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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**

On 12 July 2008, Jinzhou Jinheng, a wholly-owned subsidiary, and the Vendor entered into (i) the Facilities Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase and the Vendor agreed to sell the production facilities and research & development facilities of automotive safety airbags at a consideration of RMB38,400,000, (ii) the Inventory Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase all the automotive safety airbags related inventories owned by the Vendor as at 30 June 2008 at a consideration of RMB14,800,000, and (iii) the Technology Development Agreement, pursuant to which the Vendor agreed to provide development services to Jinzhou Jinheng for it to produce automotive safety airbags for not less than 10 different car models with a quality satisfying the required standard applied throughout the automobile industry at a consideration of RMB25,000,000.

As the Group has entered into the Agreements with the same party, i.e. the Vendor, within a 12-month period, all the transactions contemplated under the Agreements shall be aggregated and be treated as a single transaction pursuant to Rule 19.22 of the GEM Listing Rules. After such aggregation, a discloseable transaction is constituted as the relevant percentage ratio calculated based on the aggregate figures of the Agreements exceeds 5% but below 25%.

A circular containing all the relevant disclosure requirements for the discloseable transaction in relation to the Agreements will be despatched to the Shareholders as soon as possible.

## **THE FACILITIES ACQUISITION AGREEMENT**

On 12 July 2008, Jinzhou Jinheng, a wholly-owned subsidiary of the Company, and the Vendor entered into the Facilities Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase and the Vendor agreed to sell the production facilities (including airbag spare parts production facilities and assembly facilities) and research & development facilities (including crash test equipments and crash test tracks) of automotive safety airbags at a consideration of RMB38,400,000. A valuation was conducted, based on a comparison of values of similar facilities available in the market, on the production facilities and research & development facilities to be acquired on 11 July 2008, which showed that the value of all these facilities was

approximately RMB39 million. The Vendor has no information on the net profits (both after and before tax and extraordinary items) attributable to the production facilities and research & development facilities to be acquired for the past two financial years immediately preceding the proposed acquisition.

The completion of the Facilities Acquisition Agreement is unconditional. The consideration of RMB38,400,000 (representing a discount of approximately 1.54% of the valued amount mentioned above) will be settled in cash in the following manner:

- i) RMB24,000,000 will be settled within 10 days from the date of the Facilities Acquisition Agreement; and
- ii) RMB14,400,000 will be settled within 18 months from the date of the Facilities Acquisition Agreement.

Under the Facilities Acquisition Agreement, the Vendor has warranted that the facilities involved are free from encumbrance and are in good and usable condition. The Vendor has provided all the value-added tax invoices related to the facilities involved to Jinzhou Jinheng, and has paid all the taxes in relation to the transfer of the facilities involved. In case there are in future any unpaid or unsettled tax claims, the Vendor will be fully responsible for the liabilities incurred thereof.

## **THE INVENTORY ACQUISITION AGREEMENT**

On 12 July 2008, Jinzhou Jinheng and the Vendor entered into the Inventory Acquisition Agreement, pursuant to which Jinzhou Jinheng agreed to purchase all the automotive safety airbags related inventories owned by the Vendor as at 30 June 2008 at a consideration of RMB14,800,000, which is equal to the book value of such inventories as recorded in the books of the Vendor.

The completion of the Inventory Acquisition Agreement is unconditional. The consideration of RMB14,800,000 will be settled in cash in the following manner:

- i) RMB9,260,000 will be settled within 10 days from the date of the Inventory Acquisition Agreement;
- ii) RMB2,770,000 will be settled within 10 months from the date of the Inventory Acquisition Agreement; and
- iii) RMB2,770,000 will be settled within 18 months from the date of the Inventory Acquisition Agreement.

Under the Inventory Acquisition Agreement, the Vendor has warranted that the inventories involved are free from encumbrance. The Vendor has provided all the value-added tax invoices related to the inventory involved, and has paid all the outstanding fees in relation to the purchase of the inventory involved to the relevant suppliers. Moreover, the Vendor has undertaken to procure the current inventory supplier(s) of the Vendor to enter into supply agreement(s) with Jinzhou Jinheng.

## **THE TECHNOLOGY DEVELOPMENT AGREEMENT**

On 12 July 2008, Jinzhou Jinheng and the Vendor entered into the Technology Development Agreement, pursuant to which the Vendor agreed to provide development services to Jinzhou Jinheng for it to produce automotive safety airbags for not less than 10 different car models with a quality satisfying the required standard applied throughout the automobile industry at a consideration of RMB25,000,000. Jinzhou Jinheng has in effect sub-contracted part of the development works under its normal business operations to the Vendor, which is under a contractual obligation to develop automotive safety airbags meeting a specific standard. The development services provided by the Vendor will terminate once it succeeds in developing automotive safety airbags fulfilling the required standard. Other than providing the development services, the Vendor will not transfer other technical know-how or transfer any technical personnel to Jinzhou Jinheng. It is expected these products can generate profit to the Group in the coming future. No valuation has been done on the value of such services to be provided by the Vendor to Jinzhou Jinheng to ascertain its value. As no such services have been provided by the Vendor to Jinzhou Jinheng in the past years, no net profits for the past two financial years immediately preceding the date of the Technology Development Agreement is available.

The completion of the Technology Development Agreement is unconditional. The consideration of RMB25,000,000 will be settled in cash in the following manner:

- i) RMB5,000,000 has been paid to the Vendor on or before the date of the Technology Development Agreement;
- ii) RMB10,640,000 will be settled within 10 days from the date of the Technology Development Agreement; and
- iii) RMB9,360,000 will be settled within 10 months from the date of the Technology Development Agreement.

Under the Technology Development Agreement, the Vendor has undertaken to keep all the information and data related to the products involved in the development process confidential for a period of 5 years from the date of the Technology Development Agreement. If the Vendor has breached such confidentiality obligation, it will be liable to pay a maximum compensation of RMB25,000,000 to Jinzhou Jinheng.

## **REASONS FOR ENTERING INTO THE AGREEMENTS**

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.

It is expected that after the completion of these Agreements, the production and research and development capacities of the Group will be substantially expanded so that the Group can cope with the continuing growth of customers' demand. The Group can also develop business relationships with more local spare parts suppliers, which may be beneficial to the cost control strategy. Furthermore, the Group can strengthen its position of being the largest PRC automotive safety systems suppliers and enlarge its market share.

The terms of the Agreements (including but not limited to the consideration payable by the Group) were determined on normal commercial terms through arm's length negotiation with the Vendor by reference to the market prices of comparable production facilities and the valuation showing that the facilities involved are worth RMB39,000,000 (for the Facilities Acquisition Agreement), the market prices of the automotive safety airbags of similar quality (for the Inventory Acquisition Agreement) and the obligations of and the financial resources and other efforts to be inputted by the Vendor in the development of safety airbags fulfilling the required standard during the provision of the development services. The Directors consider the terms of the Agreements are fair and reasonable and the Agreements are in the interest of the Company and the Shareholders as a whole.

All the consideration payable by the Group under each of the Agreements will be financed by the Group's own internal resources.

## **GEM LISTING RULES IMPLICATIONS**

As the Group has entered into the Agreements with the same party, i.e. the Vendor, within a 12-month period, all the transactions contemplated under the Agreements shall be aggregated and be treated as a single transaction pursuant to Rule 19.22 of the GEM Listing Rules. After such aggregation, a discloseable transaction is constituted as the relevant percentage ratio calculated based on the aggregate figures of the Agreements exceeds 5% but below 25%.

## **GENERAL**

A circular containing all the relevant disclosure requirements for the discloseable transaction in relation to the Agreements will be despatched to the Shareholders as soon as possible.

## **DEFINITIONS**

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

<b>“Agreements”</b>	the Facilities Acquisition Agreement, the Inventory Acquisition Agreement and the Technology Development Agreement
<b>“Company”</b>	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
<b>“connected person”</b>	has the meaning ascribed to it in the GEM Listing Rules
<b>“Directors”</b>	directors of the Company

<b>“Facilities Acquisition Agreement”</b>	the agreement dated 12 July 2008 entered into between Jinzhou Jinheng and the Vendor, pursuant to which Jinzhou Jinheng agreed to purchase and the Vendor agreed to sell the production facilities and research & development facilities of automotive safety airbags at a consideration of RMB38,400,000
<b>“GEM”</b>	the Growth Enterprise Market of the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on the GEM
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Inventory Acquisition Agreement”</b>	the agreement dated 12 July 2008 entered into between Jinzhou Jinheng and the Vendor, pursuant to which Jinzhou Jinheng agreed to purchase all the automotive safety airbags related inventories owned by the Vendor as at 30 June 2008 at a consideration of RMB14,800,000
<b>“Jinzhou Jinheng”</b>	錦州錦恆汽車安全系統有限公司 (Jinzhou Jinheng Automotive Safety System Co., Limited*), a company established in the PRC with limited liability which is principally engaged in design, research and development, manufacture and sale of automotive safety systems, and a wholly-owned subsidiary of the Company
<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
<b>“Shareholder(s)”</b>	shareholder(s) of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Technology Development Agreement”</b>	the agreement dated 12 July 2008 entered into between Jinzhou Jinheng and the Vendor, pursuant to which the Vendor agreed to provide development services to Jinzhou Jinheng for it to produce automotive safety airbags for not less than 10 different car models with a quality satisfying the required standard applied throughout the automobile industry at a consideration of RMB25,000,000

“Vendor”

遼寧和昌華寶汽車電子有限公司 (Liaoning He Chang Hua Bao Automotive Electronic Co., Ltd.\*), a company established in the PRC with limited liability and its principal business is design, research and development, manufacture and sale of automotive safety airbag systems. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Group and connected persons of the Group

“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  
Holdings Limited**  
Li Feng  
Chairman

Hong Kong, 15 July 2008

*\* 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](http://www.jinhengholdings.com).*