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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)

**PLACING OF EXISTING SHARES AND
TOP-UP SUBSCRIPTION OF NEW SHARES**

PLACING AGENT



KingswayGroup

KINGSWAY FINANCIAL SERVICES GROUP LIMITED

On 31 July 2007, the Company entered into the Agreement with Applaud Group and the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising up to 40,000,000 existing Shares at the Placing Price of HK\$1.60 per Placing Share on behalf of Applaud Group to not less than six professional, institutional, corporate or individual investors who and whose ultimate beneficial owners will be third parties independent of the Company and its connected persons and Applaud Group will subscribe for the Subscription Shares comprising up to 40,000,000 new Shares, being the same number of the Placing Shares actually placed by the Placing Agent, at the Placing Price.

The Placing is unconditional. The Subscription is conditional upon, among other things, (i) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; and (ii) the completion of the Placing. An application will be made to the GEM Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Subscription Shares.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent. The Directors consider that the Placing Price, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Assuming full Placing, the Placing Shares represent approximately 10.25% of the existing issued share capital of the Company and the Subscription Shares represent approximately

9.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares are to be issued under the general mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting of the Company held on 21 June 2007.

Assuming full Placing, the net proceeds of the Subscription, after deduction of the placing commission and other related expenses of approximately HK\$2.5 million, will be approximately HK\$61.5 million. The Directors intend to apply the net proceeds as general working capital.

THE AGREEMENT

Date: 31 July 2007

Parties: (1) Applaud Group;
(2) the Company; and
(3) the Placing Agent

Pursuant to the Agreement, the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising up to 40,000,000 existing Shares at the Placing Price of HK\$1.60 per Placing Share on behalf of Applaud Group to not less than six professional, institutional, corporate or individual investors who and whose ultimate beneficial owners will be third parties independent of the Company and its connected persons and Applaud Group will subscribe for the Subscription Shares comprising up to 40,000,000 new Shares, being the same number of the Placing Shares actually placed by the Placing Agent, at the Placing Price.

A. THE PLACING

The Vendor

Applaud Group is a controlling shareholder (as defined under the GEM Listing Rules) of the Company and is the beneficial owner of 228,620,000 Shares of approximately 58.60% of the existing issued share capital of the Company.

The Placing Agent

The Placing Agent has been appointed to place, on a best efforts basis, the Placing Shares. The Placing agent is a wholly-owned subsidiary of SW Kingsway Capital Holdings Limited (“**SW Kingsway**”), which is a company listed on the main board of the Stock Exchange. The Placing Agent and SW Kingsway are third parties independent of the Company and its connected persons.

The Placees

The Placing Shares shall be placed to professional, institutional, corporate, or individual investors. The placees and their ultimate beneficial owners shall be third parties independent of the Company and its connected persons. The placees and their ultimate beneficial owners shall also be third parties independent of Applaud Group and its connected persons. It is not expected that any individual placee will become a substantial shareholder of the Company immediately after completion of the Placing and the Subscription.

Number of Placing Shares

The number of Placing Shares shall be up to 40,000,000 Shares. The Placing Shares represent approximately 10.25% of the existing issued share capital of the Company and approximately 9.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Placing Price

The Placing Price of HK\$1.60 per Placing Share represents:

- (i) a discount of approximately 15.34% to the closing price of HK\$1.89 per Share as quoted on the Stock Exchange on 31 July 2007, being the day the Agreement is signed; and
- (ii) a discount of approximately 10.61% to the average of the closing prices of approximately HK\$1.79 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement up to and including 30 July 2007.

After deduction of the placing commission and other related expenses of approximately HK\$2.5 million, the net proceeds will be approximately HK\$61.5 million and the net placing price is approximately HK\$1.54 per Placing Share.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the closing prices per Share as shown above. The Directors consider that the Placing Price and the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Placing commission payable to the Placing Agent

The placing commission is calculated as 3.5% of the amount equal to the Placing Price multiplied by the number of the Placing Shares actually sold by the Placing Agent under the Placing. The placing commission is arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing commission charged by other placing agents. The Directors consider that the placing commission is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Rights

The Placing Shares will be sold free from all liens, charges and encumbrances and together with the rights attaching to them, including the right to receive all dividends declared, made or paid after the date of the Agreement.

Conditions of the Placing

The Placing is unconditional.

Completion

Completion of the Placing is expected to take place on or before 7 August 2007.

B. THE SUBSCRIPTION

The issuer

The Company

The Subscriber

Applaud Group, which, as at the date of this announcement, is interested in 228,620,000 Shares, representing approximately 58.60% of the existing issued share capital of the Company.

Number of Subscription Shares

Immediately after completion of the Placing and assuming full Placing, the shareholding of Applaud Group will be reduced to 188,620,000 Shares, representing approximately 48.35% of the existing issued share capital of the Company before completion of the Subscription. The Subscription will then increase the shareholding of Applaud Group to 228,620,000 Shares, representing approximately 53.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The subscription price is HK\$1.60 per Subscription Share, which is equivalent to the Placing Price. In line with the market practice, the Company will bear all costs and expenses of the Subscription and will reimburse Applaud Group all costs and expenses incurred by Applaud Group in respect of the Placing because it is the fund raising conducted by the Company. Based on the estimated expenses for the Placing and the Subscription, the net subscription price is approximately HK\$1.54 per Share.

Rights

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares are to be issued under the general mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting of the Company held on 21 June 2007. Under the said general mandate, up to 78,024,000 Shares may be issued by the Company. As at the date of this announcement, none of such general mandate granted to the Directors has

been utilized. There shall be sufficient general mandate for the present purpose.

Conditions of the Subscription

The Subscription is conditional upon the following conditions having been fulfilled by 13 August 2007 (or such other date as may be agreed between the Company and Applaud Group):

1. the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Subscription Shares;
2. completion of the Placing in accordance with the terms of the Agreement; and
3. all other necessary consents and approvals as may be required in respect of the Subscription and the transactions contemplated hereunder relating to the Subscription having been obtained.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, neither the Company nor Applaud Group shall have any obligations and liabilities under the Subscription.

As confirmed by Applaud Group that it has continuously been holding more than 50% of the voting rights of the Company for at least 12 months immediately preceding the present top-up Placing and Subscription transaction, no waiver application to the SFC by Applaud Group is required.

Completion of the Subscription

Completion of the Subscription will take place on the Business Day following the fulfillment of all the conditions of the Subscription. The Subscription must be completed on or before 14 August 2007, being 14 days from the date of the Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the GEM Listing Rules and require compliance with all the relevant requirements under Chapter 20 of the GEM Listing Rules, including but not limited to the issue of a separate announcement and approval of the independent Shareholders.

Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding of the Company as a result of the Placing and the Subscription are as follows:

Shareholder	Notes	At the date of this announcement and immediately before completion of the Placing and the Subscription		Shareholding immediately after completion of the Placing but before completion of the Subscription		Shareholding immediately after completion of the Placing and the Subscription	
		No. of shares	%	No. of shares	%	No. of shares	%
Applaud Group	1	228,620,000	58.60	188,620,000	48.35	228,620,000	53.15
Li Feng	2	2,080,000	0.53	2,080,000	0.53	2,080,000	0.48
Xing Zhanwu	2	1,600,000	0.41	1,600,000	0.41	1,600,000	0.37
Foo Tin Chung, Victor	2	640,000	0.17	640,000	0.17	640,000	0.15
Public shareholders							
The Placees				40,000,000	10.25	40,000,000	9.30
Other public Shareholders		<u>157,180,000</u>	<u>40.29</u>	<u>157,180,000</u>	<u>40.29</u>	<u>157,180,000</u>	<u>36.55</u>
Total		<u>390,120,000</u>	<u>100.00</u>	<u>390,120,000</u>	<u>100.00</u>	<u>430,120,000</u>	<u>100.00</u>

Notes:

1. A controlling group of shareholders comprising Li Feng, Xing Zhanwu and Yang Donglin, all being executive Directors; , Li Hong being non-executive Directors and Xu Jianzhong together holds 52.69% of the equity interests in Applaud Group. Zhao Qingjie, an executive Director holds 18.27% equity interests in Applaud Group. The other shareholders of Applaud Group are third parties independent of the Company and its connected persons.
2. Li Feng, Xing Zhanwu and Foo Tin Chung, Victor are all executive Directors.

REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Group is principally engaged in the design, research and development, manufacture and sale of automotive safety systems. The Group's major product includes safety airbag systems used in automobiles.

The net proceeds of the Subscription, after deduction of the placing commission and other related expenses, of approximately HK\$2.5 million will be approximately HK\$61.5 million. The Directors intend to apply the net proceeds as general working capital of the Group.

For the reasons stated above, the Board considers that it is beneficial to the Company and the Shareholders as a whole to raise capital for the future business development of the Group by way of the Placing and the Subscription as it will broaden the capital and shareholder base of the Company thereby increasing the liquidity of the Shares.

The Directors consider that the Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company, Applaud Group and the Placing Agent and that the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY IN PAST 12 MONTHS

There had not been other equity fund raising activity conducted by the Group in the past 12 months immediately preceding the date of this announcement:

DEFINITIONS

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

“ Agreement ”	the agreement dated 31 July 2007 and entered into between Applaud Group, the Company and the Placing Agent in respect of the Placing and the Subscription
“ Applaud Group ”	Applaud Group Limited, a company incorporated in the British Virgin Islands and a controlling shareholder (as defined under the GEM Listing Rules) of the Company, which is interested in approximately 58.60% of the entire issued share capital of the Company immediately before the completion of the Placing and the Subscription
“ Board ”	the board of Directors
“ Business Day ”	a day (other than a Saturday or Sunday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“ 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
“ Directors ”	directors (including the non-executive and independent non-executive directors) of the Company
“ 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
“ Hong Kong ”	the Hong Kong Special Administrative Region of the PRC
“ Placing ”	the placing of the Placing Shares by the Placing Agent on behalf of Applaud Group pursuant to the Agreement
“ Placing Agent ”	Kingsway Financial Services Group Limited, a corporation

licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance, acting as the placing agent for the Placing Shares pursuant to the Agreement

“ Placing Price ”	the placing price of HK\$1.60 per Placing Share
“ Placing Shares ”	up to 40,000,000 Shares which are beneficially owned by Applaud Group and will be placed by the Placing Agent on its behalf pursuant to the Agreement
“ SFC ”	the Securities and Futures Commission of Hong Kong
“ Share(s) ”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“ Shareholder(s) ”	holder(s) of the Share(s)
“ Subscription ”	the subscription for the Subscription Shares by Applaud Group pursuant to the Agreement
“ Subscription Shares ”	up to 40,000,000 Shares for which Applaud Group has conditionally agreed to subscribe pursuant to the Agreement
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ HK\$ ”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“ % ”	per cent.

By order of the board of directors of
Jinheng Automotive Safety Holdings Limited
Li Feng
Chairman

Hong Kong, 31 July 2007

As at the date of this announcement, the Board comprises five executive Directors, namely Messrs. Li Feng, Xing Zhanwu, Zhao Qingjie, Yang Donglin and Foo Tin Chung, Victor; two non-executive Directors, namely Messrs. Li Hong and Zeng Qingdong; and three independent non-executive Directors, namely, Messrs. Chan Wai Dune, Huang Shilin and Zhu Tong.

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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.jinhengairbag.com.