

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
PROPOSED REFRESHMENT OF THE LIMIT UNDER
THE SHARE OPTION SCHEME
PROPOSED AMENDMENTS TO THE ARTICLES
OF ASSOCIATION OF THE COMPANY**

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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 2003 is enclosed with the 2003 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.

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.

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DEFINITIONS

“AGM”	the annual general meeting of the Company to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 21 April, 2004 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”	25 March 2004, being the latest practicable date prior to the printing of this circular;
“Proposed Refreshment”	the proposal to refresh the limit under the Share Option Scheme, which is proposed to be adopted by an ordinary resolution of the Shareholders at the AGM, so that the Company may grant options of up to 10% of the issued share capital as at the date of passing such resolution;
“Reorganisation”	reorganisation to rationalise the structure of the Group in preparation for the listing of the Shares on GEM. Details can be referred to the prospectus of the Company dated 23 September 2002;
“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;
“Share Option Scheme”	the share option scheme of the Company which was adopted on 20 September 2002, details of which were set forth in the prospectus of the Company dated 23 September 2002;
“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



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

Wong Hon Sum

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

Asia Pacific Finance Tower

3 Garden Road

Central, Hong Kong

29 March 2004

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 to be held on 21 April 2004. These include, amongst others resolutions relating to (i) the renewal of the general mandate to issue securities of the Company (ii) the renewal of the general mandate to repurchase Shares of the Company; (iii) the proposed refreshment of the limit under the Share Option Scheme; and (iv) the proposed amendments to the articles of association of the Company.

* For identification purpose only

LETTER FROM THE BOARD

In accordance with the GEM Listing Rules, this circular contains (1) 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; (2) information regarding the proposed refreshment of the limit under the Share Option Scheme; and (3) the proposed amendments to the articles of association of the Company for circulation to the Shareholders.

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 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.

PROPOSED REFRESHMENT OF THE LIMIT UNDER THE SHARE OPTION SCHEME

Pursuant to the written resolution passed by the then sole shareholder of the Company on 20 September 2002, the Share Option Scheme was adopted. Under the Share Option Scheme, the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme. The Company may grant options of up to 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. On the basis of 1,600,000,000 Shares in issue after completion of the Reorganisation, the Company may grant options of up to 160,000,000 Shares.

Reasons for the Proposed Refreshment

No options were granted under the Share Option Scheme as at the Latest Practicable Date. On 27 September 2002, 400,000,000 new Shares were issued before listing of the Shares on GEM. Based on 2,000,000,000 Shares in issue as at the Latest Practicable Date, the Company may only grant options of up to 8% of the current issued capital (160,000,000 Shares divided by 2,000,000,000 Shares). According to the Rule 23.03 of the GEM Listing Rules and the Share Option Scheme, the Company, with Shareholders approval in general meeting to “refresh” the limit, is allowed to grant options up to 10% of the issued share capital of the Company as at the date of such approval. The Board considers that it is necessary to “refresh” the limit under the Share Option Scheme so as to allow sufficient flexibility, to grant options pursuant to the Share Option Scheme. If the Proposed Refreshment is approved, based on 2,000,000,000 Shares in issue, the Board will be able to grant options for subscription of up to a total of 200,000,000 Shares. As a means to provide incentive and reward to talented individuals who has contributed or will contribute towards the long-term success and prosperity of the Group, the Board considers that the Company should refresh the limit under the Share Option so that the Company could have more flexibility to provide incentive to these individuals by way of granting share options to them.

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Article 88

By deleting the words “not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting” in the last sentence of Article 88 and replacing therewith the following proviso:

“provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

Article 103

By deleting the existing Article 103 in its entirety and replacing therewith the following new Article 103:

103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:
- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director or his associate (s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;

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- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
 - (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director

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shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

Reasons for the amendments

The Stock Exchange has recently amended, among other things, Appendix 3 to the GEM Listing Rules and that the revised GEM Listing Rules will take effect on 31 March 2004. The Company is required to amend its Articles of Association to ensure compliance with the GEM Listing Rules at the earliest opportunity and, in any event, not later than the conclusion of its next AGM provided that if the Company has already despatched its notice of AGM before 31 March 2004, it must amend its Articles of Association at the earliest opportunity after the implementation of the revised GEM Listing Rules on 31 March 2004.

RECOMMENDATION

The relevant resolutions for the aforesaid are set out in the notice of the AGM, which is set out in the 2003 annual report of the Company despatched to the Shareholders together with this circular. The Directors are of the opinion that (i) the renewal of general mandates to issue securities and to repurchase Shares referred to in this circular, (ii) the proposed refreshment of the limit under the Share Option Scheme; and (iii) the proposed amendments to the articles of association of the Company 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 of the Company relating to the resolution to be proposed at the AGM approving the Repurchase Mandate. This explanatory statement contains all the information required pursuant to Rules 13.08 of the GEM Listing Rule.

1. Exercise of the Repurchase Mandate

At the Latest Practicable Date, the issued share capital of the Company comprised 2,000,000,000 Shares of HK\$0.01 each. Subject to the passing of the resolution approving the Repurchase Mandate and on the basis that 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 200,000,000 Shares, represent 10% of the total issued shares 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, 2003) 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>
2003		
March	0.390	0.345
April	0.335	0.247
May	0.290	0.260
June	0.280	0.310
July	0.365	0.285
August	0.375	0.305
September	0.420	0.355
October	0.640	0.450
November	0.670	0.500
December	0.570	0.450
2004		
January	0.620	0.485
February	0.610	0.550
March (up to 25 March 2004 being the latest practicable date prior to the printing of this circular)	0.630	0.560

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 Securities and Futures Ordinance 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 shareholding if the Repurchase Mandate is exercised in full
Jiang Xiong	981,600,000	49.08%	54.53%
Cantus Limited	262,650,000	13.13%	14.59%
The Hong Kong Beijing Finance and Investment Limited	100,000,000	5%	5.56%
Jiang Qing	100,000,000	5%	5.56%

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

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.