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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8293)

**DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING
FORMATION OF A JOINT VENTURE COMPANY
AND
CONTINUING CONNECTED TRANSACTIONS**

JV Arrangement

The Board is pleased to announce that on 16 June 2006, the Group entered into the JV Arrangement with Shenyang Auto Parts and Shanxi Electric, pursuant to which the JV Company will be established in Shenyang, Liaoning Province, the PRC. The JV Company will be engaged principally in the design, manufacture and sale of automotive electronics parts. The JV Company will be owned beneficially as to 40% by Jinheng HK, 15% by Jinzhou Jinheng, 30% by Shenyang Auto Parts, and the remaining 15% by Shanxi Electrical. Upon establishment, the JV Company will become an indirect non-wholly owned subsidiary of the Company.

Pursuant to the JV Arrangement, the total investment will be RMB36,000,000 (equivalent to approximately HK\$34,615,385) and the registered capital of the JV Company will be RMB30,000,000 (equivalent to approximately HK\$28,846,154), of which RMB12,000,000 (equivalent to approximately HK\$11,538,462), RMB4,500,000 (equivalent to approximately HK\$4,326,923), RMB9,000,000 (equivalent to approximately HK\$8,653,846), and RMB4,500,000 (equivalent to approximately HK\$4,326,923) will be contributed by Jinheng HK, Jinzhou Jinheng, Shenyang Auto Parts, and Shanxi Electrical respectively in proportion to their respective holding of the JV Company.

As the two (2) shareholders of Shenyang Auto Parts, namely Shenyang Electricity and Jinbei Automotive, are both substantial shareholders of Jinbei Jinheng, a non wholly-owned subsidiary of the Company, Shenyang Auto Parts, Shenyang Electricity and Jinbei Automotive are all considered connected persons of the Company and based on the relevant percentage ratios, the JV Arrangement constitutes a discloseable and connected transaction on the part of the Company under Chapters 19 and 20 of the GEM Listing Rules which is subject to the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

Continuing connected transactions

The Board further announces that 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. Pursuant to the Jinbei Supply Agreement, Jinzhou Jinheng and Jinbei Jinheng will manufacture and sell to Jinbei Automotive (or its subsidiaries) automotive safety airbag systems which can be installed in automobiles manufactured by Jinbei Automotive (or its subsidiaries). As each of Hafei Motor and Jinbei Automotive is interested in 10% or more of the registered capital of Hafei Jinheng and Jinbei Jinheng (both being subsidiaries of the Company) respectively, they are connected persons of the Company and the above transactions constitute continuing connected transactions on the part of the Company subject to the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

General

As no Shareholder is required to abstain from voting on the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps) and that approval in respect of the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps) has been obtained from Applaud Group, the controlling Shareholder which holds more than 50% in nominal value of the total issued share capital of the Company, the Company has made an application pursuant to Rule 20.53 of the GEM Listing Rules to the Stock Exchange for a waiver from the requirement to convene a general meeting on those grounds.

A circular, containing further information regarding, among other matters, the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps) together with a letter from the independent board committee to the independent Shareholders, a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders, will be despatched to the Shareholders as soon as possible.

JV ARRANGEMENT

The Board is pleased to announce that on 16 June 2006, the Group entered into the JV Arrangement, pursuant to which the JV Company will be established in Shenyang, Liaoning Province, the PRC. The JV Company will be engaged principally in the design, manufacture and sale of automotive electronic parts. The JV Company will be owned beneficially as to 40% by Jinheng HK, 15% by Jinzhou Jinheng, 30% by Shenyang Auto Parts, and the remaining 15% by Shanxi Electrical. Upon establishment, the JV Company will become an indirect non-wholly owned subsidiary of the Company.

THE JV ARRANGEMENT

Date

Parties

1. Jinheng HK, an indirect wholly-owned subsidiary of the Company
2. Jinzhou Jinheng, an indirect wholly-owned subsidiary of the Company
3. Shenyang Auto Parts, a connected person of the Company
4. Shanxi Electrical, an Independent Third Party

Jinheng HK engages principally in investment holdings whereas Jinzhou Jinheng carries on mainly businesses of the design, manufacture and sale of safety airbag systems used in automobiles.

Shenyang Auto Parts engages principally in the design, research and development, manufacture and sale of automotive parts and electronics. Shenyang Auto Parts is owned as to 45% by Shenyang Electricity and 55% by Jinbei Automotive. Shenyang Electricity and Jinbei Automotive, both being state-owned enterprises established in the PRC with Jinbei Automotive's shares being listed on the Shanghai Stock Exchange, are substantial shareholders owning respectively 22.22% and 14.81% of Jinbei Jinheng, a non wholly-owned subsidiary of the Company. The remaining 62.97% of Jinbei Jinheng is owned as to 55.56% by the Group and as to 7.41% by an Independent Third Party. By virtue of Shenyang Electricity and Jinbei Automotive being substantial shareholders of Jinbei Jinheng, Shenyang Auto Parts, Shenyang Electricity and Jinbei Automotive are considered connected persons of the Company.

Shenyang Electricity engages principally in investment holding with its subsidiaries engage in power supply whereas Jinbei Automotive's main businesses include the manufacture and design of automobiles in the PRC. Other than being a substantial shareholder of Jinbei Jinheng, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenyang Electricity and Jinbei Automotive and their respective ultimate beneficial owners are Independent Third Parties.

Shanxi Electrical was established in the PRC which engages principally in design, manufacture and sale of automotive parts. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanxi Electrical and its ultimate beneficial owner(s) are Independent Third Parties.

Term of the JV Arrangement

30 years commencing from the date on which the business license of the JV Company is obtained.

Scope of business of the JV Company

The JV Company will be engaged principally in the design, manufacture and sale of automotive electronic parts in Shenyang, Liaoning Province, the PRC.

Total investment and registered capital of the JV Company

Pursuant to the JV Arrangement, the total investment will be RMB36,000,000 (equivalent to approximately HK\$34,615,385) and the registered capital of the JV Company will be RMB30,000,000 (equivalent to approximately HK\$28,846,154), of which RMB12,000,000 (equivalent to approximately HK\$11,538,462), RMB4,500,000 (equivalent to approximately HK\$4,326,923), RMB9,000,000 (equivalent to approximately HK\$8,653,846), and RMB4,500,000 (equivalent to approximately HK\$4,326,923) will be contributed by Jinheng HK, Jinzhou Jinheng, Shenyang Auto Parts, and Shanxi Electrical respectively in proportion to their respective holding of the JV Company. Pursuant to the JV Arrangement, Shenyang Auto Parts and Shanxi Electrical will contribute by way of cash whereas Jinheng HK will make its portion of contribution by acquiring new production facilities for the JV Company and Jinzhou Jinheng will contribute by injecting non-patented technology/know-how, which will be valued by an independent valuer, into the JV Company. The Group intends to finance its portion of contribution to the JV Company from the proceeds received from the issue of the convertible note; details of which have been disclosed in the announcement of the Company dated 3 May 2006. Such application of proceeds of the convertible note is consistent with the proposed use of proceeds as announced.

Pursuant to the JV Arrangement, the JV Company will be owned beneficially as to 40% by Jinheng HK, 15% by Jinzhou Jinheng, 30% by Shenyang Auto Parts, and the remaining 15% by Shanxi Electrical. Upon establishment, the JV Company will become an indirect non-wholly owned subsidiary of the Company.

Apart from the contribution commitments above, there are no further material commitments that are required to be contributed by the parties to the JV Arrangement at this stage. Depending on the magnitude of and the way in which any further material commitments is to be put up by the parties to the JV Arrangement, the Company will comply with the reporting, announcement and Shareholders' approval requirements under the GEM Listing Rules.

Board of directors of the JV Company

The board of directors of the JV Company is the highest governing authority within the JV Company which shall comprise 5 directors of whom one will be the chairman. Each of Jinheng HK and Shenyang Auto Parts shall be entitled to appoint two (2) members to the board of directors of the JV Company and Jinzhou Jinheng shall be entitled to appoint one (1) member to the board of directors of the JV Company. The chairman of the board of directors of the JV Company will be elected by the board of directors of the JV Company with terms of three years and may be re-elected.

Save for resolutions regarding amendments to the articles of the JV Company, increase or decrease in registered capital and matters relating to mergers, segregation, change of nature and dissolution of the JV Company which require unanimous consent from the board of directors of the JV Company, resolutions of the board of directors of the JV Company shall be effective when passed by two-thirds of the members of the board of directors of the JV Company.

Profit Sharing in JV Company

The profits of the JV Company will be shared among the parties to the JV Arrangement in proportion to their respective interests in the JV Company.

Transfer of interests in the JV Company

The parties to the JV Arrangement may transfer their interests in the JV Company among themselves. However, none of the parties to the JV Arrangement are entitled to transfer all or any part of their respective interests in the JV Company to a third party unless consents from the other parties to the JV Arrangement are obtained. Consents of transfer to third parties are deemed to have been obtained if the objecting party to the JV Arrangement does not take up the interest under the transfer. The parties to the JV Arrangement shall have priority in taking up the interests being offered.

Condition of JV Arrangement

The JV Arrangement is conditional upon the approval by way of passing of an ordinary resolution of those Shareholders (including their associates) who do not have any a material interest in the JV Arrangement and are not required to be abstained from voting on the resolution approving thereof under the GEM Listing Rules. The Directors confirm that none of the Shareholders have any material interests in the JV Arrangement and as such no Shareholders are required to abstain from voting on the relevant resolutions to approve the JV Arrangement.

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to further announce that the following continuing connected transactions were entered into by the Group:

(1) HAFEI SUPPLY AGREEMENT

Date

16 June 2006

Parties

Suppliers: (a) Jinzhou Jinheng, an indirect wholly-owned subsidiary of the Company;

(b) Hafei Jinheng, a 90% owned subsidiary of the Company; and

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. 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 22 November 2004 which is due to expire on 31 December 2006. 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 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.

Based on (i) the historical sales to Hafei Motor of automotive safety airbag systems by Jinzhou Jinheng for the three financial years ended 31 December 2005; (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 2008 will not be more than HK\$41.5 million, HK\$53.4 million and HK\$70.4 million respectively. No maximum orders are provided in the Hafei Supply Agreement although the estimated annual figures (i.e. Hafei Sales Caps) are mentioned.

(2) JINBEI SUPPLY AGREEMENT

Date

16 June 2006

Parties

Suppliers: (a) Jinzhou Jinheng, an indirect wholly-owned subsidiary of the Company;

(b) Jinbei Jinheng, a 55.56% owned subsidiary of the Company; and

Purchaser: (c) Jinbei Automotive, a connected person of the Company which owns approximately 14.81% of the equity interest in Jinbei Jinheng.

Pursuant to the Jinbei Supply Agreement, Jinzhou Jinheng and Jinbei Jinheng will manufacture and sell to Jinbei Automotive (or its subsidiaries) automotive safety airbag systems which can be installed in automobiles manufactured by Jinbei Automotive (or its subsidiaries). All orders under the Jinbei Supply Agreement are placed to Jinbei Jinheng. 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 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.

Based on (i) the estimated joint development of safety airbag systems for new models of the automobile between Jinbei Automotive and Jinzhou Jinheng; (ii) the launching of new models of automobiles manufactured by Jinbei Automotive, to be installed with airbag systems jointly developed by Jinbei Automotive and Jinzhou Jinheng; and (iii) 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 2008 will not be more than HK\$43.0 million, HK\$64.0 million and HK\$67.0 million respectively. No maximum orders are provided in the Jinbei Supply Agreement although the estimated annual figures (i.e. Jinbei Sales Caps) are mentioned. All orders under the Hafei Supply Agreement and the Jinbei Supply Agreement are placed to Hafei Jinheng and Jinbei Jinheng respectively.

INFORMATION ABOUT THE GROUP

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

REASONS FOR THE ENTERING INTO OF THE JV ARRANGEMENT

As stated in the Prospectus, the business objectives of the Group are (i) to further strengthen its market position of manufacturing automotive safety airbag systems in the PRC, (ii) to strengthen its technical research and development capabilities and (iii) to become one of the prominent manufacturers of comprehensive automobiles safety devices and systems.

To this end, it is one of the Group's business strategies to strengthen and develop its strategic alliances with major automobile manufacturers in the PRC so as to enhance the Group's business relationship with various automobile manufacturers and increase the Group's market share in the automotive safety systems market. As further disclosed in the Prospectus, the Group also plans to commence production of key components of the Group's safety airbag systems by establishing joint ventures with its suppliers and/or strategic partners so to localize and capitalise the cost advantages of production in the PRC while securing the supply of major components of the Group's major products.

Further to the formation of 北京錦恆世嘉零部件有限責任公司 (Beijing Jinheng Sega Automotive Spare Parts Limited) as a joint venture in August 2005, details of which have been disclosed in an announcement of the Company dated 17 August 2005, the Directors (including the independent non-executive Directors) consider that the JV Arrangement which involves the design, manufacture and sale of automotive electronic parts is in the ordinary course of business of the Group and another business pursuit of the Company and the terms of which are fair and reasonable and on normal commercial terms which are in the interests of the Company and the Shareholders as a whole.

REASONS FOR THE ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS

As stated in the Prospectus, Hafei Jinheng is formed between Jinzhou Jinheng and Hafei Motor as a joint venture pursuant to the joint venture agreement dated 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, which has been disclosed as continuing connected transactions under the section headed “Connected transaction” in the Prospectus, was entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor on 22 November 2004 for a term ending on 31 December 2006 for the supply of automotive airbag systems to Hafei Motor up to a maximum value of HK\$40 million, HK\$50 million and HK\$80 million for each of the three years ending 31 December 2006. The reduction of the previous maximum amount of HK\$80 million as set out in the tri-parties supply contract dated 22 November 2004 to HK\$41.5 million for the year ending 31 December 2006 under the Hafei Supply Agreement is mainly due to revision of the sales target as a result of the delay launch of some automobile models brought about by the unfavourable automobile industry since the second half of 2004.

For each of the three years ended 31 December 2005, actual sales of automotive airbag systems by the Group to Hafei Motor amounted to approximately HK\$35.0 million, HK\$25.6 million and HK\$25.1 million respectively. The sales to Hafei Motor have been disclosed in the Prospectus and the annual reports of the Company for 2005. Based on the unaudited figures for the three months ended 31 March 2006 (which is historically the slack season), actual sales of automotive airbag systems to Hafei Motor amounted to approximately HK\$3.5 million.

As the original supply contract dated 22 November 2004 will soon expire within a few months on 31 December 2006 and it is expected that the Group will continue its business with Hafei Motor in the foreseeable future, the Directors consider it beneficial to enter into the Hafei Supply Agreement to renew the original supply contract and to secure a stable turnover from Hafei Motor. Renewal of the Hafei Supply Agreement at the same time of the Jinbei Supply Agreement and the JV Arrangement is also expected to minimise the administrative costs and to give the Shareholders a better picture of the development of the Company.

Similarly, Jinbei Jinheng was formed between Jinzhou Jinheng, Jinbei Automotive and Shenyang Electricity 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. Jinbei Jinheng has just commenced its business in May 2006 and no supply agreement other than the Jinbei Supply Agreement has been entered into before. As it is expected that the Group will commence its business with Jinbei Automotive in the foreseeable future, the Directors consider it beneficial to enter into the Jinbei Supply Agreement to secure a stable turnover from Jinbei Automotive in view of the Group’s strategic relationship with Jinbei Automotive through Jinbei Jinheng which was formed for such purposes.

Based on the above, the Directors consider that the entering into of the Hafei Supply Agreement and the Jinbei 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 (including the independent non-executive Directors) are of the view that the terms and conditions of the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the two (2) shareholders of Shenyang Auto Parts, namely Shenyang Electricity and Jinbei Automotive, are both substantial shareholders of Jinbei Jinheng, a non wholly-owned subsidiary of the Company, Shenyang Auto Parts, Shenyang Electricity and Jinbei Automotive are considered connected persons of the Company and based on the relevant percentage ratios, the JV Arrangement constitutes a discloseable and connected transaction on the part of the Company under Chapters 19 and 20 of the GEM Listing Rules which is subject to the reporting, announcement and the independent Shareholders' approval requirements pursuant to Rule 20.16 of the GEM Listing Rules.

As Hafei Motor is interested in 10% of Hafei Jinheng which is a subsidiary of the Company, Hafei Motor 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 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 exceed HK\$10,000,000 per annum, the sales of automotive safety airbag systems under the Hafei Supply Agreement constitute a non-exempt continuing connected transaction under the GEM Listing Rules. The Hafei Supply Agreement including the Hafei 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.

As Jinbei Automotive is interested in 14.81% of Jinbei Jinheng which is a subsidiary of the Company, Jinbei Automotive (or its subsidiaries) 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 (or its subsidiaries) 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 airbag 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenyang Auto Parts, Shenyang Electricity, Hafei Motor, Jinbei Automotive and their respective associates do not hold any interests in the Company.

WAIVER FOR CONVENING SHAREHOLDERS' MEETING

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 20.53 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.

As each of Shenyang Auto Parts, Shanxi Electrical, Shenyang Electricity, Jinbei Automotive, Hafei Motor and their respective associates has no interests in the Company, no Shareholders are required to abstain from voting on the relevant resolutions to approve the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps) (as the case may be). Given further that the Company has obtained a written approval from Applaud Group, the controlling Shareholder which holds more than 50% in nominal value of the total issued share capital of the Company, in respect of the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps), the Company has made an application pursuant to Rule 20.53 of the GEM Listing Rules to the Stock Exchange for a waiver from the requirement to convene a general meeting on those grounds.

GENERAL

An independent board committee of the Company comprising Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong, being all independent non-executive Directors, has been formed to advise the independent Shareholders as to the terms of the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps). Nuada Limited has been appointed as the independent financial adviser to the Company to advise the independent board committee and the independent Shareholders in relation to the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps).

A circular, containing further information regarding, among other matters, the JV Arrangement, the Hafei Supply Agreement (including the Hafei Sales Caps) and the Jinbei Supply Agreement (including the Jinbei Sales Caps) together with a letter from the independent board committee to the independent Shareholders, a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders, will be despatched to the Shareholders as soon as possible.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Applaud Group”	Applaud Group Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder interested in 238,620,000 Shares representing approximately 61.89% of the total issued share capital of the Company as at the date of this announcement
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“business days”	any day on which the Stock Exchange is open for the business of dealing in securities
“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 person”	has the meaning ascribed to this term under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hafei Jinheng”	Harbin Hafei Jinzhou Jinheng 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”	Hafei Motor Co., Ltd., a joint venture company established in the PRC with limited liability and a subsidiary of Harbin Aircraft Industry (Group) Ltd., which is principally engaged in the manufacture of automobiles in China
“Hafei Sales Caps”	the annual maximum sales caps of HK\$41.5 million, HK\$53.4 million and HK\$70.4 million

respectively for each of the three years ending 31 December 2008 as contemplated under the Hafei Supply Agreement

“Hafei Supply Agreement”

the supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor in respect of the supply of automotive safety airbag systems

“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, 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 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 Caps”

the annual maximum sales caps of HK\$43.0 million, HK\$64.0 million and HK\$67.0 million respectively for each of the three years ending 31 December 2008 as contemplated under the Jinbei Supply Agreement

“Jinbei Supply Agreement”

the supply agreement entered into between Jinzhou Jinheng, Jinbei Automotive and Jinbei Jinheng dated 16 June 2006 in respect of the supply of automotive safety airbag systems

“Jinheng HK”

Jinheng (Hong Kong) Limited 錦恆(香港)有限公司, a company incorporated in Hong Kong and an indirect subsidiary of the Company

“Jinzhou Jinheng”

錦州錦恆汽車安全系統有限公司 (Jinzhou Jinheng Automotive Safety System Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“JV Arrangement”

the establishment of the JV Company pursuant to a joint venture agreement and the articles of the JV Company, both dated 16 June 2006 and entered into among Jinheng HK, Jinzhou Jinheng, Shenyang Auto Parts, and Shanxi Electrical in

	respect of the establishment of the JV Company to engage in the design, manufacture and sale of automotive electronic parts
“JV Company”	an equity joint venture company with limited liabilities and to be established in the PRC pursuant to the JV Arrangement
"PRC"	the People's Republic of China, which, for the purpose of this announcement, shall excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Prospectus”	the Company’s prospectus dated 30 November 2004 in relation to the listing of the Shares on GEM
“Shanxi Electrical”	山西泰富精密機電技術有限公司, a company established in the PRC with limited liability
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shenyang Auto Parts”	瀋陽金思達汽車零部件有限公司, a company established in the PRC with limited liability
“Shenyang Electricity”	瀋陽熱電發展有限公司(Shenyang Electricity Co. Limited), a state-owned enterprise established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
"%"	per cent.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB1.04. 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.

By order of the Board
**JINHENG AUTOMOTIVE SAFETY
TECHNOLOGY HOLDINGS LIMITED**

Li Feng
Chairman

Hong Kong, 16 June 2006

As at the date of this announcement, the Board comprises Mr. Li Feng, Mr. Xing Zhanwu, Mr. Zhao Qingjie, Mr. Yang Dongli, Mr. Foo Tin Chung, Victor who are executive Directors, Mr. Li Hong and Mr. Zeng Qingdong who are non-executive Directors and Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong who are independent non-executive Directors..

This announcement, 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:(1) the information contained in this announcement is accurate and complete in all material respects and not misleading;(2) there are no other matters the omission of which would make any statement in this announcement misleading; and(3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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