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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)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **Continuing connected transactions**

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

### **General**

As Jinbei Automotive, Hafei Motor, the ultimate beneficial owners of Beijing Troitec and their respective associates do not hold any Shares, no Shareholders are required to abstain from voting on the relevant resolutions to approve the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) (as the case may be) if the Company were to convene a general meeting to approve the above transactions. Given further that the Company has obtained a written approval from Applaud Group, the controlling Shareholder holding 228,620,000 Shares as at the date hereof, representing 51.60% of the issued Shares) in respect of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps), the Company has made an application pursuant to Rule 20.43 of the GEM Listing Rules to the Stock Exchange for a waiver from the requirement to convene a general meeting on those grounds.

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

Reference is made to announcement of the Company issued on 16 June 2006 regarding the original supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor dated 16 June 2006 and the original supply agreement entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive dated 16 June 2006. Details of renewal of these two agreements will be disclosed in this announcement.

## **CONTINUING CONNECTED TRANSACTIONS**

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

### **(1) HAFEI SUPPLY AGREEMENT**

#### **Date**

18 July 2008

#### **Parties**

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

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

Purchaser: (c) Hafei Motor, a connected person of the Company which owns 10% of the equity interest in Hafei Jinheng.

Pursuant to the Hafei Supply Agreement, Jinzhou Jinheng and Hafei Jinheng will manufacture and sell to Hafei Motor automotive safety airbag systems which can be installed in automobiles manufactured by Hafei Motor for a term up to 31 December 2010. All orders under the Hafei Supply Agreement are placed to Hafei Jinheng. The Hafei Supply Agreement is to renew the existing similar supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor dated 16 June 2006, which is due to expire on 31 December 2008. The fees chargeable by the Group will be satisfied in cash and on terms not less favourable than those which will be charged by Jinzhou Jinheng or Hafei Jinheng (if any) to other independent customers for the same or similar products. The Hafei Supply Agreement also provides that the price and size of the products to be supplied to Hafei Motor will be determined between Hafei Motor and the Group on an order-by-order basis and credit period of 90 days will be given after delivery.

Based on (i) the historical sales of approximately HK\$25.14 million, HK\$19.54 million and HK\$10.63 million to Hafei Motor of automotive safety airbag systems by Jinzhou Jinheng for each of the three financial years ended 31 December 2007 respectively; (ii) the estimated increase in joint development of safety airbag systems for new models of the automobile between Hafei Motor and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Hafei Motor, to be installed with airbag systems jointly developed by Hafei Motor and Jinzhou Jinheng; and (iv) the estimated maximum orders to be placed to Hafei Jinheng as indicated by Hafei Motor, the Directors estimate that the total amount of products to be sold by Jinzhou Jinheng and Hafei Jinheng to Hafei Motor for the three years ending 31 December 2010 will not be more than RMB61.95 million, RMB 66.00 million and RMB70.40 million respectively. No maximum orders are provided in the Hafei Supply Agreement although the estimated annual figures (i.e. Hafei Sales Caps) are mentioned.

## **(2) JINBEI SUPPLY AGREEMENT**

### **Date**

18 July 2008

### **Parties**

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

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

Purchaser: (c) Jinbei Automotive, a connected person of the Company which owns approximately 14.81% of the equity interest in Jinbei Jinheng, and indirectly owns 16.50% of the equity interest in Jinheng Jinsida.

Pursuant to the Jinbei Supply Agreement, Jinzhou Jinheng and Jinbei Jinheng will manufacture and sell to Jinbei Automotive (or its related companies) automotive safety systems which can be installed in automobiles manufactured by Jinbei Automotive (or its related companies) for a term up to 31 December 2010. All orders under the Jinbei Supply Agreement are placed to Jinbei Jinheng. The Jinbei Supply Agreement is to renew the existing similar supply agreement entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive dated 16 June 2006, which is due to expire on 31 December 2008. The fees chargeable by the Group will be satisfied in cash and on terms not less favourable than those which will be charged by Jinzhou Jinheng or Jinbei Jinheng (if any) to other independent customers for the same or similar products. The Jinbei Supply Agreement also provides that the price and size of the products to be supplied to Jinbei Automotive will be determined between Jinbei Automotive and the Group on an order-by-order basis and credit period of 90 days will be given after delivery.

Based on (i) the historical sales of approximately HK\$37.51 million and HK\$60.31 million to Jinbei Automotive and its related companies of automotive safety systems by Jinbei Jinheng for each of the two financial years ended 31 December 2007 respectively; (ii) the estimated joint development of safety systems for new models of the automobile between Jinbei Automotive and Jinzhou Jinheng; (iii) the launching of new models of automobiles manufactured by Jinbei Automotive, to be installed with safety systems jointly developed by Jinbei Automotive and Jinzhou Jinheng; and (iv) the estimated maximum orders to be placed to Jinbei Jinheng as indicated by Jinbei Automotive, the Directors estimate that the total amount of products to be sold by Jinzhou Jinheng and Jinbei Jinheng to Jinbei Automotive for the three years ending 31 December 2010 will not be more than RMB102.00 million, RMB218.30 million and RMB220.00 million respectively. No maximum orders are provided in the Jinbei Supply Agreement although the estimated annual figures (i.e. Jinbei Sales Caps) are mentioned.

### **(3) HAFEI SECOND SUPPLY AGREEMENT**

#### **Date**

18 July 2008

#### **Parties**

**Supplier** Beijing Troitec, a 34.41% effectively owned subsidiary of the Company; and

**Purchaser:** Hafei Motor, a connected person of the Company which owns 10% of the equity interest in Hafei Jinheng.

Pursuant to the Hafei Second Supply Agreement, Beijing Troitec will manufacture and sell to Hafei Motor (or its related companies) engine management systems and related spare parts which can be installed in automobiles manufactured by Hafei Motor (or its related companies) for a term up to 31 December 2010. All orders under the Hafei Second Supply Agreement are placed to Beijing Troitec. The fees chargeable by the Group will be satisfied in cash and on terms not less favourable than those which will be charged by Beijing Troitec (if any) to other independent customers for the same or similar products. The Hafei Second Supply Agreement also provides that the price and size of the products to be supplied to Hafei Motor will be determined between Hafei Motor and the Group on an order-by-order basis and credit period of 90 days will be given after delivery.

Based on the estimated maximum orders to be placed to Beijing Troitec as indicated by Hafei Motor, the Directors estimate that the total amount of products to be sold by Beijing Troitec to Hafei Motor for the three years ending 31 December 2010 will not be more than RMB67.70 million, RMB149.70 million and RMB171.00 million respectively. No maximum orders are provided in the Hafei Second Supply Agreement although the estimated annual figures (i.e. Hafei Second Sales Caps) are mentioned.

## **INFORMATION ABOUT THE GROUP**

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.

## **REASONS FOR THE ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS**

Hafei Jinheng is formed between Jinzhou Jinheng and Hafei Motor as a joint venture pursuant to the joint venture agreement dated 17 September 2003 for the purposes of manufacturing automotive safety airbag systems and other automotive spare parts and provision of after sales services. To further strengthen the business relationship between Hafei Jinheng and Hafei Motor, a similar tri-parties supply contract was entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor on 16 June 2006 for a term ending on 31 December 2008 for the supply of automotive airbag systems to Hafei Motor up to a maximum value of HK\$41.50 million, HK\$53.40 million and HK\$70.40 million for each of the three years ending 31 December 2008.

For each of the three years ended 31 December 2007, actual sales of automotive airbag systems by the Group to Hafei Motor amounted to approximately HK\$25.14 million, HK\$19.54 million and HK\$10.63 million respectively. The sales to Hafei Motor have been disclosed in the announcement of the Company dated 16 June 2006 and the annual reports of the Company for 2007. Based on the unaudited figures for the six months ended 30 June 2008 (which is historically the slack season), actual sales of automotive airbag systems to Hafei Motor amounted to approximately HK\$4.43 million.

Similarly, Jinbei Jinheng was formed between Jinzhou Jinheng, Jinbei Automotive and Shenyang Electricity as a joint venture on 11 December 2003 for the purposes of design, manufacturing and sales of automotive safety airbag systems and related automotive spare parts and provision of after sales services. To further strengthen the business relationship between Jinbei Jinheng and Jinbei Automotive, a similar tri-parties supply contract was entered into between Jinzhou Jinheng, Jinbei Jinheng and Jinbei Automotive on 16 June 2006 for a term ending on 31 December 2008 for the supply of automotive airbag systems to Jinbei Automotive up to a maximum value of HK\$43.0 million, HK\$64.0 million and HK\$67.0 million for each of the three years ending 31 December 2008.

For each of the two years ended 31 December 2007, actual sales of automotive safety airbag systems by the Group to Jinbei Automotive amounted to approximately HK\$37.51 million and HK\$60.31 million respectively. The sales to Jinbei Automotive have been disclosed in the annual reports of the Company for 2007. Based on the unaudited figures for the six months ended 30 June 2008 (which is historically the slack season), actual sales of automotive safety systems to Jinbei Automotive amounted to approximately HK\$15.77 million.

As the original supply contract with Hafei Motor and the original supply contract with Jinbei Automotive, both were dated 16 June 2006, will soon expire within a few months on 31 December 2008 and it is expected that the Group will continue its business with

Hafei Motor and Jinbei Automotive in the foreseeable future, the Directors consider it beneficial to enter into the Hafei Supply Agreement and the Jinbei Supply Agreement respectively to secure a stable turnover from both Hafei Motor and Jinbei Automotive. Although approval has been granted by the then Shareholders in respect of the annual caps (“Previous 2008 Caps”) for both the original supply contract with Hafei Motor and the original supply contract with Jinbei Automotive for the year ending 31 December 2008 before, the Company has decided to renew the Previous 2008 Caps in view of the coming expiry of the previous original supply agreements. The Company also considers that due to the new continuing connected transaction under the Hafei Second Supply Agreement, the duration for all the continuing connected transaction will be aligned and the same for better management and administration by the Company.

The Board noted that the actual transaction amounts for the Hafei Supply Agreement and the Jinbei Supply Agreement in the past are lower than the Hafei Sales Caps and the Jinbei Sales Caps respectively, the reason being due to the change in the economic environment and the automotive industry environment in the PRC in the past, and the marketing strategy of Hafei Motor and Jinbei Automotive, as a result of which the car production for several models has been postponed and the production orders placed to the Group were less than its budget and the sales cap applied in the past three years. However, based on the budgeted production schedules given to the Group from Hafei Motor and Jinbei Automotive, the postponed car models are expected to be launched in the second half of 2008 and the coming two years. In view of the above, the Hafei Sales Caps and the Jinbei Sales Caps are therefore determined to ensure that the expected increase in sales to Hafei Motor and Jinbei Automotive in the coming years can be covered and as such, the Hafei Sales Caps and the Jinbei Sales Caps are considered by the Directors to be fair and reasonable.

Beijing Troitec has no supply agreement entered into with Hafei Motor before. As the Group wishes deepen its business relationship with Hafei Motor, the Directors consider it beneficial to enter into the Hafei Second Supply Agreement, in addition to the Hafei Supply Agreement, to secure more turnover from Hafei Motor in view of the Group’s strategic relationship with Hafei Motor.

Entering into the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement at the same time is also expected to minimize the administrative costs and to give the Shareholders a better picture of the development of the Company.

Based on the above, the Directors consider that the entering into of the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement are in the ordinary course of business of the Group and that the terms of such agreements are determined on an arm’s length basis with the Hafei Motor and Jinbei Automotive respectively. Accordingly, the Directors are of the view that the terms and conditions of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Cap) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As Hafei Motor is interested in 10% of Hafei Jinheng which is a subsidiary of the Company, Hafei Motor is a substantial Shareholder and is regarded as a connected person of the Company within the meaning of the GEM Listing Rules. Accordingly, any continuing transactions between any members of the Group on the one part, and Hafei Motor on the other part will constitute continuing connected transactions subject to the requirements under the GEM Listing Rules. As the Hafei Sales Caps and the Hafei Second Sales Cap exceed HK\$10,000,000 per annum, each of the sales of automotive safety airbag systems under the Hafei Supply Agreement and the sales of engine management systems and related spare parts under the Hafei Second Supply Agreement will constitute a non-exempt continuing connected transaction under the GEM Listing Rules. Each of the Hafei Supply Agreement (including the Hafei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Cap) is therefore subject to the reporting, announcement and the independent Shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules.

As Jinbei Automotive is interested in 14.81% of Jinbei Jinheng, and indirectly owns 16.50% of the equity interest in Jinheng Jinsida, which are both subsidiaries of the Company, Jinbei Automotive is a substantial Shareholder and is a connected person of the Company within the meaning of the GEM Listing Rules. Accordingly, any continuing transactions between any members of the Group on the one part, and Jinbei Automotive on the other part will constitute continuing connected transactions subject to the requirements under the GEM Listing Rules. As the Jinbei Sales Caps exceed HK\$10,000,000 per annum, the sales of automotive safety systems under the Jinbei Supply Agreement constitute a non-exempt continuing connected transaction under the GEM Listing Rules. The Jinbei Supply Agreement including the Jinbei Sales Caps is therefore subject to the reporting, announcement and the independent Shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules.

## **WAIVER FOR CONVENING SHAREHOLDERS' MEETING**

According to Rule 20.43 of the GEM Listing Rules, where independent Shareholders' approval of a connected transaction is required, such approval shall be given by a majority vote at a general meeting of Shareholders unless (1) no Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the connected transaction; and (2) a written Shareholders' approval has been obtained from a Shareholder or closely allied group of Shareholders who (together) hold more than 50% in nominal value of the Shares giving the right to attend and vote at that general meeting to approve the connected transaction, in which case a written Shareholders' approval may be accepted in lieu of holding a general meeting. In this regard, the Stock Exchange may, under Rule 20.43 of the GEM Listing Rules, consider waiving the requirement to hold a Shareholders' meeting and permitting Shareholders' approval to be given in writing in the circumstances set out in Rule 20.43 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as Jinbei Automotive and Hafei Motor, their respective ultimate beneficial owners and their respective associates do not hold any Shares, no Shareholders have a material interest in the transaction contemplated under the Hafei

Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps) such that no Shareholders are required to abstain from voting on the relevant resolutions to approve relevant transactions and the respective annual caps if the Company were to convene a general meeting to approve the above transactions. Given further that the Company has obtained a written approval from Applaud Group, the controlling Shareholder holding 228,620,000 Shares as at the date hereof, representing 51.60% of the issued Shares in respect of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps), the Company has made an application pursuant to Rule 20.43 of the GEM Listing Rules to the Stock Exchange for a waiver from the requirement to convene a general meeting on those grounds.

## **GENERAL**

An independent board committee of the Company comprising Mr. Chan Wai Dune, Mr. Huang Shilin and Mr. Zhu Tong, being all independent non-executive Directors, has been formed to advise the independent Shareholders as to the terms of the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps). Nuada Limited has been appointed as the independent financial adviser to the Company to advise the independent board committee and the independent Shareholders in relation to the Hafei Supply Agreement (including the Hafei Sales Caps), the Jinbei Supply Agreement (including the Jinbei Sales Caps) and the Hafei Second Supply Agreement (including the Hafei Second Sales Caps). The transactions contemplated under each of the Hafei Supply Agreement, the Jinbei Supply Agreement and the Hafei Second Supply Agreement are subject to the annual review requirements under Rules 20.37 to 20.40 of the GEM Listing Rules.

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

## **DEFINITIONS**

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

“Applaud Group”

Applaud Group Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder interested in 228,620,000 Shares representing approximately 51.60% of the total issued share capital of the Company as at the date of this announcement



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|---------------------------|---|
| “associates”              | has the meaning ascribed to it 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 a subsidiary effectively owned as to 34.41% by the Company                              |
| “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”        | has the meaning ascribed to this term under the GEM Listing Rules   |
| “Director(s)”             | the director(s) of the Company  |
| “GEM”                     | the Growth Enterprise Market of the Stock Exchange  |
| “GEM Listing Rules”       | Rules Governing the Listing of Securities on GEM  |
| “Group”                   | the Company and its subsidiaries  |
| “Hafei Jinheng”           | Harbin Hafei Jinzhou Jinheng Safety System Co., Ltd., a joint venture company established in the PRC with limited liability and owned as to 90% by Jinzhou Jinheng and 10% by Hafei Motor                                       |
| “Hafei Motor”             | Hafei Motor Co., Ltd., a joint venture company established in the PRC with limited liability and a subsidiary of Harbin Aircraft Industry (Group) Ltd., which is principally engaged in the manufacture of automobiles in China |
| “Hafei Sales Caps”        | the annual maximum sales caps of RMB61.95 million, RMB66.00 million and RMB70.40 million respectively for each of the three years ending 31 December 2010 as contemplated under the Hafei Supply Agreement                      |
| “Hafei Second Sales Caps” | the annual maximum sales caps of RMB67.70 million, RMB149.70 million and RMB171.00 million respectively for each of the three years ending 31 December 2010 as contemplated under the Hafei Second Supply Agreement             |

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| “Hafei Supply Agreement”        | the supply agreement entered into between Jinzhou Jinheng, Hafei Jinheng and Hafei Motor dated 18 July 2008 in respect of the supply of automotive safety airbag systems   |
| “Hafei Second Supply Agreement” | the supply agreement entered into between Beijing Troitec and Hafei Motor dated 18 July 2008 in respect of the supply of engine management systems and related spare parts   |
| “Jinbei Automotive”             | 金杯汽車股份有限公司 (Shenyang Jinbei Automotive Company Limited*), a state-owned enterprise established in the PRC with limited liability principally engaged in the manufacture of automobiles in China, the securities of which are listed on the Shanghai Stock Exchange   |
| “Jinbei Jinheng”                | 瀋陽金杯錦恆汽車安全系統有限公司(Shenyang Jinbei Automotive Safety System Co. Limited*), a joint venture company established in the PRC with limited liability and owned as to approximately 55.56% by the Group, as to 14.81% by Jinbei Automotive, as to 22.22% by Shenyang Electricity Co. Limited (which is a state-owned enterprise established in the PRC) and as to 7.41% by an independent third party |
| “Jinbei Sales Caps”             | the annual maximum sales caps of RMB102.00 million, RMB218.30 and RMB220.00 million respectively for each of the three years ending 31 December 2010 as contemplated under the Jinbei Supply Agreement   |
| “Jinbei Supply Agreement”       | the supply agreement entered into between Jinzhou Jinheng, Jinbei Automotive and Jinbei Jinheng dated 18 July 2008 in respect of the supply of automotive safety systems   |
| “Jinheng Jinsida”               | 瀋陽錦恆金思達汽車電子系統有限公司 (Shenyang Jinheng Jinsida Automotive Electronic Co. Limited*), a joint venture company established in the PRC with limited liability and owned as to approximately 55% by the Group, as to 30% by 瀋陽金思達汽車零部件有限公司(Shenyang Jinsida Auto Parts Co. Limited) and as to 15% by an independent third party  |

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| “Jinzhou Jinheng” | 錦州錦恆汽車安全系統有限公司 (Jinzhou Jinheng Automotive Safety System Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "PRC"             | the People's Republic of China, which, for the purpose of this announcement, shall excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan                 |
| “Shareholder(s)”  | holder(s) of the Share(s)  |
| “Share(s)”        | ordinary share(s) of HK\$0.01 each in the share capital of the Company   |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |
| “HK\$”            | Hong Kong dollars, the lawful currency of Hong Kong  |
| “RMB”             | Renminbi, the lawful currency of the PRC   |
| "%"               | per cent.  |

*For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.88. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.*

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

Hong Kong, 18 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting and on the website of the Company at [www.jinhengholdings.com](http://www.jinhengholdings.com).*