinheng Engine and Jinheng Engine's investment in Auto Full and (ii) 10% through 33.33% owned Tai Tong and Tai Tong's investment in Harvest Full. After the Tai Tong Acquisition, the Company will indirectly hold another 20% effective interest of YanTai through holding the entire equity interest in Tai Tong, which wholly-owns Harvest Full and Harvest Full owns 30% equity interest in YanTai.

LETTER FROM THE BOARD

The following tables show the turnover, the net profit before tax, the net profit after tax, the net asset value and the total asset value of YanTai (prepared under Hong Kong Financial Reporting Standards) based on its audited financial statements:

	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	97,068	8,816	7,751	20,058	163,081

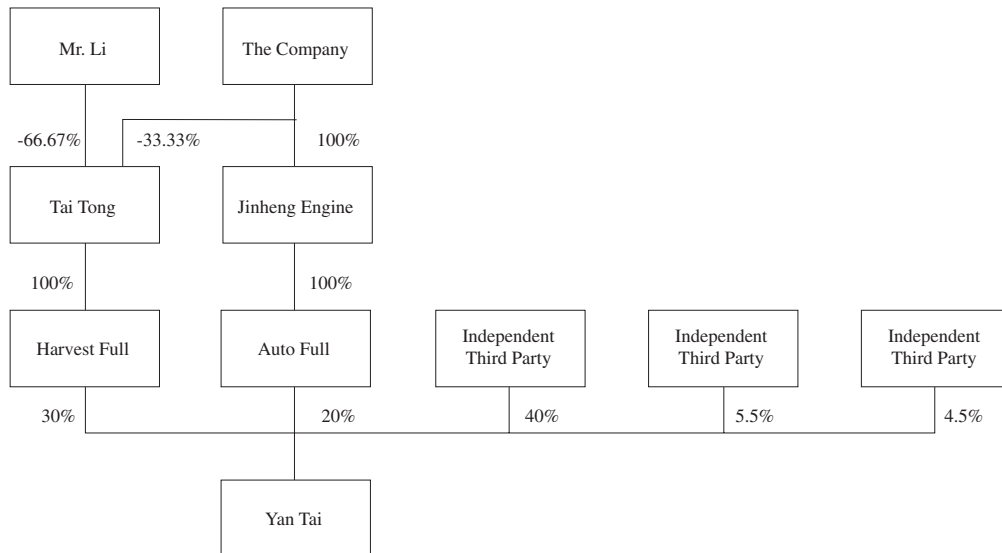
	For the year ended 31 December 2006			As at 31 December 2006	
	Turnover	Net profit before tax	Net profit after tax	Net asset value	Total asset value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
YanTai	110,189	13,703	12,058	56,614	171,463

The following table shows the turnover, the net profit before tax, the net profit after tax, the net asset value and the total asset value of YanTai (prepared under Hong Kong Financial Reporting Standards) based on its unaudited management accounts for the nine months up to 30 September 2007:

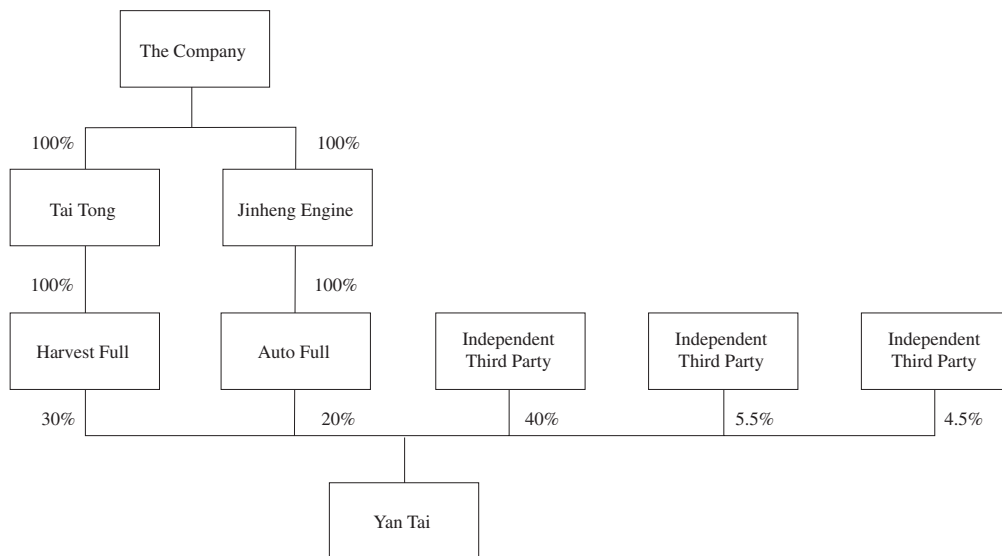
	For the nine months ended 30 September 2007			As at 30 September 2007	
	Turnover	Net profit before tax	Net profit after tax	Net asset value	Total asset value
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
YanTai	77,200	7,648	6,630	58,515	189,731

LETTER FROM THE BOARD

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



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



REASONS FOR THE TAI TONG 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 Tai Tong 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 Directors (including independent non-executive Directors) considers that the terms of the Tai Tong SP Agreement are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE TAI TONG ACQUISITION

At present, the Company intends to fund the Tai Tong Acquisition by its internal resources. It is expected that the Tai Tong Acquisition would not have any material impact on the earnings, assets and liabilities of the Group as YanTai will become a jointly controlled entity of the Group and its results will not be consolidated into those of the Group.

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 Tai Tong Acquisition constitutes a discloseable transaction on the part of Company under Chapter 19 of the GEM Listing Rules.

(B) WINNER ACQUISITION

WINNER SP AGREEMENT

Date : 24 November 2007

Parties : (1) Vendor : Mr. Xing and Mr. Zhao

(2) Purchaser : Smooth Ever Limited, a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, both Mr Xing and Mr Zhao are the Directors of the Company and are therefore connected persons of the Company under the GEM Listing Rules

Assets to be acquired

Pursuant to the Winner SP Agreement, Smooth Ever has conditionally agreed to acquire the entire issued capital of Winner Investment. Winner Investment is an investment holding company and effectively owns 25% equity interests in Shanxi.

Consideration

The consideration for the Winner Acquisition is HK\$13,696,000 and shall be satisfied by Smooth Ever procuring the Company to allot and issue to Mr. Xing and Mr. Zhao at Completion the Consideration Shares, credited as fully paid at the Issue Price. Mr Xing and Mr Zhao will each receive 6,420,000 and 4,280,000 Consideration Shares respectively.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 shares, of which 430,120,000 shares are in issue and fully paid.

LETTER FROM THE BOARD

The consideration was arrived at after arm's length negotiation between the parties to the Winner SP Agreement with reference to the Net Asset Value of Winner Group. The consideration represents a price earning ratio of about 4.0 times based on the attributable annualized net profit before tax of Shanxi for the nine months ended 30 September 2007 and equals to approximately 94.3% of the Net Asset Value of Winner Group as at 30 September 2007. The Net Asset Value of Winner Group was about HK\$14,519,000. The aggregate market value of the Consideration Shares is HK\$13,268,000 with reference to the closing price of HK\$1.24 per Share as quoted on the Stock Exchange on 23 November 2007.

The Issue Price represents (i) a premium of approximately 3.2% to the closing price of HK\$1.24 per Share as quoted on the Stock Exchange on 23 November 2007, being last trading day prior to the date of the Agreement; (ii) equals to the average of the closing prices of approximately HK\$1.28 per Share for the last five consecutive trading days ended 23 November 2007 up to and including 23 November 2007, being last trading day prior to the date of the Agreement; (iii) a discount of approximately 10.5% to the average of the closing prices of approximately HK\$1.43 per Share for the last 20 consecutive trading days ended 23 November 2007 up to and including 23 November 2007, being last trading day prior to the date of the Agreement; (iv) a premium of approximately 95.7% over the net asset value per Share of HK\$0.65 based on the audited consolidated financial statements of the Group as of 31 December 2006; and (v) a premium of approximately 4.1% over HK\$1.23 per Share as quoted on the Stock Exchange on 14 December 2007, being the Latest Practicable Date.

The Issue Price was determined by Smooth Ever and Mr. Xing and Mr. Zhao on an arm's length basis with reference to the current market price of the Shares. The Directors (including the independent non-executive Directors) consider the Issue Price to be fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued under the specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion.

The Consideration Shares represent approximately (i) 2.49% of the existing issued share capital of the Company; and (ii) 2.43% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Winner Acquisition will not result in the change of control of the Company.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

Conditions

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

- (i) Mr. Xing and Mr. Zhao and the Company having obtained all necessary consents and approvals in relation to the Winner Acquisition and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (ii) no event having occurred which constitute material breach of the warranties given by Mr.Xing and Mr. Zhao under the Winner SP Agreement;
- (iii) the Company having satisfied with the results of the due diligence exercise to be carried out by it on Winner Investment and its group (including Shanxi);
- (iv) the passing by the Independent Shareholders at the EGM approving the Winner SP Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares under specific mandate; and
- (v) the GEM Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Consideration Shares.

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 Winner SP Agreement (or such later date as may be agreed by the parties to the Winner SP Agreement in writing).

Before the Winner Acquisition, Shanxi was owned as to 35% and 25% by Jinzhou Jinheng and Winner Investments respectively. The remaining 40% was owned by one Independent Third Party. Upon Completion, the Company will effectively hold 35% of equity interest in Shanxi through its indirect wholly-owned subsidiary Jinzhou Jinheng and the Company would hold another 25% effective interest of Shanxi through holding the entire equity interest in Smooth Ever. The shareholding structure of Shanxi will be the same after the Winner Acquisition, and Shanxi will become a subsidiary of the Company and its results will be consolidated into those of the Group. Completion of Winner SP Agreement is not inter-conditional on the completion of Tai Tong SP Agreement.

INFORMATION OF WINNER INVESTMENT AND SHANXI

Winner Investment is a company incorporated in Hong Kong on 18 December 2002 for investment holding purpose and effectively owned 25% equity interests in Shanxi. Other than its investment in Shanxi, Winner Investment has no other major asset or liabilities. Mr Xing and Mr Zhao each owned 60% and 40% equity interest in Winner Investment before the Winner Acquisition. After the Winner Acquisition, both Mr Xing and Mr Zhao have no interest in Winner Investment except through their interest in the Company and Applaud Group Limited.

Shanxi is a company established in the PRC in March 2003 with limited liability. Shanxi is principally engaged in design, manufacturing and sale of inflators and other related spare parts of automotive safety airbag system and other automotive spare parts. The investment cost of Mr. Xing and Mr. Zhao in Shanxi and Winner Investment was about HK\$4,731,000, of which HK\$4,721,000 was invested through Winner Investment in Shanxi as the initial capital investment cost when Shanxi was incorporated in 2003.

LETTER FROM THE BOARD

The following tables show the turnover, the net profit before tax, the net profit after tax, the net asset value and the total asset value of Shanxi (prepared under Hong Kong Financial Reporting Standards) based on its audited financial statements:

	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>
Shanxi	42,224	781	781	29,475	52,418

	For the year ended 31 December 2006			As at 31 December 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>
Shanxi	47,759	7,953	7,953	37,427	68,972

The following table shows the turnover, the net profit before tax, the net profit after tax, the net asset value and the total asset value of Shanxi (prepared under Hong Kong Financial Reporting Standards) based on its unaudited management accounts for the nine months up to 30 September 2007:

	For the nine months ended 30 September 2007			As at 30 September 2007	
	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>
Shanxi	50,294	9,711	9,460	54,299	91,684

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE

Assuming no Shares will be issued and/or repurchased by the Company between the date of this circular and the date of Completion and the Consideration Shares will be issued under the Winner SP Agreement, the shareholding structure of the Company immediately before and after Completion will be as follows:

Shareholder	Notes	Immediately before Completion		Immediately after the Completion	
		No. of Shares	%	No. of Shares	%
Applaud Group Limited	1	228,620,000	53.15	228,620,000	51.86
Mr Li Feng	2	2,080,000	0.48	2,080,000	0.47
Mr Xing	2	1,600,000	0.37	8,020,000	1.82
Mr Foo Tin Chung, Victor	2	640,000	0.15	640,000	0.15
Mr Zhao	2	–	–	4,280,000	0.97
Other public Shareholders		197,180,000	45.85	197,180,000	44.73
		<u>430,120,000</u>	<u>100.00</u>	<u>440,820,000</u>	<u>100.00</u>

Notes:

1. A controlling group of shareholders comprising Li Feng, Mr Xing and Yang Donglin, all being executive Directors, Li Hong, a non-executive Directors, and Xu Jianzhong collectively holding 52.69% of the equity interests in Applaud Group Limited. Mr Xing and Mr. Zhao, being executive Directors of the Company, hold 9% equity interests and 18.27% equity interests in Applaud Group Limited respectively. The other shareholders of Applaud Group Limited are third parties independent of the Company and its connected persons.
2. Mr Xing, Mr Zhao, Mr Li Feng and Mr Foo Tin Chung, Victor are all executive Directors.

REASONS FOR THE WINNER ACQUISITION

In view of the Group's large demand of inflators in its ordinary course of business, and there is a substantial cost saving from the procurement from Shanxi, the Directors (including the independent non-executive Directors) believe that the Winner Acquisition may strengthen the Group's position by the contribution from Shanxi's localized operation. The Board considers that the terms of the Winner SP Agreement are fair and reasonable and of normal commercial terms and the Winner Acquisition is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE WINNER ACQUISITION

After Completion, Shanxi will become a subsidiary of the Company and its results will be consolidated into those of the Group. The Consideration for the Winner Acquisition will be settled by allotment and issue of the Consideration Shares by the Company.

Assets and Liabilities

Upon the completion of the Winner Acquisition, Winner Investment will become a subsidiary of the Company and its assets and liabilities will be consolidated into that of the Company. As the Consideration for the Winner Acquisition will be settled by allotment and issue of the Consideration Shares and the Issue Price is at a premium over the net asset value per Share, the net asset value of the Group will be enhanced.

Earnings

The financial results of Winner Investment and Shanxi, as subsidiaries of the Group, will be consolidated into that of the Group. There will be a positive impact on earnings of the Group as a result of the Winner Acquisition, the Directors expect that Winner Investment and Shanxi, as subsidiaries of the Group, will enhance the earning base of the Group and contribute positively to the results of the Group.

IMPLICATION 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 Winner Acquisition constitutes a discloseable transaction on the part of Company under Chapter 19 of the GEM Listing Rules. As both Mr. Xing and Mr. Zhao are the Directors, the Winner Acquisition also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Winner Acquisition is subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, Mr. Xing and Mr. Zhao and their respective associates (including Applaud Group Limited) will abstain from voting on the resolution to approve the Winner Acquisition and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

LETTER FROM THE BOARD

(C) 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.

(D) GENERAL INFORMATION

The Directors (including the independent non-executive Directors) consider that the Tai Tong SP Agreement and the Winner SP Agreement are entered into upon normal commercial terms following arm's length negotiations between the parties to the Tai Tong SP Agreement and to the Winner SP Agreement and that the terms of the Tai Tong SP Agreement and the Winner SP Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

(E) THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong who are the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Winner Acquisition and the transactions contemplated thereunder (including but not limited to the allot and issue of the Consideration Shares under specific mandate). Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

(F) EGM

Set out on pages 38 to 39 of this circular is a notice convening the EGM which will be held at 33rd Floor, 9 Queen's Road Central, Central, Hong Kong at 10:00 a.m. on Wednesday, 2 January 2008 at which resolutions will be proposed to approve the Winner SP Agreement and the transactions contemplated therein (including but not limited to the allotment and issue of the Consideration Shares under specific mandate).

The Winner Acquisition is subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. Mr. Xing, Mr. Zhao and their respective associates (including Applaud Group Limited) will abstain from voting for the relevant resolutions at the EGM due to their interests in the Transactions. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Mr. Xing, Mr. Zhao and their respective associates, and (ii) no obligation or entitlement of Mr. Xing, Mr. Zhao and their respective associates as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for the EGM is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the form of proxy and return the same to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting (or any adjourned meeting) if you so wish.

LETTER FROM THE BOARD

(G) PROCEDURE FOR DEMANDING A POLL AT THE EGM

According to Article 66 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Notwithstanding the above, the resolution approving the Winner Acquisition will be voted on by way of a poll in the EGM.

(H) RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular. The Independent Board Committee, having taken into account the advice of Veda Capital, the text of which is set out on pages 19 to 26 of this circular, considers that the Winner SP Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties to the Winner SP Agreement and that the terms of the Winner SP Agreement and the transactions contemplated thereunder (including but not limited to the allot and issue of the Consideration Shares) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Winner Acquisition and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under specific mandate).

(I) 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

17 December 2007

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
FOR ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
WINNER INVESTMENT LIMITED**

We refer to the circular dated 17 December 2007 issued by the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Winner Acquisition and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the Winner Acquisition, and to recommend how the Independent Shareholders should vote at the EGM. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 17 of the Circular, and the letter from Veda Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Winner Acquisition, as set out on pages 19 to 26 of the Circular.

Having taken into account of the advice of Veda Capital, we consider that the Winner SP Agreement are entered into upon normal commercial terms following arm’s length negotiations between the parties to the Winner SP Agreement, and that the terms of the Winner SP Agreement to be fair and reasonable so far as the Independent Shareholders are concerned, and the Winner Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Winner Acquisition and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares under specific mandate).

Yours faithfully,
the Independent Board Committee

Chan Wai Dune
*Independent non-executive
Director*

Huang Shilin
*Independent non-executive
Director*

Zhu Tong
*Independent non-executive
Director*

LETTER FROM VEDA CAPITAL

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders setting out its opinion regarding the Winner Acquisition for the purpose of inclusion in this circular.



Veda Capital Limited
Suite 809, 8th Floor
Shui On Centre
8 Harbour Road
Wanchai, Hong Kong

17 December 2007

*To the Independent Board Committee and the Independent Shareholders of
Jinheng Automotive Safety Technology Holdings Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the terms of the Winner SP Agreement, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 17 December 2007 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As set out in the Board Letter, on 24 November 2007, Smooth Ever, a wholly-owned subsidiary of the Company, entered into the Winner SP Agreement with the Vendors pursuant to which the Vendors agreed to sell and Smooth Ever agreed to acquire the entire issued share capital of Winner Investment at a consideration of HK\$13,696,000 (the "Consideration"). The principal asset of Winner Investment is its 25% effective interest in Shanxi. Shanxi is principally engaged in design, manufacturing and sale of inflators and other related spare parts of automotive safety airbag system and other automotive spare parts.

The Winner Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. The Vendors, Mr. Xing and Mr. Zhao, are both Directors and thus are connected persons of the Company. Accordingly, the Winner Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and based on the relevant size tests, the Winner Acquisition is required to be subject to the approval of the Independent Shareholders at the EGM, where the votes on the Winner Acquisition will be taken by way of a poll. Mr. Xing, Mr. Zhao and their respective associates including Applaud Group Limited will abstain from voting on the resolution to approve, among other things, the Winner SP Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under a specific mandate) at the EGM.

LETTER FROM VEDA CAPITAL

The Independent Board Committee (comprising all independent non-executive Directors, namely Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong) has been established to advise the Independent Shareholders on the Winner Acquisition. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Winner SP Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Winner SP Agreement is in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR ADVICE

Veda Capital is not connected with the directors, chief executive or substantial shareholders of the Company or the Vendors or any of their respective subsidiaries or their respective associates and is therefore considered suitable to give independent advice to the Independent Board Committee and Independent Shareholders in respect of the Winner Acquisition. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Veda Capital will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our recommendation, we have relied on the information and facts supplied, and representations expressed, by the Directors and/or management of the Company and have assumed that all such information and facts and any representations made to us, or referred to in the Circular, are true, accurate and complete in all material aspects when they were made and as at the date of the Circular, and that the financial information provided to us has been properly extracted from the relevant underlying accounting records and made after due and careful inquiry by the Company and/or the management of the Company. The Directors and/or the management of the Company have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading. We considered we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group or that of Winner Investment and its subsidiary (the “Winner Group”).

LETTER FROM VEDA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Winner Acquisition and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Winner Acquisition

The Group is principally engaged in the design, research and development, manufacture and sale of automotive safety airbag systems. The Group's major products include safety airbag systems used in automotives. As shown in the Company's third quarterly report 2007 as extracted below, the Group's core business of manufacture and sale of automotive safety system is experiencing progressive growth:

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

For the nine months ended 30 September 2007, total turnover of the Group amounted to approximately HK\$476.7 million, representing about 2.2 times that of the corresponding period in 2006. The significant increase in turnover was due, on one hand, to the increase in demand for the Group's existing products and, on the other hand, to the commercial production of new safety airbag systems for several new car models.

In view of the continuous growth in the Group's business, the Directors foresee that the Group's demand for inflators will continue to increase in its ordinary course of business. As the Company already has 35% equity interest in Shanxi which is principally engaged in design, manufacturing and sale of inflators and other related spare parts of automotive safety airbag system and miscellaneous automotive spare parts, the Directors consider it being in the interest of the Company to increase and consolidate its interests in Shanxi by acquiring Winner Investment which holds 25% equity interest in Shanxi from Mr. Xing and Mr. Zhao. Upon completion of the Winner Acquisition, the Company will have 60% interest in Shanxi, and will be able to secure stable supply of inflators while attaining significant cost saving from external procurement. The Directors further believe that the Winner Acquisition may strengthen the Group's position by the contribution from Shanxi's localized operation.

LETTER FROM VEDA CAPITAL

We consider that the Winner Acquisition represents a vertical integration of the Group whereby the Group's operation will be extended into supply of inflators, which has the benefit of procuring a stable source of supply of inflators to the Group while providing spare parts support for the production of automotive safety airbag system. The Winner Acquisition will not only lead to cost saving, it will also add capability and scale to the Group and reinforce the Group's position among other leading market players. In view of the established position of Shanxi since 2003, we believe that the benefits of combining the businesses of the Group with that of Shanxi will flow through rapidly. On the above basis, we are of the opinion that the entering into of the Winner SP Agreement represents a logical extension of the Group's business and is in the interests of the Company and Shareholders as a whole.

2. Consideration

As stated in the Board Letter, the Consideration payable by the Group for the acquisition of the entire equity interest of Winner Investment was arrived at after arm's length negotiation between the parties to the Winner SP Agreement with reference to the Net Asset Value of Winner Group.

In assessing the fairness and reasonableness of the Consideration, we have adopted the following approaches:

A. Price earning multiples

Reference to price earning multiples ("P/E") is the most common approach in valuing revenue generating entities. As at the Latest Practicable Date, save as its 25% equity interest in Shanxi and a dividend income from Shanxi in the amount of approximately HK\$260,000, Winner Investment did not have any other material assets, liabilities and operations. Set out below are the financial results (prepared under Hong Kong Financial Reporting Standards) of Shanxi for the past two financial years ended 31 December 2006 and nine months ended 30 September 2007:

	(Unaudited) Nine months ended 30 September 2007 <i>RMB'000</i>	(Audited) Year ended 31 December 2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Turnover	50,294	47,759	42,224
Net profit before tax	9,711	7,953	781
Net profit after tax	9,460	7,953	781
Net asset value	54,299	37,427	29,475
Total asset value	91,684	68,972	52,418

Note: RMB1 = HK\$1.05

LETTER FROM VEDA CAPITAL

As informed by the Directors, performance of the business of automobile spare parts is not materially affected by seasonality. In view of such, we have annualized the net profit before tax of Shanxi for the nine months ended 30th September, 2007 and calculated that the Consideration represents a P/E of approximately 4.0 times based on the 25% interest in Shanxi attributable to Winner Investment. We have compared the calculated P/E (based on net profit before tax) of approximately 4.0 times with that of other issuers listed on the Stock Exchange which carry on similar business of manufacturing and sale of automobile parts (the “Comparables”):

Company (stock code)	approximate P/E as at Latest Practicable Date
Geely Automobile Holdings Ltd (175)	22.7 times
Great Wall Motor Co Ltd (2333)	5.62 times
New Focus Auto Tech Holdings Ltd (360)	36.1 times
Mint Group Ltd (425)	35.8 times
Qingling Motors Co Ltd(1122)	21.0 times
Carico Holdings Ltd(729)	Loss making – not applicable
Dongfeng Motor Group Co Ltd (489)	5.3 times
Denway Motors Ltd (203)	15.2 times

Source: The Stock Exchange of Hong Kong Limited

The P/E of the Comparables ranges from approximately 5.3 times to approximately 36.1 times, with one being loss making and thus no meaningful P/E can be calculated. The P/E of 4 times represented by the Consideration falls outside of the low end of the range and in view of such, we consider the Consideration to be favourable and in the interest of the Company and the Independent Shareholders as a whole.

B. Net Asset Value

Assessing the consideration against the underlying net asset value is also a common way of valuation. The unaudited consolidated net asset value of Winner Investment (i.e. aggregate of 25% of the net asset value of Shanxi and the dividend income from Shanxi of approximately HK\$260,000) as at 30 September 2007 was about HK\$14,519,000. The Consideration therefore represents approximately 94.3% of such net asset value. We consider it is in the interest of the Company to acquire the entire equity interest in Winner Investment at a discount to its underlying net asset value.

Based on the above analysis, we consider the Consideration to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3. Settlement method of the Consideration

Pursuant to the Winner SP Agreement, the Consideration will be settled by Smooth Ever procuring the Company to allot and issue to Mr. Xing and Mr. Zhao a total of 10,700,000 new Shares, credited as fully paid at the Issue Price of HK\$1.28 per Share.

LETTER FROM VEDA CAPITAL

A. *Comparison with historical trading price and underlying net asset value*

As stated in the Board Letter, the Issue Price was determined by Smooth Ever and Mr. Xing and Mr. Zhao on an arm's length basis with reference to the prevailing market prices of the Shares. The Issue Price of HK\$1.28 represents:

	Share price HK\$	Premium/(discount) of the Issue Price over/(to) the Share price %
As at the Latest Practicable Date	1.23	4.1
As at 23 November 2007, being the last trading day prior to the date of the Agreement ("Last Trading Day")	1.24	3.2
Five-day average up to and including the Last Trading Day	1.28	par
Twenty-day average up to and including the Last Trading Day	1.43	(10.5)
Audited consolidated net assets value per Share of approximately HK\$0.65 as at 31 December 2006 (<i>Note</i>)		95.7
Unaudited consolidated net assets value per Share of approximately HK\$0.87 as at 30 June 2007 and adjusted for the top-up placing as announced on 31 July 2007 (<i>Note</i>)		47.1

Note: Based on 430,120,000 Shares in issue as at the Latest Practicable Date.

The Issue Price is equivalent to the average closing price of HK\$1.28 per Share for the five trading days ended on the Last Trading Day and is at a significant premium over the underlying net asset value of the Shares.

LETTER FROM VEDA CAPITAL

The chart below shows the closing prices of the Shares on the Stock Exchange from 1 November 2006 up to the Last Trading Day (the “Review Period”) as compared to the Hang Seng Index during the same period and the Issue Price:



Source: The Stock Exchange of Hong Kong Limited

During the Review Period, the closing price of the Shares ranged from HK\$0.82 to HK\$2.18. The Issue Price represents a premium of approximately 56.1% over such lowest price and a discount of approximately 41.3% to such highest price. During the Review Period, the Shares closed at the highest price of HK\$2.18 on 3, 6 and 7 of August 2007, which, we consider, largely reflected the positive market reception to the top-up placing announced by the Company on 31 July 2007. Since then, the price of the Shares gradually decreased and reached a low of HK\$1.24 on the Last Trading Day. From the chart above, we can see that the decrease in the Share price was more or less in line with the downturn of the market during the period, as evidenced by the drop in the Hang Seng Index by approximately 16.1% from the maximum level on 30 October 2007 to the level on the Last Trading Day.

Taking into consideration that (i) the Issue Price is at par to the five-day average up to and including the Last Trading Day; (ii) the decrease in the Share price was largely in line with the downturn of the market during the period; and (iii) the Issue Price is at a significant premium over the underlying net asset value of the Shares, we consider the Issue Price of the Consideration Shares is fair and reasonable.

LETTER FROM VEDA CAPITAL

B. Dilution of Independent Shareholders' shareholdings

A total of 10,700,000 new Shares will be issued upon Completion, representing approximately 2.49% of the existing issued Shares and approximately 2.43% of the issued Shares as enlarged by the issue of the Consideration Shares. The shareholding of the Independent Shareholders will be diluted from approximately 45.85% to approximately 44.73%. In view of the fact that the issue of the Consideration Shares will enable the Group to preserve its working capital and that the dilution percentage is a mere 1.12 percentage points as a whole, we consider the dilution to the shareholding interest of the Independent Shareholders to be immaterial.

4. Financial effects of the Winner Acquisition on the Group

A. Net asset value

Upon completion of the Winner Acquisition, Shanxi will become a 60% owned subsidiary of the Company and its assets and liabilities will be consolidated into that of the Company. As the Company will issue the Consideration Shares to settle the Consideration and the Issue Price is at a premium over the net asset value per Share, the net asset value of the Group will be enhanced.

B. Earnings

As set out under the sub-paragraph headed "Price earning multiples" above, the sole asset of Winner Investment, Shanxi, was making profit for the past two financial years and the nine months ended 30 September 2007. The Winner Acquisition will therefore improve the earnings of the Group upon Completion.

C. Cash position

The Winner Acquisition, on its own, will not affect the cash position of the Group as the Consideration will be settled by means of the issue of the Consideration Shares.

In view of the positive effects of the Winner Acquisition on the net asset value and earnings of the Group and neutral effect on its cash position, we consider the Winner Acquisition to be in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Winner SP Agreement are on normal commercial terms, in the normal and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Winner SP Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under a specific mandate).

Yours faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Managing Director

Julisa Fong

Executive Director

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	2,080,000	0.48%
Xing Zhanwu	Interest of a controlled corporation (Note 1)	(Note 1)	(Note 1)
	Beneficial owner	1,600,000	0.37%

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
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	640,000	0.15%

Notes :

- The following Directors held an indirect interest in the Company through their interests in Applaud Group Limited (“Applaud Group”) which held approximately 53.15% 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>

(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 outstanding	Date granted	Period during which options exercisable	Exercise price per Share
Li Feng	520,000	22 November 2004	9 December 2005 to 9 December 2008	HK\$0.38
Xing Zhanwu	400,000	22 November 2004	9 December 2005 to 9 December 2008	HK\$0.38
Foo Tin Chung, Victor	160,000	22 November 2004	9 December 2005 to 9 December 2008	HK\$0.38

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

Name of Director	No. of options outstanding	Date granted	Period during which options exercisable	Exercise price per Share
Xing Zhanwu	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK\$1.60
Foo Tin Chung, Victor	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK\$1.60
Zeng Qingdong	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK\$1.60
Li Hong	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK\$1.60
Chan Wai Dune	400,000	23 August 2007	23 August 2007 to 22 August 2012	HK\$1.60

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	53.15%
Hafei Motor Co., Ltd. (Note 1)	Shareholder of a member of the Group	0	10%
Shenyang Electricity Co., Limited (Note 2)	shareholder of a member of the Group	0	22.22%
Shenyang Jinbei Automotive Company Limited (Note 3)	shareholder of a member of the Group	0	14.81%
瀋陽金思達汽車零部件有限公司 (Note 4)	shareholder of a member of the Group	0	30%
山西泰富精密機電技術有限公司 (Note 5)	shareholder of a member of the Group	0	15%
Ms. Charlotte Huxia Wang (Note 6)	shareholder of a member of the Group	0	48.8%
蕪湖奇瑞科技有限公司 (Note 7)	shareholder of a member of the Group	0	38.5%
Taiyuan Aero-Instruments Co., Ltd. (Note 8)	shareholder of an associated corporation of the Company	0	40%

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
Winner Investment Limited (Note 9)	shareholder of an associated corporation of the Company	0	25%
煙台萬利達實業發展總公司 (Note 10)	shareholder of an associated corporation of the Company	0	40%
Mr. Li (Note 11)	shareholder of an associated corporation of the Company	0	20%
Tai Tong (Note 11)	shareholder of an associated corporation of the Company	0	20%
Harvest Full (Note 11)	shareholder of an associated corporation of the Company	0	20%
Value Partners Limited (Note 12)	Investment manager	51,111,111 (underlying Shares)	11.88%
Value Partners Group Limited (Note 12)	Interests of controlled corporation	51,111,111 (underlying Shares)	11.88%
Cheah Capital Management Limited (Note 12)	Interests of controlled corporation	51,111,111 (underlying Shares)	11.88%
Cheah Company Limited (Note 12)	Interests of controlled corporation	51,111,111 (underlying Shares)	11.88%
Hang Seng Bank Trustee International Limited (Note 12)	Trustee	51,111,111 (underlying Shares)	11.88%

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
Mr. Cheah Cheng Hye (Note 12)	Founder of discretionary trust	51,111,111 (underlying Shares)	11.88%
Ms. To Hau Yin (Note 12)	Spouse of Mr Cheah Cheng Hye	51,111,111 (underlying Shares)	11.88%
Sagmore Assets Limited (Note 13)	Beneficial owner	27,777,778 (underlying Shares)	6.46%
CDS International Limited (Note 13)	Substantial shareholder of beneficial owner	27,777,778 (underlying Shares)	6.46%
TNS Services Limited (Note 13)	Nominee of beneficial owner	27,777,778 (underlying Shares)	6.46%

Notes:

- 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.
- 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.
- Shenyang Jinbei Automotive Company Limited, a state-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.
- 瀋陽金思達汽車零部件有限公司, a company established in the PRC with limited liability, holds 30% equity interest in Shenyang Jinheng Jinsida Automotive Electronic Co., Ltd.
- 山西泰富精密機電技術有限公司, a company established in the PRC with limited liability, holds 15% equity interest in Shenyang Jinheng Jinsida Automotive Electronic Co., Ltd.
- Charlotte Huxia Wang holds 48.8% equity interest in Honest Bright Group Limited
- 蕪湖奇瑞科技有限公司, a company established in the PRC with limited liability, holds 38.5% equity interest in Troitec Automotive Electronics Co., Ltd.

8. Taiyuan Aero-Instruments Co., Ltd., a state-owned enterprise established in the PRC with limited liability, holds 40% equity interest in Shanxi Winner Auto-Parts Co. Limited.
9. Winner Investment Limited, incorporated in Hong Kong with limited liability, holds 25% equity interest in Shanxi Winner Auto-Parts Co. Limited.
10. 煙台萬利達實業發展總公司, a state-owned enterprise established in the PRC with limited liability, holds 40% equity interest in YanTai Vast Co., Limited.
11. Mr. Li holds 66.67% equity interest in Tai Tong, which has 100% equity interest in Harvest Full, which in turn has 30% equity interest in YanTai..
12. Hang Seng Bank Trustee International Limited, the trustee of the C H Cheah Family Trust, has 100% control of Cheah Company Limited, which has 100% control of Cheah Capital Management Limited, which has 35.65% control of Value Partners Group Limited, which in turn has 100% control of Value Partners Limited. Mr. Cheah Cheng Hye is the founder of C H Cheah Family Trust. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye. They are all deemed to be interested in the interest to be held by Value Partners Limited pursuant to the SFO.
13. 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.

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. INTEREST IN CONTRACTS AND ASSETS

From March 2007, Mr. Li Feng leased an office in Beijing, PRC to Jinzhou Jinheng with an annual lease fee of RMB633,600 from 2 March 2007 to 1 March 2008.

Save, as disclosed above, as at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

5. 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.

6. 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	660,000
Yang Donglin	180,000
Foo Tin Chung, Victor	715,000

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).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERT

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s) and/or references to its name in the form and context in which they respectively appear.

The following are the qualifications of the expert who has provided its advise and reports (as the case may be), which are contained in this circular:

Name	Qualifications
Veda Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO

As at the Latest Practicable Date, Veda Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribed for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2006), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in the PRC is at Unit 2, Building 38, No.2 Jing Yuan North Street, Beijing Economic Technological Development Area, Beijing, PRC and the principal place of business of the Company in Hong Kong is Unit 605, 6th Floor, Beautiful Group Tower, 74-77 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 Room 1712-1716, 17th 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 55, has over 27 years of experience in the finance sector, particularly in auditing and taxation areas. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of 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 is currently the Managing Director of CCIF CPA Limited. Mr. Chan currently serves as an independent non-executive director of the Company, Chuang's China Investments Limited, Chuang's Consortium International Limited, Hualing Holdings Limited, Hunan Nonferrous Metals Corporation Limited, Minmetals Resources Limited and Sam Woo Holdings Limited, all are listed on The Stock Exchange of Hong Kong Limited. In the past three years, he has had, at different times, held directorships at EVA Precision Industrial Holdings Limited, IIN International Limited, Zhongda International Holdings Limited, Mexan Limited and Sino Union Petroleum & Chemical International Limited but has resigned from them.

Mr. Huang Shilin, aged 74, 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, 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 35, 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.

- (f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Winner SP Agreement;
- (b) the service agreements referred to in the paragraph headed "Service Contracts" in this appendix;
- (c) the letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 26 of this circular;
- (d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 18 in this circular; and
- (e) the written consent from Veda Capital as referred to in the paragraph headed "Expert" in this appendix.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Jinheng Automotive Safety Technology Holdings Limited (the “**Company**”) will be held at 33rd Floor, 9 Queen’s Road Central, Central, Hong Kong at 10:00 a.m. on Wednesday, 2 January 2008 for the purposes of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

“**THAT**”

- (a) the agreement dated 24 November 2007 (the “**Winner SP Agreement**”) between (i) Mr. Xing Zhanwu (邢戰武) and Mr. Zhao Qingjie (趙清潔) as vendors and (ii) Smooth Ever Limited (順永有限公司) as purchasers in relation to the acquisition of the entire issued share capital of Winner Investment Limited (榮長投資有限公司), a copy of the Winner SP Agreement has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated by the Winner SP Agreement be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of a maximum of 10,700,000 ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Consideration Shares**”) to satisfy HK\$13,696,000 being the consideration at an issue price of HK\$1.28 per Consideration Shares, credited as fully paid, to the Purchasers, be and is hereby approved; and
- (c) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Winner SP Agreement including but not limited to the allotment and issue of the Consideration Shares and the transactions contemplated thereunder.”

By order of the Board

Jinheng Automotive Safety Technology Holdings Limited

Li Feng

Chairman

Hong Kong, 17 December 2007

NOTICE OF EGM

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

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

Principal place of business in Hong Kong:

Unit 605
6th Floor
Beautiful Group Tower
74-77 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. The voting on the resolution at the EGM will be conducted by way of a poll.