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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)**

**DISCLOSEABLE TRANSACTION**  
**Sale of 25% of the equity interests of**  
**Sichuan Fire Safety Appliances Factory to**  
**Morita Corporation**

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## 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 of the Stock Exchange 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

*In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:*

“Acquisition”	the acquisition of 100% of the equity interest of Sichuan Fire Factory by Wanyou Engineering and Shengan City Safety, details of which are contained in the announcement and circular of the Company dated 28 September 2004 and 14 December 2004 respectively
“Agreement”	the agreement dated 14 January 2005 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	China Fire Safety Enterprise Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Growth Enterprise Market of the Stock Exchange
“Consideration”	consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of 50% of equity interests of Morita-CFE by the Vendor to the Purchaser (in substance represents the sale of 25% of equity interests in Sichuan Fire Factory to the Vendor by the Group)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“HKD”	Hong Kong Dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	independent third party(ies), who is/are not connected with the Company and its connected persons (as defined in the GEM Listing Rules), and is not a connected person

## DEFINITIONS

“Latest Practicable Date”	31 January 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Morita-CFE”	Morita-CFE Investment Company Limited, an investment holding company incorporated in Hong Kong to purchase 45% and 5% of the equity interests of Sichuan Fire Factory respectively from Wanyou Engineering and Shengan Safety after completion of the Acquisition and Restructuring
“PRC”	The People’s Republic of China
“Purchaser” or “Morita”	Morita Corporation was established in 1907 and is principally engaged in the manufacturing and distribution of fire engines and fire prevention and fighting equipment. It is listed on both the Tokyo Stock Exchange Limited and the Osaka Stock Exchange Limited. Morita is a shareholder of the Company holding approximately 1.156% of the issued share capital of the Company
“Restructuring”	the restructuring of Sichuan Fire Factory to change from a state-owned enterprise to a limited liability company
“RMB”	Renminbi, the lawful currency of the PRC
“Shengan City Safety”	Jiangxi Shengan City Safety Communications Development Co. Ltd. (江西盛安城市安全信息發展有限公司), a limited liability company established in the PRC in June 1998 and an indirect subsidiary in which the Company holds 51.61% of equity interests since August 2004. The other 43.23% is held by Mr. Fung Quan Hui (馮權輝先生) and the remaining 5.16% is held by Mr. Deng Ping Tao (鄧評韜先生), both of them are Independent Third Parties (except that Mr. Fung Quan Hui (馮權輝先生) is a substantial shareholder of Shengan City Safety, a subsidiary of the Company). Pursuant to the agreement of the Acquisition, Shengan City Safety will acquire 5% of the equity interests of Sichuan Fire Factory
“Sichuan Fire Factory”	Sichuan Fire Safety Appliances Factory (四川消防機械總廠), the subject company of the Acquisition

## DEFINITIONS

“Sichuan Group”	Sichuan Fire Factory and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or “Allied Best”	Allied Best Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly owned subsidiary of the Company
“Wanyou Engineering”	Fujian Wanyou Fire Engineering Company Limited (福建萬友消防工程集團有限公司), a limited liability company established in the PRC on 23 December 1996 and an indirect subsidiary, in which the Company holds 99.3% of equity interests. The remaining 0.7% is held by Ms. Liu Mei Jin (劉梅金女士), an Independent Third Party. Pursuant to the agreement of the Acquisition, Wanyou Engineering will acquire 95% of the equity interests of Sichuan Fire Factory
“%”	per cent.

## 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)*

**(Stock code: 8201)**

*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 Kwoo 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 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  
Hong Kong

4 February 2005

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION** **Sale of 25% of the equity interests of** **Sichuan Fire Safety Appliances Factory to** **Morita Corporation**

#### **1. INTRODUCTION**

On 14 January 2005, Allied Best entered into the Agreement with Morita, who is a shareholder of the Company holding approximately 1.156% of the issued share capital of the Company, in relation to the sale of 25% of the equity interest of Sichuan Fire Factory at a cash consideration of RMB20,750,000 (equivalent to approximately HKD19,575,472).

\* for identification purpose only

## LETTER FROM THE BOARD

The Consideration was arrived at after arm's length negotiation and was calculated to proportion the consideration and related expenses to be paid by Morita-CFE in acquiring 50% of the equity interest of Sichuan Fire Factory. Although the Company does not make any gain or loss on the Disposal, the Directors consider that the basis of determining the Consideration is fair and reasonable as the Directors believe that Morita becoming a substantial shareholder of Sichuan Fire Factory would benefit Sichuan Fire Factory to a great extent by strengthening its technical standard and improving its product quality. Morita will send engineers and technicians to Sichuan Fire Factory to lead works on standard upgrade, quality improvement and production restructuring matters. They are also considering moving the productions of certain models of their fire engines to Sichuan Fire Factory. The Directors believe that the participation of Morita would help the Sichuan Group to expand into markets for high end products.

Sichuan Fire Factory is a state owned enterprise originally founded in the PRC in 1963, with paid up capital of RMB9,599,000. Sichuan Fire Factory and its subsidiaries are principally engaged in the manufacturing and sale of fire engines; design, manufacturing, sale and installation of fire fighting and prevention equipment; and provision of installation and maintenance services of fire prevention systems.

The Directors consider that the terms and conditions of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders taken as a whole.

The Disposal constitutes a disclosable transaction under Chapter 19 of the GEM Listing Rules. This circular is to provide you with, among others, additional information relating to the Acquisition.

### 2. AGREEMENT DATED 14 JANUARY 2005

#### Parties

- Vendor : Allied Best Holdings Limited, an indirect wholly owned subsidiary of the Company
- Purchaser : Morita Corporation, a company principally engaged in the manufacturing and distribution of fire engines and fire prevention and fighting equipment. It is listed on both the Tokyo Stock Exchange Limited and the Osaka Stock Exchange Limited. Morita Corporation is a shareholder of the Company holding approximately 1.156% of the issued share capital of the Company. Morita Corporation is not a connected person of the Company as defined under the GEM Listing Rules.



## LETTER FROM THE BOARD

### **Assets to be sold:**

Pursuant to the Agreement, the Vendor has agreed to sell to the Purchaser 50% of the equity interest of Morita-CFE Investment Company Limited, an investment holding company incorporated in Hong Kong to own 50% of the equity interests of Sichuan Fire Factory.

On 24 September 2004, Wanyou Engineering and Shengan City Safety, both indirect subsidiaries of the Company, entered into an agreement to acquire 100% of the equity interest of Sichuan Fire Factory at a cash consideration of RMB81,000,000. Pursuant to the agreement of the Acquisition, completion of the Acquisition is subject to fulfillment of certain conditions divided into two phases. Details of the conditions are contained in the announcement and circular of the Company dated 28 September 2004 and 14 December 2004 correspondingly. As at the Latest Practicable Date, conditions of the first phase have been fulfilled although those of the second phase are still outstanding.

Sichuan Fire Factory is under restructuring to change from a state-owned enterprise to become a limited liability company. Upon completion of the Acquisition and Restructuring, Morita-CFE will acquire from Wanyou Engineering and Shengan City Safety 45% and 5% respectively of the equity interests of Sichuan Fire Factory at their respective costs of acquisition. In other words, Morita-CFE and Wanyou Engineering each will eventually holds 50% of the equity interests of Sichuan Fire Factory. Morita-CFE is wholly owned by the Vendor before the Disposal.

The Agreement therefore represents the sale of 25% of the equity interests of Sichuan Fire Factory to the Purchaser.

### **Consideration, terms of payment and condition precedents:**

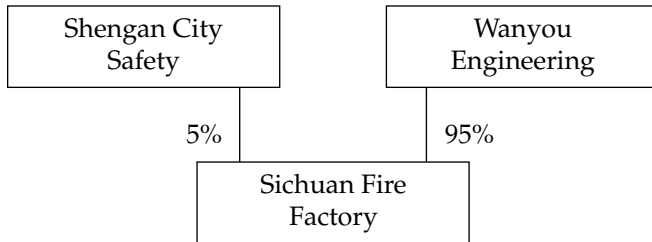
The Consideration receivable by the Vendor is RMB20,750,000 (equivalent to approximately HKD19,575,472) which is to be received in cash. The proceeds may be applied as working capital of the Group or advance to the Sichuan Group depending on their plan for capital expenditure and working capital requirement. The Consideration was calculated to proportion the consideration and related expenses of acquiring the equity interests of Sichuan Fire Factory by Morita-CFE, therefore, the Company does not expect to accrue any gain or loss for the Disposal. Completion of the Agreement is subject to the following condition precedents:

1. Completion of the Acquisition by Wanyou Engineering and Shengan City Safety of 95% and 5% respectively of the equity interests of Sichuan Fire Factory; and
2. Completion of the acquisition by Morita-CFE of 45% and 5% respectively of the equity interests of Sichuan Fire Factory from Wanyou Engineering and Shengan City Safety.

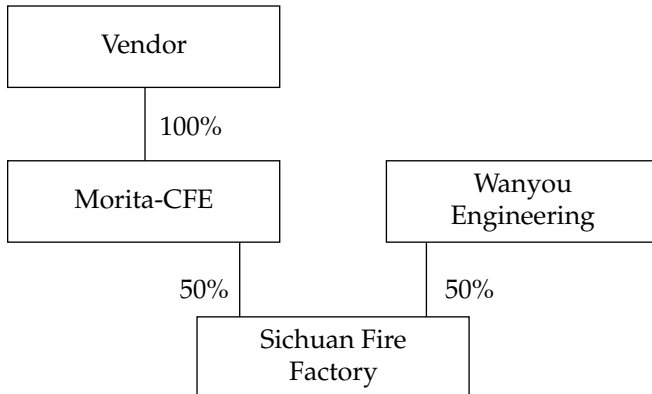
## LETTER FROM THE BOARD

Completion of the Agreement shall take place within one month after fulfillment of the above condition precedents or on a date as the Vendor and the Purchaser shall agree.

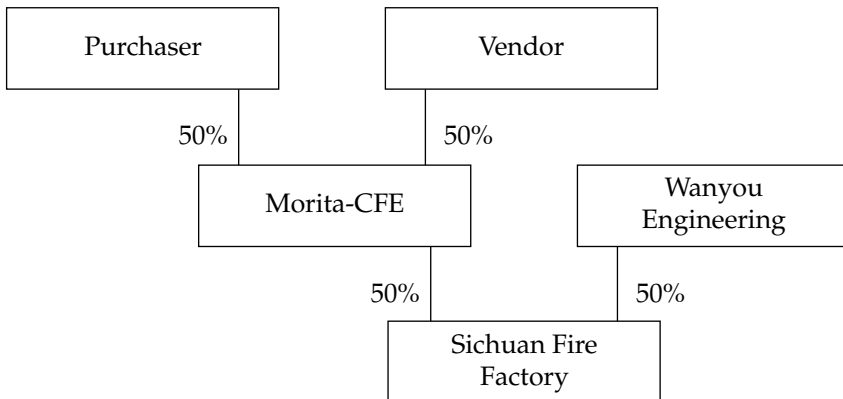
The shareholding structure of Sichuan Fire Factory following completion of the Acquisition by Wanyou Engineering and Shengan City Safety of 95% and 5% respectively of the equity interests of Sichuan Fire Factory is as follows:



The shareholding structure of Sichuan Fire Factory following completion of the acquisition by Morita-CFE of 45% and 5% respectively of the equity interests of Sichuan Fire Factory from Wanyou Engineering and Shengan City Safety is as follows:



The shareholding structure of Sichuan Fire Factory following completion of the Agreement is as follows:



## LETTER FROM THE BOARD

### 3. BUSINESS OF THE GROUP

The Group is a total solution provider of fire prevention and fighting systems in the PRC, specialising in system design, development, manufacturing, sales, installation and maintenance. Besides the traditional systems, it has expanded into the establishment and operation of remote automatic monitoring center of fire prevention and fighting system (消防遠程自動網絡監控中心). The Group is also engaged in the distribution and sale of fire engines and fire fighting and rescue tools in the PRC, Hong Kong, Macau and Taiwan.

### 4. SICHUAN FIRE SAFETY APPLIANCES FACTORY

Sichuan Fire Factory is a state owned enterprise originally founded in the PRC in 1963, with paid up capital of RMB9,599,000. It has two wholly owned subsidiaries, namely, Sichuan Fire Protection Engineering Company (四川消防工程公司) (“**Sichuan Engineering**”) and Sichuan Fire Safety Appliance Factory 14th Factory (四川消防機械總廠第十四分廠). The Sichuan Group is principally engaged in the manufacturing and sale of fire engines; the design, manufacturing, sale and installation of fire fighting and prevention equipment; and provision of installation and maintenance services of fire prevention systems. The Sichuan Group has 41 models of fire engines and 78 types of other fire-fighting products registered with or approved by the National Development and Reform Commission (國家發展與改革委員會). They are sold nationwide in the PRC and in some countries in the Southeast Asia. The Sichuan Group’s fire-fighting products mainly comprise fire extinguishing systems (with water, foam, carbon dioxide and powder). Sichuan Engineering has obtained Class I Certificate for contractors of professional fire prevention and fighting systems installation (消防設施工程專業承包一級資質證書) and is awarded Sichuan Construction Engineering Grade A Enterprise and ISO9001 certificate.

As at 30 June 2004, the audited consolidated total assets and net assets value of the Sichuan Group were approximately RMB144,989,000 and RMB56,451,000 respectively. For the six months ended 30 June 2004, the audited consolidated loss of the Sichuan Group before and after tax were approximately RMB4,872,000 and RMB4,364,000 correspondingly. The Sichuan Group has also incurred losses of approximately RMB6,816,000 (before tax) and RMB6,546,000 (after tax) for the year ended 31 December 2003 and losses of approximately RMB7,744,000 (before tax) and RMB7,363,000 (after tax) for the year ended 31 December 2002. All the above figures were prepared in accordance with accounting principles generally accepted in Hong Kong. Certain pieces of land with carrying amount of approximately RMB12,194,000 as at 30 June 2004, granted by the provincial government of Sichuan to the Sichuan Group will have to be transferred back to the government after the Restructuring.

### 5. REASONS FOR THE DISPOSAL

The Purchaser, Morita Corporation, was established in 1907 and is a renowned manufacturer and distributor of fire engines and fire prevention and fighting equipment. Its fire engines occupy approximately 50% of the market share in Japan. Its ladder trucks and airport rescue and fire fighting vehicle have about 80% of Japan’s market share. Morita has also developed the Gyro Turn Table Leveling System which is an advance

## LETTER FROM THE BOARD

technology used in ladder trucks to adjust quickly and accurately the leveling of ladder working on slope. Morita is listed on both the Tokyo Stock Exchange Limited and the Osaka Stock Exchange Limited. It is a shareholder of the Company holding 1.156% of the issued share capital of the Company.

The Directors believe that Morita becoming a substantial shareholder of Sichuan Fire Factory would benefit Sichuan Fire Factory to a great extent by strengthening its technical standard and improving its product quality. Morita will send engineers and technicians to Sichuan Fire Factory to lead works on standard upgrade, quality improvement and production restructuring matters. They are also considering moving the productions of certain models of their fire engines to Sichuan Fire Factory. The Directors believe that the participation of Morita would help the Sichuan Group to expand into markets for high end products.

Upon completion of the Disposal, Morita will appoint two representatives to the board of directors of Sichuan Fire Factory, making up one-third of the board. Sichuan Fire Factory will continue to be treated as a subsidiary of the Company after the Disposal.

In view of the above, the Directors consider that the terms and conditions of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders taken as a whole.

### **6. FINANCIAL EFFECT OF THE DISPOSAL TO THE GROUP**

The Directors confirm that the Disposal will not have any material adverse effect on the earnings of the Group or have any negative impact on the assets and liabilities of the Group.

### **7. GENERAL**

The Disposal constitutes a disclosable transaction under Chapter 19 of the GEM Listing Rules. On 14 January 2005, the Board announced the entering into of the Agreement in relation to the Disposal. This circular is to provide additional information relating to the Disposal.

### **8. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board  
**China Fire Safety Enterprise Group Holdings Limited**  
**Jiang Xiong**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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.

## 2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interest or short position of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance the "SFO") as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in ordinary shares of the Company

Name of Directors	Number of Shares	Nature of interests/ holding capacity	Approximate percentage of interests (%)
Jiang Xiong	981,600,000	Personal/beneficiary	48.59%
Jiang Qing	7,500,000	Personal/beneficiary	0.37%

## Options to subscribe for ordinary shares in the Company

Name of Directors	Date of grant	Exercise Period	Exercise Price HKD	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of shares of the Company (%)
Jiang Qing	25 May 2004	25 May 2004 – 24 May 2014	0.44 (Note)	20,000,000	0.01%
Chen Shu Quan	25 May 2004	25 May 2004 – 24 May 2014	0.44 (Note)	5,000,000	0.0025%
Chan Siu Tat	25 May 2004	25 May 2004 – 24 May 2014	0.44 (Note)	5,000,000	0.0025%

*Note:* The closing price of shares of the Company immediately before the date on which the option was granted was HKD0.465.

### 3. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material important known by the Directors to be pending or threatened against any member of the Group.

### 4. INTEREST UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10%

or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(a) Long positions in ordinary shares

Name of shareholder	Capacity and type of interest	Number of issued share of HKD0.01 each of the Company held	Percentage of issued capital of the Company
Cantus Limited	Beneficial owner	182,650,000	9.04%
Aria Investment Partners L.P.	Interest of a controlled corporation (Note 1)	182,650,000	9.04%
CLSA Private Equity Management Limited	Investment Manager (Note 2)	182,650,000	9.04%
CLSA Funds Limited	Interest of a controlled corporation (Note 3)	182,650,000	9.04%
CLSA B.V.	Interest of a controlled corporation (Note 4)	182,650,000	9.04%
Calyon Capital Markets Asia B.V.	Interest of a controlled corporation (Note 5)	182,650,000	9.04%
Credit Lyonnais Capital Markets International SASU	Interest of a controlled corporation (Note 6)	182,650,000	9.04%
Credit Agricola Indosuez	Interest of a controlled corporation (Note 7)	182,650,000	9.04%
Credit Agricola S.A.	Interest of a controlled corporation (Note 8)	182,650,000	9.04%
SAS Rue La Boetie	Interest of a controlled corporation (Note 9)	182,650,000	9.04%

*Notes:*

1. Aria Investment Partners, L.P. is beneficially interested in the entire issued share capital of Cantus Limited and is deemed or taken to be interested in the 182,650,000 shares in which Cantus Limited has declared an interest for the purpose of the SFO.
2. CLSA Private Equity Management Limited is the investment manager of Aria Investment Partners, L.P.
3. CLSA Funds Limited is beneficially interested in the entire issued share capital of CLSA Private Equity Management Limited and is deemed or taken to be interested in the 182,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
4. CLSA B.V. is beneficially interested in the entire issued share capital of CLSA Funds Limited and is deemed or taken to be interested in the 182,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
5. Calyon Capital Markets Asia B.V. is beneficially interested in 65% of the share capital of CLSA B.V. and is deemed or taken to be interested in the 182,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
6. Credit Lyonnais Capital Markets International SASU is beneficially interested in the entire issued share capital of Calyon Capital Markets Asia B.V. and is deemed or taken to be interested in the 182,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFC as mentioned in Note 2 above.
7. Credit Agricola Indosuez is beneficially interested in the entire issued share capital of Credit Lyonnais Capital Markets International SASU and is deemed or taken to be interested in the 182,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
8. Credit Agricola S.A. is beneficially interested in the entire issued share capital of Credit Agricola Indosuez and is deemed or taken to be interested in the 182,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
9. SAS Rue La Boetie is beneficially interested in 51.5% of the Issued share capital of Credit Agricola S.A. and is deemed or taken to be interested in the 182,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.

Save as disclosed above, no other person as at the Latest Practicable Date had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

**(b) Short positions in ordinary shares**

No person held short positions in the Shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO.



Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at the Latest Practicable Date.

## 5. SERVICE CONTRACTS

Other than Mr. Chan Siu Tat, each of the executive Directors has entered into a service agreement with the Company for a period of three years commencing on 30 September 2002. Mr. Chan Siu Tat has entered into a service agreement with the Company for a period of three years commencing 16 October 2003. Each of the executive Directors is entitled to the respective basic salaries which is payable in arrears at the end of each calendar month on a 13 month basis, subject to an annual increment after each completed year of service at a rate to be determined at the sole and absolute discretion of the Board, provided that such increase shall not exceed 10% of the then current annual remuneration of the relevant Director (except for Mr. Chan Siu Tat, increment for whom has no limit). In addition, the executive Directors are also entitled to a discretionary bonus as the Board may in its absolute discretion determine having regard to the performance of the executive Director and the operating results of the Group which, in respect of any financial year of the Company, shall not be more than 10% of the audited consolidated net profit after taxation and minority interests but before extraordinary and exceptional items of the Group for that financial year, which amount shall be paid within one calendar month after the announcement of the audited final results of the Group for that financial year. The discretionary bonus shall only be payable when the audited consolidated net profit after taxation and minority interests but before extraordinary and exceptional items of the Group and before payment of the total discretionary bonuses payable to all the executive Directors shall exceed HK\$8 million. The emoluments received by the executive Directors for 2002, 2003 and 2004 (up to 30 September) are as follows:

	<b>Basic salaries and retirement benefits</b>	<b>Discretionary bonus paid</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
2002	406	–
2003	1,324	–
2004 (up to 30 September)	1,570	4,283

The term of office of each of the non-executive Directors and independent non-executive Directors is the period to his/her retirement by rotation in accordance with the Company's Articles of Association.

Save as above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or may compete with the business of the Group.

## 7. GENERAL

- (a) The head office and principal place of business of the Company in the PRC is at 8th Floor, Gaojing Trade Centre, No. 158 Wu Yi Bei Road, Fuzhou City, Fujian Province, PRC. The principal place of business of the Company in Hong Kong is at Suite 907, 9/F, ICBC Tower, 3 Garden Road, Central, Hong Kong. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) The compliance officer of the Company is Mr. Jiang Qing, an executive Director. Mr. Jiang is a qualified engineering in the PRC and obtained the qualification of senior economist from the Human Resources Office of Fujian Provincial Government (福建省人事廳) in January 2004.
- (c) The qualified accountant and company secretary of the Company is Ms. Li Ching Wah. Ms. Li is an associate member of the Hong Kong Society of Accountants.
- (d) The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 to 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Directors. The audit committee comprises Mr. Liu Shi Pu, Mr. Heng Kwo Seng and Mr. Xiang Yu Fu, all of whom are independent non-executive Directors of the Company.

Mr. LIU Shi Pu, aged 69, is an independent non-executive Director. Mr. Liu has over 41 years of working experience in the Ministry of Public Security and worked for the Public Security Bureau of Lou Yang City (洛陽市) and He Nan Province (河南省) during the years 1952 to 1985. During the years 1985 and 1990, he was appointed as the Vice Chancellor of Public Security Bureau of He Nan Province (河南省公安廳副廳長). From 1991 to 1993, he was promoted as the Office Supervisor of the Ministry of Public Security of the PRC (中華人民共和國公安部辦公廳主任). In 1993, Mr. Liu was appointed as the Chairman of Fire Prevention and Fighting Bureau of the Ministry of Public Security of the PRC (中華人民共和國公安部消防局局長(少將)). In February 1996, he retired from his position. From August 1997 to September 2001, Mr. Liu was the Vice-chairman of General Affairs of the PRC Fire Prevention and Fighting

Association (中華人民共和國消防協會常務副理事長). He was appointed as a director of the Company in May 2002. Aside from the Company, Mr. Liu is not a director of any other listed company.

Mr. HENG Kwo Seng, aged 56, is the managing partner of Morison Heng, Chartered Accountants and Certified Public Accountants. He is a fellow member of The Institute of Chartered Accountants in England & Wales, an associate member of The Hong Kong Society of Accountants and independent non-executive directors of various public companies. Mr. Heng is also the Vice Chairman of The Hong Kong Hainan Commercial Association. He is also a director of the following companies listed on the Main Board of the Stock Exchange: Lee & Man Paper Manufacturing Limited, Lee & Man Holding Limited, Tack Fat Group International Limited, The Thai-Asia Fund Limited, The Thai Asset Fund Limited, Soundwill Holdings Limited and Winfair Investment Company Limited.

Mr. XIANG Yu Fu, aged 36, is the vice president and chief executive officer of China Sifang Holding Co. Ltd. (中國四方控股有限公司) and a director of Shenzhen Tongsheng Guarantee Co. Ltd. (深圳市通盛擔保有限公司). Mr. Xiang holds a Degree of Doctor of Philosophy in Economics and Finance Investment from the American World University. Aside from the Company, Mr. Xiang is not a director of any other listed company.