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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)

**ISSUE OF NON-LISTED CONVERTIBLE NOTES
AND
RESUMPTION OF TRADING**

ISSUE OF CONVERTIBLE NOTES

On 21 June 2006, the Company entered into the Subscription Agreements separately with each of Sagemore Assets, Blue Water, and Synergy Capital pursuant to which the Company has conditionally agreed to issue, and each of Sagemore Assets, Blue Water and Synergy Capital has conditionally agreed to subscribe or procure their respective nominee(s) to subscribe for, the Convertible Notes in the aggregate principal amount of HK\$31,000,000. The Convertible Notes may be converted into Conversion Shares at an initial conversion price of HK\$0.90 per Conversion Share (subject to adjustments in accordance with the terms of the Convertible Notes) during their conversion period.

Completion of each of the Sagemore Agreement, Blue Water Agreement and Synergy Agreement are subject to the fulfillment of the conditions stated in the section headed “Conditions of the Issue” in this announcement but they are not inter-conditional upon each other.

It is intended that the proceeds of HK\$31,000,000 from the Issue will be applied as to approximately HK\$16,000,000 as investment reserves for future investments in furtherance of its business objectives and as to the remaining proceeds of approximately HK\$15,000,000 as general working capital of the Group. As at the date of this announcement, no concrete investment plans or projects have been identified by the Group which warrants disclosure under Chapter 19 or 20 of the GEM Listing Rules.

The Conversion Shares will be issued under the General Mandate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes. No listing of the Convertible Notes will be sought on GEM or any other stock exchanges.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on GEM was suspended with effect from 9:30 a.m. on 22 June 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on GEM with effect from 9:30 a.m. on 26 June 2006.

Reference is made to the VP Announcement in relation to the issue of the VP Note where the Company has indicated its intention to further issue convertible notes in the aggregate principal amount of not exceeding HK\$31,000,000 on terms substantially the same as those of the VP Note.

The Company is pleased to announce that on 21 June 2006, the Company entered into the Subscription Agreements separately with each of Sagemore Assets, Blue Water, and Synergy Capital pursuant to which the Company has conditionally agreed to issue, and each of Sagemore Assets, Blue Water and Synergy Capital has conditionally agreed to subscribe or procure their respective nominee(s) to subscribe for, the Convertible Notes in the aggregate principal amount of HK\$31,000,000.

SUBSCRIPTION AGREEMENTS

Date: 21 June 2006

Parties: the Company as issuer separately with;

- (i) Sagemore Assets as the first subscriber under the Sagemore Agreement;
- (ii) Blue Water as the second subscriber under the Blue Water Agreement;
and
- (iii) Synergy Capital as the third subscriber under the Synergy Agreement.

Information on the Subscribers

Each of Sagemore Assets, Blue Water and Synergy Capital are companies incorporated in the British Virgin Islands whose principal businesses are investment holdings.

Before entering into of the Subscription Agreements, each of Sagemore Assets, Blue Water and Synergy Capital did not have any interests in the Shares or any business dealings with the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Sagemore Assets, Blue Water, Synergy Capital and their ultimate beneficial owners are third parties independent of each other, the Company and connected persons of the Company.

Principal amount of Convertible Notes

The aggregate principal amount of the Convertible Notes is HK\$31,000,000, of which HK\$25,000,000 will be subscribed by Sagemore Assets under the Sagemore Agreement and the remaining HK\$6,000,000 will be subscribed as to HK\$3,000,000 by each of Blue Water

and Synergy Capital under the Blue Water Agreement and Synergy Agreement respectively.

Completion Date

Completion of the Subscription Agreements will take place on the third Business Day after the fulfillment of the conditions referred to in the section headed “Conditions of the Issue” below.

Conditions of the Issue

Completion of each of the Sagemore Agreement, Blue Water Agreement and Synergy Agreement shall be subject to and conditional upon, among other things, the followings:

- (1) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and each of Sagemore Assets, Blue Water and Synergy Capital have no reasonable objection) listing of and permission to deal in the Conversion Shares;
- (2) if necessary, the Shareholders having approved the transactions contemplated in the Subscription Agreements and the issue of the Convertible Notes and the issue and allotment of the Conversion Shares upon the exercise of the Conversion Rights or otherwise pursuant to the Note Conditions at an extraordinary general meeting of Shareholders;
- (3) there being no event existing or having occurred and no condition being in existence which would be (after the issue of the Convertible Notes) an event of default under the Note Conditions and no event or act having occurred which, with the giving of notices, or the lapse of time, or both, would (after the issue of the Convertible Notes), constitute such an event of default; and
- (4) the Company delivering to each of Sagemore Assets, Blue Water and Synergy Capital an opinion from a firm of Cayman Islands lawyers acceptable to them confirming the legality, enforceability, validity and the due execution of the Convertible Notes (after it is issued), that the issue of the Convertible Notes and the issue and allotment of the Conversion Shares upon the exercise of the Conversion Rights or otherwise pursuant to the Note Conditions comply with the requirements of applicable Cayman Islands law, and such other matters as each of Sagemore Assets, Blue Water and Synergy Capital may reasonably require.

Completion of the Subscription Agreements (i.e. the Sagemore Agreement, Blue Water Agreement and Synergy Agreement) is not inter-conditional upon each other.

If the above conditions are not fulfilled (or, in respect of those set out in (3) and (4) above, waived by each of Sagemore Assets, Blue Water and Synergy Capital in their absolute discretion) on or before the Long Stop Date, the Subscription Agreements shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

As the Conversion Shares will be allotted and issued under the General Mandate, Shareholders' approval under condition (2) above is not required.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

Subject to the fulfillment of the conditions of the Subscription Agreements, the Convertible

Notes will be issued to the Noteholder(s) upon completion in registered form and the Noteholder(s) will receive certificate(s) representing their holding of the relevant amount of the Convertible Notes.

Conversion price

The Convertible Notes may be converted into Conversion Shares at an initial conversion price of HK\$0.90 per Conversion Share (subject to adjustments in accordance with the terms of the Convertible Notes) during the conversion period as stated below.

The conversion price of HK\$0.90 per Conversion Share represents:

- (i) a discount of approximately 2.17% to the closing price of HK\$0.92 per Share as quoted on the Stock Exchange on 21 June 2006, being the last trading date before the signing of the Subscription Agreements;
- (ii) a discount of approximately 2.17% to the average closing price of HK\$0.92 per Share for the five trading days ended on and inclusive of 21 June 2006 as quoted on the Stock Exchange;
- (iii) a discount of approximately 2.17% to the average closing price of HK\$0.92 per Share for the ten trading days ended on and inclusive of 21 June 2006 as quoted on the Stock Exchange; and
- (iv) a premium of approximately 63.30% over the latest audited net asset value per Share of HK\$0.55 as shown in the Group's audited consolidated financial statements made up to 31 December 2005; and
- (v) a premium of approximately 65.25% over the latest audited net asset value as at 31 December 2005 (being the date up to which the latest audited consolidated accounts of the Group were made up) per Share of HK\$0.54 after taking into account of the exercise of the share options granted under the Pre-IPO Share Options Scheme.

The conversion price of HK\$0.90 which is equal to the net price for the issue of the Conversion Shares was determined after arm's length negotiations between the Company and each of Sagemore Assets, Blue Water and Synergy Capital with reference to the conversion price of HK\$0.90 per conversion share under the terms of the VP Note and the prevailing market prices of the Shares and the Board considers that it is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The conversion price is subject to events of adjustment from time to time in accordance with the provisions set out in the Note Conditions which include summarily:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue of Shares by way of capitalisation of profits or reserves;
- (iii) subject to (ii) above, a capital distribution;
- (iv) an offer or grant by way of rights or options or warrants or other rights to subscribe for new Shares; and

- (v) an issue of securities convertible into or exchangeable for or carrying rights of subscription for new Shares.

Every adjustment to the conversion price shall be certified by an approved merchant bank.

Transferability

Pursuant to the Note Conditions, the Convertible Notes are transferable to persons, companies, entities, or bodies (being subsidiaries (as defined in the Companies Ordinance (Chapter 571 of the Laws of Hong Kong)) of the Noteholder(s), (the “**Noteholder(s)’s Group**”) or Independent Third Party(ies) who is(are) in the reasonable opinion of the Company not competitor of the Company (the “**Third Party(ies)**”) which competes with the business of the Company directly or indirectly.

Any transfer of the Convertible Notes shall be in whole or in whole multiples of HK\$1,000 within the Noteholder(s)’s Group. The Noteholder(s) may also elect to transfer the Convertible Notes to a Third Party but may only do so at any time after the expiry of 3.5 years commencing from the date of the Convertible Notes for the whole or any part of the total outstanding principal amount of the Convertible Note (the “**Offered Amount**”) then held by the Noteholder(s). Subject to the Note Conditions which restrict the Noteholder(s) to transfer the Convertible Notes to any Third Party(ies) who is(are) in the reasonable opinion of the Company not competitor of the Company, if the Noteholder(s) elects to transfer the Convertible Notes to a Third Party (other than a competitor of the Company), the Noteholder(s) shall serve a written notice on the Company on such proposed transfer and the Company may within 14 days of the issuance of such notice elect to purchase the whole (but not part) of the Offered Amount at no less favourable terms than the Offered Amount and if the Company does not purchase any part of the Offered Amount, within the prescribed time, the Noteholder(s) shall be at liberty to offer the Offered Amount to the Third Party.

Maturity Date

The date falling five years after the date of issue of the Convertible Notes

Voting rights for the holders of the Convertible Notes

The Noteholder(s) will not have any right to attend or vote at any meeting of the Company by virtue of it being the holder of the Convertible Notes. The Noteholder(s) shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Interests

Interest is payable on the Convertible Notes at a rate of 7% per annum on the principal amount of the Convertible Notes outstanding from time to time. Interest shall be accrued from the date of issue of the Convertible Notes on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days, including the first day of the period during which it accrues and including the last. Interest will be payable by the Company once every six months in arrears at the end of each six-month period between the date of issue of the Convertible Notes and the Maturity Date. The first payment shall be made on the date falling six months after the date of issue of the Convertible Notes.

In the event the Noteholder(s) has(have) converted the whole or any part(s) of the principal

amount of the Convertible Notes and upon delivery to the Company of the certificate for the Convertible Notes, the Noteholder(s) shall be entitled to interest in respect of the whole or such part(s) of the principal amount of the Convertible Notes being converted for the period from the immediately preceding interest payment date (or the date of issue of the Convertible Notes, as the case may be) up to and including the date on which Conversion takes place.

Status of Convertible Notes

The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Conversion period

Subject to compliance with the procedures set out in the Note Conditions, the Noteholder(s) has(have) the right to convert on any Business Day during a period commencing on the date after 18 months from the date of the Convertible Notes and ending on the Maturity Date (both days inclusive), the whole or any part(s) of the principal amount of the Convertible Notes into Conversion Shares at any time and from time to time at the initial conversion price of HK\$0.90 per Conversion Share (subject to adjustments in accordance with the terms of the Convertible Notes).

At any time between the third anniversary of the date of issue of the Convertible Notes and the Maturity Date (including the third anniversary of the date of issue of the Convertible Notes but excluding the Maturity Date), either the Noteholder(s) or the Company may elect to redeem the whole or any part(s) of any outstanding principal amount of the relevant Convertible Notes then held by the Noteholder(s) and in such event, the principal amount of the relevant Convertible Note to be redeemed shall become immediately payable in full by the Company. The amount payable by the Company to the Noteholder(s) upon redemption shall be the principal amount of the outstanding Convertible Notes to be redeemed together with interest accrued from the immediately preceding interest payment up to and including the date of payment.

The principal amount of the relevant Convertible Notes to be redeemed on the first redemption shall not be greater than 50% of the total outstanding principal amount of the relevant Convertible Notes then held by a Noteholder and only subsequent to the completion of the standard redemption process as provided in the Note Conditions, the Noteholder(s) may request for another redemption which shall not be subject to any restrictions.

If either the Noteholder(s) wishes(wish) to exercise the right to require the Company to redeem or the Company wishes to redeem out of its initiative any outstanding Convertible Notes, it shall serve an eight (8) calendar weeks written notice on the Company of its intention to do so whereupon the Company shall pay or cause to be paid the Noteholder(s) within five (5) Business Days after expiry of the said notice the redemption amount specified in such notice. The amount payable by the Company under redemption shall be paid in Hong Kong dollars in immediately available funds.

Unless previously converted in accordance with the Note Conditions, upon presentation on the Maturity Date of the original of the certificate for the Convertible Notes to the Company at its address specified in the Note Conditions, the Convertible Notes will be redeemed by the Company at its principal amount outstanding together with accrued interest thereon up to and

including the Maturity Date in Hong Kong dollars.

Conversion Shares

The Conversion Shares to be issued upon Conversion will, when issued and allotted, rank *pari passu* in all respects with all the Shares then in issue and be entitled to all dividends and other distributions, the record date of which falls on a date on or after the date of the conversion notice.

Fractions of Conversion Shares will not be issued on Conversion but (except in cases where any such cash entitlement would amount to less than HK\$10) a cash payment will be made to the Noteholder(s) in respect of such fraction.

Assuming there is an immediate full Conversion, 34,444,444 Conversion Shares will be issued. Based on 385,560,000 Shares in issue as at the date of this announcement and assuming no further Shares will be issued, whether pursuant to the conversion of the VP Note (51,111,111 Shares) or otherwise, prior to the full Conversion, the share capital of the Company will be enlarged to 420,004,444 Shares in issue. Assuming there had been a full conversion of the VP Note prior to the Conversion, the number of issued Shares of 436,671,111 (having taken into account of 51,111,111 additional Shares issued pursuant to the conversion of the VP Note) will be increased to 471,115,555 Shares.

34,444,444 Conversion Shares represent 8.93% of the issued share capital of the Company as at the date of this announcement, 8.20% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Notes without the VP Note having been converted and 7.31% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Notes with the VP Note having been converted. Details of the shareholding structure is set out under the heading “SHAREHOLDING STRUCTURE” below.

The Board confirms that all material terms of the Convertible Notes which should be drawn to the Shareholders’ attention have been disclosed above.

MANDATE TO ISSUE THE CONVERSION SHARES

The General Mandate was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 2 May 2006 to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on that date, being HK\$771,120 and divided into 77,112,000 Shares. As at the date of this announcement, the General Mandate has not been previously utilised.

The Conversion Shares will be allotted and issued under the General Mandate. The 34,444,444 Conversion Shares to be allotted and issued upon full exercise of the Conversion Rights attaching to the Convertible Notes will utilise 44% of the General Mandate.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes. No listing of the Convertible Notes will be sought on GEM or any other stock exchanges.

REASONS FOR THE ISSUE

The Group is principally engaged in the design, research and development and manufacture and sale of automotive safety system. Currently, the Group's major products are safety airbags system used in automobiles.

The Board has considered other alternative fund raising methods such as debt financing, rights issue or open offers but the Board considers that the further issue of the Convertible Notes is a more appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders.

As mentioned in the VP Announcement, given the principal activities of the design, research and development and manufacture and sale of automotive safety system carried on by the Group, a solid financial position is advantageous for the maintenance and growth of its principal businesses. The Directors are of the view that the Issue provides a good opportunity to strengthen the Company's financial position for its development.

It is intended that the proceeds of HK\$31,000,000 from the Issue will be applied as to approximately HK\$16,000,000 as investment reserves for future investments in furtherance of its business objectives and as to the remaining proceeds of approximately HK\$15,000,000 as general working capital of the Group. As at the date of this announcement, no concrete investment plans or projects have been identified by the Group which warrants disclosure under Chapter 19 or 20 of the GEM Listing Rules.

The Directors consider that the terms of the Subscription Agreements (including the Note Conditions) have been arrived at after arm's length negotiations between the Company and each of Sagemore Assets, Blue Water and Synergy Capital and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Immediately after Completion, there will be no change to the composition of the Board and the principal business engaged by the Group.

FUND RAISING ACTIVITIES OF THE GROUP

Apart from having issued the VP Note in the principal amount of HK\$46,000,000 as announced by the VP Announcement, the Group has not conducted any fund raising activities for the 12 months immediately preceding the date of this announcement. Out of the HK\$46,000,000 raised by the issue of the VP Note, approximately HK\$15,865,385 has been set aside as contribution for the Group's investment in the formation of a joint venture company in Shenyang, Liaoning Province of the PRC; details of which have been set out in the announcement of the Company dated 16 June 2006.

CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 385,560,000 Shares in issue. The shareholding structure of the Company before and after the full exercise of the Conversion Rights attaching to the Convertible Notes with and without the full conversion of the VP Note is as follows:

Shareholder	<u>As at the date of this announcement</u>		<u>Immediately after full conversion of the VP Note</u>		<u>Immediately after full conversion of the VP Note and exercise of the Conversion Rights attaching to the Convertible Notes</u>	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Applaud Group Limited ^(note 1)	238,620,000	61.89%	238,620,000	54.65%	238,620,000	50.65%
Mr. Li Feng ^(note 2)	1,040,000	0.27%	1,040,000	0.24%	1,040,000	0.22%
Mr. Xing Zhanwu ^(note 2)	800,000	0.21%	800,000	0.18%	800,000	0.17%
Mr. Foo Tin Chung, Victor ^(note 2)	320,000	0.08%	320,000	0.07%	320,000	0.07%
Noteholder(s) under the issue of the VP Note	Nil	Nil	51,111,111	11.70%	51,111,111	10.85%
Sagemore Assets / Noteholder(s) nominated by it	Nil	Nil	Nil	Nil	27,777,778	5.89%
Blue Water / Noteholder(s) nominated by it	Nil	Nil	Nil	Nil	3,333,333	0.71%
Synergy Capital/ Noteholder(s) nominated by it	Nil	Nil	Nil	Nil	3,333,333	0.71%
Public Shareholders	144,780,000	37.55%	144,780,000	33.16%	144,780,000	30.73%
Total	385,560,000	100.00%	436,671,111	100.00%	471,115,555	100.00%

Notes:

- Applaud Group Limited is owned as to 54.67% by its controlling group of shareholders of Mr. Li Feng, Xing Zhanwu, Xu Jianzhong, Li Hong, Yang Donglin with Mr. Li Feng, Mr. Xing Zhanwu, and Mr. Yang Donglin being executive Directors and Mr. Li Hong being non-executive Director. Mr. Zhao Qingjie who is also an executive Director owns 17.5% equity interests in Applaud Group Limited. Save as being a shareholder of Applaud Group Limited, the rest of the shareholders of Applaud Group Limited are Independent Third Parties.*
- On 29 March 2006, Mr. Li, Mr. Xing and Mr. Foo exercised their respective share options granted to them under the Pre-IPO Share Options Scheme. Mr. Li, Mr. Xing and Mr. Foo are executive Directors.*

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on GEM was suspended with effect from 9:30 a.m. on 22 June 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on GEM with effect from 9:30 a.m. on 26 June 2006.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Blue Water”	Blue Water Ventures International Ltd., a company incorporated in the British Virgin Islands
“Blue Water Agreement”	the subscription agreement dated 21 June 2006 entered into between the Company and Blue Water in relation to the issue by the Company of the Convertible Note(s) in the principal amount of HK\$3,000,000 to Blue Water
“Business Day”	any day (not being a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Jinheng Automotive Safety Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Conversion”	conversion of the whole or any part(s) of the principal amount of the Convertible Notes by the Noteholder(s) in accordance with the terms of the Convertible Notes
“Convertible Note(s)”	the convertible notes in the aggregate principal amount of HK\$31,000,000 to be issued by the Company pursuant to the Subscription Agreements with the benefit and subject to the Note Conditions
“Conversion Rights”	the rights attached to the Convertible Notes to convert the whole or any part(s) of the principal amount of the Convertible Notes into Shares
“Conversion Shares”	the Shares to be issued by the Company under the Convertible Notes (whether upon exercise by the Noteholder(s) of the Conversion Rights, or otherwise pursuant to the Note Conditions
“Directors”	the directors of the Company

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 2 May 2006, pursuant to which a maximum of 77,112,000 new Shares may fall to be allotted and issued
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company
“Issue”	the issue of the Convertible Note(s) pursuant to the Subscription Agreements
“Long Stop Date”	two calendar months from the date of the Subscription Agreements (or such later date as may be agreed by the Company and each of Sagemore Assets, Blue Water and Synergy Capital in writing)
“Maturity Date”	the date falling five (5) years after the date of issue of the Convertible Note(s)
“Note Conditions”	the terms and conditions attached to or endorsed on the Convertible Note(s)
“Noteholder(s)”	the registered holder(s) of the Convertible Note(s)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre IPO Share Options Scheme”	the share option scheme adopted by all the then shareholders of the Company prior to the Shares being listing on GEM
“Sagemore Agreement”	the subscription agreement dated 21 June 2006 entered into between the Company and Sagemore Assets in relation to the issue by the Company of the Convertible Note(s) in the principal amount of HK\$25,000,000 to Sagemore Assets
“Sagemore Assets”	Sagemore Assets Limited, a company incorporated in the British Virgin Islands
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company

“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	together, the Sagemore Agreement, the Blue Water Agreement and the Synergy Agreement
“Synergy Agreement”	the subscription agreement dated 21 June 2006 entered into between the Company and Synergy Capital in relation to the issue by the Company of the Convertible Note(s) in the principal amount of HK\$3,000,000 to Synergy Capital
“Synergy Capital”	Synergy Capital Co., Ltd., a company incorporated in the British Virgin Islands
“VP Announcement”	the announcement of the Company dated 3 May 2006 in relation to the subscription agreement dated 27 April 2006 entered into between the Company and Value Partners Limited for the issue of the VP Note
“VP Note”	the convertible note in the principal amount of HK\$46,000,000 issued pursuant to the subscription agreement as announced in the VP Announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 23 June 2006

As at the date of this announcement, the Board comprises Mr. Li Feng, Mr. Xing Zhanwu, Mr. Zhao Qingjie, Mr. Yang Donglin, 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 Company. 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 .