

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)

### **DISCLOSABLE TRANSACTION**

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

**and**

**RESUMPTION OF TRADING**

The Directors are pleased to announce that 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).

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.

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.

At the request of the Company, trading in Shares on GEM was suspended with effect from 9:30 a.m. on 14 January 2005, pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 17 January 2005.

A circular containing further details of the Disposal will be despatched to the Shareholders as soon as practicable.

\* For identification only

## **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 Rules.

### **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 can be referred to the announcement and circular of the Company dated 28 September 2004 and 14 December 2004 correspondingly. As at the date of this announcement, 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 hold 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.

The Company does not expect to accrue any gain nor any loss for the Disposal. This is because the Consideration 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.

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

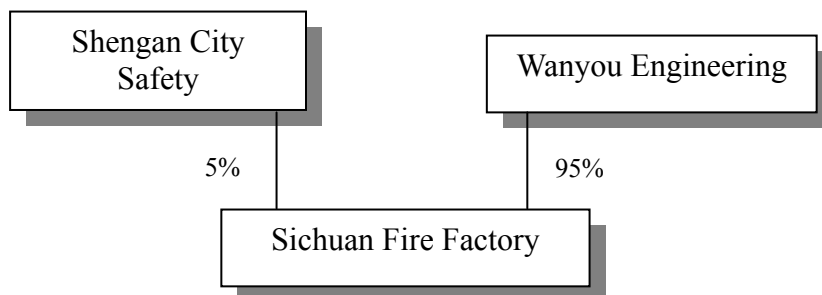
The Consideration receivable by the Vendor is RMB20,750,000 (equivalent to approximately HKD19,575,472) which is to be received in cash. The proceeds may be applied as working capital of the Group or advance to the Sichuan Group depending on their plan for capital expenditure and working capital requirement. The Consideration was calculated to proportion the consideration and related expenses of acquiring the equity interests of Sichuan Fire

Factory by Morita-CFE. Completion of the Agreement is subject to the following condition precedents:

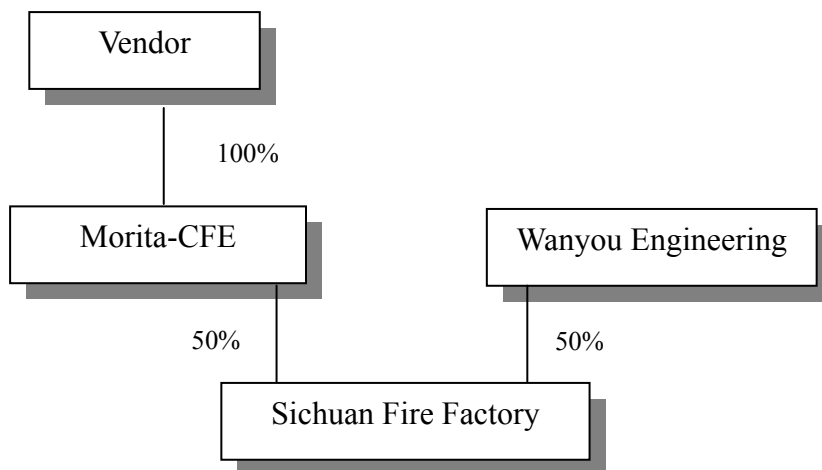
1. Completion of the Acquisition by Wanyou Engineering and Shengan City Safety of 95% and 5% respectively of the equity interests of Sichuan Fire Factory; and
2. Completion of the acquisition by Morita-CFE of 45% and 5% respectively of the equity interests of Sichuan Fire Factory from Wanyou Engineering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

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.

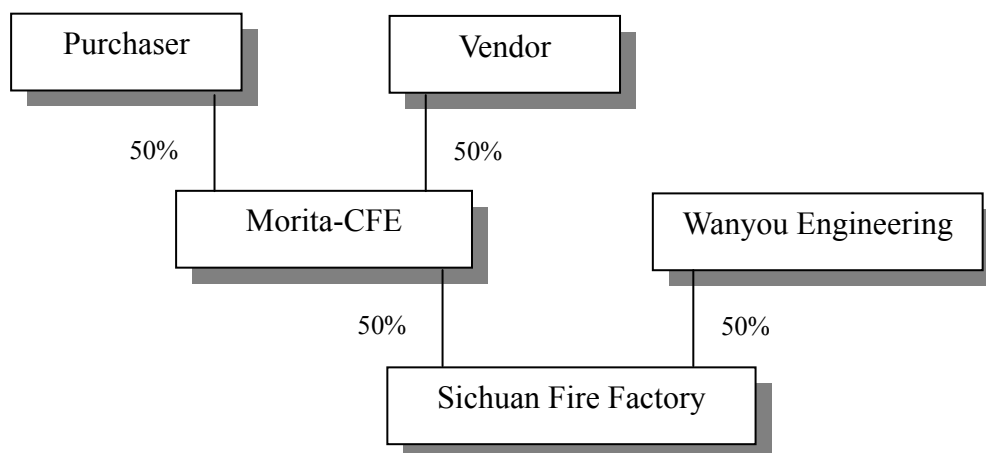
The shareholding structure of Sichuan Fire Factory following completion of the Acquisition by Wanyou Engineering and Shengan City Safety of 95% and 5% respectively of the equity interests of Sichuan Fire Factory is as follows:



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:



## INFORMATION ON THE GROUP AND REASONS FOR THE DISPOSAL

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.

Sichuan Fire Factory is a state owned enterprise originally founded in the PRC in 1963, with paid up capital of RMB9,599,000 million. 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.

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 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 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.

## **GENERAL**

The Disposal constitutes a disclosable transaction under Chapter 19 of the GEM Listing Rules.

At the request of the Company, trading in Shares on GEM was suspended with effect from 9:30 a.m. on 14 January 2005, pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 17 January 2005.

A circular containing further details of the Disposal will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

“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 any of the directors, chief executives, substantial shareholders or management shareholders (as such term is defined in the GEM Listing Rules) of the Company and their subsidiaries or their respective associates (as such term is defined in the GEM Listing Rules)
“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 City 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
“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

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

As at the date of this announcement, the Company's Executive Directors are Mr. Jiang Xiong, Mr. Jiang Qing, Mr. Chen Shu Quan and Mr. Chan Siu Tat; the Non-Executive Directors are Mr. Richard Owen Pyvis and Ms. Josephine Price; and the Independent Non-Executive Directors are Mr. Liu Shi Pu, Mr. Heng Kwo Seng and Mr. Xiang Yu Fu.

Hong Kong, 14 January 2005

*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 GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*