

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Fire Safety Enterprise Group Holdings Limited, you should at once hand this circular to the purchasers or the transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or the transferees.

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CHINA FIRE SAFETY ENTERPRISE GROUP HOLDINGS LIMITED

中國消防企業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8201)

**GENERAL MANDATES TO ISSUE SECURITIES
AND
TO REPURCHASE SHARES**

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This circular, for which the directors of China Fire Safety Enterprise Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market of the Stock Exchange ("GEM") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

A proxy form for the annual general meeting for the year ended 31 December 2004 is enclosed with the 2004 annual report. Whether or not you propose to attend the annual general meeting, you are requested to complete the proxy form and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting. Completion and delivery of the proxy form will not preclude you from attending and voting at the annual general meeting if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* For identification purpose only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

DEFINITIONS

| | |
|---------------------------|---|
| “AGM” | the annual general meeting of the Company to be held at Chater Room III, Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on 28 April, 2005 at 3:00 p.m.; |
| “Board” | the board of directors of the Company; |
| “Company” | China Fire Safety Enterprise Group Holdings Limited; |
| “Directors” | the 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; |
| “Latest Practicable Date” | 24 March 2005, being the latest practicable date prior to the printing of this circular; |
| “Repurchase Mandate” | a general mandate, which is proposed to be adopted by an ordinary resolution of the Shareholders at the AGM, to the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing such resolution; |
| “SFO” | the Securities and Futures Ordinance; |
| “Shares” | an ordinary share of HK\$0.01 in the share capital of the Company; |
| “Shareholders” | the shareholders of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers. |

LETTER FROM THE BOARD

CFE

CHINA FIRE SAFETY ENTERPRISE GROUP HOLDINGS LIMITED

中國消防企業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Jiang Xiong (Chairman)

Jiang Qing

Chen Shu Quan

Chan Siu Tat

Non-executive Directors:

Richard Owen Pyvis

Josephine Price

Independent non-executive Directors:

Liu Shi Pu

Heng Kwo Seng

Xiang Yu Fu

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

British West Indies

Head office and principal place

of business in the PRC

8th Floor

Gaojing Trade Centre

No. 158 Wu Yi Bei Road

Fuzhou City

Fujian Province, PRC.

Principal place of business

in Hong Kong

Suite 907, 9th Floor

ICBC Tower

3 Garden Road

Central, Hong Kong

29 March 2005

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM. These include, amongst others resolutions relating to (i) the renewal of the general mandate to issue securities of the Company; and (ii) the renewal of the general mandate to repurchase Shares.

* For identification purpose only

LETTER FROM THE BOARD

This circular contains the explanatory statement in connection with the proposed resolutions for the approval of the renewal of the general mandates to issue securities and to repurchase Shares in accordance with the GEM Listing Rules.

GENERAL MANDATE TO ISSUE SECURITIES

At the AGM, ordinary resolutions will be proposed to grant a general mandate to the Directors to allot, issue and otherwise deal with securities of the Company not exceeding the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing such resolution and the aggregate nominal amount of the shares repurchased under the Repurchase Mandate.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will also be proposed to grant the Repurchase Mandate to the Directors. The explanatory statement, required by the GEM Listing Rules to be sent to the Shareholders, is set out in the Appendix to this circular, which contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution for the Repurchase Mandate.

RECOMMENDATION

The relevant resolutions for the aforesaid are set out in the notice of the AGM, which is set out in the 2004 annual report of the Company despatched to the Shareholders together with this circular. The Directors are of the opinion that the renewal of (i) general mandates to issue securities and (ii) to repurchase Shares referred to in this circular are in the best interests of the Company and its Shareholders and therefore recommend you to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,

By Order of the Board

China Fire Safety Enterprise Group Holdings Limited

Jiang Xiong

Chairman

This is an explanatory statement given to all Shareholders relating to the resolution to be proposed at the AGM approving the Repurchase Mandate. This explanatory statement contains all the information required pursuant to Rule 13.08 of the GEM Listing Rules.

1. Exercise of the Repurchase Mandate

At the Latest Practicable Date, the issued share capital of the Company comprised 2,020,000,000 Shares. Assuming no Shares are issued (other than 356,000,000 new Shares issued to UTFE to satisfy the first tranche subscription under the subscription agreement, details of which are set out in Section 7 below) or repurchased, the then total issued share capital of the Company at the date of AGM will comprise 2,376,000,000 Shares. Subject to the passing of the resolution approving the Repurchase Mandate and on the basis that other than the 356,000,000 shares to be issued to UTFE as stated in Section 7 below no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 237,600,000 Shares, representing 10% of the total enlarged issued share capital of the Company.

2. Reasons for Repurchases

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders as it would enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

3. Funding of Repurchases

Any repurchase may only be financed out of funds of the Company legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of the Cayman Islands. The Company will not repurchase Shares on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its audited consolidated financial statements for the year ended 31 December, 2004) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing level which in the opinion of the Directors are from time to time appropriate for the Company.

4. Share Prices

The highest and lowest prices at which the Shares were traded on GEM during each of the previous twelve months and up to the latest practicable date prior to the printing of this circular were as follows:

| | Price per Share | |
|---|------------------------|-----------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| 2004 | | |
| March | 0.650 | 0.540 |
| April | 0.580 | 0.445 |
| May | 0.520 | 0.330 |
| June | 0.050 | 0.405 |
| July | 0.455 | 0.395 |
| August | 0.485 | 0.415 |
| September | 0.530 | 0.460 |
| October | 0.570 | 0.495 |
| November | 0.620 | 0.510 |
| December | 0.600 | 0.550 |
| 2005 | | |
| January | 0.640 | 0.540 |
| February | 0.800 | 0.680 |
| March (up to the latest practicable date) | 0.740 | 0.670 |

5. Undertaking of the Directors

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to repurchase Shares pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

6. Disclosure of Interest

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, has a present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

7. General

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code) could, depending on the level of increase of the Shareholder's interests, obtain or consolidate control of the Company and then becomes obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

| Name of Shareholder | Number of Shares held | Percentage of existing shareholding | Percentage of the Repurchase Mandate is exercised in full |
|---------------------------|--------------------------|---|--|
| Jiang Xiong ("Mr. Jiang") | 981,600,000 | 49.08% | 53.99% |
| Cantus Limited | 132,650,000 | 6.56% | 7.30% |

In the event that the Directors exercise in full the Repurchase Mandate, Mr. Jiang would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code in this respect.

On 1 February 2005, the Company entered into a subscription agreement with United Technologies Far East Limited ("UTFE"), pursuant to which UTFE will subscribe for new Shares in two tranches at a subscription price of HK\$0.577 per Share.

First tranche

UTFE will hold approximately 15% of the enlarged issued share capital of the Company after completion of the first tranche subscription. New Shares are to be issued on the seventh business day after all conditions for the first tranche subscription are fulfilled or waived (as the case may be) on or before the long stop date, being 31 March 2005, unless otherwise agreed to be extended between UTFE and the Company.

Second tranche

UTFE will hold another 16.49% of the enlarged issued share capital of the Company after completion of the second tranche subscription. The new Shares will be issued, subject to the conditions for the second tranche subscription being fulfilled or waived (as the case may be), on the earlier of (a) the seventh business day after a notice in writing served by the Company on UTFE during the period, commencing

from the date following six months after completion of the first tranche subscription, requiring to proceed with the second tranche subscription and (b) the first anniversary of the completion of the first tranche subscription.

On the basis that there is no alternation in the Company's issued share capital other than UTFE's subscription, after issuance of the new subscription Shares, the shareholding structure of the Company is as follows:

| Name of Shareholders | Upon issuance of first tranche subscription Shares | | Upon issuance of second tranche subscription Shares | |
|----------------------|--|-------------------|---|-------------------|
| | Shares | Percentage (%) | Shares | Percentage (%) |
| Mr. Jiang | 981,600,000 | 41.31 | 981,600,000 | 34.5 |
| Mr. Jiang Qing | 7,500,000 | 0.32 | 7,500,000 | 0.26 |
| UTFE | 356,000,000 | 14.98 | 825,000,000 | 29 |
| Cantus Limited | 132,650,000 | 5.58 | 132,650,000 | 4.66 |
| Public | 898,250,000 | 37.81 | 898,250,000 | 31.58 |
| Total | <u>2,376,000,000</u> | <u>100</u> | <u>2,845,000,000</u> | <u>100</u> |

By virtue of the arrangements contemplated under the subscription agreement and an option agreement entered into between Mr. Jiang and UTFE (pursuant to which Mr. Jiang grant an option to UTFE which when exercised would require Mr. Jiang to sell to UTFE certain number of shares at an exercise price as stipulated in the option agreement), Mr. Jiang, Mr. Jiang Qing (Mr. Jiang's brother) and UTFE are persons acting in concert under the Takeovers Code. Upon completion of the first tranche subscription, taken together, they hold 56.61% of the Company's voting rights and therefore are required to make a mandatory offer under Rule 26 of the Takeovers Code. Mr. Jiang and UTFE has jointly applied to the executive directors of the Corporate Finance Division of the Securities and Futures Commission (the "Executive") for a Whitewash Waiver in respect of the obligations either or both of UTFE and Mr. Jiang to make a general mandatory offer. The Executive has agreed to grant the Whitewash Waiver subject to the independent shareholders approving it by way of a poll at the extraordinary general meeting of the Company to be held on 29 March 2005.

Save as disclosed above, the Directors are not aware of any Shareholder or a group of Shareholders acting in concert who may become obliged to such mandatory offer in the event that the Repurchase Mandate is exercised in full.

8. Share Purchase Made by the Company

No repurchases of Shares have been made by the Company during the six months preceding the date of this circular, whether on the Stock Exchange or otherwise.