

**Wonder Auto Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Stated in US Dollars)**

**17. Segment information (Cont'd)**

All of the Company's long-lived assets are located in the PRC. Geographic information about the revenues, which are classified based on the customers, is set out as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
PRC	\$ 60,888,107	\$ 43,152,708	\$ 116,598,727	\$ 80,129,133
South Korea	1,847,117	1,869,990	3,168,815	2,405,533
Brazil	2,051,047	1,815,039	4,058,544	3,364,291
Mexico	513,837	-	1,269,719	10,725
United States	2,900,737	1,134,013	6,509,026	1,823,621
Others	257,749	1,679,464	474,328	1,893,931
Total	<u>\$ 68,458,594</u>	<u>\$ 49,651,214</u>	<u>\$ 132,079,159</u>	<u>\$ 89,627,234</u>

**18. Related party transaction**

Apart from the information as disclosed in notes 3 and 13 to the financial statements, the Company has entered into following transaction with a non-consolidated affiliate:-

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Purchase from Wonder Auto Parts	<u>\$ 723,163</u>	<u>\$ -</u>	<u>\$ 723,163</u>	<u>\$ -</u>

**19. Subsequent events**

The Company evaluated all events or transactions that occurred after June 30, 2010 and has determined that, except for the transactions described below, there are no material recognizable nor subsequent events or transactions which would require recognition or disclosure in the consolidated financial statements other than noted therein.

- (a) On June 24, 2010, Friend Birch entered into a purchase agreement with Achieve Gain Group Limited ("Achieve Gain"), a company incorporated in BVI, pursuant to which Friend Birch agreed to acquire 100% equity interest in Vital Glee Development Limited ("Vital Glee"), for a total consideration of \$15 million of which \$8.7 million was settled in June 2010. The remaining consideration will be divided into 2 equal installments and will be settled by December 31, 2010 and June 30, 2011 respectively. The Company obtained control over Vital Glee on July 1, 2010 by appointing the sole director to Vital Glee. Vital Glee is an investment holding company and through its subsidiary engaging in automotive shock absorber manufacturing business.

Disclosure of certain information for the acquisition of Vital Glee in accordance with ASC 805 "Business Combinations" (previously SFAS No. 141 (Revised)) has not been included in this condensed consolidated financial statements as certain financial information required for such disclosure is not yet available at the date of this Form 10-Q.

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**19. Subsequent events (Cont'd)**

- (b) On July 10, 2010, Wonder and Yearcity entered into a conditional sale and purchase agreement (the “Disposal Agreement”) with Jin Ying Limited (“Jin Ying”), a company incorporated in BVI, pursuant to which Wonder and Yearcity agreed to dispose 38.36% equity interest in Applaud for a total consideration of HK\$162 million (equivalent to approximately \$20.86 million). The completion of the Disposal Agreement is conditioned upon the completion of a conditional acquisition agreement (the “Acquisition Agreement”) which was entered into between Vital Glee, a wholly own subsidiary of the company, and Jinheng Holdings on July 20, 2010 pursuant to which Vital Glee will acquire 100% equity interest in Jinheng (BVI) Ltd. (“Jinheng BVI”), a company incorporated in BVI, at cash consideration of HK\$1,130 million (approximately US\$145.21 million). The total purchase price is scheduled to be paid by Vital Glee in four installments.

Jinheng BVI is a holding company and has the following subsidiaries and non-consolidated affiliate:-

<u>Company name</u>	<u>Place of incorporation or establishment</u>	<u>Jinheng BVI's effective ownership interest</u>	<u>Principal activities</u>
<b>Subsidiaries</b>			
Jinheng (Hong Kong) Ltd.	Hong Kong	100%	Investment holding
Jinzhou Jinheng Automobile Safety System Co., Ltd.	The PRC	100%	Manufacturing and selling of automobile airbags and safety belts
Shenyang Jinbei Jinheng Automobile Safety System Co., Ltd.	The PRC	55.56%	Manufacturing and selling of automobile airbags and related parts
Beijing Jinheng Sega Automotive Spare Parts Limited	The PRC	100%	Manufacturing and selling of automobile steering wheels
Harbin Hafei Jinheng Automotive Safety System Co., Ltd.	The PRC	90%	Manufacturing and selling of airbags and other automobile parts
Shenyang Jinheng Jinsida Automobile Electronic Co., Ltd. (“Jinsida”)	The PRC	64.71%	Manufacturing and selling of electronic control units
<b>Non-consolidated affiliate</b>			
Shanxi Winner Auto-Parts Limited (“Shanxi Winner”)	The PRC	35%	Manufacturing and selling of clock spring, wire harness and inflator

In accordance with the acquisition agreement, both parties agreed that Jinheng BVI’s equity interests in Shanxi Winner and Jinsida will be transferred to Jinheng Holdings or its subsidiaries as part of the transactions contemplated by the Acquisition Agreement before the acquisition by Vital Glee.