THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Jinheng Automotive Safety Technology Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser(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).

JIN HENG

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)

(1) DISCLOSEABLE TRANSACTION; AND
(2) CONTINUING CONNECTED TRANSACTIONS

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

Nuada Limited

Corporate Finance Advisory

A letter of advice from the Independent Board Committee is set out on page 16 of this circular.

A letter of advice from Nuada Limited, the independent financial adviser, containing its opinion and advice to the Independent Board Committee and Independent Shareholders is set out on pages 17 to 27 of this circular.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its publication and on the website of the Company as www.jinhengholdings.com

4 August 2008

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

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

"Agreements"	the Facilities Acquisition Agreement, the Inventory Acquisition Agreement and the Technology Development Agreement
"Applaud Group"	Applaud Group Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder interested in 228,620,000 Shares representing approximately 51.60% of the total issued share capital of the Company as at the Latest Practicable Date
"associates"	has the meaning ascribed to it under the GEM Listing Rules
"Beijing Troitec"	Troitec Automotive Electronics Co., Ltd., a sino-foreign equity joint venture company established in the PRC with limited liability and a subsidiary effectively owned as to 34.41% by the Company
"Company"	Jinheng Automotive Safety Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
"Connected Agreements"	the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement
"connected person"	has the meaning ascribed to it in the GEM Listing Rules
"Directors"	directors of the Company
"Facilities Acquisition Agreement"	the agreement dated 12 July 2008 entered into between Jinzhou Jinheng and the Vendor, pursuant to which Jinzhou Jinheng agreed to purchase and the Vendor agreed to sell the production facilities and research & development facilities of automotive safety airbags at a consideration of RMB38,400,000
"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
"Hafei Jinheng"	哈爾濱哈飛錦恒汽車安全系統有限公司 (Harbin Hafei Jinheng Automotive Safety System Co., Ltd.*), a joint venture company established in the PRC with limited liability and owned as to 90% by Jinzhou Jinheng and 10% by Hafei Motor

"Hafei Motor"	哈飛汽車股份有限公司 (Hafei Motor Co., Ltd*), a joint venture company established in the PRC with limited liability and principally engaged in the manufacture of automobiles in China, and a non wholly-owned subsidiary of Harbin Hafei Automobile Industry Group Co., Ltd., which is interested in 74.81% of Hafei Motor and principally engaged in the manufacture of automobiles in China. Harbin Hafei Automobile Industry Group Co., Ltd. is wholly-owned by AviChina Industry & Technology Company Limited, which is a company listed on the Stock Exchange (Stock Code: 2357) and principally engaged in research, development, manufacture and sale of vehicles and civilian aircraft. To the best of Director's knowledge, the remaining 25.19% of Hafei Motor is ultimately and beneficially owned by China Aviation Industry Corporation I and China Aviation Industry Corporation II, both of which are state-owned enterprises established is principally engaged in manufacture and design of aircrafts.
"Hafei Sales Cap"	the annual maximum sales caps of RMB61.95 million, RMB66.00 million and RMB70.40 million respectively for each of the three years ending 31 December 2010 as contemplated under the Hafei Supply Agreement
"Hafei Second Sales Cap"	the annual maximum sales caps of RMB67.70 million, RMB149.70 million and RMB171.00 million respectively for each of the three years ending 31 December 2010 as contemplated under the Hafei Second Supply Agreement
"Hafei Second Supply Agreement"	the supply agreement entered into between Beijing Troitec and Hafei Motor dated 18 July 2008 in respect of the supply of engine management systems and related spare parts
"Hafei Supply Agreement"	the supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor dated 18 July 2008 in respect of the supply of automotive safety airbag systems
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee, comprising Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong, all being the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Cap)

"Independent Shareholders"	Shareholders other than those who have an interest in the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement
"Inventory Acquisition Agreement"	the agreement dated 12 July 2008 entered into between Jinzhou Jinheng and the Vendor, pursuant to which Jinzhou Jinheng agreed to purchase all the automotive safety airbags related inventories owned by the Vendor as at 30 June 2008 at a consideration of RMB14,800,000
"Jinbei Automotive"	金杯汽車股份有限公司(Shenyang Jinbei Automotive Company Limited*), a state-owned enterprise established in the PRC with limited liability principally engaged in the manufacture of automobiles in China, the securities of which are listed on the Shanghai Stock Exchange
"Jinbei Jinheng"	瀋陽金杯錦恆汽車安全系統有限公司 (Shenyang Jinbei Jinheng Automotive Safety System Co. Limited*), a joint venture company established in the PRC with limited liability and owned as to approximately 55.56% by the Group, as to 14.81% by Jinbei Automotive, as to 22.22% by Shenyang Electricity Co. Limited (which is a state-owned enterprise established in the PRC) and as to 7.41% by an independent third party
"Jinbei Sales Cap"	the annual maximum sales caps of RMB102.00 million, RMB218.30 and RMB220.00 million respectively for each of the three years ending 31 December 2010 as contemplated under the Jinbei Supply Agreement
"Jinbei Supply Agreement"	the supply agreement entered into between Jinzhou Jinheng, Jinbei Automotive and Jinbei Jinheng dated 18 July 2008 in respect of the supply of automotive safety systems
"Jinheng Jinsida"	瀋陽錦恆金思達汽車電子系統有限公司 (Shenyang Jinheng Jinsida Automotive Electronic Co. Limited*), a joint venture company established in the PRC with limited liability and owned as to approximately 55% by the Group, as to 30% by 瀋陽金思達汽車零部件有限公司 (Shenyang Jinsida Auto Parts Co. Limited) and as to 15% by an independent third party
"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"	31 July 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Nuada"	Nuada Limited, a licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Connected Agreements
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Shareholder(s)"	shareholder(s) of the Company
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technology Development Agreement"	the agreement dated 12 July 2008 entered into between Jinzhou Jinheng and the Vendor, pursuant to which the Vendor agreed to provide development services to Jinzhou Jinheng for it to produce automotive safety airbags for not less than 10 different car models with a quality satisfying the required standard applied throughout the automobile industry at a consideration of RMB25,000,000
"Vendor"	遼寧和昌華寶汽車電子有限公司 (Liaoning He Chang Hua Bao Automotive Electronic Co., Ltd.*), a company established in the PRC with limited liability and its principal business is design, research and development, manufacture and sale of automotive safety airbag systems. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Group and connected persons of the Group
"HK$"	Hong Kong dollars, the lawful currency 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 RMB88. 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.

* *the English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

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

Non-executive Directors:
Mr. Li Hong
Mr. Zeng Qingdong

Independent non-executive Directors:
Mr. Chan Wai Dune
Mr. Huang Shilin
Mr. Zhu Tong

Registered office:
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

4 August 2008

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE TRANSACTION; AND (2) CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 15 July 2008 in relation to (i) the Facilities Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase and the Vendor agreed to sell the production facilities and research & development facilities of automotive safety airbags at a consideration of RMB38,400,000, (ii) the Inventory Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase all the automotive safety airbags related inventories owned by the Vendor as at 30 June 2008 at a consideration of RMB14,800,000, and (iii) the Technology Development

Agreement, pursuant to which the Vendor agreed to provide development services to Jinzhou Jinheng for it to produce automotive safety airbags for not less than 10 different car models with a quality satisfying the required standard applied throughout the automobile industry at a consideration of RMB25,000,000.

Reference is also made to the announcement of the Company dated 18 July 2008 in relation to (i) the Hafei Supply Agreement, pursuant to which Jinzhou Jinheng and Hafei Jinheng would manufacture and sell to Hafei Motor automotive safety airbag systems which could be installed in automobiles manufactured by Hafei Motor, (ii) the Jinbei Supply Agreement, pursuant to which Jinzhou Jinheng and Jinbei Jinheng would manufacture and sell to Jinbei Automotive (or its related companies) automotive safety systems which could be installed in automobiles manufactured by Jinbei Automotive (or its related companies), and (iii) the Hafei Second Supply Agreement, pursuant to which Beijing Troitec would manufacture and sell to Hafei Motor (or its related companies) engine management systems and related spare parts which could be installed in automobiles manufactured by Hafei Motor (or its related companies).

The purposes of this circular are, among others, to provide you with further information in respect of (i) the Agreements, (ii) the Connected Agreements, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Connected Agreements and (iv) the recommendation of the Independent Board Committee to the Independent Shareholders on the Connected Agreements.

DISCLOSEABLE TRANSACTION

THE FACILITIES ACQUISITION AGREEMENT

On 12 July 2008, Jinzhou Jinheng, a wholly-owned subsidiary of the Company, and the Vendor entered into the Facilities Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase and the Vendor agreed to sell the production facilities (including airbag spare parts production facilities and assembly facilities) and research & development facilities (including crash test equipments and crash test tracks) of automotive safety airbags at a consideration of RMB38,400,000. A valuation was conducted by an independent valuer, based on a comparison of values of similar facilities available in the market, on the production facilities and research & development facilities to be acquired on 11 July 2008, which showed that the value of all these facilities was approximately RMB39 million. The Vendor has no information on the net profits (both after and before tax and extraordinary items) attributable to the production facilities and research & development facilities to be acquired for the past two financial years immediately preceding the proposed acquisition.

To the best of the Directors' knowledge, information and belief having made all necessary enquiries, as at the Latest Practicable Date, the Vendor, its ultimate beneficial owners and their respective associates do not hold any Shares.

The completion of the Facilities Acquisition Agreement is unconditional. The consideration of RMB38,400,000 (representing a discount of approximately 1.54% of the valued amount mentioned above) will be settled in cash in the following manner:

i) RMB24,000,000 will be settled within 10 days from the date of the Facilities Acquisition Agreement (in which Jinzhou Jinheng has paid RMB15,000,000 to the Vendor. The Vendor has consented that Jinzhou Jinheng shall pay the remaining RMB9,000,000 within 30 days after the date of the Facilities Acquisition Agreement); and

ii) RMB14,400,000 will be settled within 18 months from the date of the Facilities Acquisition Agreement.

Under the Facilities Acquisition Agreement, the Vendor has warranted that the facilities involved are free from encumbrance and are in good and usable condition. The Vendor has provided all the value-added tax invoices related to the facilities involved to Jinzhou Jinheng, and has paid all the taxes in relation to the transfer of the facilities involved. In case there are in future any unpaid or unsettled tax claims, the Vendor will be fully responsible for the liabilities incurred thereof.

THE INVENTORY ACQUISITION AGREEMENT

On 12 July 2008, Jinzhou Jinheng and the Vendor entered into the Inventory Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase all the automotive safety airbags related inventories owned by the Vendor as at 30 June 2008 at a consideration of RMB14,800,000, which is equal to the book value of such inventories as recorded in the books of the Vendor.

The completion of the Inventory Acquisition Agreement is unconditional. The consideration of RMB14,800,000 will be settled in cash in the following manner:

i) RMB9,260,000 will be settled within 10 days from the date of the Inventory Acquisition Agreement (in which Jinzhou Jinheng has paid RMB5,000,000 to the Vendor. The Vendor has consented that Jinzhou Jinheng shall pay the remaining RMB4,260,000 within 30 days after the date of the Inventory Acquisition Agreement);

ii) RMB2,770,000 will be settled within 10 months from the date of the Inventory Acquisition Agreement; and

iii) RMB2,770,000 will be settled within 18 months from the date of the Inventory Acquisition Agreement.

Under the Inventory Acquisition Agreement, the Vendor has warranted that the inventories involved are free from encumbrance. The Vendor has provided all the value-added tax invoices related to the inventory involved, and has paid all the outstanding fees in relation to the purchase of the inventory involved to the relevant suppliers. Moreover, the Vendor has undertaken to procure the current inventory supplier(s) of the Vendor to enter into supply agreement(s) with Jinzhou Jinheng.

THE TECHNOLOGY DEVELOPMENT AGREEMENT

On 12 July 2008, Jinzhou Jinheng and the Vendor entered into the Technology Development Agreement, pursuant to which the Vendor agreed to provide development services to Jinzhou Jinheng for it to produce automotive safety airbags for not less than 10 different car models with a quality satisfying the required standard applied throughout the automobile industry at a consideration of RMB25,000,000. Jinzhou Jinheng has in effect sub-contracted part of the development works under its normal business operations to the Vendor, which is under a contractual obligation to develop automotive safety airbags meeting a specific standard. The development services provided by the Vendor will terminate once it succeeds in developing automotive safety airbags fulfilling the required standard. Other than providing the development services, the Vendor will not transfer other technical know-how or transfer any technical personnel to Jinzhou Jinheng. It is expected these products can generate profit to the Group in the coming future. No valuation has been done on the value of such services to be provided by the Vendor to Jinzhou Jinheng to ascertain its value. As no such services have been provided by the Vendor to Jinzhou Jinheng in the past years, no net profits for the past two financial years immediately preceding the date of the Technology Development Agreement is available.

The completion of the Technology Development Agreement is unconditional. The consideration of RMB25,000,000 will be settled in cash in the following manner:

i) RMB5,000,000 has been paid to the Vendor on or before the date of the Technology Development Agreement;

ii) RMB10,640,000 will be settled within 10 days from the date of the Technology Development Agreement (in which Jinzhou Jinheng has paid RMB5,000,000 to the Vendor. The Vendor has consented that Jinzhou Jinheng shall pay the remaining RMB5,640,000 within 30 days after the date of the Technology Development Agreement); and

iii) RMB9,360,000 will be settled within 10 months from the date of the Technology Development Agreement.

Under the Technology Development Agreement, the Vendor has undertaken to keep all the information and data related to the products involved in the development process confidential for a period of 5 years from the date of the Technology Development Agreement. If the Vendor has breached such confidentiality obligation, it will be liable to pay a maximum compensation of RMB25,000,000 to Jinzhou Jinheng.

REASONS FOR ENTERING INTO THE AGREEMENTS

The Company is an investment holding company and its subsidiaries are principally engaged in design, research and development, manufacture and sale of automotive safety systems and other automotive electronic parts. Currently the Group's major products are safety airbag systems used in automobiles.

It is expected that after the completion of these Agreements, the production and research and development capacities of the Group will be substantially expanded so that the Group can cope with the continuing growth of customers' demand. The Group can also develop business relationships with more local spare parts suppliers, which may be beneficial to the cost control strategy. Furthermore, the Group can strengthen its position of being the largest PRC automotive safety systems suppliers and enlarge its market share.

The terms of the Agreements (including but not limited to the consideration payable by the Group) were determined on normal commercial terms through arm's length negotiation with the Vendor by reference to the market prices of comparable production facilities and the valuation showing that the facilities involved are worth RMB39,000,000 (for the Facilities Acquisition Agreement), the market prices of the automotive safety airbags of similar quality (for the Inventory Acquisition Agreement) and the obligations of and the financial resources and other efforts to be inputted by the Vendor in the development of safety airbags fulfilling the required standard during the provision of the development services. The Directors consider the terms of the Agreements are fair and reasonable and the Agreements are in the interest of the Company and the Shareholders as a whole.

All the consideration payable by the Group under each of the Agreements will be financed by the Group's own internal resources.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to announcement of the Company issued on 16 June 2006 regarding the original supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor dated 16 June 2006 and the original supply agreement entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive dated 16 June 2006. Details of renewal of these two agreements will be disclosed below:

HAFEI SUPPLY AGREEMENT

Date

18 July 2008

Parties

Suppliers:	(a)	Jinzhou Jinheng, an indirect wholly-owned subsidiary of the Company; and
	(b)	Hafei Jinheng, a 90% owned subsidiary of the Company.
Purchaser:	(c)	Hafei Motor, a connected person of the Company which owns 10% of the equity interest in Hafei Jinheng.

Pursuant to the Hafei Supply Agreement, Jinzhou Jinheng and Hafei Jinheng will manufacture and sell to Hafei Motor automotive safety airbag systems which can be installed in automobiles manufactured by Hafei Motor for a term up to 31 December 2010. All orders under the Hafei Supply Agreement are placed to Hafei Jinheng. The Hafei Supply Agreement is to renew the existing similar supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor dated 16 June 2006, which is due to expire on 31 December 2008. The fees chargeable by the Group will be satisfied in cash and on terms not less favourable than those which will be charged by Jinzhou Jinheng or Hafei Jinheng (if any) to other independent customers for the same or similar products. The Hafei Supply Agreement also provides that the price and size of the products to be supplied to Hafei Motor will be determined between Hafei Motor and the Group on an order-by-order basis and credit period of 90 days will be given after delivery.

Based on (i) the historical sales of approximately HK$25.14 million, HK$19.54 million and HK$10.63 million to Hafei Motor of automotive safety airbag systems by Jinzhou Jinheng for each of the three financial years ended 31 December 2007 respectively; (ii) the estimated increase in joint development of safety airbag systems for new models of the automobile between Hafei Motor and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Hafei Motor, to be installed with airbag systems jointly developed by Hafei Motor and Jinzhou Jinheng; and (iv) the estimated maximum orders to be placed to Hafei Jinheng as indicated by Hafei Motor, the Directors estimate that the total amount of products to be sold by Jinzhou Jinheng and Hafei Jinheng to Hafei Motor for the three years ending 31 December 2010 will not be more than RMB61.95 million, RMB 66.00 million and RMB70.40 million respectively. No maximum orders are provided in the Hafei Supply Agreement although the estimated annual figures (i.e. Hafei Sales Caps) are mentioned.

JINBEI SUPPLY AGREEMENT

Date

18 July 2008

Parties

Suppliers:	(a)	Jinzhou Jinheng, an indirect wholly-owned subsidiary of the Company; and
	(b)	Jinbei Jinheng, a 55.56% owned subsidiary of the Company.
Purchaser:	(c)	Jinbei Automotive, a connected person of the Company which owns approximately 14.81% of the equity interest in Jinbei Jinheng, and indirectly owns 16.50% of the equity interest in Jinheng Jinsida.

Pursuant to the Jinbei Supply Agreement, Jinzhou Jinheng and Jinbei Jinheng will manufacture and sell to Jinbei Automotive (or its related companies) automotive safety systems which can be installed in automobiles manufactured by Jinbei Automotive (or its related companies) for a term up to 31 December 2010. All orders under the Jinbei Supply Agreement are placed to Jinbei Jinheng. The Jinbei Supply Agreement is to renew the existing similar supply agreement entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive dated 16 June 2006, which is due to expire on 31 December 2008. The fees chargeable by the Group will be satisfied in cash and on terms not less favourable than those which will be charged by Jinzhou Jinheng or Jinbei Jinheng (if any) to other independent customers for the same or similar products. The Jinbei Supply Agreement also provides that the price and size of the products to be supplied to Jinbei Automotive will be determined between Jinbei Automotive and the Group on an order-by-order basis and credit period of 90 days will be given after delivery.

Based on (i) the historical sales of approximately HK$37.51 million and HK$60.31 million to Jinbei Automotive and its related companies of automotive safety systems by Jinbei Jinheng for each of the two financial years ended 31 December 2007 respectively; (ii) the estimated joint development of safety systems for new models of the automobile between Jinbei Automotive and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Jinbei Automotive, to be installed with safety systems jointly developed by Jinbei Automotive and Jinzhou Jinheng; and (iv) the estimated maximum orders to be placed to Jinbei Jinheng as indicated by Jinbei Automotive, the Directors estimate that the total amount of products to be sold by Jinzhou Jinheng and Jinbei Jinheng to Jinbei Automotive for the three years ending 31 December 2010 will not be more than RMB102.00 million, RMB218.30 million and RMB220.00 million respectively. No maximum orders are provided in the Jinbei Supply Agreement although the estimated annual figures (i.e. Jinbei Sales Caps) are mentioned.

HAFEI SECOND SUPPLY AGREEMENT

Date

18 July 2008

Parties

Supplier:	Beijing Troitec, a 34.41% effectively owned subsidiary of the Company; and
Purchaser:	Hafei Motor, a connected person of the Company which owns 10% of the equity interest in Hafei Jinheng.

Pursuant to the Hafei Second Supply Agreement, Beijing Troitec will manufacture and sell to Hafei Motor (or its related companies) engine management systems and related spare parts which can be installed in automobiles manufactured by Hafei Motor (or its related companies) for a term up to 31 December 2010. All orders under the Hafei Second Supply Agreement are placed to Beijing Troitec. The fees chargeable by the Group will be satisfied in cash and on terms not less favourable than those which will be charged by Beijing Troitec (if any) to other independent customers for the same or similar products. The Hafei Second Supply Agreement also provides that the price and size of the products to be supplied to Hafei Motor will be determined between Hafei Motor and the Group on an order-by-order basis and credit period of 90 days will be given after delivery.

Based on the estimated maximum orders to be placed to Beijing Troitec as indicated by Hafei Motor, the Directors estimate that the total amount of products to be sold by Beijing Troitec to Hafei Motor for the three years ending 31 December 2010 will not be more than RMB67.70 million, RMB149.70 million and RMB171.00 million respectively. No maximum orders are provided in the Hafei Second Supply Agreement although the estimated annual figures (i.e. Hafei Second Sales Caps) are mentioned.

REASONS FOR THE ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

Hafei Jinheng is formed between Jinzhou Jinheng and Hafei Motor as a joint venture on 17 September 2003 for the purposes of manufacturing automotive safety airbag systems and other automotive spare parts and provision of after sales services. To further strengthen the business relationship between Hafei Jinheng and Hafei Motor, a similar tri-parties supply contract was entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor on 16 June 2006 for a term ending on 31 December 2008 for the supply of automotive airbag systems to Hafei Motor up to a maximum value of HK$41.50 million, HK$53.40 million and HK$70.40 million for each of the three years ending 31 December 2008.

For each of the three years ended 31 December 2007, actual sales of automotive airbag systems by the Group to Hafei Motor amounted to approximately HK$25.14 million, HK$19.54 million and HK$10.63 million respectively. The sales to Hafei Motor have been disclosed in the announcement of the Company dated 16 June 2006 and the annual reports of the Company for 2007. Based on the unaudited figures for the six months ended 30 June 2008 (which is historically the slack season), actual sales of automotive airbag systems to Hafei Motor amounted to approximately HK$4.43 million.

Similarly, Jinbei Jinheng was formed between Jinzhou Jinheng, Jinbei Automotive and Shenyang Electricity Co. Limited as a joint venture on 11 December 2003 for the purposes of design, manufacturing and sales of automotive safety airbag systems and related automotive spare parts and provision of after sales services. To further strengthen the business relationship between Jinbei Jinheng and Jinbei Automotive, a similar tri-parties supply contract was entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive on 16 June 2006 for a term ending on 31 December 2008 for the supply of automotive airbag systems to Jinbei Automotive up to a maximum value of HK$43.0 million, HK$64.0 million and HK$67.0 million for each of the three years ending 31 December 2008.

For each of the two years ended 31 December 2007, actual sales of automotive safety airbag systems by the Group to Jinbei Automotive amounted to approximately HK$37.51 million and HK$60.31 million respectively. The sales to Jinbei Automotive have been disclosed in the annual reports of the Company for 2007. Based on the unaudited figures for the six months ended 30 June 2008 (which is historically the slack season), actual sales of automotive safety systems to Jinbei Automotive amounted to approximately HK$15.77 million.

As the original supply contract with Hafei Motor and the original supply contract with Jinbei Automotive, both were dated 16 June 2006, will soon expire within a few months on 31 December 2008 and it is expected that the Group will continue its business with Hafei Motor and Jinbei Automotive in the foreseeable future, the Directors consider it beneficial to enter into the Hafei Supply Agreement and the Jinbei Supply Agreement respectively to secure a stable turnover from both Hafei Motor and Jinbei Automotive. Although approval has been granted by the then Shareholders in respect of the annual caps (“Previous 2008 Caps’) for both the original supply contract with Hafei Motor and the original supply contract with Jinbei Automotive for the year ending 31 December 2008 before, the Company has decided to renew the Previous 2008 Caps in view of the coming expiry of the previous original supply agreements. The Company also considers that due to the new continuing connected transaction under the Hafei Second Supply Agreement, the duration for all the continuing connected transaction will be aligned and the same for better management and administration by the Company.

The Board noted that the actual transaction amounts for the Hafei Supply Agreement and the Jinbei Supply Agreement in the past are lower than the Hafei Sales Caps and the Jinbei Sales Caps respectively, the reason being due to the change in the economic environment and the automotive industry environment in the PRC in the past, and the marketing strategy of Hafei Motor and Jinbei Automotive, as a result of which the car production for several models has been postponed and the production orders placed to the Group were less than its budget and the sales cap applied in the past three years. However, based on the budgeted production schedules given to the Group from Hafei Motor and Jinbei Automotive, the postponed car models are expected to be launched in the second half of 2008 and the coming two years. In view of the above, the Hafei Sales Caps and the Jinbei Sales Caps are therefore determined to ensure that the expected increase in sales to Hafei Motor and Jinbei Automotive in the coming years can be covered and as such, the Hafei Sales Caps and the Jinbei Sales Caps are considered by the Directors to be fair and reasonable.

Beijing Troitec has no supply agreement entered into with Hafei Motor before. As the Group wishes deepen its business relationship with Hafei Motor, the Directors consider its beneficial to enter into the Hafei Second Supply Agreement, in addition to the Hafei Supply Agreement, to secure more turnover from Hafei Motor in view of the Group's strategic relationship with Hafei Motor.

Entering into the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement at the same time is also expected to minimize the administrative costs and to give the Shareholders a better picture of the development of the Company.

Based on the above, the Directors consider that the entering into of the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement are in the ordinary course of business of the Group and that the terms of such agreements are determined on an arm's length basis with the Hafei Motor and Jinbei Automotive respectively. Accordingly, the Directors are of the view that the terms and conditions of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Cap) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Company will comply with Rules 20.37 to 20.40 of the GEM Listing Rules in respect of the transactions contemplated under the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement, including but not limited to seeking the confirmation of the independent non-executive Directors and the review by the auditors on such continuing connected transactions annually during the continuance of the Connected Agreements.

FINANCIAL EFFECT ON THE GROUP

After the completion of the Agreements it is expected that the assets of the Group and the liabilities of the Group will materially remain unchanged, and it is expected that the earnings of the Group will increase, when compared with the financial position as at the Latest Practicable Date.

After the completion of the Connected Agreements it is expected that the assets of the Group and the liabilities of the Group will materially remain unchanged, and it is expected that the earnings of the Group will increase, when compared with the financial position as at the Latest Practicable Date.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Agreements

As the Group has entered into the Agreements with the same party, i.e. the Vendor, within a 12-month period, all the transactions contemplated under the Agreements shall be aggregated and be treated as a single transaction pursuant to Rule 19.22 of the GEM Listing Rules. After such aggregation, a discloseable transaction is constituted as the relevant percentage ratio calculated based on the aggregate figures of the Agreements exceeds 5% but below 25%.

The Connected Agreements

As Hafei Motor is interested in 10% of Hafei Jinheng which is a subsidiary of the Company, Hafei Motor is a substantial Shareholder and is regarded as a connected person of the Company within the meaning of the GEM Listing Rules. Accordingly, any continuing transactions between any members of the Group on the one part, and Hafei Motor on the other part will constitute continuing connected transactions subject to the requirements under the GEM Listing Rules. As the Hafei Sales Caps and the Hafei Second Sales Cap exceed HK$10,000,000 per annum, each of the sales of automotive safety airbag systems under the Hafei Supply Agreement and the sales of engine management systems and related spare parts under the Hafei Second Supply Agreement will constitute a non-exempt continuing connected transaction under the GEM Listing Rules. Each of the Hafei Supply Agreement (including the Hafei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Cap) is therefore subject to the reporting, announcement and the independent Shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules.

As Jinbei Automotive is interested in 14.81% of Jinbei Jinheng, and indirectly owns 16.50% of the equity interest in Jinheng Jinsida, which are both subsidiaries of the Company, Jinbei Automotive is a substantial Shareholder and is a connected person of the Company within the meaning of the GEM Listing Rules. Accordingly, any continuing transactions between any members of the Group on the one part, and Jinbei Automotive on the other part will constitute continuing connected transactions subject to the requirements under the GEM Listing Rules. As the Jinbei Sales Caps exceed HK$10,000,000 per annum, the sales of automotive safety systems under the Jinbei Supply Agreement constitute a non-exempt continuing connected transaction under the GEM Listing Rules. The Jinbei Supply Agreement including the Jinbei Sales Caps is therefore subject to the reporting, announcement and the independent Shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules.

According to Rule 20.43 of the GEM Listing Rules, where independent Shareholders' approval of a connected transaction is required, such approval shall be given by a majority vote at a general meeting of Shareholders unless (1) no Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the connected transaction; and (2) a written Shareholders' approval has been obtained from a Shareholder or closely allied group of Shareholders who (together) hold more than 50% in nominal value of the Shares giving the right to attend and vote at that general meeting to approve the connected transaction, in which case a written Shareholders' approval may be accepted in lieu of holding a general meeting. In this regard, the Stock Exchange may, under Rule 20.43 of the GEM Listing Rules, consider waiving the requirement to hold a Shareholders' meeting and permitting Shareholders' approval to be given in writing in the circumstances set out in Rule 20.43 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as Jinbei Automotive and Hafei Motor, their respective ultimate beneficial owners and their respective associates do not hold any Shares, no Shareholders have a material interest in the transaction contemplated under the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) such that no Shareholders are required to abstain from voting on the relevant resolutions to approve relevant transactions and the respective annual caps if the Company were to convene a general meeting to approve the above transactions. Given further that the Company has obtained a written approval from Applaud Group, the controlling Shareholder holding 228,620,000 Shares as at the date hereof, representing 51.60% of the issued Shares in respect of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps), the Company has made an application to the Stock Exchange for a waiver from the requirement to convene a general meeting to the Company pursuant to Rule 20.43 of the GEM Listing Rules. The Stock Exchange has granted such a waiver to the Company.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Connected Agreements and the transactions contemplated thereunder. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular. The Independent Board Committee, having taken into account the advice of Nuada, the text of which is set out on pages 17 to 27 of this circular, considers that the each of the Connected Agreements is entered into upon normal commercial terms following arm's length negotiations between the relevant parties to the Connected Agreements and that the terms of each of the Connected Agreements and the transaction contemplated thereunder 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. If a general meeting of the Company were convened for approval of each of the Connected Agreements and the transactions contemplated thereunder, Shareholders are advised to vote in favour of such resolution after taking into account the recommendation of Nuada.

Taking into consideration of the reason set out in the paragraphs headed "Reason for entering into the continuing connected transactions" above and the recommendations of the Independent Board Committee and Nuada, the Directors (including independent non-executive Directors) consider that each of the Connected Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FURTHER INFORMATION

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

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

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)

4 August 2008

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 4 August 2008 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 each of the Connected Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the Connected Agreements, and to recommend how the Independent Shareholders should vote if a general meeting were convened to approve the Connected Agreements. Nuada 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 15 of the Circular, and the letter from Nuada to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Connected Agreements, as set out on pages 17 to 27 of the Circular.

Having taken into account of the advice of Nuada, we consider that each of the Connected Agreements is entered into upon normal commercial terms following arm's length negotiations between the relevant parties to the Connected Agreements, and that the terms of the Connected Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and entering into Connected Agreements is in the interests of the Company and the Shareholders as a whole. If a general meeting of the Company were convened for approval each of the Connected Agreements and the transactions contemplated thereunder, Shareholders are advised to vote in favour of such resolution after taking into accounts the recommendation of Nuada.

Yours faithfully,
the Independent Board Committee

Chan Wai Dune	**Huang Shilin**	**Zhu Tong**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular:

Nuada Limited
Corporate Finance Advisory

7th Floor, New York House
60 Connaught Road Central
Hong Kong

4 August 2008

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and Hafei Second Supply Agreement (including the Hafei Second Sales Caps), details of which have been set out in the letter from the board (the "Board's Letter") in the circular to the Shareholders dated 4 August 2008 (the "Circular"), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

The Company announced on 18 July 2008 that the Group entered into the Hafei Supply Agreement with Hafei Motor, pursuant to which, Jinzhou Jinheng and Hafei Jinheng will manufacture and sell to Hafei Motor automotive safety airbag systems which can be installed in automobiles manufactured by Hafei Motor for a term up to 31 December 2010. As Hafei Motor is interested in 10% of Hafei Jinheng, Hafei Motor is a connected person under the GEM Listing Rules. As the Hafei Sales Caps exceeds HK$10,000,000 per annum, the Hafei Supply Agreement constitutes a non-exempt continuing connected transaction under the GEM Listing Rules. The Hafei Supply Agreement (including the Hafei Sales Caps) is therefore subject to reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 20.35 of the GEM Listing Rules.

The Company further announced on 18 July 2008 that the Group entered into the Jinbei Supply Agreement with Jinbei Automotive, pursuant to which, Jinzhou Jinheng and Jinbei Jinheng will manufacture and sell to Jinbei Automotive (or its related companies) automotive safety systems which can be installed in automobiles manufactured by Jinbei Automotive (or its related companies) for a term up to 31 December 2010. As Jinbei Automotive is interested in 14.81% of Jinbei Jinheng, and indirectly owns 16.50% of the equity interest in Jinheng Jinsida, Jinbei Automotive is a substantial Shareholder and is a connected person of the Company under the GEM Listing Rules. As the Jinbei Sales Caps exceeds HK$10,000,000 per annum, the Jinbei Supply Agreement constitutes a non-exempt continuing connected transaction under the GEM Listing Rules. The Jinbei Supply Agreement (including the Jinbei Sales Caps) is therefore subject to reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 20.35 of the GEM Listing Rules.

The Company further announced on 18 July 2008 that the Group entered into the Hafei Second Supply Agreement with Hafei Motor, pursuant to which, Beijing Troitec will manufacture and sell to Hafei Motor (or its related companies) engine management systems and related spare parts which can be installed in automobiles manufactured by Hafei Motor (or its related companies) for a term up to 31 December 2010. As Hafei Motor is a connected person under the GEM Listing Rules and the Hafei Sales Caps exceeds HK$10,000,000 per annum, the Hafei Second Supply Agreement constitutes a non-exempt continuing connected transaction under the GEM Listing Rules. The Hafei Second Supply Agreement (including the Hafei Second Sales Caps) is therefore subject to reporting, announcement and Independent Shareholders' approval requirement pursuant to Rule 20.35 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Hafei Motor and Jinbei Automotive and their respective ultimate beneficial owners and their respective associates do not hold any Shares, no Shareholders have a material interest in the transaction contemplated under the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) such that no Shareholder is required to abstain from voting on the relevant resolutions to approve the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) if the Company were to convene a general meeting to approve the above transactions. Given further that the Company has obtained a written approval from Applaud Group, the controlling Shareholder which hold 51.6% of the issued shares capital of the Company, in respect of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps), the Company has made an application pursuant to Rule 20.43 of the GEM Listing Rules to the Stock Exchange for a waiver and the Stock Exchange has granted of such waiver, in lieu of convening a general meeting of the Company to approve the terms of, and the transactions contemplated under, each of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps).

An Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) are in the interests of the Company and the Shareholders as a whole and whether their respective terms are fair and reasonable. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) are interests of the Company and the Shareholders as a whole and whether their respective terms are fair and reasonable.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be made the date hereof.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to reach an informed view, and to justify our reliance on the accuracy of the information contained in the Circular and to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business, affairs and prospects of the Group and the parties involved in the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement or the prospects of the markets in which they respectively operate.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

THE HAFEI SUPPLY AGREEMENT

In formulating our opinion regarding the Hafei Supply Agreement, we have taken into consideration the following principal factors:

Background and reasons for entering into the Hafei Supply Agreement

The Company is an investment holding company and its subsidiaries are principally engaged in design, research and development, manufacture and sale of automotive safety systems and other automotive electronic parts. The major product of the Group includes safety airbag systems used in automobiles. The Group has been supplying automotive safety airbag systems for installing in automobiles manufactured by Hafei Motor. The first contract of the supply of automotive airbag systems by Jinzhou Jinheng and Hafei Jinheng to Hafei Motor commenced in 2004. Such first contract was renewed by the supply agreement dated 16 June 2006 for a term ending on 31 December 2008 (the "Existing Hafei Supply Agreement").

As the Existing Hafei Supply Agreement will be expire on 31 December 2008 and it is expected that the Group will continue its business with Hafei Motor in the foreseeable future, the Directors consider that it is beneficial to enter into the Hafei Supply Agreement to renew the Existing Hafei Supply Agreement to secure a stable turnover from Hafei Motor for a term up to 31 December 2010. All orders under the Hafei Supply Agreement are placed to Hafei Jinheng. The Directors also consider that the entering into of the Hafei Supply Agreement is in the ordinary course of business of the Group and the terms of Hafei Supply Agreement are determined on an arm's length basis with Hafei Motor.

Given (i) the sale of automotive safety airbag systems is the principal business of the Group; (ii) the automotive safety airbag systems are major products of the Group; (iii) Hafei Motor has been purchasing automotive safety airbag systems from Hafei Jinheng since 2004; and (iv) the Hafei Supply Agreement would continue to enhance the business relationship with and to secure turnover from Hafei Motor, we consider that the entering into of the Hafei Supply Agreement is in line with the Group's business and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Hafei Supply Agreement

Pursuant to the Hafei Supply Agreement, Jinzhou Jinheng and Hafei Jinheng will manufacture and sell to Hafei Motor automotive safety airbag systems which can be installed in automobiles manufactured by Hafei Motor. The fees and payment terms chargeable by the Group will not be less favourable than those which will be charged by Jinzhou Jinheng or Hafei Jinheng (if any) to other independent customers for the same or similar products. The Hafei Supply Agreement also provides that the price and size of the products to be supplied to Hafei Motor will be determined between Hafei Motor and the Group in an order-by-order basis and credit period of 90 days will be given after delivery.

Under the Existing Hafei Supply Agreement, the Group has been supplying automotive safety airbag systems to Hafei Motor. As disclosed in the annual report, the independent non-executive Directors had reviewed and confirmed that the continuing connected transactions under the Existing Hafei Supply Agreement (i) is in the ordinary and usual course of business of the Group; (ii) is either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to independent third parties; and (iii) is in accordance with the Existing Hafei Supply Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole in accordance with the Rule 20.37 of the GEM Listing Rule. For reference purpose, we have compared the actual prices for similar products offered by the Group to Hafei Motor and that to other independent customers for the year 2007. We note that the actual unit sale price for similar products offered by the Group to Hafei Motor was comparable to that offered to other independent customers.

We consider the term as stipulated in the Hafei Supply Agreement that the fees chargeable by the Group will not be less favourable than those which will be charged by Jinzhou Jinheng or Hafei Jinheng (if any) to other independent customers for the same or similar products, the price and size of each purchase order is determined between parties in order-by-order basis and the granting of the credit period of 90 days to Hafei Motor which is in normal trading terms within the Group to other independent customers are fair and reasonable so far as the Company and the Independent Shareholders are concerned, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Hafei Sales Caps

As stated in the Board's Letter, the Hafei Sales Caps contemplated under the Hafei Supply Agreement for each of the three years ending 31 December 2010 will not be more than RMB61.95 million, RMB66.00 million and RMB70.40 million respectively. The Hafei Sales Caps is determined based on (i) the historical sales of approximately HK$25.14 million, HK$19.54 million and HK$10.63 million to Hafei Motor of automotive safety airbag systems by Jinzhou Jinheng, representing approximately 17.50%, approximately 7.70% and approximately 2.50% of the overall sales of automotive safety airbag systems by Jinzhou Jinheng and Hafei Jinheng for each of the three financial years ended 31

December 2007 respectively; (ii) the estimated increase in joint development of safety airbag systems for new models of the automobile between Hafei Motor and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Hafei Motor, to be installed with airbag systems jointly developed by Hafei Motor and Jinzhou Jinheng; and (iv) the estimated maximum orders of safety airbag systems to be placed to Hafei Jinheng as indicated by Hafei Motor.

According to the Existing Hafei Supply Agreement, the maximum annual sales caps for the sale of automotive safety airbag systems by the Group to Hafei Motor under the Existing Hafei Supply Agreement was HK$41.5 million (equivalent to approximately RMB43.16), HK$53.4 million (equivalent to approximately RMB55.54) and HK$70.4 million (equivalent to approximately RMB73.2) *(for reference only, the conversion of RMB into HK$ is based upon when the Existing Hafei Supply Agreement was entered: HK$1 to RMB1.04)* for each of the three years ending 31 December 2008 (the "Previous Hafei Sales Cap"). It is noted that for each of the three years ended 31 December 2007, the actual sales of automotive safety airbag systems to Hafei Motor amounted to approximately HK$25.1 million, HK$19.54 million and HK$10.63 million respectively. Based on the unaudited figures for the six months ended 30 June 2008 (which is historically the slack season according to the Board with reference to the historical sales amount in the first six months compared to the annual turnover of the Group for the last three years), the actual sales of automotive safety airbag systems to Hafei Motor amounted to approximately HK$4.43 million.

As mentioned in the Board's Letter, the actual sales of automotive safety airbag systems to Hafei Motor for the two years ended 31 December 2007 and for the six months ended 30 June 2008 are lower than the Previous Hafei Sales Caps, it was due to the change in the economic environment and the automotive industry environment in the PRC in the past, and the marketing strategy of Hafei Motor, as a result of which the car production for several models has been postponed and the production orders placed to the Group were less than its budget and the sales cap in the past three years. In this regard, we have reviewed the budgeted production schedules which includes the average unit price of the safety airbag systems and the quantity to be purchased given to the Group from Hafei Motor. The number of safety airbag systems to be required by Hafei Motor which taking into consideration of launching of the new car models of Hafei Motor in the second half of 2008 and the coming two years. We concur with the view of Directors that the Hafei Sales Caps which are determined to ensure that the expected increase in sales to Hafei Motor in the coming years can be covered are fair and reasonable.

As indicated in the annual report of the Company as at 31 December 2007 (the "2007 Annual Report") and the first quarterly report of the Company as at 31 March 2008, over 90% of the Company's products were sold to the PRC customers of the Group. According to the National Bureau of Statistics of China, the total number of automobile owned per 100 urban households in China increased from approximately 0.34 units in year 1999 to approximately 3.37 units in 2005. It has recorded a growth of double-digit percentage in the past seven years (i.e. 1999-2005). Furthermore, as compared to the United States of America, a developed country of the world, it recorded 1.90 units of automobile owned by each of the household in 2001 (being the latest information released by Bureau of Transportation Statistics) according to the Transportation Statistics Annual Report December 2006 issued by the United States Department of Transportation. By making above the comparison between China, a developing county, and United States of America, a developed country, the sales in terms of unit of automobile in China will continue to grow in future in line with China's rapid economic growth.

Taking into account (a) the actual sales of automotive safety airbag systems by the Group to Hafei Motor for the three years ended 31 December 2007; (b) the potential growth of the automobile industry in China; (c) the purpose of entering into the Hafei Supply Agreement is to renew the Existing Hafei Supply Agreement and to secure turnover from Hafei Motor; and (d) the fees chargeable by the Group to Hafei Motor will not be less favourable than those which will be charged by Jinzhou Jinheng or Hafei Jinheng (if any) to other independent customers for the same or similar products, we consider that the Hafei Sales Caps, which is determined based on (i) the historical sales of automotive safety airbag systems to Hafei Motor by the Group for the three years ended 31 December 2007; (ii) the estimated increase in joint development of safety airbag systems for new models of automobiles between Hafei Motor and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Hafei Motor, to be installed with airbag systems jointly developed by Hafei Motor and Jinzhou Jinheng; and (iv) the estimated maximum orders of safety airbag systems to be placed to Hafei Jinheng as indicated by Hafei Motor, is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

THE JINBEI SUPPLY AGREEMENT

In formulating our opinion regarding the Jinbei Supply Agreement, we have taken into consideration the following principal factors:

Background and reasons for entering into the Jinbei Supply Agreement

The Jinbei Supply Agreement was entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive, pursuant to which, Jinzhou Jinheng and Jinbei Jinheng will manufacture and sell to Jinbei Automotive (or its related companies) automotive safety systems which can be installed in automobiles manufactured by Jinbei Automotive (or its related companies) for a term up to 31 December 2010. Jinbei Jinheng was formed between Jinzhou Jinheng, Jinbei Automotive and Shenyang Electricity Co. Limited as a joint venture in December 2003 for the purposed of design, manufacture and sale of automotive safety airbag systems and related automotive spare parts and provision of after sales services. The first contract of the supply of automotive airbag systems by Jinzhou Jinheng and Jinbei Jinheng to Jinbei Automotive commenced in 16 June 2006 for a term ending on 31 December 2008 (the "Existing Jinbei Supply Contract").

As the Existing Jinbei Supply Agreement will be expire on 31 December 2008 and it is expected that the Group will continue its business with Jinbei Automotive in the foreseeable future, the Directors consider that it is beneficial to enter into the Jinbei Supply Agreement to renew the Existing Jinbei Supply Agreement to secure a stable turnover from Jinbei Automotive in view of the Group's strategy relationship with Jinbei Automotive through Jinbei Jinheng which was formed for such purposes. All orders under the Jinbei Supply Agreement are placed to Jinbei Jinheng. The Directors also consider that the entering into of the Jinbei Supply Agreement is in the ordinary course of business of the Group and the terms of Jinbei Supply Agreement are determined on an arm's length basis with Jinbei Automotive.

Given (i) the sale of automotive safety airbag systems is the principal business of the Group; (ii) the automotive safety airbag systems are major products of the Group; and (iii) the Jinbei Supply Agreement would continue to enhance the business relationship with and to secure turnover from Jinbei Automotive, we consider that the entering into of the Jinbei Supply Agreement is in line with the Group's business and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Jinbei Supply Agreement

Pursuant to the Jinbei Supply Agreement, Jinzhou Jinheng and Jinbei Jinheng will manufacture and sell to Jinbei Automotive (or its related companies) automotive safety systems which can be installed in automobiles manufactured by Jinbei Automotive. The fees and payment terms chargeable by the Group will not be less favourable than those which will be charged by Jinzhou Jinheng or Jinbei Jinheng (if any) to other independent customers for the same or similar products. The Jinbei Supply Agreement also provides that the price and size of the products to be supplied to Jinbei Automotive will be determined between Jinbei Automotive and the Group in an order-by-order basis and credit period of 90 days will be given after delivery.

Under the Existing Jinbei Supply Agreement, the Group has been supplying automotive safety airbag systems to Jinbei Automotive. As disclosed in the annual report, the independent non-executive Directors had reviewed and confirmed that the continuing connected transactions under the Existing Jinbei Supply Agreement (i) is in the ordinary and usual course of business of the Group; (ii) is either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to independent third parties; and (iii) is in accordance with the Existing Jinbei Supply Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole in accordance with the Rule 20.37 of the GEM Listing Rule. For reference purpose, we have compared the actual prices for similar products offered by the Group to Jinbei Automotive and that to other independent customers for the year ended 31 December 2007. We note that the actual unit sale price for similar products to be offered by the Group to Jinbei Automotive was comparable to that offered to other independent customers.

We consider the term as stipulated in the Jinbei Supply Agreement that the fees chargeable by the Group will not be less favourable than those which will be charged by Jinzhou Jinheng or Jinbei Jinheng (if any) to other independent customers for the same or similar products, the price and size of each purchase order is determined between parties in order-by-order basis and the granting of the credit period of 90 days to Jinbei Automotive which is in normal trading terms within the Group to other independent customers are fair and reasonable so far as the Company and the Independent Shareholders are concerned, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Jinbei Sales Caps

As stated in the Board's Letter, the Jinbei Sales Caps contemplated under the Jinbei Supply Agreement for each of the three years ending 31 December 2010 will not be more than RMB102.00 million, RMB218.30 million and RMB220.00 million respectively. As stated in the Board's Letter, the Jinbei Sales Caps is determined based on (i) the historical sales of approximately HK$37.51 million and HK$60.31 million to Jinbei Automotive of automotive safety systems by Jinbei Jinheng, representing approximately 13.30% and approximately 12.40% of the overall sales of automotive safety airbag systems by Jinzhou Jinheng and Jinbei Jinheng for each of the two financial years ended 31 December 2007 respectively; (ii) the estimated increase in joint development of safety systems for new models of the automobile between Jinbei Automotive and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Jinbei Automotive, to be installed with safety systems jointly developed by Jinbei Automotive and Jinzhou Jinheng; and (iv) the estimated maximum orders of safety systems to be placed to Jinbei Jinheng as indicated by Jinbei Automotive.

According to the Existing Jinbei Supply Agreement, the maximum annual sales caps for the sale of automotive airbag systems by the Group to Jinbei Automotive under the Existing Jinbei Supply Agreement was HK$43.0 million (equivalent to approximately RMB44.72), HK$64.0 million (equivalent to approximately RMB66.56) and HK$67.0 million (equivalent to approximately RMB69.68) *(for reference only, the conversion of RMB into HK$ is based upon when the Existing Jinbei Supply Agreement was entered: HK$1 to RMB1.04)* for each of the three years ending 31 December 2008 (the "Previous Jinbei Sales Caps"). It is noted that for each of the two years ended 31 December 2007, the actual sales of automotive safety systems to Jinbei Automotive amounted to approximately HK$37.51 million and HK$60.31 million respectively. Based on the unaudited figures for the six months ended 30 June 2008 (which is historically the slack season according to the Board with reference to the historical sales amount in the first six months compared to the annual turnover of the Group for the last three years), the actual sales of automotive safety systems to Jinbei Automotive amounted to approximately HK$15.77 million.

As mentioned in the Board's Letter, the actual sales of automotive safety systems to Jinbei Automotive for the two years ended 31 December 2007 and for the six months ended 30 June 2008 are lower than the Previous Jinbei Sales Caps, it was due to the change in the economic environment and the automotive industry environment in the PRC in the past, and the marketing strategy of Jinbei Automotive, as a result of which the car production for several models has been postponed and the production orders placed to the Group were less than its budget and the sales cap in the past three years. In this regard, we have reviewed the budgeted production schedules which includes the average unit price of the safety airbag systems and the quantity to be purchased given to the Group from Jinbei Automotive. The number of safety systems to be required by Jinbei Automotive which taking into consideration of launching of the new car models of Jinbei Automotive in the second half of 2008 and the coming two years. We concur with the view of Directors that the Jinbei Sales Caps which are determined to ensure that the expected increase in sales to Jinbei Automotive in the coming years can be covered are fair and reasonable.

Taking into account (a) the actual sales of automotive safety systems by the Group to Jinbei Automotive for the two years ended 31 December 2007; (b) the potential growth of the automobile industry in China as mentioned above; (c) the purpose of entering into the Jinbei Supply Agreement is to renew the Existing Jinbei Supply Agreement and to secure stable turnover from Jinbei Automotive; and (d) the fees chargeable by the Group will not be less favourable than those which will be charged by Jinzhou Jinheng or Jinbei Jinheng (if any) to other independent customers for the same or similar products, we consider that the Jinbei Sales Caps, which is determined based on (i) the historical sales of automotive safety systems to Jinbei Automotive by the Group for the two years ended 31 December 2007; (ii) the estimated increase in joint development of safety systems for new models of automobiles between Jinbei Automotive and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Jinbei Automotive, to be installed with safety systems jointly developed by Jinbei Automotive and Jinzhou Jinheng; and (iv) the estimated maximum orders of safety systems to be placed to Jinbei Jinheng as indicated by Jinbei Automotive, is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

THE HAFEI SECOND SUPPLY AGREEMENT

In formulating our opinion regarding the Hafei Second Supply Agreement, we have taken into consideration the following principal factors:

Background and reasons for entering into the Hafei Second Supply Agreement

The Hafei Second Supply Agreement was entered into between Beijing Troitec and Hafei Motor, pursuant to which, Beijing Troitec will manufacture and sell to Hafei Motor (or its related companies) engine management systems and related spare parts which can be installed in automobiles manufactured by Hafei Motor (or its related companies) for a term up to 31 December 2010. Beijing Troitec was established on 5 August 2004. It became a sino-foreign equity joint venture company and an indirectly subsidiary owned as 34.41% by the Company. Engine management system is the major product of Beijing Troitec. As stated in the 2007 Annual Report, Beijing Troitec has entered into engine management system development agreements for more than 20 automobile models.

By entering into the Hafei Second Supply Agreement together with the Hafei Supply Agreement, it is expected that, the Group will further deepen the business relationship with Hafei Motor in the foreseeable future, the Directors consider that it is beneficial to enter into the Hafei Second Supply Agreement to secure a stable turnover from Hafei Motor for a term up to 31 December 2010. All orders under the Hafei Second Supply Agreement are placed to Beijing Troitec. The Directors also consider that the entering into of the Hafei Supply Agreement is in the ordinary course of business of the Group and the terms of Hafei Supply Agreement are determined on an arm's length basis with Hafei Motor. The fees and payment terms chargeable by the Group will not be less favourable than those which will be charged by Beijing Troitec (if any) to other independent customers for the same or similar products. According to the Board, Hafei Motor is not the sole customer of Beijing Troitec in respect of the sales of engine management systems by Beijing Troitec.

Given the Hafei Second Supply Agreement would further strengthen the business relationship with Hafei Motor and to secure turnover from Hafei Motor, we consider that the entering into of the Hafei Second Supply Agreement is in line with the Group's business and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Hafei Second Supply Agreement

Pursuant to the Hafei Second Supply Agreement, Beijing Troitec will manufacture and sell to Hafei Motor (or its related companies) engine management systems and related spare parts which can be installed in automobiles manufactured by Hafei Motor (or its related companies) for a term up to 31 December 2010. The fees and payment terms chargeable by the Group will not be less favourable than those which will be charged by Beijing Troitec (if any) to other independent customers for the same or similar products. The Hafei Second Supply Agreement also provides that the price and size of the products to be supplied to Hafei Motor will be determined between Hafei Motor and the Group in an order-by-order basis and credit period of 90 days will be given after delivery.

We consider the term as stipulated in the Hafei Second Supply Agreement that the fees chargeable by the Group will not be less favourable than those which will be charged by Beijing Troitec (if any) to other independent customers for the same or similar products, the price and size of each purchase order is determined between parties in order-by-order basis and the granting of the credit period of 90 days to Hafei Motor which is in normal trading terms within the Group to other independent customers are fair and reasonable so far as the Company and the Independent Shareholders are concerned, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The Hafei Second Sales Caps

As stated in the Board's Letter, the Hafei Second Sales Caps contemplated under the Hafei Second Supply Agreement for each of the three years ending 31 December 2010 will not be more than RMB67.7 million, RMB149.70 million and RMB171.00 million respectively. As stated in the Board's Letter, the Hafei Second Sales Caps is determined based on the estimated maximum orders of engine management systems and related spare parts to be placed to Beijing Troitec as indicated by Hafei Motor.

We have reviewed the budgeted production schedules which includes the average unit price of the engine management systems and related spare parts and the quantity to be purchased given to the Group from Hafei Motor. The number of engine management systems and related spare parts to be required by Hafei Motor which taking into consideration of their production plan for the second half of 2008 and the coming two years. We concur with the view of Directors that the Hafei Second Sales Caps which are determined to deepen its business relationship with Hafei Motor and to secure more turnover from Hafei Motor in view of the Group's strategic relationship with Hafei Motor are fair and reasonable.

As mentioned above, the automobile industry in China will continue to grow in future in line with China's rapid economic growth. According to China Association of Automobile Manufacturers, the total production volume of automobiles in the PRC reached approximately 8.88 million vehicles in 2007, approximately 7.28 million vehicles in 2006 and approximately 5.92 million in year 2005. For the first half of year 2008, the total production volume of automobiles in China reached approximately 5.00 million vehicles. China became the third largest automobiles manufacturer in the world following Japan and United States of America in 2007 according to China Associates of Automobile Manufacturers.

Taking into account (a) the substantial increase in automobile manufacturing industry in the past few years and the potential growth of the automobile industry in China; (b) the purpose of entering into the Hafei Second Supply Agreement is to further strengthen and to secure stable turnover from Hafei Motor; (c) the number of the engine management systems and related spare parts to be required by the Hafei Motor based on the budgeted production schedule as indicated by Hafei Motor; and (d) the fees and payment terms chargeable by the Group will not be less favourable than those which will be charged by Beijing Troitec (if any) to other independent customers for the same or similar products, we consider that the Hafei Second Sales Caps, which is determined based on the estimated maximum orders of engine management systems and related spare parts to be placed to Beijing Troitec as indicated by Hafei Motor, is fair and reasonable, and is 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 entering into of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) are in the interests of the Company and the Shareholders as a whole, on normal commercial terms, in the ordinary course of business of the Group and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. As such, we advise the Independent Shareholder and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) if a general meeting were to convene.

Independent Shareholders should, however, note that the Company has made an application pursuant to Rule 20.43 of the GEM Listing Rules to the Stock Exchange for a waiver and the Stock Exchange has granted of such waiver in lieu of convening a general meeting of the Company to approve the terms of, and the transactions contemplated under, each of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps).

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
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)*	228,620,000 *(Note 1)*	51.60% *(Note 1)*
	Beneficial owner	2,600,000	0.59%
Xing Zhanwu	Interest of a controlled corporation *(Note 1)*	228,620,000 *(Note 1)*	51.60% *(Note 1)*
	Beneficial owner	8,420,000	1.90%
Li Hong	Interest of a controlled corporation *(Note 1)*	228,620,000 *(Note 1)*	51.60% *(Note 1)*

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Yang Donglin	Interest of a controlled corporation *(Note 1)*	228,620,000 *(Note 1)*	51.60% *(Note 1)*
Zhao Qingjie	Interest of a controlled corporation *(Note 1)*	228,620,000 *(Note 1)*	51.60% *(Note 1)*
	Beneficial owner	4,280,000	0.97%
Foo Tin Chung, Victor	Beneficial owner	800,000	0.18%

Note:

1. The following Directors held an indirect interest in the Company through their interests in Applaud Group Limited ("Applaud Group") which held 228,620,000 Shares, approximately 51.60% 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	10,000	100

(ii) Long positions in underlying Shares of equity derivatives

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

Name of Director	Capacity	No. of options outstanding	Date granted	Period during which options exercisable	Exercise price per Share
Xing Zhanwu	Beneficial Owner	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK$1.60
Foo Tin Chung, Victor	Beneficial Owner	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK$1.60
Zeng Qingdong	Beneficial Owner	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK$1.60
Li Hong	Beneficial Owner	4,000,000	23 August 2007	23 August 2007 to 22 August 2012	HK$1.60
Chan Wai Dune	Beneficial Owner	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 and the chief executive of the Company, 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 expected to be 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	Position	Number of shares held	Approximate percentage of shareholding/equity interest in a member of the Group/an associated corporation of the Company
Applaud Group Limited	Beneficial owner	Long	228,620,000 Shares	51.60%
Hafei Motor *(Note 1)*	Beneficial shareholder of a member of the Group	Long	RMB1.3 million out of RMB13.0 million registered capital	10%
Shenyang Electricity Co., Limited *(Note 2)*	Beneficial shareholder of a member of the Group	Long	RMB6.0 million out of RMB27.0 million registered capital	22.22%
Jinbei Automotive *(Note 3)*	Beneficial shareholder of a member of the Group	Long	RMB4.0 million out of RMB27.0 million registered capital	14.81%
瀋陽金思達汽車零部件有限公司 (Shenyang Jinsida Auto Parts Co., Limited*) *(Note 4)*	Beneficial shareholder of a member of the Group	Long	HK$9.0 million out of HK$30.0 million registered capital	30%
山西泰富精密機電技術有限公司 (Shanxi Tai Fu Jing Mi Ji Dian Technology Limited*) *(Note 5)*	Beneficial shareholder of a member of the Group	Long	HK$4.5 million out of HK$30.0 million registered capital	15%
Freemind Technology Limited *(Note 6)*	Beneficial shareholder of a member of the Group	Long	488 shares in Honest Bright Group Limited	48.8%
Taiyuan Aero-Instruments Co., Ltd. *(Note 7)*	Beneficial shareholder of a member of the Group	Long	RMB8.02 million out of RMB20.04 million registered capital	40%
煙台萬利達實業發展總公司 (YanTai Wan Li Da Shi Ye Development Compnay*) *(Note 8)*	Beneficial shareholder of an associated corporation of the Company	Long	RMB16.0 million out of RMB40.0 million registered capital	40%

Name of shareholder	Capacity	Position	Number of shares held	Approximate percentage of shareholding/equity interest in a member of the Group/an associated corporation of the Company
Mr Li Sheng Zhou *(Note 9)*	Beneficial shareholder of a member of the Group	Long	RMB0.12 million out of RMB1.0 million registered capital	12%
Mr Chen Wan Ping *(Note 9)*	Beneficial shareholder of a member of the Group	Long	RMB0.12 million out of RMB1.0 million registered capital	12%
Ms Liu Zhi Li *(Note 9)*	Beneficial shareholder of a member of the Group	Long	RMB0.12 million out of RMB1.0 million registered capital	12%
Ms Yao Zhi Jie *(Note 9)*	Beneficial shareholder of a member of the Group	Long	RMB0.12 million out of RMB1.0 million registered capital	12%
Value Partners Limited *(Note 10)*	Investment manager	Long	51,111,111 (underlying Shares)	11.53%
Value Partners Group Limited *(Note 10)*	Interests of controlled corporation	Long	51,111,111 (underlying Shares)	11.53%
Cheah Capital Management Limited *(Note 10)*	Interests of controlled corporation	Long	51,111,111 (underlying Shares)	11.53%
Cheah Company Limited *(Note 10)*	Interests of controlled corporation	Long	51,111,111 (underlying Shares)	11.53%
Hang Seng Bank Trustee International Limited *(Note 10)*	Trustee	Long	51,111,111 (underlying Shares)	11.53%
Mr. Cheah Cheng Hye *(Note 10)*	Founder of discretionary trust	Long	51,111,111 (underlying Shares)	11.53%
Ms. To Hau Yin *(Note 10)*	Spouse of Mr Cheah Cheng Hye	Long	51,111,111 (underlying Shares)	11.53%
Sagemore Assets Limited *(Note 11)*	Beneficial owner	Long	27,777,778 (underlying Shares)	6.27%
CDS International Limited *(Note 11)*	Interests of controlled corporation	Long	27,777,778 (underlying Shares)	6.27%
TNS Services Limited *(Note 11)*	Nominee of beneficial owner	Long	27,777,778 (underlying Shares)	6.27%
Orchid Asia Iv, LP *(Note 12)*	Beneficial owner of a member of the Group	Long	3,755,419 shares in Shing Bright Holdings Limited	32.46%

Notes:

1. Hafei Motor, a joint venture company established in the PRC with limited liability, holds 10% equity interest (i.e. RMB1.3 million out of RMB13.0 million registered capital) in Hafei Jinheng.

2. Shenyang Electricity Co., Limited, a state-owned enterprise established in the PRC with limited liability, holds 22.22% equity interest (i.e. RMB6.0 million out of RMB27.0 million registered capital) in Jinbei Jinheng.

3. Jinbei Automotive, an enterprise joint venture company established in the PRC with limited liability, the securities of which are listed on the Shanghai Stock Exchange, holds 14.81% (i.e. RMB4.0 million out of RMB27.0 million registered capital) equity interest in Jinbei Jinheng.

4. 瀋陽金思達汽車零部件有限公司 (Shenyang Jinsida Auto Parts Co., Limited*), a company established in the PRC with limited liability which is owned as to 55% by Jinbei Automotive and 45% by Shenyang Electricity Co., Limited, holds 30% equity interest (i.e. HK$9.0 million out of HK$30.0 million registered capital) in Shenyang Jinheng Jinsida Automotive Electronic Co., Ltd.

5. 山西泰富精密機電技術有限公司(Shanxi Tai Fu Jing Mi Ji Dian Technology Limited*), a company established in the PRC with limited liability, holds 15% equity interest (i.e. HK$4.5 million out of HK$30.0 million registered capital) in Shenyang Jinheng Jinsida Automotive Electronic Co., Ltd

6. Freemind Technology Limited holds 488 shares in Honest Bright Group Limited

7. Taiyuan Aero-Instruments Co., Ltd., a state-owned enterprise established in the PRC with limited liability, holds 40% equity interest (i.e. RMB8.02 million out of RMB20.04 million registered capital) in Shanxi Winner Auto-Parts Co. Limited.

8. 煙台萬利達實業發展總公司, (YanTai Wan Li Da Shi Ye Development Compnay*) a state-owned enterprise established in the PRC with limited liability, holds 40% equity interest (i.e. RMB16.0 million out of RMB40.0 million registered capital) in YanTai Vast Co., Limited.

9. Mr Li Sheng Zhou, Mr Chen Wan Ping, Ms Liu Zhi Li and Ms YaoZhi Jie each holds 12% (i.e. RMB0.12 million out of RMB1.0 million registered capital)equity interest in Tianjian Zhuo Yuan Electrical Technology Limited.

10. 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.

11. 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.

12. Orchid Asia IV, LP holds 32.46% of the entire issued share capital of Shiny Bright Holdings Limited, a non wholly-owned subsidiary of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company 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 were expected to be 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

Mr. Li Feng leased an office in Beijing, PRC to Jinzhou Jinheng Automotive Safety Technology Co., Limited, an indirect wholly-owned subsidiary of the Company, with an annual lease fee of RMB696,000 from 2 March 2008 to 1 March 2009. Furthermore, Mr. Li Feng also leased an office in Beijing, PRC to Beijing Troitec with an annual lease fee of RMB39,120 from 1 February 2007 to 31 January 2009.

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 2007, being the date to which the latest published audited financial statements of the Company were made up.

Save as disclosed above, 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 during the three years period from 9 December 2004. Each of these executive Directors is entitled to a basic salary as follows:

Name of Director	Annual salary *(HK$)*
Li Feng	840,000 (which was revised since 1 January 2008)
Zhao Qingjie	600,000 (which was revised since 1 January 2008)
Xing Zhanwu	840,000 (which was revised since 1 January 2008)
Yang Donglin	210,000 (which was revised since 1 January 2008)
Foo Tin Chung, Victor	741,000 (which was revised since 1 January 2008)

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 2007, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERT

Nuada 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 advice and reports (as the case may be), which are contained in this circular:

Name	Qualification
Nuada 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, Nuada 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 subscribe 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 2007), 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 at 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. Mr Chan is a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants and the Taxation Institute of Hong Kong. Mr. Chan has been a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. He is currently a member of the Chinese People's Political Consultative Conference of the Guangzhou Municipal Committee and a member of the Executive Council of China Overseas Friendship Association. Mr. Chan is currently the managing director of CCIF CPA Limited. Mr. Chan currently also serves as an independent non-executive director of the Company, Chuang's China Investments Limited, Chuang's Consortium International Limited, Welling Holding Limited, Hunan Nonferrous Metals Corporation Limited, Minmetals Resources Limited, Sam Woo Holdings Limited and Chaoyue Group Limited, all are listed on the Stock Exchange. In the past three years, Mr. Chan has held, at different times, directorships at EVA Precision Industrial Holdings Limited, IIN International Limited, Zhongda International Holdings Limited, Mexan Limited and Sino Union Petroleum & Chemical International Limited, and as of the Latest Practicable Date, he has resigned from all these companies. Mr. Chan was appointed as independent non-executive Director in March 2004.

Mr. Huang Shilin, aged 75, 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 doctorial 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 36, is currently the assistant general manager of 興業証券股份有限公司 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) Mr Li Feng, Mr Zhao Qingjie and Mr Xing Zhanwu, who are the executive directors of the Company, are also the director of Applaud Group Limited (a substantial shareholder of the Company). Save as disclosed, no director of the Company is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed under divisions 2 and 3 of Part XV of the SFO.

(g) The English text of this circular shall prevail over its 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 18 August 2008:

(a) the service agreements referred to in the paragraph headed "Service Contracts" in this appendix;

(b) the letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 27 of this circular;

(c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 16 in this circular;

(d) the written consent from Nuada as referred to in the paragraph headed "Expert" in this appendix;

(e) the memorandum and articles of association of the Company;

(f) the audited consolidated financial statements of the Company for the year ended 31 December 2006 and for the year ended 31 December 2007;

(g) each of the Connected Agreements;

(h) the original supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor dated 16 June 2006 and the original supply agreement entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive dated 16 June 2006; and

(i) the circular of the Company dated 13 June 2008, in relation to the disposal of Shiny Bright Holdings Limited and acquisition of 38.5% of Beijing Troitec.