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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)

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION – ACQUISITION;**
- (2) DISCLOSEABLE TRANSACTION – DISPOSAL; AND**
- (3) MAJOR DISPOSAL – GRANT OF TRANCHE 2 SUBSCRIPTION OPTION**

DISCLOSEABLE AND CONNECTED TRANSACTION - ACQUISITION

On 22 May 2008, the Group entered into the Acquisition Agreement pursuant to which the Group has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares (representing 38.50% of the registered capital of Beijing Troitec) at a consideration of RMB30,000,000.

As at the date hereof, the Company effectively owns 31.49% equity interest in Beijing Troitec, and its financial results are already consolidated into the books of the Group. Immediately after Acquisition Completion, the Company will effectively own 51.20% equity interest in Beijing Troitec.

Since the Vendor is holding 38.50% of the registered capital of Beijing Troitec, a non wholly-owned subsidiary of the Company, the Vendor is regarded as a substantial shareholder and a connected person of the Company under the GEM Listing Rules. As such, the Acquisition constitutes a connected transaction for the purposes of the GEM Listing Rules. Since the relevant percentage ratios are more than 5% but less than 25%, the Acquisition is also a discloseable transaction on the part of the Company.

Pursuant to Rule 20.43 of the GEM Listing Rules, the written Shareholders' approval may be accepted by the Stock Exchange in lieu of holding a general meeting for the approval of the Acquisition, if no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and a written Shareholders' approval has been obtained by the Company from a Shareholder holding more than 50% of the nominal share capital of the Company giving rights to attend and vote at general meeting for approval of the relevant transaction. As none of the Shareholders have a material interest in the Acquisition, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Moreover, Applaud Group Limited, the controlling Shareholding holding 228,620,000 Shares as at the date hereof, representing 51.60% of the issued Shares, has given its written Shareholders' approval for the Acquisition. An application will be made by the Company to the Stock Exchange to obtain such a waiver under Rule 20.43 of the GEM Listing Rules.

DISCLOSEABLE TRANSACTION - DISPOSAL

On 23 May 2008, the Group entered into the Disposal Agreement pursuant to which the Investors have agreed to purchase and Honest Bright have agreed to sell the Selling Series A-1 Preferred Shares (representing 32.79% of the issued share capital of Shiny Bright) at a consideration of RMB100,000,000.

For the avoidance of doubt, the Disposal Completion is conditional upon the Acquisition Completion, but not vice versa, and the Disposal Completion shall take place as soon as practicable after the Acquisition Completion. Immediately after the Acquisition Completion but before the Disposal Completion, the Company will be interested in 51.20% equity interest in Beijing Troitec. Immediately after the Disposal Completion (at which time the Tranche 2 Subscription Option granted under the Tranche 2 Subscription Agreement is not exercised), the Company will be interested in 34.41% of Beijing Troitec on a fully diluted basis.

The transaction contemplated under the Disposal Agreement is regarded as a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules, since the relevant percentage ratios are more than 5% but less than 25%.

MAJOR DISPOSAL - GRANT OF TRANCHE 2 SUBSCRIPTION OPTION

On the date of the Disposal Agreement, the Group entered into the Tranche 2 Subscription Agreement pursuant to which, subject to the Disposal Completion and the Shareholders' approval given under the Rule 17.39 of the GEM Listing Rules, Shiny Bright granted the Investors, at a consideration of HK\$1.00, an option to subscribe such number of Series A-2 Preferred Shares (as the Investors may decide in its discretion) at the price per share equal to 130% of the then applicable Conversion Price. The Tranche 2 Subscription Option is exercisable by the Investors, at its sole discretion and not at the Group's discretion, until the later of (i) 12 months after the Disposal Completion or (ii) 3 months after the audited accounts of the Shiny Bright and its subsidiaries for the year ending 31 March 2009 have been delivered to the Investors. Upon exercise of such Tranche 2 Subscription Option, the Investors shall subscribe the Series A-2 Preferred Shares for itself. The aggregate consideration for subscription of Series A-2 Preferred Shares shall not exceed RMB80,000,000, and the Tranche 2 Subscription Option is to be exercised to the extent that the Investors will not hold more than 49.90% of the issued share capital of Shiny Bright (on an as fully-converted basis).

Save for the consideration of HK\$1.00, there is not any premium for the grant of the Tranche 2 Subscription Option. The Company will comply with the requirements of Chapter 19 and Chapter 20 of the GEM Listing Rules upon exercise, transfer and termination of the Tranche 2 Subscription Option, and make appropriate announcements if required by the GEM Listing Rules.

The transaction contemplated under the Tranche 2 Subscription Agreement is aggregated with the Disposal pursuant to Rule 19.22 of the GEM Listing Rules, since both the Disposal Agreement and the Tranche 2 Subscription Agreement involve the acquisition of interest in Shiny Bright by the Investors. As the allotment of the Series A-2 Preferred Shares to the Investors upon exercise of the Tranche 2 Subscription Option, the allotment of shares in Shiny Bright will reduce the Company's interest in Shiny Bright, such a

transaction is a deemed disposal pursuant to Rule 19.29 of the GEM Listing Rules. The transaction under the Tranche 2 Subscription Agreement is thus regarded as a major disposal on the part of the Company under Chapter 19 of the GEM Listing Rules and Shareholders' approval to be given by a majority vote in a duly convened general meeting of the Company is required for such transaction pursuant to the GEM Listing Rules.

Moreover, pursuant to Rule 17.39 of the GEM Listing Rules, since Shiny Bright is major subsidiary of the Company and the aggregate effect of the Disposal and the grant of the Tranche 2 Subscription Option will materially dilute the Company's interest in Shiny Bright, Shareholders' approval to be given by a majority vote in a duly convened general meeting of the Company is required for the grant and the exercise of the Tranche 2 Subscription Option.

The EGM will be held by the Company for the Shareholders to approve the transaction under Tranche 2 Subscription Agreement pursuant to the GEM Listing Rules. As none of the Shareholders has a material interest in the Disposal and the grant and exercise of the Tranche 2 Subscription Option, no Shareholders will be required to abstain from voting at the EGM.

GENERAL

A circular containing, among other things, further information in respect of the Acquisition, the Disposal and the grant of the Tranche 2 Subscription Option, the letter from independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders on the Acquisition, and the notice of the EGM will be despatched to the Shareholders in accordance with the GEM Listing Rules as soon as practicable.

DISCLOSEABLE AND CONNECTED TRANSACTION - ACQUISITION

The Board is pleased to announce that on 22 May 2008, the Group entered into the Acquisition Agreement with the Vendor. Further details of the Acquisition are set out below:

Acquisition Agreement

Date : 22 May 2008

Parties : Vendor: 蕪湖奇瑞科技有限公司 (Wu Hu Qi Rui Technology Holdings Limited*)

Purchaser: Properline Investments Limited

The Vendor is principally engaged in investment holding. Since the Vendor is holding 38.50% of the registered capital of Beijing Troitec, a non wholly-owned subsidiary of the Company, the Vendor is regarded as a substantial shareholder and a connected person of the Company under the GEM Listing Rules.

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

Assets to be acquired

Pursuant to the Acquisition Agreement, the Group has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares (representing 38.50% of the registered capital of Beijing Troitec) at a consideration of RMB30,000,000. The original purchase cost of the Sale Shares by the Vendor was RMB6,000,000.

Consideration

The Consideration shall be RMB30,000,000 which shall be satisfied in cash by internal resources of the Group as follows:

- (a) RMB 20,000,000 shall be paid to the Vendor within one month of the date of the Acquisition Completion; and
- (b) RMB 10,000,000 shall be paid to the Vendor within one year from the date of the Acquisition Completion.

The Consideration was arrived at after arm's length negotiation between the parties to the Acquisition Agreement with reference to the business prospects of Beijing Troitec, and the fact that the Group will enter the Disposal Agreement with the Investors.

The Directors consider that the Consideration and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Acquisition Conditions

The Acquisition is conditional upon the following conditions, among others, having been fulfilled:

- (i) a majority of the independent Shareholders approving the Acquisition; and
- (ii) all the necessary approvals for the Acquisition from the relevant PRC authorities having been obtained.

Acquisition Completion

The Acquisition Completion is expected to take place on the date after the fulfillment of all the Acquisition Conditions (or such later date as may be agreed by the parties to the Acquisition Agreement in writing).

As at the date of hereof, Beijing Troitec is beneficially owned (i) as to 31.5% by the Purchaser, an indirect non wholly-owned subsidiary of the Company (ii) as to 30% by Sure Lucky, an indirect non wholly-owned subsidiary of the Company and (iii) as to the remaining 38.5% by the Vendor. Both the Purchaser and Sure Lucky is wholly-owned by Shiny Bright, which is in turn wholly owned by Honest Bright. Honest Bright is beneficially owned as to 51.20% by Jinheng BVI, a wholly owned subsidiary of the Company, and as to

the remaining 48.80% by Freemind. Therefore, as at the date of hereof, the Company effectively owns 31.49% equity interest in Beijing Troitec, and its financial results are already consolidated into the books of the Group. Immediately after Acquisition Completion, Beijing Troitec is beneficially owned (i) as to 70% by the Purchaser and (ii) as to 30% by Sure Lucky, both of which will still be wholly-owned by Shiny Bright. Therefore, the Company will be effectively interested in 51.20% equity interest in Beijing Troitec.

DISCLOSEABLE TRANSACTION - DISPOSAL

The Board is pleased to announce that on 23 May 2008, the Group entered into the Disposal Agreement with the Investors. Further details of the Disposal are set out below:

Disposal Agreement

Date : 23 May 2008

Parties : The Investors as the purchaser
Shiny Bright as the company
Honest Bright as the vendor
The Covenantors

To the best of the Directors' knowledge, information and belief having made all necessary enquiries, as at the date hereof, the Investors, their ultimate beneficial owners and their respective associates do not hold any Shares, and are Independent Third Parties.

Orchid Asia IV, L.P. and Orchid Asia IV Co-Investment, Limited are parallel investors in relation to the transactions contemplated under the Disposal Agreement and the Tranche 2 Subscription Agreement. Approximately 99% of the Series A Preferred Shares to be obtained will be held by Orchid Asia IV, L.P. while the remaining approximately 1 % will be held by Orchid Asia IV Co-Investment, Limited.

Upon Disposal Completion, Orchid Asia IV, L.P. will hold 3,755,419 Series A-1 Preferred Shares and Orchid Asia IV Co-Investment, Limited will hold 37,934 Series A-1 Preferred Shares. (Please refer to page 14 of this announcement for the total no. of Series A-1 Shares held by the Investors upon Disposal Completion)

For the avoidance of doubt, the Vendor does not have any relationship with the Investors, and they are independent with respect to each other.

The Disposal

Pursuant to the Disposal Agreement, the Investors have agreed to purchase and Honest Bright have agreed to sell the Selling Series A-1 Preferred Shares (representing 32.79% of the issued share capital of Shiny Bright on an as-fully-converted basis) at a consideration of RMB100,000,000..

Rights of Series A Preferred Shares

Below is the table for comparison of the rights of Ordinary Shares and Series A Preferred Shares:

	Ordinary Shares	Series A Preferred Shares
Voting	<p>The Ordinary Shares and the Series A Preferred Shares vote a single class on an as-fully-converted basis.</p> <p>The voting right of the Ordinary Shares is the same of the Series A Preferred Shares (on an as-fully-converted basis)</p>	<p>The Ordinary Shares and the Series A Preferred Shares vote a single class on an as-fully-converted basis</p> <p>The voting right of the Ordinary Shares is the same of the Series A Preferred Shares (on an as-fully-converted basis)</p>
Protective Provisions	No special protective provisions	<p>Entitled to protective provisions.</p> <p>Certain actions of the member of the Target Group (including issuing any new shares, increasing authorized capital, changing the corporate form, entering into any contract involving a sum of more than US\$100,000, amending the memorandum and articles of association, altering the financial year end) cannot be carried out without the prior written approval of holders of more than 50% of the outstanding Series A Preferred Shares, and/or the approval of the majority of the respective board (which majority shall include a director nominated by the holders of Series A Preferred Shares).</p>
Conversion	No conversion rights	<p>Holders of Series A Preferred Shares (including both Series A-1 Preferred Shares and Series A-2 Preferred Shares) are entitled to convert the Series A Preferred Shares into Ordinary Shares at a conversion price (the “Series A-1 Conversion Price” and the “Series A-2 Conversion Price” respectively), which conversion price can be adjusted for share</p>

combinations, consolidations, subdivisions, share splits, share dividends or the like.

In respect of Series A-1 Preferred Shares, each Series A-1 Preferred Share may be converted into a number of Ordinary Shares obtained by the following formula:

No. of Ordinary Shares =
Series A-1 Purchase Price /
Series A-1 Conversion Price in
effect at the time of conversion

In respect of Series A-2 Preferred Shares, each Series A-2 Preferred Share may be converted into a number of Ordinary Shares obtained by the following formula:

No. of Ordinary Shares =
Series A-2 Purchase Price /
Series A-2 Conversion Price in
effect at the time of conversion

For Series A-1 Purchase Price and Series A-2 Purchase Price, please refer to page 9 and 11 of this announcement.

The initial Series A-1 Conversion Price in respect of the Series A-1 Preferred Shares shall be equal to the Series A-1 Purchase Price, while the initial Series A-2 Conversion Price in respect of the Series A-2 Preferred Shares shall be equal to the Series A-2 Purchase Price.

For the avoidance of doubt, the Series A-1 Conversion Price and the Series A-2 Conversion Price is different.

Dividend	Not entitled to dividends unless all dividends accrued on Series A Preferred Shares have been paid	Entitled to receive non-cumulative dividends at the rate equal to the greater of (i) 8% per annum of the relevant purchase price of such Series A Preferred Shares, or (ii) the dividends which would be declared and paid on each Ordinary Share into which the Series A Preferred Shares may then be converted
Liquidation Preference	Following the distribution to all holders of the Series A Preferred Shares, any remaining assets of Shiny Bright shall be distributed pro rata among the holders of the Series A Preferred Shares (on an as-converted basis) together with the holders of the Ordinary Shares.	Entitled to receive in cash, prior to the holders of Ordinary Shares equal to an amount per Series A Preferred Share equal to the sum of 100% of the relevant purchase price of such Series A Preferred Shares, and any declared but unpaid dividends thereon.
Redemption	Subject to the redemption right or repurchase right as provided under the newly adopted memorandum and articles of association of Shiny Bright. In other words, the Ordinary Shares (and the Series A Preferred Shares as well) can be redeemed by or repurchased by Shiny Bright under the provisions of the the newly adopted memorandum and articles of association of Shiny Bright.	<p>In addition to the redemption right or repurchase right as provided under the newly adopted memorandum and articles of association of Shiny Bright, in case the 2008 Net Income of Shiny Bright is less than RMB30,000,000 (the “Profit Guarantee”), the holders of Series A Preferred Shares may elect to cause Shiny Bright to redeem the Series A Preferred Shares held by them at the Series A Purchase Price plus a return of 15% per annum of such figure.</p> <p>If Shiny Bright fails to redeem the Series A Preferred Shares, the Series A Holders has a right to sell the Series A Preferred Shares to the Covenantors at the Series A Purchase Price plus a return of 15% per annum of such figure. The Company will make an announcement in compliance with the requirements of the GEM</p>

		Listing Rules in case the Covenantors purchase the Series A Preferred Shares as aforesaid.
Right to appoint directors of Shiny Bright	Each of Freemind and Jinheng BVI is entitled to appoint 2 directors of Shiny Bright respectively. Therefore, the holders of Ordinary Shares are entitled to appoint 4 directors of Shiny Bright in total.	The holders of Series A Preferred Shares are entitled to appoint 2 directors of Shiny Bright in their complete discretion, and entitled to appoint another director jointly with Honest Bright.

Disposal Consideration

The total consideration (the “**Disposal Consideration**”) for the Disposal is RMB100,000,000. As the Selling Series A-1 Preferred Shares comprise of 3,793,353 Series A-1 Preferred Shares, the purchase price of each Series A-1 Preferred Shares of RMB26.36 (the “**Series A-1 Purchase Price**”) is derived by dividing RMB100,000,000 by 3,793,353.

The Disposal Consideration shall be satisfied by the Investors upon the Disposal Completion. RMB50,000,000 shall be paid by telegraphic transfer to a designated bank account (the “**Designated Account**”) of the Shiny Bright which shall be operated with the sole approval of the Investors, RMB30,000,000 shall be paid into another designated bank account which shall be operated with the approvals of both the Investors and Jinheng BVI respectively, while the remaining RMB20,000,000 shall be paid to Honest Bright..

The Disposal Consideration was arrived at after arm’s length negotiation between the parties to the Disposal Agreement with reference to the potential business prospects and the future earning potentials of Beijing Troitec, the rights attached to the Series A Preferred Shares. Moreover, when determining the amount of the Disposal Consideration the Investors have considered, (i) the fact that Beijing Troitec is one of the few PRC local manufacturers which produces and sells engine management system used in automobiles in PRC, (ii) the leading position enjoyed by Beijing Troitec in the PRC engine management system markets, thus allowing Beijing Troitec to possess a large market share in PRC, (iii) the cost benefits currently enjoyed by Beijing Troitec, and (iv) the fact that Beijing Troitec has already entered into at least 5 substantial sales contracts with car manufacturers in PRC and is developing new products for over 10 new automobile models.

The Directors consider that the Disposal Consideration and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Disposal Conditions

The Disposal is conditional upon the following conditions, among others, having been fulfilled:

- (i) all the necessary actions and approvals for the Investors to purchase the Selling Series A-1 Preferred Shares from Honest Bright and for Honest Bright to sell the Selling Series A-1 Preferred Shares to the Investors having been taken or obtained;
- (ii) all necessary PRC governmental approvals and consent for the Acquisition having been obtained, and the Acquisition Completion having taken place;
- (iii) each of the warranties and representations given by Honest Bright, Shiny Bright, and the Covenantors in the Disposal Agreement being true and correct as of the date of the Disposal Completion;
- (iv) all necessary governmental approvals for consummation of the transactions contemplated under the Disposal Agreement having been obtained;
- (v) the Investors being satisfied with the results of due diligence exercise;
- (vi) a legal opinion having been issued by a British Virgin Islands counsel to the Investors in relation to Shiny Bright;
- (vii) a legal opinion having been issued by a PRC counsel in relation to Beijing Troitec;
- (viii) all actions necessary having been taken to appoint the persons nominated by the Investors as directors of each of Shiny Bright, Properline, Sure Lucky, Beijing Troitec and its subsidiary with effect from the date of the Disposal Completion;
- (ix) no event, circumstance, fact, condition having been occurred which would be materially adverse to the financial condition, business, prospects, operations of the Target Group;
- (x) Eight key individuals of the Target Group having executed an employment agreement (the form and substance of which is satisfactory to the Investors) with one or more companies of the Target Group;
- (xi) Eight key individuals of the Target Group having executed a proprietary information and invention agreement (the form and substance of which is satisfactory to the Investors) with one or more companies of the Target Group;
- (xii) A shareholders' agreement (the form and substance of which is satisfactory to the Investors) relating to the Company having been executed between, amongst others, Shiny Bright, Properline, Sure Lucky, Beijing Troitec, the Investors, Honest Bright and the Covenantors;
- (xiii) A shareholders' resolution of Shiny Bright for approval of matters contemplated under the Disposal Agreement having been executed; and

- (xiv) A directors' resolution of Shiny Bright for approval of matters contemplated under the Disposal Agreement having been executed.

The Investors may waive all or any of the conditions as stated in the Disposal Agreement. Shiny Bright, Honest Bright, the Covenantors shall use all reasonable behaviours to procure the fulfillment of all these conditions on or before 30 September 2008, or such other as may be agreed among the parties to the Disposal Agreement, failing which the Investors may not proceed to the Disposal Completion.

Disposal Completion

For the avoidance of doubt, the Disposal Completion is conditional upon the Acquisition Completion, but not vice versa, the Disposal Completion shall take place as soon as practicable after the Acquisition Completion. Immediately after the Acquisition Completion but before the Disposal Completion, the Company will be interested in 51.20% equity interest in Beijing Troitec. Immediately after the Disposal Completion (at which time the Tranche 2 Subscription Option is not exercised), the Company will be interested in 34.41% of Beijing Troitec on a fully diluted basis.

As the Investors have the right to waive any conditions stated above, including the condition that the Acquisition Completion having taken place, it is possible for the Disposal Completion to proceed even if the Acquisition Completion does not proceed. However, the Board considers it is unlikely for the Investors to waive such a condition.

MAJOR DISPOSAL - GRANT OF TRANCHE 2 SUBSCRIPTION OPTION

On the date of the Disposal Agreement, the Group entered into the Tranche 2 Subscription Agreement with the Investors, details of which are set out below:

Date : 23 May 2008

Parties : The Investors as the grantee
Shiny Bright as the grantor
Honest Bright
The Covenantors

Tranche 2 Subscription Option

Pursuant to this Tranche 2 Subscription Agreement, subject to the Disposal Completion and all the Series A-1 Preferred Shares purchased by the Investors upon Disposal Completion remaining in issue and outstanding (or to the extent any of Series A-1 Preferred Shares are converted into Ordinary Shares, such Ordinary Shares remaining in issue and outstanding), Shiny Bright granted the Investors, at a consideration of HK\$1.00, an option to subscribe such number of Series A-2 Preferred Shares (as the Investors may decide in its discretion) at the price (the “**Series A-2 Purchase Price**”) per share equal to 130% of the then applicable Series A-1 Conversion Price. Except for the Shareholders' approval to be given by a majority vote in a duly convened general meeting of the Company, there are no other conditions precedent for the grant of the Tranche 2 Subscription Option. The Tranche 2 Subscription Option is exercisable by the Investors, at its sole discretion and not at the Group's discretion, until the later of (i) 12 months after the Disposal Completion or (ii) 3 months after the audited accounts of the Shiny Bright and its subsidiaries for the year ending 31 March 2009 have been delivered to the

Investors. Upon exercise of such Tranche 2 Subscription Option, the Investors shall subscribe the Series A-2 Preferred Shares for itself.

Save for the consideration of HK\$1.00, there is not any premium for the grant of the Tranche 2 Subscription Option. The Company will comply with the requirements of Chapter 19 and Chapter 20 of the GEM Listing Rules upon exercise, transfer and termination of the Tranche 2 Subscription Option, and make appropriate announcements if required by the GEM Listing Rules.

For the avoidance of doubt, except for the difference of the Series A-1 Conversion Price and the Series A-2 Conversion Price, the rights of the Series A-2 Preferred Shares are the same as those of the Series A-1 Preferred Shares. Please refer to the table set out on pages 6 to 9 of this announcement for details of rights of Series A-2 Preferred Shares.

Tranche 2 Subscription Consideration

The aggregate consideration for subscription of Series A-2 Preferred Shares shall not exceed RMB80,000,000 (the “**Tranche 2 Subscription Consideration**”), and the Tranche 2 Subscription Option is to be exercised to the extent that the Investors will not hold more than 49.90% of the issued share capital of Shiny Bright (on an as fully-converted basis).

Conditions for exercise of the Tranche 2 Subscription Option

The exercise of the Tranche 2 Subscription Option by the Investors, is conditional upon the following conditions, among others, having been fulfilled:

- (i) each of the warranties and representations given by Honest Bright, Shiny Bright, and the Covenantors in the Tranche 2 Subscription Agreement being true and correct as of the date of the Tranche 2 Subscription Completion;
- (ii) the approval of the Shareholders for entering into the Tranche 2 Subscription Agreement and carrying out the transactions contemplated thereunder having been obtained by the Company at the EGM;
- (iii) all necessary governmental approvals for consummation of the transactions contemplated under the Disposal Agreement having been obtained;
- (iv) a legal opinion having been issued by a British Virgin Islands counsel to the Investors in relation to Shiny Bright; and
- (v) no event, circumstance, fact, condition having been occurred which would be materially adverse to the financial condition, business, prospects, operations of the Target Group.

The Investors may waive all or any of the conditions for the exercise of the Tranche 2 Subscription Option as stated in the Tranche 2 Subscription Agreement.

Tranche 2 Subscription Completion

Shiny Bright shall issue, and the Investors shall subscribe, such number of the Series A-2 Preferred Shares (obtained by dividing the Tranche 2 Subscription Consideration by the then applicable Series A-2 Purchase Price) to the Investors upon the Tranche 2 Subscription Completion. The entire sum of the Tranche 2 Subscription Consideration for subscription of the Series A-2 Preferred Shares shall be satisfied by the Investors upon the Tranche 2 Subscription Completion, and all of such sum shall be deposited by telegraphic transfer to the Designated Account.

The Series A-2 Purchase Price, the Tranche 2 Subscription Consideration and the terms of the Tranche 2 Subscription Agreement were arrived at after arm's length negotiation between the parties to the Tranche 2 Subscription Agreement with reference to the potential business prospects of Beijing Troitec, future earning potentials of Beijing Troitec, the rights attached to the Series A Preferred Shares, and the same factors considered by the Investors as mentioned under the section headed "Disposal Consideration" of this announcement.

The Directors consider that the Tranche 2 Subscription Consideration and the terms of the Tranche 2 Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming the Conversion Price is not adjusted (i.e. equal to the current Series A-1 Purchase Price of RMB26.36), the Series A-2 Purchase Price will be RMB34.27 (i.e. $26.36 \times 130\%$), and upon the Tranche 2 Subscription Option being exercised by the Investors as at the date hereof and at such Series A-2 Purchase Price, the Investors will hold 2,334,371 Series A-2 Preferred Shares (i.e. $\text{RMB}80,000,000$ divided by RMB34.27), representing 16.79% of the entire issued share capital of Shiny Bright (on an as fully-converted basis and a fully-diluted basis after the issue of the Series A-2 Preferred Shares by Shiny Bright). Together with the Series A-1 Preferred Shares acquired by the Investors upon Disposal Completion, the Investors will hold 44.07% of the issued share capital of Shiny Bright (on a fully-diluted basis after the issue of the Series A-2 Preferred Shares by Shiny Bright) upon Tranche 2 Subscription Completion.

As at the date hereof, Shiny Bright has 7,775,275 Ordinary Shares and 3,793,353 Series A Preferred Shares in issue, all of which are beneficially owned by Honest Bright. The following table shows the shareholding structure of Shiny Bright (i) as at the date hereof (on an as-fully-converted basis), (ii) after the Disposal Completion (on an as-fully-converted basis and assuming there is no adjustment to the Series A-1 Conversion Price), and (iii) after the Disposal Completion and the exercise of the Tranche 2 Subscription Option in full (on an as-fully-converted basis, a fully-diluted basis and assuming there is no adjustment to the Series A-1 Conversion Price and Series A-2 Conversion Price):

		As at the date of the Announcement		After Disposal Completion		After Disposal Completion and exercise of Tranche 2 Subscription Option	
		<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Honest Bright	Ordinary Shares	7,775,275	67.21	7,775,275	67.21	7,775,275	55.93
	Series A-1 Preferred Shares	3,793,353	32.79	-	-	-	-
Subtotal:		11,568,628	100	7,775,275	67.21	7,775,275	55.93
Investors	Series A-1 Preferred Shares	-	-	3,793,353	32.79	3,793,353	27.28
	Series A-2 Preferred Shares	-	-	-	-	2,334,371	16.79
Subtotal:		-	-	3,793,353	32.79	6,127,724	44.07
Total		11,568,628	100	11,568,628	100	13,902,999	100

Please note that the figures shown under the column “After Disposal Completion” and the column “After Disposal Completion and exercise of Tranche 2 Subscription Option” in the table above are based on the assumption that the Series A-1 Conversion Price and/or Series A-2 Conversion Price have not been adjusted yet.

Under the newly adopted memorandum and articles of association of Shiny Bright, the number of Series A-1 Preferred Shares and Series A-2 Preferred Shares to be issued by Shiny Bright are fixed to be 3,793,353 and 2,334,371 respectively. Therefore, if the Series A-1 Conversion Price and/or Series A-2 Conversion Price are adjusted downwards, the number of Ordinary Shares (on an as-fully-converted basis) into which each Series A-1 Preferred Shares and/or Series A-2 Preferred Shares can be converted will increase. The end result will be the percentage of shareholding (on an fully-converted basis) held by the Investors will increase. However, please be reminded that, as mentioned above, the Tranche 2 Subscription Option is to be exercised to the extent that the Investors will not hold more than 49.90% of the issued share capital of Shiny Bright (on an as fully-converted basis).

Further details of the Target Group structure immediately after the Acquisition Completion, the Disposal Completion, and the Tranche 2 Subscription Completion is shown in the chart on page 20 of this Announcement.

Financial effect and use of proceeds

Upon the Disposal Completion, the Group is expected to record a net gain of about HK\$15 million. Such gain was calculated by deducting the provision of expenses (in the sum of about HK\$11 million) derived from the fair value of the Tranche 2 Subscription Option, the redemption right to the Investors if the Profit Guarantee is not satisfied and the employee share options to be granted by Shiny Bright (such provisions are required to be recognised under the generally accepted accounting principles in Hong Kong), from the gain on disposal of about HK\$26 million.

Such gain on disposal of HK\$26 million is calculated based on the net proceeds of about RMB100 million obtained from the Disposal, less the unaudited and consolidated net asset value of the Target Group (as at date of signing the Disposal Agreement) and the relevant expenses incurred for processing the Acquisition and Disposal. Such gain on disposal is calculated by the Company internally on a prudent basis, and it has not been agreed with auditors.

The Directors intend to apply RMB80 million out of the entire sale proceeds from the Disposal for full payment of the subscription price of the 7,675,275 Ordinary Shares and all the Series A-1 Preferred Shares (both of which were issued as payable upon subscription by Honest Bright). The directors of Shiny Bright intend to apply such RMB80 million for the Target Group's general working capital. For the remaining RMB20 million, the Directors intend to use the same for the Group's general working capital. Immediately after the Disposal Completion, Honest Bright, Shiny Bright, Sure Lucky, Properline and Beijing Troitec will remain subsidiaries of the Group and their financial results will continue to be consolidated into the books of the Group.

The directors of Shiny Bright intend to apply the net proceeds of about RMB80,000,000 obtained from the exercise of the Tranche 2 Subscription Option by the Investors for the general working capital and further development of the Target Group, including expansion of research and production capacities, and introduction and development of new products. Immediately after the Tranche 2 Subscription Completion, Honest Bright, Shiny Bright, Sure Lucky, Properline and Beijing Troitec will remain subsidiaries of the Group and their financial results will continue to be consolidated into the books of the Group.

The gain or loss of the Group from the exercise of the Tranche 2 Subscription Option cannot be calculated as at the date hereof. The gain or loss will depend on the difference between the consideration (which is RMB80,000,000 at the maximum) paid by the Investors and the net asset value of the Target Group when exercising the Tranche 2 Subscription Option (which can any time before the later of (i) 12 months after the Disposal Completion or (ii) 3 months after the audited accounts of the Shiny Bright and its subsidiaries for the year ending 31 March 2009 have been delivered to the Investors). For the purpose of illustration, assuming the Tranche 2 Subscription Option is exercised by the Investors as at the date hereof, the Group will possibly record another gain of approximately HK\$15 million with reference to the net asset value of the Target Group as at the date hereof.

INFORMATION ON SHINY BRIGHT, PROPERLINE AND SURE LUCKY

Shiny Bright

Shiny Bright is a company incorporated in the British Virgin Islands on 6 December 2007 and is principally engaged in investment holdings. Other than its shareholding in Properline and Sure Lucky, Shiny Bright does not own any equity interest in other companies and does not have any other material assets. Shiny Bright has not recorded any turnover or profits since 6 December 2007 (i.e. the date of its corporation) up to 31 December 2007. Its unaudited net asset value as at 31 December 2007 is HK\$0.

Properline

Properline is a company incorporated in Hong Kong on 29 August 2006 and is principally engaged in investment holdings. Other than its 31.5% (before the Acquisition Completion) or 70% (after the Acquisition Completion) equity interest in Beijing Troitec, Properline does not own any equity interest in other companies and does not have any other material assets.

The following table shows the turnover, net losses before tax and net losses after tax of Properline based on its unaudited unconsolidated financial statements for the financial year ended 31 December 2006 and 2007 (prepared under the generally accepted accounting principles in Hong Kong):

	For the year ended 31 December 2007	For the year ended 31 December 2006
	HK'000	HK'000
Turnover	0	0
Net losses before tax	11	19
Net losses after tax	11	19

The unaudited unconsolidated net liabilities value of Properline as at 31 December 2006 and as at 31 December 2007 were about HK\$0.02 million and HK\$0.03 million.

Sure Lucky

Sure Lucky is a company incorporated in Hong Kong on 29 August 2006 and is principally engaged in investment holdings. Other than its 30% equity interest in Beijing Troitec, Sure Lucky does not own any equity interest in other companies and does not have any other material assets.

The following table shows the turnover, net losses before tax and net losses after tax of Sure Lucky based on its unaudited unconsolidated financial statements for the financial year ended 31 December 2006 and 2007 (prepared under the generally accepted accounting principles in Hong Kong):

	For the year ended 31 December 2007	For the year ended 31 December 2006
	HK'000	HK'000
Turnover	0	0
Net losses before tax	9	19
Net losses after tax	9	19

The unaudited unconsolidated net liabilities value of Sure Lucky as at 31 December 2006 and as at 31 December 2007 were about HK\$0.02 million and HK\$0.03 million.

INFORMATION ON BEIJING TROITEC

Beijing Troitec is a sino-foreign equity joint venture company established in the PRC in August 2004. It, together with its subsidiary are principally engaged in the research and development, manufacture and sale of engine management system used in automobiles.

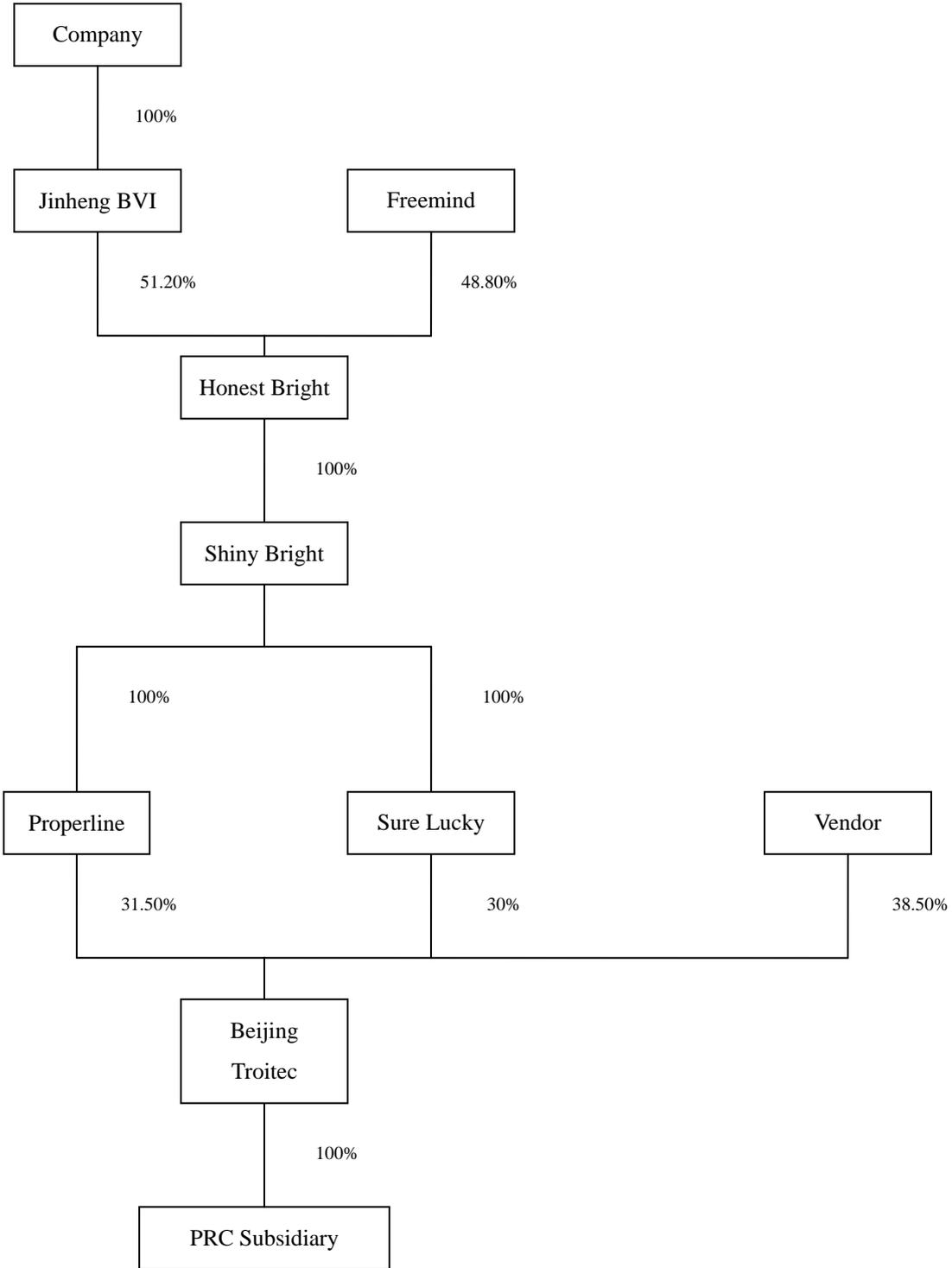
The following table shows the turnover, net loss before tax and net loss after tax of the Beijing Troitec and its subsidiaries based on its consolidated audited financial statements for the financial year ended 31 December 2006 and 2007 (prepared under the generally accepted accounting principles in the PRC):

	For the year ended 31 December 2007 (audited)	For the year ended 31 December 2006 (audited)
	RMB'000	RMB'000
Turnover	63,484	26,289
Net loss before tax	24,165	17,065
Net loss after tax	24,165	17,065

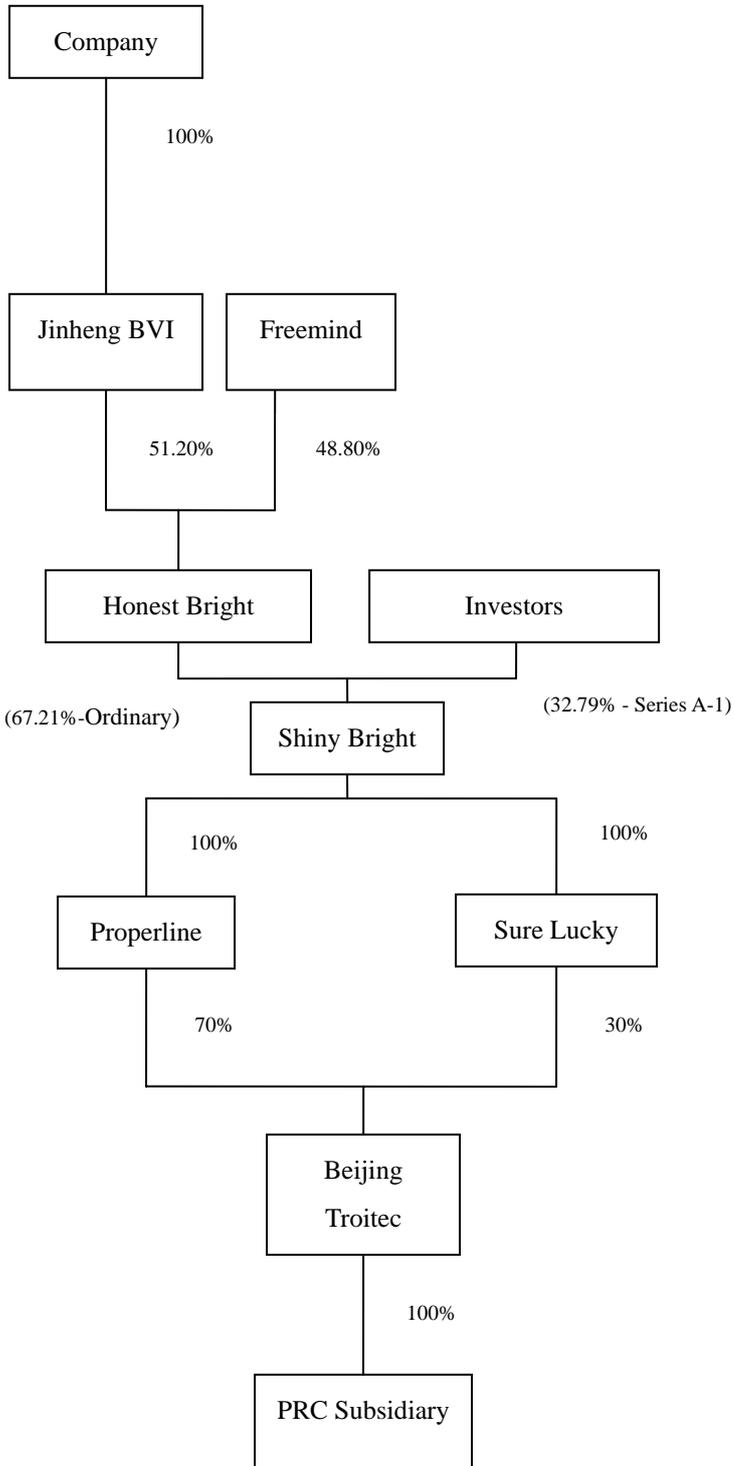
The audited consolidated net liabilities value of Beijing Troitec as at 31 December 2006 and as at 31 December 2007 were about RMB19.1 million and RMB 23.2 million respectively.

STRUCTURE BEFORE AND AFTER THE ACQUISITION COMPLETION, THE DISPOSAL COMPLETION AND THE TRANCHE 2 SUBSCRIPTION COMPLETION

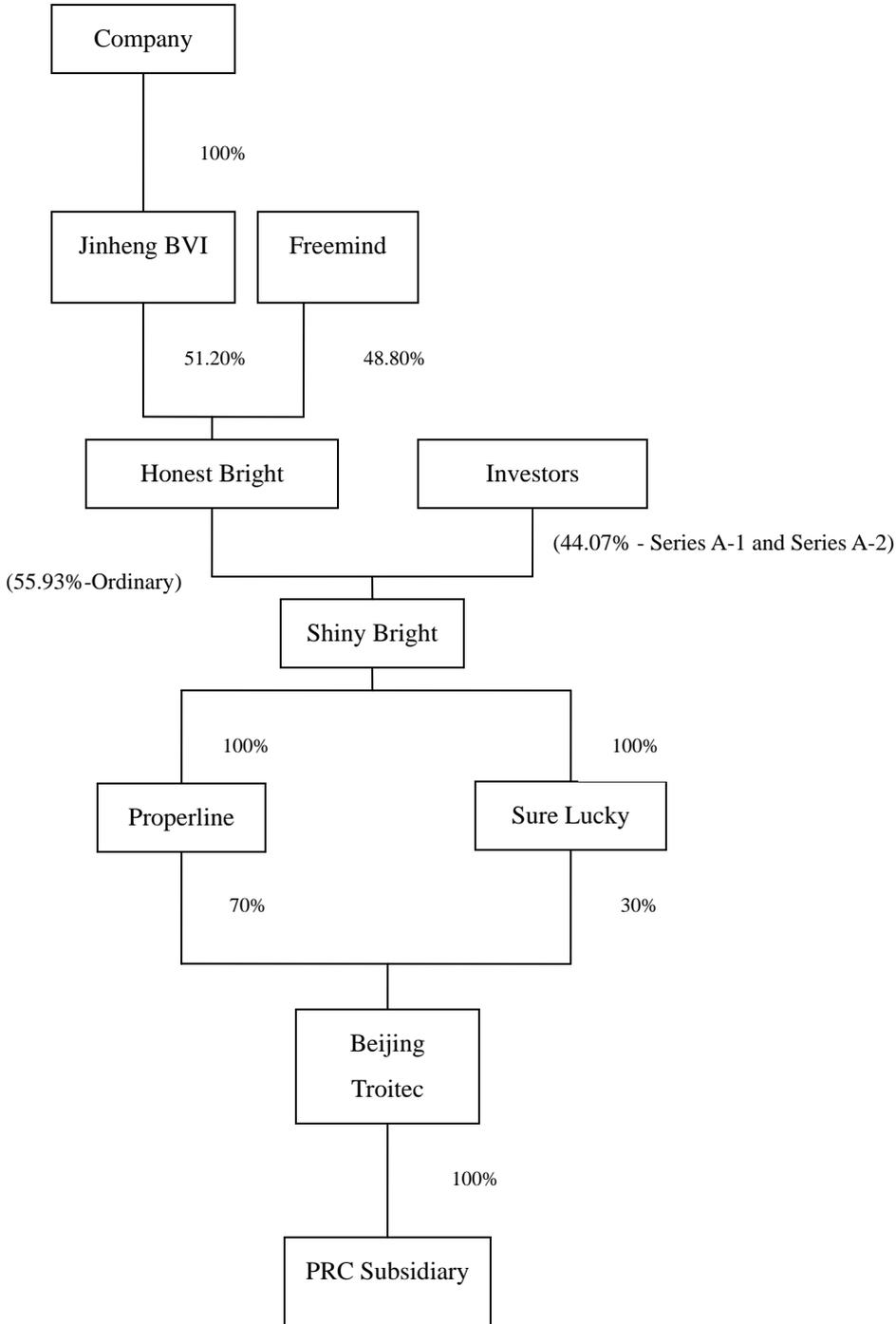
EXISTING STRUCTURE



**STRUCTURE FOLLOWING ACQUISITION COMPLETION
AND DISPOSAL COMPLETION BUT BEFORE THE EXERCISE
OF TRANCHE 2 SUBSCRIPTION OPTION (ASSUMING THE
SERIES A-1 CONVERSION PRICE IS NOT ADJUSTED)**



**STRUCTURE FOLLOWING ACQUISITION COMPLETION,
THE DISPOSAL COMPLETION AND THE TRANCHE 2
SUBSCRIPTION COMPLETION (ASSUMING THE SERIES
A-1 CONVERSION PRICE AND SERIES A-2 CONVERSION
PRICE ARE NOT ADJUSTED)**



Below please find a table setting out the effective interest in Shiny Bright owned by the Company (i) as at the date hereof, (ii) immediately after the Disposal Completion and (iii) immediately after the Disposal Completion and Tranche 2 Subscription Completion:

As at the date hereof	Immediately after Disposal Completion (on an as-fully-converted basis)	Immediately after the Disposal Completion and Tranche 2 Subscription Completion (on an as-fully-converted basis and a fully-diluted basis)
51.20%	34.41%	28.64%

Below please find a table setting out the effective interest in Beijing Troitec owned by the Company (i) as at the date hereof, (ii) immediately after the Disposal Completion and (iii) immediately after the Disposal Completion and Tranche 2 Subscription Completion:

As at the date hereof	Immediately after Disposal Completion (on an as-fully-converted basis)	Immediately after the Disposal Completion and Tranche 2 Subscription Completion (on an as-fully-converted basis and a fully-diluted basis)
31.49%	34.41%	28.64%

For the avoidance of doubt, the financial results of Shiny Bright will be consolidated into the accounts of the Group as at the date hereof, after the Disposal Completion and after the exercise of the Tranche 2 Subscription Option.

REASONS FOR THE ACQUISITION, THE DISPOSAL AND THE GRANT OF THE TRANCHE 2 EXERCISE OPTION

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.

The reason for carrying out the Acquisition is to increase the Group's interest in Beijing Troitec so as to attract the Investors to enter into the Disposal Agreement. With regard to the huge automobile market in the PRC, the Group views it as a good opportunity to expand the business of Beijing Troitec. After careful consideration, the Board is of the view that entering into the Disposal Agreement with the Investors will be the most appropriate way to obtain funding to carry out such expansion. The proceeds from the Disposal will be used as the general working capital of the Target Group.

The acquisition of the Series A Preferred Shares by the Investors are divided in 2 stages. The first stage is purchasing 32.79% interest in Shiny Bright from Honest Bright, while the second stage is the exercise of the Tranche 2 Subscription Option. The reason for such structure is that the Board considers the proceeds from the sale of the Selling Series A-1 Preferred Shares (i.e. RMB100,000,000) under the Disposal Agreement will be sufficient for Beijing Troitec to use as general working capital with regard to its current size.

Granting the Tranche 2 Subscription Option to Investors will provide the Target Group a certain degree of certainty in securing further funds to be injected into the Target Group in case the business of Beijing Troitec prospers.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Acquisition

Since the Vendor is holding 38.5% of the registered capital of Beijing Troitec, a non wholly-owned subsidiary of the Company, the Vendor is regarded as a substantial shareholder and a connected person of the Company under the GEM Listing Rules. As such, the Acquisition constitutes a connected transaction for the purposes of the GEM Listing Rules. Since the relevant percentage ratios are more than 5% but less than 25%, the Acquisition is also a discloseable transaction on the part of the Company.

The Acquisition is subject to the requirements of reporting, announcement and the approval of the independent Shareholders. Pursuant to Rule 20.43 of the GEM Listing Rules, the written Shareholders' approval may be accepted by the Stock Exchange in lieu of holding a general meeting for the approval of the Acquisition, if no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and a written Shareholders' approval has been obtained by the Company from a Shareholder holding more than 50% of the nominal share capital of the Company giving rights to attend and vote at general meeting for approval of the relevant transaction. As none of the Shareholders have a material interest in the Acquisition, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Moreover, Applaud Group Limited, the controlling Shareholding holding 228,620,000 Shares as at the date hereof, representing 51.60% of the issued Shares, has given its written Shareholders' approval for the Acquisition. An application will be made by the Company to the Stock Exchange to obtain such a waiver under Rule 20.43 of the GEM Listing Rules.

The Disposal

The transaction contemplated under the Disposal Agreement is regarded as a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules, since the relevant percentage ratios are more than 5% but less than 25%. Therefore, no Shareholders' approval is required for the Disposal.

The grant of the Tranche 2 Subscription Option

The transaction contemplated under the Tranche 2 Subscription Agreement is aggregated with the Disposal pursuant to Rule 19.22 of the GEM Listing Rules, since both the Disposal Agreement and the Tranche 2 Subscription Agreement involve the acquisition of interest in Shiny Bright by the Investors. As the allotment of the Series A-2 Preferred Shares to the Investors upon exercise of the Tranche 2 Subscription Option, the allotment of shares in Shiny Bright will reduce the Company's interest in Shiny Bright, such a transaction is a deemed disposal pursuant to Rule 19.29 of the GEM Listing Rules. The transaction under the Tranche 2 Subscription Agreement is thus regarded as a major disposal on the part of the Company under Chapter 19 of the GEM Listing Rules and Shareholders' approval to be given by a majority vote in a duly convened general meeting of the Company is required for such transaction pursuant to the GEM Listing Rules.

Moreover, pursuant to Rule 17.39 of the GEM Listing Rules, since Shiny Bright is major subsidiary of the Company and the aggregate effect of the Disposal and the grant of the Tranche 2 Subscription Option will materially dilute the Company's interest in Shiny Bright, Shareholders' approval to be given by a majority vote in a duly convened general meeting of the Company is required for the grant and the exercise of the Tranche 2 Subscription Option.

The EGM will be held by the Company for the Shareholders to approve the transaction under Tranche 2 Subscription Agreement pursuant to the GEM Listing Rules. As none of the Shareholders has a material interest in the Disposal and the grant and exercise of the Tranche 2 Subscription Option, no Shareholders will be required to abstain from voting at the EGM.

GENERAL

The executive Directors and non-executive Directors consider that the Acquisition Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole. The independent non-executive Directors will also seek the view of independent financial adviser as to the fairness and reasonableness of the Acquisition.

All the Directors (including independent non-executive Directors) consider that the Disposal Agreement and the Tranche 2 Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Disposal Agreement and those of the Tranche 2 Subscription Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

A circular containing, among other things, further information in respect of the Acquisition the Disposal, and the grant of the Tranche 2 Subscription Option, the letter from independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders on the Acquisition, and a notice of the EGM will be despatched to the Shareholders in accordance with the GEM Listing Rules as soon as practicable.

DEFINITIONS

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

- “2008 Net Income”** the consolidated net profit after tax and extraordinary items of Target Group for the year ending 31 March 2009. For this purpose, any income or losses obtained or derived through or as the result of any merger, acquisition or business combination or any extraordinary or non-recurring earnings shall not be counted as income of Target Group.
- “Acquisition”** the acquisition by the Purchaser of the Sale Shares from the Vendor subject to and upon the terms and conditions of the Acquisition Agreement

“Acquisition Agreement”	the sale and purchase agreement dated 22 May 2008 and entered into between the Vendor and the Purchaser in respect of the Acquisition
“Acquisition Completion”	completion of the Acquisition pursuant to the Acquisition Agreement
“Acquisition Conditions”	the conditions precedent to the Acquisition Agreement which are set out in the paragraph headed “Acquisition Conditions” in this announcement
“associates”	has the meaning ascribed to this term 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 its principal business is research and development, manufacture and sale of engine management system used in automobiles
“Board”	the board of Directors
“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(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Consideration”	the consideration of RMB30,000,000 for the Acquisition
“Covenantors”	the Company, Mr. Zhao Yu Min, Mr. Chen Xiang Hui, Mr. Lu Bo, Mr. Yang Shao Long, Mr. Ling Feng, Freemind and Jinheng BVI. Mr Zhao Yu Min, Mr Chen Xiang Hui, Mr Lu Bo, Mr Yang Shao Long and Mr Ling Feng have no relationship with Group, save as they are shareholders of Freemind and the key management personnel of Beijing Troitec
“Directors”	directors of the Company
“Disposal”	the disposal by Honest Bright of the Selling Series A-1 Preferred Shares to the Investors subject to and upon the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 23 May 2008 and entered into between the Investors as purchaser, Honest Bright as vendor, Shiny Bright and the Covenantors in respect of the Disposal

“Disposal Completion”	completion of the Disposal pursuant to the Disposal Agreement
“Disposal Conditions”	the conditions precedent to the Disposal Agreement which are set out in the paragraph headed “Disposal Conditions” in this announcement
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to approve the entering into the Tranche 2 Subscription Agreement and the transactions contemplated thereunder (including the grant and exercise of the Tranche 2 Subscription Option)
“Freemind”	Freemind Technology Limited, a company incorporated in the British Virgin Islands
“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
“Honest Bright”	Honest Bright Group Limited, a company incorporated in the British Virgin Islands with limited liability and a non wholly-owned subsidiary of the Company
“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 Acquisition Agreement and the transactions contemplated thereunder
“Independent Third Party”	independent third parties not acting in concert with or connected with any directors, chief executive, substantial shareholders and management shareholders of the Company and its subsidiaries or any of their respective associates, and are independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Investors”	Orchid Asia IV, LP, a limited partnership incorporated in the Cayman Islands with limited liability which is primarily focused on equity investment in PRC, and Orchid Asia IV Co-Investment, Limited, a company incorporated in the Cayman Islands with limited liability which is primarily engaged in investment holding. Orchid Asia IV, L.P. is a major shareholder of Orchid Asia IV Co-Investment, Limited

“Jinheng BVI”	Jinheng EMS (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, and which is interested in 51.2% of the issued share capital of Honest Bright as at the date hereof
“Ordinary Shares”	ordinary shares of US\$0.01 each in the share capital of Shiny Bright after adoption of the new memorandum and articles of association of Shiny Bright
“Purchaser” or “Properline”	Properline Investments Limited, a company incorporated in Hong Kong with limited liability and a non wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, and for the purposes for this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Shares”	38.50% of the registered capital of Beijing Troitec which is beneficially owned by the Vendor as at the date of this announcement
“Series A Preferred Shares”	Series A-1 Preferred Shares and Series A-2 Preferred Shares
“Series A-1 Preferred Shares”	series A preferred shares of US\$0.01 each in the share capital of Shiny Bright after adoption of the new memorandum and articles of association of Shiny Bright to be acquired by the Investors upon the Disposal Completion
“Series A-2 Preferred Shares”	series A preferred shares of US\$0.01 each in the share capital of Shiny Bright after adoption of the new memorandum and articles of association of Shiny Bright to be acquired by the Investors upon exercise of Tranche 2 Subscription Option
“Selling Series A-1 Preferred Shares”	the 3,793,353 Series A-1 Preferred Shares to be sold by Honest Bright and to be purchased by the Investors at a consideration of RMB100,000,000
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shiny Bright”	Shiny Bright Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a non wholly-owned subsidiary of the Company, whose principal business is investment holdings

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sure Lucky”	Sure Lucky Investments Limited, a company incorporated in Hong Kong and a non-wholly-owned subsidiary of the Company
“Target Group”	Shiny Bright, Sure Lucky, Properline, Beijing Troitec and its subsidiary
“Tranche 2 Subscription Agreement”	the agreement dated 23 May 2008 (which the same date as the Disposal Agreement) and entered into between the Investors as grantee, Shiny Bright as grantors, Honest Bright and the Covenantors in respect of the grant of the Tranche 2 Subscription Option by Shiny Bright to the Investors
“Tranche 2 Subscription Completion”	completion of the issue of the Series A-2 Preferred Shares to the Investors upon exercise of the Tranche 2 Subscription Option pursuant to the Tranche 2 Subscription Agreement
“Tranche 2 Subscription Option”	The option granted by Shiny Bright to the Investors, and to be exercised by the Investors at its sole discretion for subscription of Series A-2 Preferred Shares by the Investors at an aggregate consideration of RMB80,000,000
“Vendor”	蕪湖奇瑞科技有限公司 (Wu Hu Qi Rui Technology Holdings Limited*), a company established in the PRC with limited liability and its principal business is investment holdings
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“%”	per cent.

By order of the board of directors of
**Jinheng Automotive Safety Technology
International Limited**

Li Feng
Chairman

Hong Kong, 23 May 2008

* *For identification purpose only*

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

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.jinhengholdings.com.