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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)

ANNOUNCEMENT

Acquisition of Jiangxi Shengan City Safety Communications Development Company Limited*

(江西盛安城市安全信息發展有限公司)

The Directors are pleased to announce that on 11 August 2004, the Company, through its indirect subsidiary, Wanyou Engineering, entered into an agreement with the Vendors to acquire Shengan City Safety, a company engaged in the establishment of network based monitoring system of fire prevention and fighting maintenance systems.

The consideration of the acquisition is RMB7,000,000 which will be settled in cash by Wanyou Engineering. The Vendors will inject the total consideration received into Shengan City Safety to enlarge its registered capital. After the acquisition, Wanyou Engineering will also inject another RMB8,000,000, all in cash, into Shengan City Safety to paid up its share of the enlarged registered capital.

Wanyou Engineering will hold 51.61% of the equity interests of Shengan City Safety.

This announcement is made pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

ASSETS TO BE ACQUIRED

Reference is made to an earlier announcement of China Fire Safety Enterprise Group Holdings Limited (the "**Company**") dated 6 April 2004 regarding entering into a non-legal binding letter of intent to acquire Jiangxi Shengan City Safety Communications Development Company Limited* (江西盛安城市安全信息發展有限公司) ("**Shengan City Safety**"). The directors (the "**Directors**") of the Company are pleased to announce that on 11 August 2004, the Company, through its indirect subsidiary, Fujian Wanyou Fire Engineering Group Company Limited* (福建萬友消防工程集團有限公司) ("**Wanyou Engineering**") entered into an agreement with Mr. Feng Quan Hui (馮權輝先生) and Mr. Deng Ping Tao (鄧評韜先生) (the "**Vendors**"), who together owned 100% of Shengan City Safety and both are independent third parties who are not connected persons of the Company as defined in the GEM Listing Rules, to acquire 51.61% of Shengan City Safety.

* For identification only

CONSIDERATIONS AND TERMS OF PAYMENT

The considerations payable by Wanyou Engineering is RMB7,000,000, which will be wholly satisfied in cash. The registered capital of Shengan City Safety will then be enlarged from RMB500,000 to RMB15,500,000. The Vendors will inject the total considerations of RMB7,000,000 received into Shengan City Safety to paid up their share of the enlarged registered capital. At the same time, Wanyou Engineering will inject another RMB8,000,000, all in cash, into Shengan City Safety to paid up the remaining part of the enlarged registered capital. The total RMB15,000,000 is payable after approval of the relevant authorities about the restructuring of Shengan City Safety is obtained and change in business certificate and other relevant documents are completed. The RMB7,000,000 considerations for the acquisition will be financed out of the proceeds from placement of new shares of the Company in September 2002, which was reserved for development of new products while the RMB8,000,000 capital injection will be paid out of internal resources of the Company and its subsidiaries (the “**Group**”). After the acquisition and capital injection, Shengan City Safety will become an indirect subsidiary of the Company, with 51.61% of its equity interest held by Wanyou Engineering. The remaining 48.39% interests will be owned by the Vendors.

The Consideration is arrived at after arm’s length negotiation and is based on the net assets value, of Shengan City Safety as at 29 June 2004, the value of technical know-how possessed and its future prospects. As at 29 June 2004, its net assets value was RMB1.04 million. Its assets mainly represented equipment owned and costs of development of technical know-how including the network based monitoring system, while its liabilities were mainly payable to suppliers in the ordinary course of business and amount due to the Vendors of around RMB8,000,000 (the amount is not to be taken up by the Group). For the year ended 31 December 2003, Shengan City Safety’s profit before and after tax were respectively RMB103,000 and RMB85,000. Its profit before and after tax for the year ended 31 December 2002 were RMB215,000 and RMB188,000 correspondingly.

The composition of the board of directors of Shengan City Safety will consist of 5 directors, in which 3 directors and the chairman will be nominated by the Group immediately after completion of the acquisition.

INFORMATION ABOUT SHENGAN CITY SAFETY AND REASONS FOR THE ACQUISITION

Shengan City Safety is a limited company established in the People’s Republic of China (the “**PRC**”) in June 1998 and principally engaged in the research and development of network based monitoring system for fire prevention and fighting maintenance systems. It also provide system integration, and maintenance service including the enhancement and repair and maintenance of such fire prevention and fighting systems. Shengan City Safety has established and is operating the only remote automatic monitoring center of fire prevention and fighting system (消防遠程自動網絡監控中心) in the Jiangxi province. Shengan City Safety is granted the right to establish and operate remote monitoring center of fire prevention and fighting system in the Jiangxi province by the Jiangxi Fire Safety Association (江西省消防協會) and Jiangxi General Bureau of Fire Services (江西省公安消防總隊) in 2004. It has obtained 7 national patents for its network products in the PRC. It has developed several research collaborations and projects with research institutes and universities in Jiangxi province to develop such systems.

As disclosed in the prospectus of the Company dated 23 September 2002, the Company’s

business objectives include the development of a network based monitoring system of fire prevention and fighting systems through broadband internet multi-media information technology to monitor and inspect different automated fire alarm systems situated in different buildings and linked with the 119 fire emergency centre via audio and visual information on site. The Directors consider that the application of network based monitoring system of fire prevention and fighting systems is a trend for development of the fire safety industry and it improves the repair and maintenance standards of fire prevention and fighting systems. The Directors consider that it is more effective and efficient to cooperate with a company with relevant operating experience than self-development. Moreover, the Directors expect that a synergistic effect can be achieved by combining the marketing strength of the Group and technical capabilities of Shengan City Safety. Through the cooperation with Shengan City Safety, the Group can establish its first presence in the fire prevention and fighting system maintenance market in Jiangxi province. At the same time, the successful network based monitoring system model in Jiangxi province can be applied nationwide, providing the Group a strong foothold to expand to the national fire prevention and fighting system maintenance market.

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

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

The directors of the Company comprise the following:

Mr. Jiang Xiong (*Executive Director*)
Mr. Jiang Qing (*Executive Director*)
Mr. Chen Shu Quan (*Executive Director*)
Mr. Chan Siu Tat (*Executive Director*)
Mr. Richard Owen Pyvis (*Non-executive Director*)
Ms. Josephine Price (*Non-executive Director*)
Mr. Liu Shi Pu (*Independent non-executive Director*)
Mr. Heng Kwoo Seng (*Independent non-executive Director*)

Hong Kong, 12 August 2004

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.

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