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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: 872)

**DISCLOSEABLE TRANSACTION:
DISPOSAL OF THE 50% EQUITY INTERESTS IN YANTAI VAST CO., LIMITED**

On 28 December 2011 (after trading hours), the Vendor I, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement I with the Purchaser I, pursuant to which the Vendor I has conditionally agreed to sell and the Purchaser I has conditionally agreed to purchase, the Sale Capital I, representing 30% of the entire equity interests of the Target for the consideration of RMB12,360,000.

On 28 December 2011 (after trading hours), the Vendor II, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement II with the Purchaser I and the Purchaser II, pursuant to which (i) the Vendor II has conditionally agreed to sell and the Purchaser I has conditionally agreed to purchase, the Sale Capital II, representing 15% of the entire equity interests of the Target for the consideration of RMB6,180,000; and (ii) the Vendor II has conditionally agreed to sell and the Purchaser II has conditionally agreed to purchase, the Sale Capital III, representing 5% of the entire equity interests of the Target for the consideration of RMB2,060,000.

As the relevant percentage ratios exceed 5% but below 25%, the Disposals constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT I

Date: 28 December 2011

Parties: (1) Vendor: Harvest Full International Limited
(禾興國際有限公司)

(2) Purchaser: 上海壹陽投資有限公司 (Shanghai Yiyang Investment Company Limited[#])

The Purchaser I is a company established in the PRC and is principally engaged in investment holding and asset management. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser I and its ultimate beneficial owners are Independent Third Parties.

The Vendor I is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company.

Asset to be disposed

The Sale Capital I, representing 30% of the entire equity interests of the Target.

Consideration

The consideration for the Disposal I is RMB12,360,000 which shall be satisfied by the Purchaser I in the following manner:

- (a) a sum of RMB1,230,000 shall be payable by the Purchaser I to the Vendor I as deposit which is refundable except when there is default by the Purchaser I under the Disposal Agreement I within three (3) working days upon the Disposal Agreement I becoming effective; and
- (b) the remaining balance of RMB11,130,000 shall be payable by the Purchaser I to the Vendor I within five (5) working days from the date of issue of the new business licence by the relevant PRC authority showing the Sale Capital I having been transferred from the Vendor I to the Purchaser I.

The total consideration for the Disposal I shall be paid by the Purchaser I to the Vendor I within forty-five (45) days after the Disposal Agreement I becoming effective. The Disposal Agreement I shall become effective upon the approval of the relevant PRC authority which is responsible for approving foreign investments, and the said approval has to be obtained within fifteen (15) working days from the date of signing the Disposal Agreement I, failing which the Disposal Agreement I shall cease and determine and any deposit paid thereunder shall be refunded.

When there is default on the part of the Purchaser I under the Disposal Agreement I which caused the transfer of the Sale Capital I fail to complete, the above deposit shall become non-refundable. When there is default on the part of the Vendor I under the Disposal Agreement I which caused the transfer of the Sale Capital I fail to complete, the Vendor I shall refund two times the amount of deposit to the Purchaser I. If the Purchaser I fails to pay any amount due under the Disposal Agreement I, the Purchaser I shall pay to the Vendor I a default interest accruing from and including the due date to the date of actual payment at the rate (the “**Default Interest Rate**”) of 15% per annum on the outstanding amount.

The consideration for the Disposal I was arrived at after arm’s length negotiations between the parties to the Disposal Agreement I after taking into consideration of various factors, including (i) the reasons for the Disposals as discussed below; and (ii) the current financial position of the Target.

The Directors consider the terms and conditions of the Disposal Agreement I are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

THE DISPOSAL AGREEMENT II

Date: 28 December 2011

Parties: (1) Vendor: Auto Full International Limited
(順孚國際有限公司)

(2) Purchasers: 上海壹陽投資有限公司 (Shanghai Yiyang Investment Company Limited[#])

and

萊陽忠實汽車零部件有限公司 (Laiyang Faith Vehicle Parts Company Limited[#])

The Purchaser II is a company established in the PRC principally engaged in sales of automotive spare parts. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser II and its ultimate beneficial owners are Independent Third Parties. The Purchaser II completed the acquisition of the 40% equity interests of the Target from 山東中節能發展公司 (Shandong Zhong Jie Energy Development Company[#]) in June 2011, and as at the date of this announcement, the Purchaser II owns 45.5% of the equity interests of the Target.

The Vendor II is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company.

Asset to be disposed

(i) The Sale Capital II, representing 15% of the entire equity interests of the Target, and (ii) the Sale Capital III, representing 5% of the entire equity interests of the Target.

Consideration

The consideration for the Disposal II is RMB6,180,000 which shall be satisfied by the Purchaser I in the following manner:

- (a) a sum of RMB610,000 shall be payable by the Purchaser I to the Vendor II as deposit which is refundable except when there is default by the Purchaser I under the Disposal Agreement II within three (3) working days upon the Disposal Agreement II becoming effective; and
- (b) the remaining balance of RMB5,570,000 shall be payable by the Purchaser I to the Vendor II within five (5) working days from the date of issue of the new business licence by the relevant PRC authority showing the Sale Capital II having been transferred from the Vendor II to the Purchaser I and the Sale Capital III having been transferred from the Vendor II to the Purchaser II.

The total consideration for the Disposal II shall be paid by the Purchaser I to the Vendor II within forty-five (45) days after the Disposal Agreement II becoming effective. The Disposal Agreement II shall become effective upon the approval of the relevant PRC authority which is

responsible for approving foreign investments, and the said approval has to be obtained within fifteen (15) working days from the date of signing the Disposal Agreement II, failing which the Disposal Agreement II shall cease and determine and any deposits paid thereunder shall be refunded.

When there is default on the part of the Purchaser I under the Disposal Agreement II which caused the transfer of the Sale Capital II fail to complete, the above deposit shall become non-refundable. When there is default on the part of the Vendor II under the Disposal Agreement II which caused the transfer of the Sale Capital II fail to complete, the Vendor II shall refund two times the amount of deposit to the Purchaser I. If the Purchaser I fails to pay any amount due under the Disposal Agreement II, the Purchaser I shall pay to the Vendor II a default interest accruing from and including the due date to the date of actual payment at the Default Interest Rate on the outstanding amount.

The consideration for the Disposal III is RMB2,060,000 which shall be satisfied by the Purchaser II in the following manner:

- (a) a sum of RMB200,000 shall be payable by the Purchaser II to the Vendor II as deposit which is refundable except when there is default by the Purchaser II under the Disposal Agreement II within three (3) working days upon the Disposal Agreement II becoming effective; and
- (b) the remaining balance of RMB1,860,000 shall be payable by the Purchaser II to the Vendor II within five (5) working days from the date of issue of the new business licence by the relevant PRC authority showing the Sale Capital II having been transferred from the Vendor II to the Purchaser I and the Sale Capital III having been transferred from the Vendor II to the Purchaser II.

The total consideration for the Disposal III shall be paid by the Purchaser II to the Vendor II within forty-five (45) days after the Disposal Agreement II becoming effective. The Disposal Agreement II shall become effective upon the approval of the relevant PRC authority which is responsible for approving foreign investments, and the said approval has to be obtained within fifteen (15) working days from the date of signing the Disposal Agreement II, failing which the Disposal Agreement II shall cease and determine and any deposits paid thereunder shall be refunded.

When there is default on the part of the Purchaser II under the Disposal Agreement II which caused the transfer of the Sale Capital III fail to complete, the above deposit shall become non-refundable. When there is default on the part of the Vendor II under the Disposal Agreement II which caused the transfer of the Sale Capital III fail to complete, the Vendor II shall refund two times the amount of deposit to the Purchaser II. If the Purchaser II fails to pay any amount due under the Disposal Agreement II, the Purchaser II shall pay to the Vendor II a default interest accruing from and including the due date to the date of actual payment at the Default Interest Rate on the outstanding amount.

The considerations for the Disposal II and the Disposal III were arrived at after arm's length negotiations between the parties to the Disposal Agreement II after taking into consideration of various factors, including (i) the reasons for the Disposals as discussed below; and (ii) the current financial position of the Target.

The Directors consider the terms and conditions of the Disposal Agreement II are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Completion of transfers of the Sale Capital I, the Sale Capital II and the Sale Capital III

Completion of transfer of the Sale Capital I shall be subject to the issue of the new business licence by the relevant PRC authority showing the Sale Capital I having been transferred from the Vendor I to the Purchaser I.

Completion of transfers of the Sale Capital II and the Sale Capital III shall be subject to the issue of the new business licence by the relevant PRC authority showing the Sale Capital II having been transferred from the Vendor II to the Purchaser I and the Sale Capital III having been transferred from the Vendor II to the Purchaser II.

Upon completion of the transfers, the Target will cease to be a jointly controlled entity of the Group and the Group will cease to have any equity interests in the Target.

INFORMATION ON THE TARGET

The Target is a company established in the PRC in March 1993 with registered and paid-up capital of USD5.68 million. It is principally engaged in manufacturing and sale of cylinder liners and spare parts of automobile engines. As at the date of this announcement, it is owned as to 30% by the Vendor I, 20% by the Vendor II, 45.5% by the Purchaser II and 4.5% by 萊陽通恒汽車零部件有限公司 (Laiyang Tongheng Vehicle Parts Company Limited[#]). Among the five directors of the Target, one of them is appointed by the Vendor I, one of them is appointed by the Vendor II and the remaining three directors, who are also the equity owners of the Purchaser II, are appointed by the Purchaser II. The Target has been the jointly controlled entity of the Group since the Group's first acquisition of the 30% equity interests of the Target in October 2006.

Based on the audited financial statements of the Target and adjusted according to the HKGAAPs, the turnover, profit from operation and net loss after taxation for the financial year ended 31 December 2010 was approximately HK\$118.8 million, HK\$5.6 million and HK\$2.1 million respectively. The audited total assets of the Target as at 31 December 2010 were approximately HK\$ 251.2 million and the audited net assets of the Target as at 31 December 2010 were approximately HK\$ 58.1 million.

Based on the audited financial statements of the Target for the year ended 31 December 2010 and adjusted according to the HKGAAPs, it is estimated that upon completion of the Disposals, the Group will record a loss of approximately HK\$28 million attributable to the Disposals for the year ending 31 December 2011 and a corresponding decrease in the net assets of the Group by approximately HK\$28 million. On the other hand, based on the total consideration in the amount of RMB45 million paid by the Group when the Group acquired 50% of the entire equity interests of the Target and the total consideration in the amount of RMB20.6 million receivable by the Group in the Disposals, it is estimated that upon completion of the Disposals, there will be an accounting loss in the amount of RMB24.4 million which is subject to final audit.

As a result, the Board estimates that the net profit of the Group for the year ending 31 December 2011 will have a substantial decrease when compared to the net profit of the Group for the year ended 31 December 2010.

REASONS FOR THE DISPOSALS AND USE OF PROCEEDS

The Group is principally engaged in the design, research and development, manufacture and sale of automotive electronic products and automotive safety spare parts.

In order to focus more on the principal businesses of the Group, the Group intends to reorganize its existing businesses and focus its financial and other resources in strengthening its principal businesses in order to generate more return to the Shareholders. The Directors consider that the Disposals can strengthen the principal businesses of the Group and they also represent a good opportunity to realize the past investment in the Target.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Disposal Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After deducting expenses relating to the Disposals, it is expected there will be a net proceeds of approximately HK\$24 million from the Disposals. It is intended that the net proceeds from the Disposals will be applied towards the general working capital of the Group and/or other appropriate investment opportunities. As at the date hereof, the Board has not identified any appropriate investment opportunities yet.

The Directors are of the view that the Disposals will not have any material adverse impact on the business operations and financial position of the Group.

GENERAL INFORMATION

As the relevant percentage ratios exceed 5% but below 25%, the aggregate Disposals constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“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 the main board of the Stock Exchange (stock code: 872)
“Directors”	directors of the Company
“Disposal I”	the disposal of the Sale Capital I by the Vendor I to the Purchaser I pursuant to the Disposal Agreement I

“Disposal II”	the disposal of the Sale Capital II by the Vendor II to the Purchaser I pursuant to the Disposal Agreement II
“Disposal III”	the disposal of the Sale Capital III by the Vendor II to the Purchaser II pursuant to the Disposal Agreement II
“Disposals”	collectively, the Disposal I, the Disposal II and the Disposal III
“Disposal Agreement I”	the disposal agreement dated 28 December 2011 and entered into among the Vendor I and the Purchaser I in relation to the sale and purchase of the Sale Capital I
“Disposal Agreement II”	the disposal agreement dated 28 December 2011 and entered into among the Vendor II, the Purchaser I and the Purchaser II in relation to the sale and purchase of the Sale Capital II and the Sale Capital III
“Disposal Agreements”	collectively, the Disposal Agreement I and the Disposal Agreement II
“Group”	the Company and its subsidiaries
“HKGAAPs”	Hong Kong Generally Accepted Accounting Principles
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser I”	上海壹陽投資有限公司 (Shanghai Yiyang Investment Company Limited [#]), a company established in the PRC and an Independent Third Party
“Purchaser II”	萊陽忠實汽車零部件有限公司 (Laiyang Faith Vehicle Parts Company Limited [#]), a company established in the PRC and an Independent Third Party
“Sale Capital I”	30% of the entire equity interests of the Target which is owned by the Vendor I
“Sale Capital II”	15% of the entire equity interests of the Target which is owned

	by the Vendor II
“Sale Capital III”	5% of the entire equity interests of the Target which is owned by the Vendor II
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	煙台萬斯特有限公司 (Yantai Vast Co., Limited [#]), a company established in the PRC and its entire equity interests is indirectly owned as to 50% by the Company
“Vendor I”	Harvest Full International Limited (禾興國際有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Vendor II”	Auto Full International Limited (順孚國際有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Vendors”	collectively, the Vendor I and the Vendor II
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 28 December 2011

As at the date of this announcement, the Board comprises Mr. Li Feng, Mr. Xing Zhanwu, Mr. Yang Donglin, Mr. Foo Tin Chung, Victor who are executive directors of the Company, Mr. Li Hong who is non-executive director of the Company and Mr. Hui Hung Kwan, Mr. Huang Shilin and Mr. Zhu Tong who are independent non-executive directors of the Company.

The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).