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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)

**MEMORANDUM OF UNDERSTANDING
IN RESPECT OF POSSIBLE ACQUISITION OF
18% EQUITY INTEREST IN
MORE CASH LIMITED**

The Board announces that on 19 December 2014 (after the trading hours of the Stock Exchange), the Purchaser, being a wholly-owned subsidiary of the Company, entered into a non-legally binding Memorandum with the Vendor in relation to the Possible Acquisition of the Sale Shares.

The Target Company was incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the entire issued share capital of the Target Company is wholly owned by the Vendor. The Target Group is principally engaged in property development and trading and its principal assets are the Properties.

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company.

Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in compliance with the Listing Rules as and when appropriate.

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

On 19 December 2014 (after the trading hours of the Stock Exchange), the Purchaser, being a wholly-owned subsidiary of the Company, entered into a non-legally binding Memorandum with the Vendor in relation to the Possible Acquisition of the Sale Shares.

THE MEMORANDUM

Date: 19 December 2014

Parties: (i) the Purchaser, being a wholly-owned subsidiary of the Company; and
(ii) the Vendor.

The Vendor is an investment holding company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor and its beneficial owner is an Independent Third Party.

Major terms of the Memorandum

Under the Memorandum, it is proposed that the Vendor will as legal and beneficial owner sell and the Purchaser will purchase the Sale Shares free from all Encumbrances as at completion of the Possible Acquisition.

Subject to further negotiation between the parties to the Memorandum, the Consideration payable for the Sale Shares is intended to be in a sum of approximately HK\$73,000,000 and shall be payable by the Purchaser by way of cash or any other kind of consideration to the Vendor. For the avoidance of doubt, the Consideration, including the Consideration amount and the way of settlement shall be subject to further negotiation between the Purchaser and the Vendor.

The Deposit

In consideration of the Vendor agreeing to enter into this Memorandum on terms set out therein, the Purchaser agreed to pay a sum of HK\$14,000,000 as refundable deposit (the "Deposit") to the Vendor upon the signing of the Memorandum. The payment of the Deposit has been funded by the internal resources of the Group.

In the event that the Sale and Purchase Agreement is entered into by the Purchaser and the Vendor or, as the case may be, their respective nominees, the Deposit shall be applied as follows:–

- (1) to the extent that the whole or any part of the Consideration shall be payable by the Purchaser to the Vendor by way of cash, the Deposit shall be applied towards the satisfaction of the Consideration as specified in the Sale and Purchase Agreement, and any amount of the Deposit in excess of the cash portion of the Consideration shall be returned by the Vendor to the Purchaser forthwith upon the signing of the Sale and Purchase Agreement, and in any event within three (3) Business Days from the date thereof; and
- (2) to the extent that the whole of the Consideration shall be payable by the Purchaser to the Vendor by other kind of consideration other than cash, the Vendor shall return the Deposit in full to the Purchaser forthwith upon the signing of the Sale and Purchase Agreement, and in any event within three (3) Business Days from the date thereof.

In the event that the Sale and Purchase Agreement is not entered into by the Purchaser and the Vendor or, as the case may be, their respective nominees, on or before the date falling three (3) months from the date of this Memorandum or such later date as the Vendor and the Purchaser may agree in accordance with the terms and conditions of the Memorandum, the Deposit together with interest accrued thereon at 12% per annum, calculated on the actual number of days elapsed on the basis of a 365-day year shall be returned by the Vendor to the Purchaser in full forthwith, and in any event within three (3) Business Days from the said date.

Sale and Purchase Agreement

The Vendor and the Purchaser shall negotiate in good faith towards one another in ensuring that the Sale and Purchase Agreement be entered into as soon as possible and in any event, on or before the date falling three (3) months from the date of the Memorandum or such later date as the Vendor and the Purchaser may agree.

The Purchaser shall and shall procure that its advisers and agents shall, forthwith upon the signing of the Memorandum, conduct such review on the assets, liabilities, operations and affairs of the Target Group as it may consider appropriate and the Vendor shall provide and procure its agents to provide such assistance as the Purchaser and its adviser or agents may require in connection with such review.

Conditions precedent

Pursuant to the Memorandum, completion of the Possible Acquisition is conditional upon, among others, (a) the Purchaser being reasonably satisfied with the results of due diligence review to be conducted on the Target Group; (b) the Valuation of the Target Group shall be no less than RMB322,800,000 (equivalent to approximately HK\$406,728,000); and (c) any other conditions agreed by the Vendor and the Purchaser and included in the Sale and Purchase Agreement.

Exclusivity

In consideration of the Deposit and the expenses to be incurred by the Purchaser in the negotiation of the Memorandum and in conducting its due diligence review, the Vendor will not, directly or indirectly, within 3 months after the date of the Memorandum, (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Purchaser with respect to the sale or other disposition of the Sale Shares. If the Vendor receives any such inquiry or offer, the Vendor will promptly notify the Purchaser.

Information on the Target Group

The Target Company was incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the entire issued share capital of Target Company is wholly owned by the Vendor.

The Target Group is principally engaged in property development and trading and its principal assets are the Properties which comprise, among others, car park, podium, office, apartment, hotel and restaurant with a total area of approximately 67,600 sq. meter in a commercial and residential complex located in Guangzhou City, the PRC.

Reasons for the Possible Acquisition

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

The Group has been actively exploring for business opportunities based on the experience and business connections of its management. The Board considers that the Possible Acquisition allows the Group to tap into the property market in the PRC and strengthens the Group's asset base and it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden the Group's source of income. Having considered the prospects of the property market in the PRC and the PRC economy in general, the Board is confident that Possible Acquisition will contribute positively to the Group and will maximize the future contribution to the Group.

Having considered the above reasons, the Board is of the view that the entering into of the Memorandum and/or the Sale and Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

General

The Memorandum does not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Sale and Purchase Agreement.

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialized, it may constitute a notifiable transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under the Listing Rules.

Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in compliance with the Listing Rules as and when appropriate.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Jinheng Automotive Safety Technology Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange
“Directors”	directors of the Company

“Encumbrances”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same and “Encumber” shall be construed accordingly
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the non-legally binding memorandum of understanding dated 19 December 2014 entered into between the Purchaser and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition by the Purchaser from the Vendor of the Sale Shares as contemplated under the Memorandum

“Properties”	among others, car park, podium, office, apartment, hotel and restaurant with a total area of approximately 67,600 sq. meter in a commercial and residential complex located in Guangzhou City, the PRC
“Purchaser”	Bright Ample Limited, being a company incorporated in Hong Kong with limited liability and wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale and Purchase Agreement”	the formal sale and purchase agreement which may or may not be entered into between the Vendor and the Purchaser (or its nominee) in relation to the Possible Acquisition
“Sale Shares”	18 Target Shares, representing approximately 18% of the issued share capital of the Target Company
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	More Cash Limited, being a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly owned by the Vendor
“Target Group”	the Target Company and its subsidiaries

“Target Shares”	ordinary share(s) of US\$1 each in the share capital of the Target Company
“Valuation”	the value of the Target Group as shown in the valuation report, such valuation shall be prepared by an independent valuer on such methodology bases and assumptions as may be agreed by the Purchaser
“Vendor”	Always Rich Resources Inc, being a company incorporated in the British Virgin Islands and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States of America dollars, the lawful currency of United States of America

By order of the Board of
Jinheng Automotive Safety Technology Holdings Limited
Wong Ka Ching
Director

Hong Kong, 19 December 2014

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.26. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

As at the date of this announcement, the Board comprises Mr. Li Feng, Mr. Xing Zhanwu, Ms. Ng Sau Lin, Mr. Wong Ka Ching and Mr. Lam Wai Hung who are executive Directors, and Mr. Hui Hung Kwan, Mr. Wong Yuk Lum, Alan and Mr. Lim Chi Kit who are independent non-executive Directors.