中國消防企業集團有限公司
CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED

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28 April 2015

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 40% EQUITY INTEREST IN ALBERT ZIEGLER GMBH INVOLVING THE ISSUE OF CONSIDERATION SHARES AND APPLICATION FOR WHITEWASH WAIVER BY CIMC TOP GEAR B.V. (A WHOLLY-OWNED SUBSIDIARY OF CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.)

INTRODUCTION

Reference is made to the Joint Announcement. On 27 February 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor (an indirect wholly-owned subsidiary of CIMC), the Company and CIMC (HK) (a direct wholly-owned subsidiary of CIMC) entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan at a consideration of HK$489,428,572, which shall be satisfied by the Company by way of allotment and issuance of 1,223,571,430 Consideration Shares at the Issue Price of HK$0.4 per Consideration Share to the Vendor (or its nominee).

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition and the Whitewash Waiver; (ii) financial information of the Group and the Ziegler Group; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; and (v) the notice of the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issuance of the Consideration Shares and the Whitewash Waiver.

THE ACQUISITION AGREEMENT

Date

27 February 2015

Parties

(i) Profit Asia International Trading Limited, as the Purchaser;

(ii) CIMC Top Gear B.V., as the Vendor;

(iii) the Company, as guarantor of the Purchaser's obligations under the Acquisition Agreement; and

(iv) CIMC (HK), as guarantor of the Vendor's obligations under the Acquisition Agreement.

Both CIMC (HK) and the Vendor are wholly-owned subsidiaries of CIMC, whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Shenzhen Stock Exchange. CIMC is principally engaged in container manufacturing and service business, road transportation vehicle business, energy, chemical and food equipment business, offshore engineering business, airport facilities equipment business and logistics services business. CIMC (HK) and the Vendor are principally engaged in investment holding. The Vendor, CIMC (HK) and CIMC and their respective associates are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan. The Sale Shares represent 40% equity interest in Ziegler as at the date of Acquisition Completion and the Sale Loan represents 40% of all the amounts owed by Ziegler to the Vendor as at the date of Acquisition Completion. As at the date of the Acquisition Agreement, the amount owed by Ziegler to the Vendor was approximately EUR25.9 million and therefore 40% of such amount was approximately EUR10.4 million. Details of the Ziegler Group are set out in the section headed "Information on the Ziegler Group" below.

Consideration

The Acquisition Consideration is HK$489,428,572, which shall be satisfied by the Company by way of allotment and issuance of 1,223,571,430 Consideration Shares, credited as fully paid, at the Issue Price of HK$0.4 per Consideration Share to the Vendor (or its nominee) at Acquisition Completion.

Basis of determination of the Acquisition Consideration

The Acquisition Consideration is primarily determined based on the latest financial position of the Ziegler Group, the amounts owed by Ziegler to the Vendor, and the future prospects of the business of the Ziegler Group under the management and control of the Vendor. Reference to the previous acquisition cost of the assets and liabilities comprising the Ziegler Group paid by the Vendor of approximately EUR58.89 million (equivalent to approximately HK$518.2 million) plus costs incurred incidental thereto is also taken into consideration.

The Company has considered other settlement methods (including cash and promissory note) to settle the Acquisition Consideration. Having considered that the Group has been loss making since the financial year ended 31 December 2009, the Directors consider that it is in the interest of the Group and the Shareholders to retain more cash for general working capital and future business expansion of the Group after the Acquisition. The allotment and issuance of the Consideration Shares to settle the Acquisition Consideration is proposed as it would not affect the liquidity position or financial leverage of the Group and allow the Company to complete the Acquisition without any cash outlay. Furthermore, the issue of the Consideration Shares to the Vendor would lead to better alignment of interests between the Company and CIMC, which would facilitate the realisation of the intended synergies and commercial benefits and is to the benefit of the Company and the Shareholders as a whole. The willingness to accept Consideration Shares (as opposed to cash or other form of consideration) also demonstrates the Vendor's conviction in the prospects of the Acquisition and the potential cooperation. Based on the above, the Directors consider that the allotment and issuance of Consideration Shares to settle the Acquisition Consideration is in the best interest of the Company and the Shareholders as a whole.

Consideration Shares

As at the Latest Practicable Date, the Company had 2,855,000,000 Shares in issue. The 1,223,571,430 Consideration Shares represent approximately 42.86% of the existing issued share capital of the Company and approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date up to the date of Acquisition Completion).

The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Consideration Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issuance of the Consideration Shares.

The Consideration Shares will be issued under a specific mandate to be sought for approval by the Independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Vendor has applied to the Executive for a waiver from the obligation to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which obligation would otherwise arise as a result of the allotment and issue of the Consideration Shares to the Vendor (or its nominee) pursuant to the Acquisition Agreement. The Whitewash Waiver is more particularly described in the section headed "Regulatory implications" below.

The Issue Price

The Issue Price of HK$0.4 per Consideration Share represents:

(i) a discount of approximately 34.43% to the closing price of HK$0.61 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 40.30% to the closing price of HK$0.67 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 39.39% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$0.66 per Share;

(iv) a discount of approximately 38.46% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.65 per Share;

(v) a discount of approximately 31.03% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.58 per Share; and

(vi) a premium of approximately 66.67% over the audited consolidated net assets attributable to the Shareholders of approximately HK$0.24 per Share (based on the audited consolidated net assets attributable to the Shareholders of approximately RMB549.1 million (equivalent to approximately HK$686.4 million) as at 31 December 2014 and 2,855,000,000 Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to, among other things, (i) prevailing market prices of the Shares; (ii) the financial performance of the Group; and (iii) the current market conditions.

Conditions precedent

Acquisition Completion is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions:

(i) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Ziegler Group;

(ii) the Vendor being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Group;

(iii) all necessary consents and approvals required to be obtained on the respective part of the Vendor, Ziegler and CIMC (HK) in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;

(iv) all necessary consents and approvals required to be obtained on the respective part of the Purchaser and the Company in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;

(v) the Purchaser having received a legal opinion issued by legal adviser(s) appointed by the Purchaser (including but not limited to the German legal adviser) in such form and substance to the satisfaction of the Purchaser, confirming the valid subsistence of the members of the Ziegler Group;

(vi) the passing of the resolution by the Independent Shareholders at the EGM approving the Acquisition Agreement and transactions contemplated thereunder, including but not limited to the allotment and issuance of the Consideration Shares and the Whitewash Wavier, in compliance with the requirements of the Listing Rules and the Takeovers Code;

(vii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares;

(viii) the Executive having granted the Whitewash Waiver;

(ix) the Acquisition Agreement and the transactions contemplated thereunder not being treated as a reverse takeover under Rule 14.06(6) of the Listing Rules;

(x) the Disposal Agreement becoming unconditional and Disposal Completion having taken place;

(xi) the warranties given by the Purchaser under the Acquisition Agreement remaining true, accurate and not misleading;

(xii) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading;

(xiii) there being no material adverse changes on any member of the Ziegler Group since the date of the Acquisition Agreement; and

(xiv) save for the disclosures in the Acquisition Agreement, there being no material adverse changes on any member of the Group since the date of the Acquisition Agreement.

The Purchaser may at any time exercise its discretions to waive the conditions set out in (i), (xii) and (xiii) above by notice in writing to the Vendor. The Vendor may at any time exercise its discretions to waive the conditions set out in (ii), (xi) and (xiv) above by notice in writing to the Purchaser. The circumstances under which conditions (i), (xii) and (xiii) can be waived by the Purchaser and/or that conditions (ii), (xi) and (xiv) can be waived by the Vendor include in the event that some minor defects have been detected in the results of the due diligence review or there exists some minor breaches of the Vendor's warranties and/or the Purchaser's warranties or there occur a material adverse change on an insignificant member of the Group and/or the Ziegler Group. The Company considers that such provisions allow flexibility for each of the Purchaser and the Vendor and enable the parties to proceed with the Acquisition Completion in circumstances where only minor defects in the due diligence review have been detected and/or minor breaches of the parties' warranties exist while all other conditions precedent which are incapable of being waived have been fulfilled. Save for the aforementioned, none of the conditions set out above can be waived by any party under the Acquisition Agreement. As at the Latest Practicable Date, the Purchaser had no intention to waive conditions (i), (xii) and/or (xiii) and the Vendor had no intention to waive conditions (ii), (xi) and/or (xiv). As at the Latest Practicable Date, none of the above conditions had been fulfilled.

If any of the above conditions is not fulfilled or waived (as the case may be) by 12:00 noon on 30 June 2015 (or such later date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall terminate and neither party to the Acquisition Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any).

Completion

Acquisition Completion shall take place on the 10th Business Day after all the conditions precedent under the Acquisition Agreement have been fulfilled (or waived, as the case may be) or such other date as may be agreed by the Purchaser and the Vendor.

Specific warranties by the Vendor

The Vendor represents and warrants to the Purchaser and the Company that:

(i) the net assets of the Ziegler Group shall be not less than EUR29 million as at the date of Acquisition Completion. In order to determine the net assets of the Ziegler Group, the Purchaser is entitled to request the Vendor to provide relevant supporting documents. In the event that the Purchaser is not satisfied with the Vendor's supporting documents for determination of the net assets of the Ziegler Group and the parties cannot reach consensus within 30 days after the date of Acquisition Completion, the Purchaser shall nominate an independent German accountant to determine the net assets of the Ziegler Group as at the date of Acquisition Completion in accordance with generally accepted accounting principles in Germany or relevant jurisdictions of the members of the Ziegler Group. The Vendor shall pay to the Purchaser an amount in cash equivalent to 40% of any shortfall of the net assets of the Ziegler Group within 5 Business Days after the determination of the net assets of the Ziegler Group as at the date of Acquisition Completion;

(ii) subject to the relevant rules and regulations, articles of association of CIMC and relevant internal procedures, the Vendor shall, after Acquisition Completion and according to the Company's working capital requirement, arrange banking facilities of not less than RMB180 million to support the business development of the Company; and

(iii) after Acquisition Completion, the Company shall have the right of first refusal to take up all proposed investments or acquisitions in the fire engine industry in the PRC by CIMC. CIMC shall provide financial support to the Company, at prevailing market rate, for the completion of the proposed investments or acquisitions

Specific warranties by the Purchaser

The Purchaser represents and warrants to the Vendor and CIMC (HK) that the net assets of the Group (after Disposal Completion and distribution of dividend, if any) shall be not less than RMB450 million as at the date of Acquisition Completion. In order to determine the net assets of the Group, the Vendor is entitled to request the Purchaser to provide relevant supporting documents. In the event that the Vendor is not satisfied with the Purchaser's supporting documents for determination of the net assets of the Group and the parties cannot reach consensus within 30 days after the date of Acquisition Completion, the Vendor shall nominate an independent Hong Kong accountant to determine the net assets of the Group as at the date of Acquisition Completion in accordance with generally accepted accounting principles in Hong Kong or relevant jurisdictions of the members of the Group. The Purchaser shall pay to the Vendor an amount in cash equivalent to 42.86% of any shortfall of the net assets of the Group within 5 Business Days after the determination of the net assets of the Group as at the date of Acquisition Completion.

The Purchaser further warrants to the Vendor that (i) the Board shall comprise five executive Directors and three independent non-executive Directors; and (ii) the Purchaser shall procure the Board to convene a Board meeting immediately after Acquisition Completion to consider whether the candidates as nominated by the Vendor are fit and proper to act as new Directors and, if thought fit, to approve the appointment of three new Directors to be nominated by the Vendor, one of whom shall be nominated as the chairman of the Company. For the avoidance of doubt, the right to nomination is a contractual term under the Acquisition Agreement and is one-off in nature. Any change to the Board will only be made in compliance with the Takeovers Code and the Listing Rules. The biographical details of the three potential candidates identified by the Vendor for nomination as new Directors are set out below:

(i) Zuhua Zheng

Mr. Zuhua Zheng ("**Mr. Zheng**"), aged 52, has been the chief executive officer of Pteris Global Limited since November 2013. Prior to this, Mr. Zheng had been the general manager of Shenzhen CIMC-Tianda Airport Support Ltd. (which is one of the biggest manufacturers of passenger board bridge in the world) from July 2000 to November 2013. Mr. Zheng has extensive experience in machinery manufacturing business and has over 30 years of experience in engineering field. Mr. Zheng obtained a bachelor degree of engineering from Huazhong University of Science and Technology in 1983, a master degree of mechanical engineering from Southwest Jiaotong University in 1987 and a master degree of business administration from Peking University, Guanghua School of Management in 2002.

(ii) Yinhui Li

Mr. Yinhui Li ("**Mr. Li**"), aged 47, has been (a) vice president of CIMC since March 2004, (b) the chairman of C&C Trucks Co., Ltd. since April 2011, and (c) the chairman of the supervisory board of Ziegler since December 2013. Mr. Li has relevant experience in management of an enterprise in vehicle manufacturing business for over 10 years. Mr. Li obtained a bachelor degree of arts (History) and a doctorate degree in world economy from Jilin University in 1991 and 2001 respectively, and a master degree of business administration from Nanjing University in 1997.

(iii) Youjun Luan

Mr. Youjun Luan ("**Mr. Luan**"), aged 51, is currently the chairman and chief executive officer of Ziegler, the chairman of Xinfa Airport Equipment Ltd. and the vice chairman of Shenzhen CIMC-Tianda Airport Support Ltd. Mr. Luan joined Shenzhen CIMC-Tianda Airport Support Ltd. since 1993 and is currently responsible for the day to day management of Ziegler and overseeing the operation of Xinfa Airport Equipment Ltd. and Shenzhen CIMC-Tianda Airport Support Ltd. Mr. Luan has extensive experience in management of machinery manufacturing business. Mr. Luan obtained a bachelor degree of mechanical engineering from Dalian University of Technology in 1986, a master degree of mechanical engineering from Dalian University of Technology in 1989 and an executive master degree of business administration from Tsinghua University in 2006.

None of the above three potential candidates identified by the Vendor for nomination as new Directors had any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. The Vendor believes that based on the knowledge and experience of the aforesaid three potential candidates, they can contribute to the businesses of the Group and the Ziegler Group and the future development of the Company.

Pursuant to article 58 of the articles of association of the Company (the "**Company Articles**"), the Shareholders holding not less than one-tenth of the voting rights of the Company shall at all times have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition including but not limited to the requisition to nominate any new Director(s). The Board would like to emphasise that the right to nomination shall be distinguished from the right to appointment, of which the former will be subject to further scrutiny and examination by the nomination committee of the Company and compliance with the relevant Listing Rules and code on corporate governance practices. In other words, the "right to nomination" does not mean an automatic "right to appointment". Any nominated candidates shall in any event undergo two examination processes, namely (i) the endorsement by the nomination committee and remuneration committee of the Company for recommendation to the Board; and (ii) the approval by the Board.

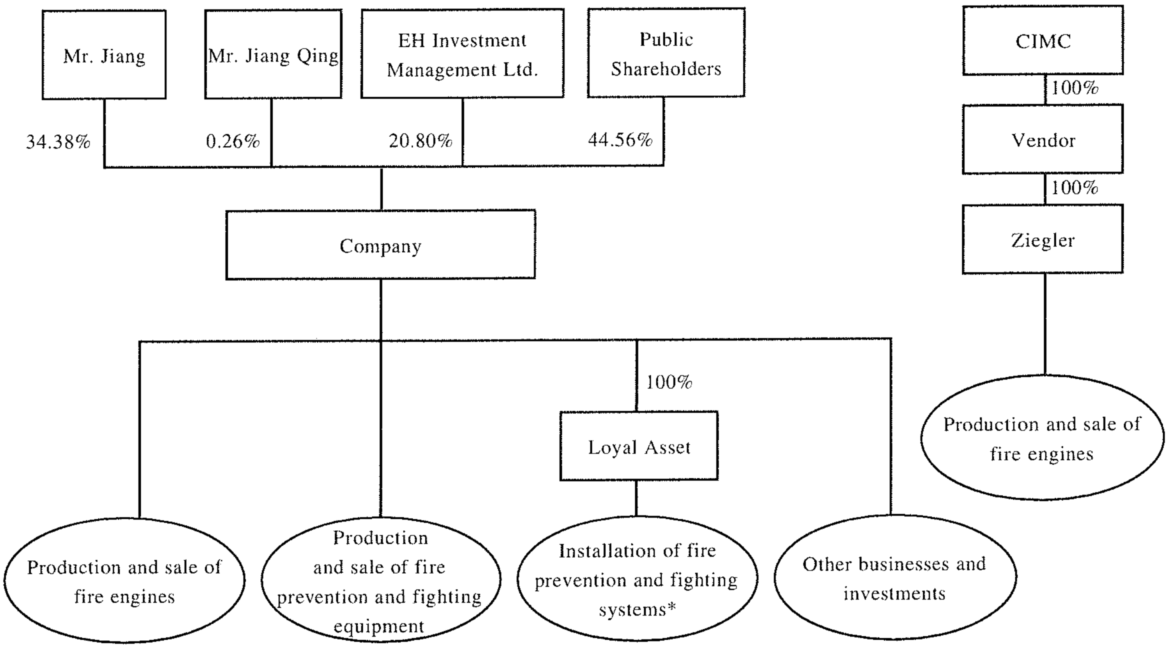
Taking into consideration (i) that the Vendor would in any event be entitled to exercise its members' requisition right to nominate any Director(s) when it becomes interested in 10% or more of the voting rights of the Company after Acquisition Completion; (ii) the safeguards of the nomination committee of the Company; and (iii) that any Director(s) appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall only hold office until the next following annual general meeting of the Company and be subject to re-election at such meeting in accordance with article 86(3) of the Company Articles, the Board considers that the grant of such nomination right to the Vendor would not be more favourable than what is generally available to other Shareholder(s) in case such Shareholder(s) holds one-tenth or more of the voting rights of the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the production and sale of fire engines; (ii) the production and sale of fire prevention and fighting equipment; (iii) the installation of fire prevention and fighting systems; and (iv) other businesses and investments.

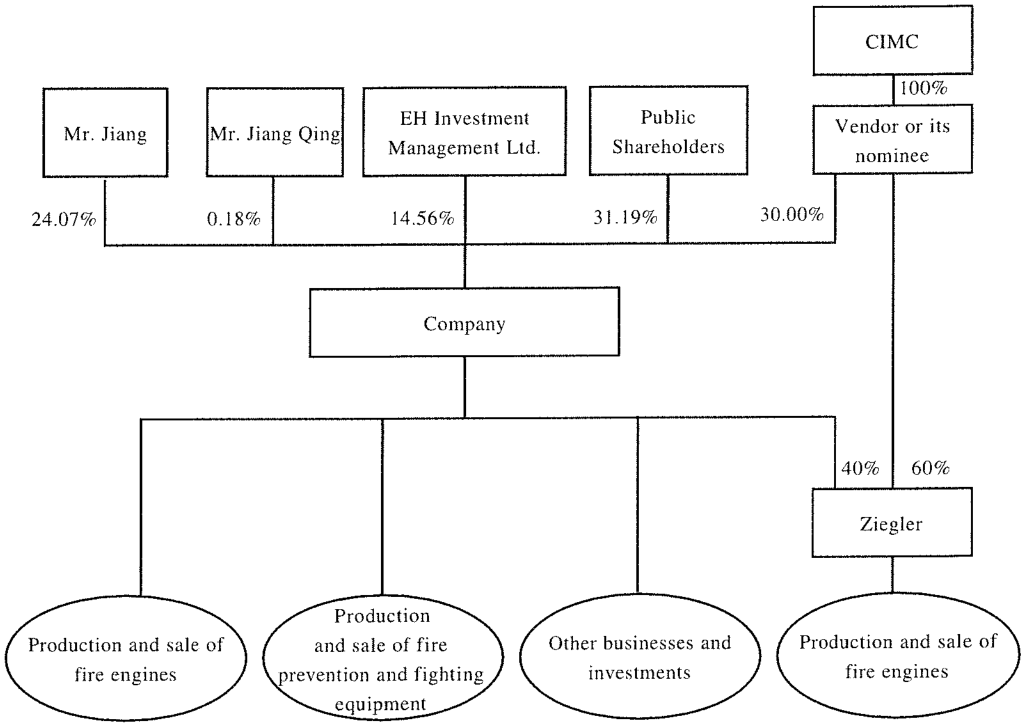
Simplified group structure immediately before and after Acquisition Completion and Disposal Completion

The simplified charts below show in summary the group structure of the Company and Ziegler as at the Latest Practicable Date:



* *Apart from installation of fire prevention and fighting systems, the Disposal Group maintained a minimal operation in the production and sale of fire prevention and fighting equipment.*

The simplified chart below shows in summary the group structure of the Company immediately after Acquisition Completion and Disposal Completion:



Shareholding structure of the Company

The following table illustrates the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Acquisition Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the date of the Acquisition Agreement and up to the date of Acquisition Completion):

	(i) As at the Latest Practicable Date		**(ii) Immediately after Acquisition Completion**	
	Shares	*Approximate %*	*Shares*	*Approximate %*
Mr. Jiang *(note i)*	981,600,000	34.38	981,600,000	24.07
Mr. Jiang Qing *(note i)*	7,500,000	0.26	7,500,000	0.18
EH Investment Management Ltd. *(note ii)*	593,750,000	20.80	593,750,000	14.56
The Vendor or its nominee *(note iii)*	0	0	1,223,571,430	30.00
	1,582,850,000	55.44	2,806,421,430	68.81
Public Shareholders	1,272,150,000	44.56	1,272,150,000	31.19
Total	**2,855,000,000**	**100.00**	**4,078,571,430**	**100.00**

Notes:

(i) Mr. Jiang and Mr. Jiang Qing are executive Directors. Mr. Jiang is the brother of Mr. Jiang Qing.

(ii) The entire share capital of EH Investment Management Ltd. is beneficially owned by Mr. Ngan Lek.

(iii) The Vendor is an indirect wholly-owned subsidiary of CIMC.

(iv) The Vendor does not consider itself or any parties acting in concert with it as a party acting in concert or to be acting in concert with Mr. Jiang and Mr. Jiang Qing as at the Latest Practicable Date and after Acquisition Completion. Immediately after Acquisition Completion, Mr. Jiang and Mr. Jiang Qing will be interested in approximately 24.07% and approximately 0.18% of the issued share capital of the Company respectively whilst the Vendor or its nominee will be interested in approximately 30% of the issued share capital of the Company. Accordingly, the Vendor will be presumed to be acting in concert with Mr. Jiang and Mr. Jiang Qing immediately after Acquisition Completion under class (1) of the definition of acting in concert pursuant to the Takeovers Code. The Vendor, Mr. Jiang and Mr. Jiang Qing have made an application to the Executive for a rebuttal of the presumption of acting in concert between the Vendor, Mr. Jiang and Mr. Jiang Qing.

INFORMATION ON THE ZIEGLER GROUP

Background

Ziegler is a limited liability company incorporated in Germany. It was incorporated by VRB Vorratsgesellschaften GmbH, being an independent third party of CIMC, on 14 August 2013 and transferred to the CIMC Group in November 2013 solely for the purpose of effecting a transaction (the "**2013 Acquisition**") to acquire certain assets (such as fixed assets, other receivables and intangible assets) and liabilities relating to employees and product warranty (the "**Headquarter Assets**"), and equity interests in certain operating subsidiaries (the "**Operating Subsidiaries**") of another limited liability company in Germany (the "**Entity**") relating to the business of development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components (collectively, the "**Acquired Entity Assets**") from the insolvency administrator on behalf of the Entity. The 2013 Acquisition was completed on 13 December 2013. The Ziegler Group is one of the leading producers of fire trucks globally and is principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components, which are in the same lines of businesses as the existing businesses of the Group.

The business of the Entity was founded in 1891 and was ultimately owned by and operated by its founding family (with historical commercial register record which can be traced back for over 50 years) prior to the appointment of the insolvency administrator in 2011 and the subsequent acquisition by Ziegler in 2013 (as elaborated below). As one of the top five producers of fire trucks globally, the Ziegler Group manufactures more than 500 vehicles annually and is known for its high quality craftsmanship as well as its technology leadership in customized fire trucks and water pumps for firefighting worldwide. At present, the Ziegler Group owns and operates six manufacturing plants in Europe.

In 2009, certain legal proceedings were initiated by the German anti-trust authority against the Entity. After settlement of the aforesaid legal proceedings which involved payment of substantial penalties, the Entity filed for insolvency in August 2011. Since the filing of insolvency, the business operations of the Entity and its subsidiaries were maintained by the insolvency administrator, who is a third party independent of the Company and the Vendor. On 13 December 2013, Ziegler acquired the Acquired Entity Assets from the Entity through a public auction process conducted by the insolvency administrator for a consideration of EUR58.89 million (equivalent to approximately HK$518.2 million). As advised by the Vendor, the consideration of the 2013 Acquisition was arrived at after arm's length negotiations among relevant parties and by making reference to, inter alia, the underlying business prospects and development potential of the business of the Entity. The Entity has not conducted any business operation since the 2013 Acquisition and is still in existence.

Financial information

Based on the accountant's report of the Ziegler Group prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix IIA to this circular, the audited consolidated net assets of the Ziegler Group was approximately EUR31.3 million as at 31 October 2014. Set out below are the audited consolidated financial information of the Ziegler Group for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and the ten months ended 31 October 2014 extracted from the accountant's report of the Ziegler Group set out in Appendix IIA to this circular:

	For the period from 14 August 2013 to 31 December 2013	**For the ten months ended 31 October 2014**
	EUR'000	*EUR'000*
Profit/(Loss) before taxation	6,217	(11,112)
Profit/(Loss) after taxation	6,402	(8,556)

For the period from 14 August 2013 to 31 December 2013, the Ziegler Group recorded a profit before taxation of approximately EUR6.2 million and a profit after taxation of approximately EUR6.4 million. Such result reflected the business operation of the Ziegler Group during the period and was mainly attributable to a gain from a bargain of purchase of the Ziegler Group which resulted in a negative goodwill of approximately EUR7.5 million. For the ten months ended 31 October 2014, the Ziegler Group recorded a loss before taxation of approximately EUR11.1 million and a loss after taxation of approximately EUR8.6 million. As advised by the management of the Ziegler Group, the firefighting business of the Zigeler Group and the overall European market exhibit a seasonal pattern and a large proportion of revenue is usually recognised at the end of a calendar year. The result of the Ziegler Group for the ten months ended 31 October 2014 was mainly affected by such seasonal pattern.

Waiver from strict compliance with Rule 14.67(6) of the Listing Rules

Although the Acquisition involves the Company acquiring an equity interest in Ziegler, the Company acknowledges that it is in substance acquiring the businesses conducted by the Acquired Entity Assets which have been held by the Vendor through Ziegler since 13 December 2013, and the Company considers it appropriate to include the three-year historical financial information of the Headquarter Assets, the Operating Subsidiaries and P.T. Ziegler Indonesia (which was acquired by Ziegler in December 2014) in addition to the accountant's report of the Ziegler Group as set out in Appendix IIA to this circular. Nevertheless, the Company considers that it is not technically practicable to include such three-year historical financial information for the reasons as follows:

(i) as the Acquired Entity Assets were acquired by the Vendor from the insolvency administrator of the Entity via an asset transaction, the insolvency administrator, which is a third party independent of the Vendor and the Company, did not provide the Vendor with full sets of accounting books and records of the Entity. The Vendor had genuine difficulties in obtaining sufficient historical underlying financial data from the independent insolvency administrator. Staff and management changes during the administration period also make it impossible for the Vendor to retrace these records. As such, the Vendor does not possess the necessary records for compiling the full historical financial information of the Headquarter Assets prior to completion of the 2013 Acquisition and it is therefore not technically practicable to prepare a complete set of 2011, 2012 and 2013 financial statements retrospectively on the Acquired Entity Assets. Neither is the reporting accountant allowed to perform any review or audit of such financial information; and

(ii) similarly, there is a lack of reliable underlying accounting records for the Operating Subsidiaries prior to completion of the 2013 Acquisition that can be relied upon for auditing purpose.

The Company considers that the information included in the accountant's report of the Ziegler Group as set out in Appendix IIA to this circular would provide sufficient information to enable the Shareholders to make a properly informed assessment of the Acquisition for the following reasons:

(i) the accountant's report will include the audited financials of all the Acquired Entity Assets from the date of completion of the 2013 Acquisition. Such financials reflect the latest financial performance and financial position of the Acquired Entity Assets comprising the Ziegler Group. The Company believes that the financial information post-completion of the 2013 Acquisition is reflective of the performance and potential of the business of the Ziegler Group which is under the management and control of the Vendor;

(ii) the business of the Entity suffered from the anti-trust litigations in previous years and had for a period been managed by the insolvency administrator. The Vendor understands that the then key objective of the insolvency administrator was to preserve the asset value of the Entity and to find a new owner, rather than to grow the business. Therefore, the historical financial performance of the Entity cannot accurately reflect the true and fair state of the business of the Entity. These information thus has little value to the Shareholders in their assessment of the merits of the Acquisition; and

(iii) the Acquisition Consideration is principally determined based on the latest financial position and future prospects of the business of the Ziegler Group under the management and control of the Vendor. The historical financial information of the Acquired Entity Assets which were managed by the insolvency administrator has no or little bearing on the Acquisition Consideration.

In addition to the information contained in the accountant's report, an alternative disclosure on certain key financial figures of the Headquarters Assets and the Operating Subsidiaries and P.T. Ziegler Indonesia (which was acquired by Ziegler in December 2014) for the three years ended 31 December 2011, 2012 and 2013, namely historical revenue, various cost of sale items, gross profit, selling and distribution expenses, other income, general and administrative expenses (with recurring items and one-off items separately shown) are set out in Appendix IIB to this circular. The Company has engaged PricewaterhouseCoopers Hong Kong to perform agreed-upon procedures on the aforesaid alternative disclosure.

The Company considers that the aforesaid financial information, despite not including audited financial information of the Headquarter Assets, the Operating Subsidiaries and P.T. Ziegler Indonesia (which was acquired by Ziegler in December 2014) for the past three financial years, would provide sufficient information to enable the Shareholders to make a properly informed assessment of the Acquisition. As such, the Company has applied to the Stock Exchange and was granted a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountant's report on the three-year historical financial information of the Headquarter Assets or the Operating Subsidiaries in this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As the Group has been loss making since the financial year ended 31 December 2009, the management of the Company has been conducting a detailed review of each of the Group's business segments and investments with a view to formulating a corporate strategy to enhance the value of the

Company. Among the various business segments of the Group, the production and sale of fire engine segment has built up a strong reputation and solid customer base since it was acquired in 2004 and contributed a significant portion of the Group's revenue and profits in recent financial years. In light of this, the Company intends to dedicate more resources to this business segment and maintain its leading position as one of the top fire engines and equipment manufacturers in the PRC.

Although the business of the Entity was adversely affected by the legal proceedings mentioned in the section headed "Information on the Ziegler Group" above, it was still able to maintain a substantial scale of operation on the back of its long and successful history of operations and product quality. As advised by Ziegler, the legal proceedings arising from the German anti-trust authority were settled in February 2011 with payment of substantial penalty, leading to the Entity filing for insolvency subsequently in August 2011. As at the Latest Practicable Date, neither Ziegler nor any of its subsidiaries is engaged in any material litigation or claims, and so far as the Vendor is aware, no material litigation or claim is pending or threatened by or against any member of the Ziegler Group.

The Company has dealt with the Entity and purchased certain fire trucks and firefighting products from it in the Group's ordinary course of business for almost 10 years and during the period when the Entity was under the administration of the insolvency administrator. As a result, the Company has in the past obtained certain knowledge on the Ziegler Group's products, businesses and know-how and is keen to deepen the commercial relationship with the Ziegler Group to reinforce its fire engine production capabilities. To foster such commercial relationship, the Company is eager on the opportunity to acquire certain stakes of the Ziegler Group from the Vendor. The Directors consider that the Acquisition would allow the Group to realise potential synergies through (i) sharing of the technical know-how between the Group and the Ziegler Group in the development of new models of fire engines, fire equipment and other firefighting products, particularly with respect to the advanced technology and production best-practices possessed by the Ziegler Group, in order to enhance the quality of products of the Company and consolidate its leading position in the PRC; (ii) expansion of the product portfolio offered by the Group; (iii) internal cost savings from the sharing of management resources; (iv) potential economies of scale by maximising the utilisation and output of available resources from both the Group and the Ziegler Group; (v) obtaining direct access to international market particularly the European market; (vi) taking advantage of the existing distribution network of the Ziegler Group; and (vii) tapping into the Vendor's expertise and established relationships with potential new customers (as further elaborated below). Given the size of the Ziegler Group relative to the Group, the Directors consider that the Group shall acquire a minority interest in Ziegler and form a strategic alliance with the Ziegler Group.

Upon Acquisition Completion, Ziegler is expected to be accounted for as an associated company of the Group and the Vendor will become a controlling shareholder of the Company. The Vendor has a strong asset base and substantial size of operations. The Directors consider that the introduction of the Vendor as a controlling shareholder of the Company through the Acquisition is beneficial to the Company taking into account the following factors: (i) the Vendor is involved in the road transportation vehicle business which is relevant to the special purpose vehicle business of the Group and the Ziegler Group; (ii) the Vendor has abundant manufacturing capacity and experiences in terms of the development, production and distribution of a broad range of special purpose vehicles; (iii) the Vendor is involved in the airport facilities equipment business and its close relationships with global airport operators will provide strong support in marketing and selling the Group's advanced firefighting vehicles in new geographical regions; (iv) the Vendor has extensive marketing and sales networks in the PRC and overseas markets which will help the Group in expanding its market coverage after the Acquisition; and (v) with the support of CIMC (by arranging banking facilities for working capital of not less than RMB180 million and providing financial back-up for investments in particular), the Company could speed up its development by both organic growth and acquisitions so as to advance towards the goal of becoming the top fire engines manufacturer in the world.

Apart from the acquisition of the assets of the Ziegler Group, the focal points of the Acquisition are to build up strategic relationship between the Group, CIMC and the Ziegler Group, including but not limited to (i) the Group could improve its product portfolio with the Ziegler Group's technical input; and (ii) in view of no dominant player leading the national market in the production and sale of fire engines (as contrast to regional market) in the PRC, the Group is able to implement its plan to consolidate and lead the market with the working capital support (by arranging banking facilities for working capital of not less than RMB180 million), financial back-up for future merger and acquisition projects, and the sales and relationship network of CIMC. The Company views the Acquisition as the commencement of a long-term strategic cooperation between the Group, CIMC and the Ziegler Group. Save for the Acquisition and the trading transactions, the Group does not have any relationship with CIMC and the Ziegler Group. In the future, the Group, CIMC and the Ziegler Group may or may not decide to strengthen the strategic alliance, depending on the degree of commercial success of the initial cooperation. While the parties have every intention to achieve the expected synergies and to create value for the Company and its Shareholders, the result will depend on many factors, such as macro environment, management style, execution efficiency, and cultural fit between the Chinese and German management members and employees, etc. As at the Latest Practicable Date, the Company had no plan to acquire further interests in Ziegler.

Based on the above, the Directors consider that the Acquisition is consistent with and beneficial to the development strategy of the Group to focus on the core businesses of production and sale of fire engines given the similarity of the Ziegler Group's business with that of the production and sale of fire engines segment of the Group. Leveraging on the reputation and strength of the Ziegler Group and CIMC, the Group is looking forward to a breakthrough in different aspects including technical advancement, sales and marketing, financial attributes and geographical coverage.

Upon Acquisition Completion, it is the intention of the Vendor to continue the existing business (other than installation of fire prevention and fighting systems business) of the Group. The Vendor has no intention to introduce any major changes to the business (including any redeployment of the fixed assets of the Group) or terminate the employment of the existing employees of the Group. Nevertheless, the Vendor may from time to time review the business, operation and/or direction of the Group and may implement such changes with regard to such review.

As at the Latest Practicable Date, save for the Disposal and the issue of the Consideration Shares upon Acquisition Completion, each of the Company and the Vendor had no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) (i) on any material disposal/termination/scaling-down of the existing businesses of the Group; (ii) to inject any other new business to the Group; and (iii) to change the shareholding structure of the Company.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets and liabilities

Based on the unaudited pro forma financial information in Appendix III to this circular, the total assets of the Group as at 31 December 2014 would increase from approximately RMB1,324 million to approximately RMB1,491 million; and its total liabilities as at 31 December 2014 would decrease from approximately RMB721 million to approximately RMB360 million, as a result of the Acquisition.

Earnings

Upon Acquisition Completion, Ziegler is expected to be accounted for as an associated company of the Group and its results will be equity accounted for in the consolidated financial statements of the Company. In light of the potential future prospects offered by the Acquisition as stated in the section headed "Reasons for and benefits of the Acquisition" above, the Directors are of the view that the Acquisition will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of the Ziegler Group.

REGULATORY IMPLICATIONS

Takeovers Code implications

As at the Latest Practicable Date, each of CIMC, the Vendor and parties acting in concert with any of them did not hold any Shares. Immediately after Acquisition Completion, the Vendor and parties acting in concert with it will be interested in 1,223,571,430 Shares, representing approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date and up to Acquisition Completion). Under Rule 26.1 of the Takeovers Code, the Vendor would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it as a result of the allotment and issuance of the Consideration Shares to the Vendor (or its nominee) pursuant to the Acquisition Agreement, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The granting of the Whitewash Waiver is a condition precedent for Acquisition Completion which is not capable of being waived. If the Whitewash Waiver is not obtained, the Acquisition will not proceed.

Listing Rules implications

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As at the date of the Acquisition Agreement, Ziegler was wholly-owned by the Vendor. As the Vendor will become a controlling Shareholder upon Acquisition Completion, the Acquisition also constitutes a connected transaction for the Company under Rule 14A.28(1) of the Listing Rules and is subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Jiang and Mr. Jiang Qing, both being executive Directors, have abstained from voting at the Board meeting which approved the Acquisition Agreement.

GENERAL

The Independent Board Committee comprising Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li, being all the independent non-executive Directors, has been established to give a recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. Platinum Securities has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

The voting in respect of the Acquisition and the Whitewash Waiver at the EGM will be conducted by way of a poll. The Vendor, Mr. Jiang, Mr. Jiang Qing, their respective associates and parties acting in concert with any of them and those who are involved in or interested in the Acquisition and the Whitewash Waiver shall abstain from voting on the resolution approving the Acquisition and the Whitewash Waiver at the EGM. As at the Latest Practicable Date, (i) the Vendor and parties acting in concert with it did not hold any Shares; and (ii) Mr. Jiang and Mr. Jiang Qing are interested in 981,600,000 Shares and 7,500,000 Shares, representing approximately 34.38% and 0.26% of the existing issued share capital of the Company respectively.

EGM

The notice convening the EGM to be held immediately after the conduction of the annual general meeting of the Company which is scheduled to be held at 3:00 p.m. on 22 May 2015 (Friday) at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Directors consider that (i) the terms of the Acquisition Agreement are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned although the Acquisition is not in the ordinary and usual course of business of the Group; and (ii) the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

The Independent Board Committee, having considered the advice of Platinum Securities, is of the opinion that (i) the terms of the Acquisition Agreement are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver. You are advised to read carefully the letter from the Independent Board Committee set out on pages 23 to 24 of this circular. You are also advised to read carefully the letter from Independent Financial Adviser on pages 25 to 49 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board of
China Fire Safety Enterprise Group Limited

Li Ching Wah

Li Ching Wah
Company Secretary