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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)

COMPLETION OF ISSUE OF NON-LISTED CONVERTIBLE NOTE

The Board is pleased to announce that completion of the Issue had taken place on 26 May 2006 and the Convertible Note in the aggregate principal amount of HK\$46,000,000 had been created and issued to the Noteholders in material terms as set out in the Announcement.

Reference is made to the announcement of the Company dated 3 May 2006 (the “**Announcement**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Board is pleased to announce that, with all the conditions under the Subscription Agreement being fulfilled, completion of the Issue had taken place on 26 May 2006 and the Convertible Note in registered form in the aggregate principal amount of HK\$46,000,000 had been created and issued to certain funds/sub-funds managed by Value Partners (the “**Noteholders**”) in material terms as set out in the Announcement.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Value Partners and their respective ultimate beneficial owners and the Noteholders are third parties independent of the Company and connected persons of the Company and that none of them falls under any of the categories set out in Note 1 to Rule 10.12(4) of the GEM Listing Rules.

Set out below is the shareholding structure of the Company as at the date of this announcement, and after full conversion of the Convertible Note:

<u>Shareholder</u>	<u>As at the date of this announcement</u>		<u>Immediately after full exercise of the Conversion Rights attaching to the Convertible Note</u>	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Applaud Group Limited ^(note 1)	238,620,000	61.89%	238,620,000	54.65%
Mr. Li Feng ^(note 2)	1,040,000	0.27%	1,040,000	0.24%
Mr. Xing Zhanwu ^(note 2)	800,000	0.21%	800,000	0.18%
Mr. Foo Tin Chung, Victor ^(note 2)	320,000	0.08%	320,000	0.07%
Noteholders collectively	Nil	Nil	51,111,111	11.70%
Public Shareholders	144,780,000	37.55%	144,780,000	33.16%
Total	<u>385,560,000</u>	<u>100.00%</u>	<u>436,671,111</u>	<u>100.00%</u>

Notes:

- Applaud Group Limited is owned as to 54.67% by its controlling group of shareholders of Mr. Li Feng, Xing Zhanwu, Xu Jianzhong, Li Hong, Yang Donglin with Mr. Li Feng, Mr. Xing Zhanwu, and Mr. Yang Donglin being executive Directors and Mr. Li Hong being non-executive Director. Mr. Zhao Qingjie who is also an executive Director owns 17.5% equity interests in Applaud Group Limited. Save as being a shareholder of Applaud Group Limited, the rest of the shareholders of Applaud Group Limited are Independent Third Parties.*
- On 29 March 2006, Mr. Li, Mr. Xing and Mr. Foo exercised their respective share options granted to them under the Pre-IPO Share Options Scheme. Mr. Li, Mr. Xing and Mr. Foo are executive Directors.*

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

Hong Kong, 26 May 2006

As at the date of this announcement, the Board comprises Mr. Li Feng, Mr. Xing Zhanwu, Mr. Zhao Qingjie, Mr. Yang Dongli, 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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the website of the Company at www.jinhengairbag.com.