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JINHENG AUTOMOTIVE SAFETY TECHNOLOGY HOLDINGS LIMITED

錦恆汽車安全技術控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8293)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF 51.20% EQUITY INTERESTS OF
HONEST BRIGHT GROUP LIMITED, PROVISION OF LOAN
FACILITIES AND INCREASE IN REGISTERED CAPITAL AND
CAPITAL RESERVE OF THE JOINT VENTURE**

On 17 November 2006, the Purchaser, a wholly owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor to acquire the Sale Shares for a total cash consideration of HK\$3,983.

In addition to the Acquisition, the Purchaser entered into the Loan Agreement on 17 November 2006 with the Vendor pursuant to which the Purchaser has agreed to grant the Loan Facilities to the Vendor. The Vendor shall on-lend the proceeds of the Loan Facilities to Honest Bright and, Honest Bright, in turn, will lend to Sure Lucky such proceeds for financing the First Acquisition.

It is also provided in the Acquisition Agreement that the Purchaser shall advance a sum of HK\$20,000,000 to Honest Bright and Honest Bright, in turn shall advance the same to Properline for injection into the Joint Venture as the registered capital and the capital reserve of the Joint Venture will correspondingly be increased by RMB4,600,000 and by RMB15,400,000 respectively.

Upon completion of the Transaction, the Purchaser shall become interested in 61.50% equity interests of the Joint Venture and the Joint Venture will become an indirect and non-wholly owned subsidiary of the Company.

Honest Bright and its subsidiaries will be principally engaged in the research and development, manufacture and sale of engine management system used in automobiles.

As the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Transaction exceed 5% but are below 25%, the Transaction constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules. A circular containing, among other things, details of the Transaction will be despatched

to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

THE ACQUISITION AGREEMENT

Date: 17 November 2006

Parties: (1) The Vendor (as vendor)
(2) The Purchaser (as purchaser)

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

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares subject to and upon the terms of the Acquisition Agreement.

The Sale Shares

The Sale Shares comprise 512 shares of US\$1 each in the share capital of Honest Bright, representing 51.20% issued share capital of Honest Bright. As at the date of the Acquisition Agreement, the Sale Shares are beneficially owned by the Vendor.

Consideration

The consideration for the Acquisition is HK\$3,983 and shall be payable by the Purchaser to the Vendor in cash upon Completion.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties to the Acquisition Agreement. It was determined based upon the nominal value of the Sale Shares. The Directors (including the independent non-executive Directors) consider the consideration for the Acquisition to be fair and reasonable.

Conditions

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

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted on Honest Bright and its subsidiaries;

- (b) if necessary, the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of the necessary resolutions to approve this Agreement and the transactions contemplated hereunder;
- (c) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of this Agreement and the transactions contemplated hereby having been obtained;
- (d) the entering into the First Acquisition Agreement on such terms and subject to such conditions as the Purchaser may approve and completion of the First Acquisition Agreement in accordance with its terms; and
- (e) legal opinion issued by a firm of PRC lawyers acceptable to the Purchaser covering such matters of the PRC laws relevant to the transactions contemplated under the Acquisition Agreement in such form and substance to the absolute satisfaction of the Purchaser having been obtained.

As at the date of this announcement, no condition has been fulfilled.

Completion

Completion is conditional upon the completion of the Loan Agreement as well as the First Acquisition Agreement.

Completion will take place on the first Business Day after the fulfilment or waiver by the Purchaser of all the conditions (except for condition (a) which cannot be waived in any event) of the Acquisition Agreement. There is no restriction as to subsequent sale of the Sale Shares.

GRANT OF LOAN FACILITIES

Immediately upon signing of the Acquisition Agreement, the Purchaser and the Vendor entered into the Loan Agreement on 17 November 2006 pursuant to which the Purchaser has agreed to grant the Loan Facilities to the Vendor. The Vendor shall on-lend the proceeds of the Loan Facilities to Honest Bright and, Honest Bright, in turn, will lend to Sure Lucky for the First Acquisition. The Loan Facilities will be secured by a personal guarantee from the Guarantor and the Share Charge to be executed by the Vendor in favour of the Purchaser, pursuant to which the Vendor will charge the remaining 48.80% issued share capital of the Honest Bright which is beneficially owned by the Vendor after Completion.

The Loan Facilities are for a term of 5 years and carry interest at a rate of 2.5% per annum. The proceeds of the Loan Facilities will be financed by the internal resources of the Group.

The interest for the first four years shall be paid on the fourth anniversary and the remaining interest shall be paid at the end of the term. All the dividends and bonuses declared by the Joint Venture during the term of the Loan Facilities will be vested to the

Purchaser for the repayment of the Loan Facilities. In any event, the balance of the principal of the Loan Facilities shall be repaid in full before the end of the term. If condition (d) of the Acquisition Agreement mentioned above cannot be fulfilled at the end of the term, or should there be any event of default occur during the term of the Loan Facilities, the Loan Facilities shall be immediately due and repayable to the Purchaser.

The Directors consider that the terms of the Loan Agreement (including but not limited to the interest rate of 2.5% and the repayment terms) are entered into after arm's length negotiations and are in the interest of the Company and the Shareholders as a whole. In agreeing to grant to the Vendor the Loan Facilities, the Group has taken into account, among other factors: (i) the continued involvement and commitment of both the Group and the Vendor in the future development and operation of the Joint Venture; (ii) the formation of a strategic alliance with the Vendor through their co-investments in the Joint Venture for future co-operation and business opportunities which may be available to the Group and the Vendor; (iii) the nature and the security of the Loan Facilities. The Purchaser considers the personal guarantee and the Share Charge provide sufficient security for the repayment of the Loan Facilities. As such, the Directors consider that the terms of the Loan Agreement are fair and reasonable.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantor is an Independent Third Party. The Vendor, as an investor and the Guarantor, being the general manager of the Joint Venture, has no relationship and are independent from each others. The Guarantor provide such personal guarantee in favour of the Purchaser as security for the Vendor's obligation under the Loan Facilities as a confidence gesture to both the Vendor and the Purchaser for their investment in the Joint Venture and such personal guarantee is acceptable to the Vendor and the Purchaser.

INCREASE IN REGISTERED CAPITAL AND THE CAPITAL RESERVE OF THE JOINT VENTURE

It is also provided in the Acquisition Agreement that the Purchaser shall advance a sum of HK\$20,000,000 to Honest Bright and Honest Bright, in turn shall advance the same to Properline for injection into the Joint Venture. The registered capital and the capital reserve of the Joint Venture will correspondingly be increased by RMB4,600,000 and by RMB15,400,000 respectively . The amount of HK\$20,000,000 will be financed by the internal resources of the Group.

The increase in registered capital and capital reserve of the Joint Venture is conditional upon the completion of the Loan Agreement as well as the First Acquisition Agreement.

Immediately after the increase in the registered capital and the capital reserve of the Joint Venture, the Group shall become interested in 61.50% equity interests of the Joint Venture (as to 31.50% by Properline, as to 30% by Sure Lucky of the equity interests of the Joint Venture respectively) The Joint Venture will become an indirectly and non-wholly owned subsidiary of the Company and its accounts will be consolidated into the financial statements of the Group.

INFORMATION ON THE JOINT VENTURE

The Joint Venture is principally engaged in the research and development, manufacture and sale of engine management system used in automobiles. The Joint Venture was established on 5 August 2004 by the PRC Partners and was owned as to 40% of its equity interests by 蕪湖鑫源投資管理有限公司 and as to 60% of its equity interests by 蕪湖奇瑞科技有限公司 (Beijing Troitec Automotive Electronic Co., Ltd.)*. The Joint Venture has a registered capital of RMB10,000,000 and has been fully paid up.

Since its establishment until the end of December 2005, the Joint Venture was at its development stage and did not have any sales activities. As such, the Joint Venture had no turnover for the two years ended 31 December 2005 and had a loss (before and after taxation) of about RMB1,165,312 and RMB10,824,191 for the year ended 31 December 2004 and 31 December 2005 respectively. The Joint Venture had a net liability of about RMB1,989,504 as at 31 December 2005.

The Joint Venture commenced sales in the first quarter of 2006.

Upon completion of the increase in registered capital and capital reserve of the Joint Venture, the registered capital of the Joint Venture will be increased by RMB4,600,000 and capital reserved will be increased to RMB15,400,000 and will become a Chinese-foreign equity joint venture owned as to 31.50% of its equity interests by Properline, as to 30% of its equity interests by Sure Lucky and as to 38.50% of its equity interests by 蕪湖奇瑞科技有限公司 (Beijing Troitec Automotive Electronic Co., Ltd.)*. This structure of the Transaction was agreed by the parties after arm's length negotiations and was considered to be satisfactory to the parties.

INFORMATION ON HONEST BRIGHT

Honest Bright and its subsidiaries will be principally engaged in the research and development, manufacture and sale of engine management system used in automobiles.

As Honest Bright was incorporated on 6 September 2006, it has yet to prepare any accounts, nor has any turnover, profit before and after taxation since its incorporation.

REASONS FOR THE TRANSACTION

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.

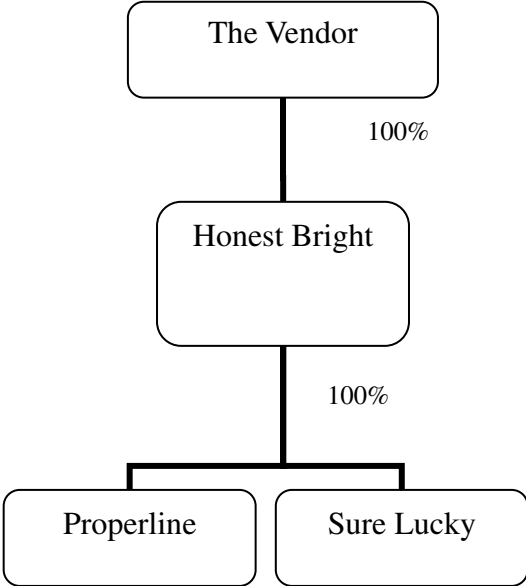
The Joint Venture is principally engaged in the research and development, manufacture and sale of engine management system used in automobiles. The Directors consider that in view of the Group's competitive advantages and the enormous opportunities brought by the rapid growth of the automobile industry in the PRC, the Transaction is part of the Group's business strategies to expand its product range to capture the opportunities offered in the automobile market in the PRC.

The Directors, including the independent non-executive Directors, consider that the

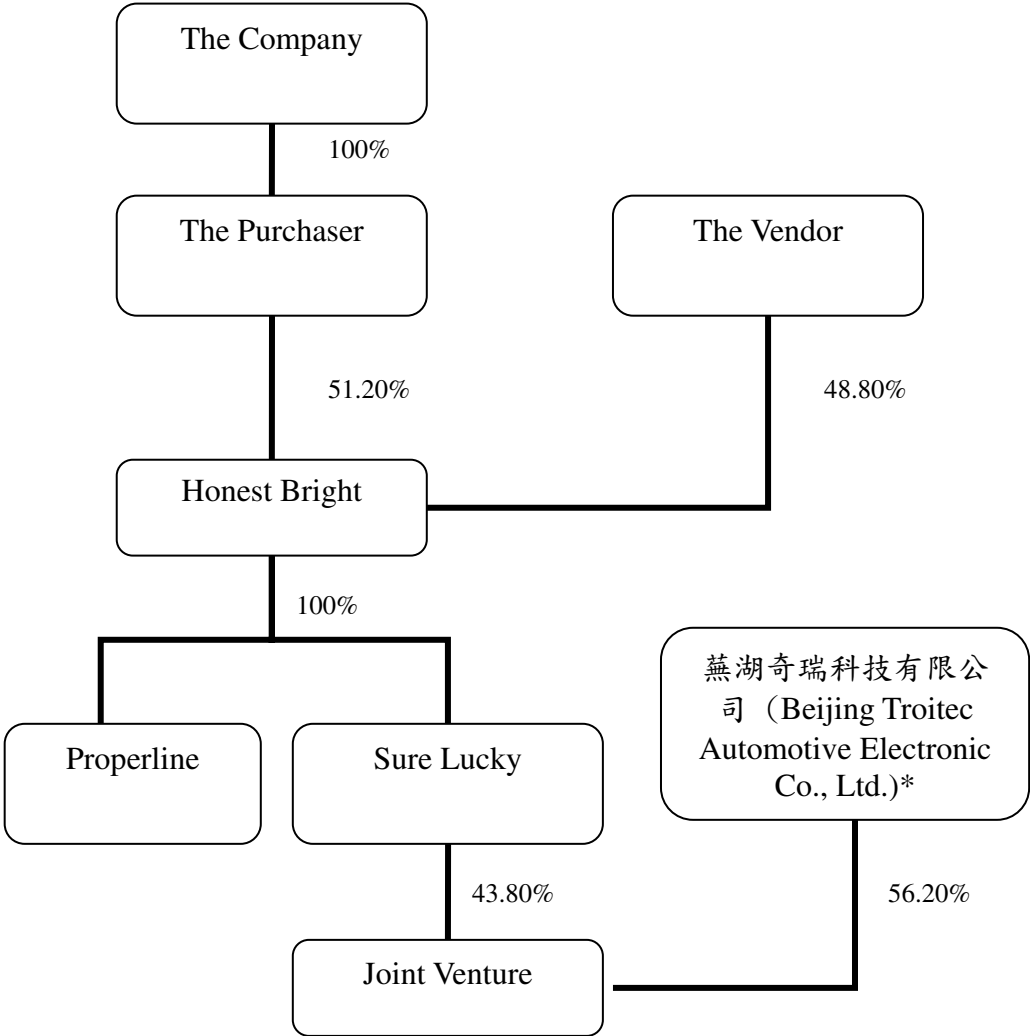
terms of the Transaction are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

STRUCTURE OF THE GROUP BEFORE AND AFTER THE TRANSACTION

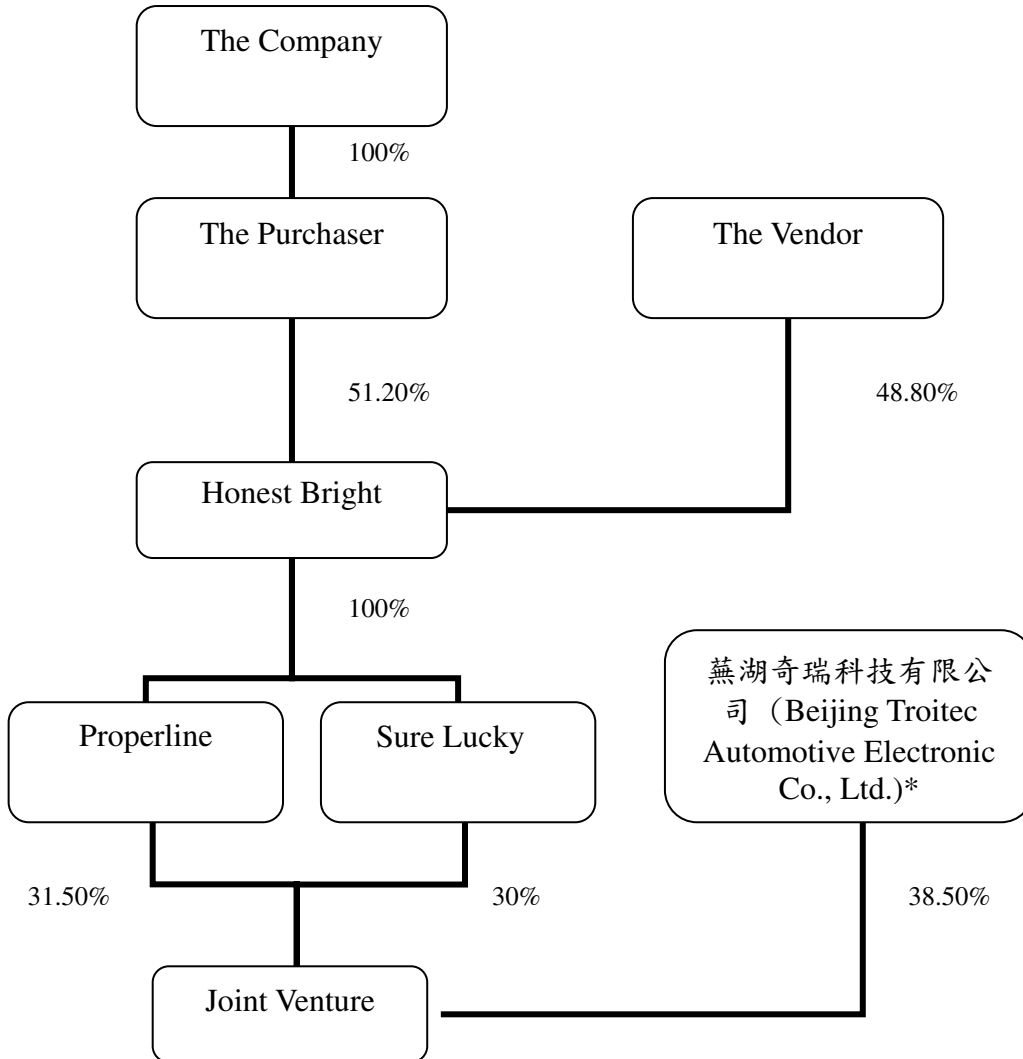
Before the First Acquisition



After Completion and before the increase in registered capital and capital reserve of the Joint Venture



After Transaction



GENERAL

As the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Transaction exceed 5% but are below 25%, the Transaction constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules.

A circular containing, among other things, details of the Transaction will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions

shall have the following meaning when used herein:

“Acquisition”	the acquisition of the Sale Shares under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 17 November 2006 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	any day except Saturdays and Sundays on which banks in Hong Kong are open for business
“Company”	Jinheng Automotive Safety Technology Holdings Limited (錦恆汽車安全技術控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“First Acquisition”	the acquisition of 43.80% equity interests of the Joint Venture from the PRC Partners by Sure Lucky at a consideration of HK\$20,000,000
“First Acquisition Agreement”	the agreement to be entered into between Sure Lucky and the PRC Partners for the First Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Guarantor”	Zhao Yumin 趙予民, an Independent Third Party
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its subsidiaries and connected persons (as defined under the GEM Listing Rules) of the Company and its subsidiaries and are not connected persons (as defined under the GEM Listing Rules) of the Company and its subsidiaries

“Joint Venture”	北京銳意泰克汽車電子有限公司, a PRC company to be reorganized as an Chinese-foreign equity joint venture after the Transaction
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Loan Agreement”	the loan agreement 17 November 2006 entered into between the Vendor and the Purchaser in relation to the grant by the Purchaser to the Vendor of the Loan Facilities
“Loan Facilities”	the loan facilities of HK\$20,000,000 to be granted by the Purchaser to the Vendor pursuant to the Loan Agreement
“Honest Bright”	Honest Bright Group Limited 誠明集團有限公司, a company incorporated on 6 September 2006 in the British Virgin Islands with limited liability and is wholly and beneficially owned by the Vendor as at the date of this announcement
“Purchaser”	Jinheng EMS (BVI) Limited 錦恆電控(BVI)有限公司, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Partners”	蕪湖奇瑞科技有限公司 (Beijing Troitec Automotive Electronic Co., Ltd.)* and 蕪湖鑫源投資管理有限公司, two PRC companies, being Independent Third Parties
“Properline”	Properline Investments Limited 永皓投資有限公司, a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by Honest Bright as at the date of this announcement
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Sale Shares”	512 ordinary shares of US\$1 each in the issued share capital of Honest Bright and registered in the name

	and beneficially owned by the Vendor
“Share Charge”	a share charge to be executed by the Vendor in favour of the Purchaser in respect of the Loan Facilities
“Shareholder(s)”	holder(s) of the share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sure Lucky”	Sure Lucky Investments Limited 鵬永投資有限公司, a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by Honest Bright as at the date of this announcement
“Transaction”	the Acquisition together with the granting of Loan Facilities and the increase in the registered capital and capital reserve of the Joint Venture
“Vendor”	Charlotte Huxia Wang, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

* For identification purpose.

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

Hong Kong, 23 November 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 GEM website on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the website of the Company at www.jinhengairbag.com .