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## **China Fire Safety Enterprise Group Limited**

**中國消防企業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 445)**

- (1) VERY SUBSTANTIAL ACQUISITION,  
CONNECTED TRANSACTION AND SPECIAL DEAL**
- (2) PROPOSED ISSUE OF CONSIDERATION SHARES,  
CONVERTIBLE BONDS AND SUBSCRIPTION SHARES  
UNDER SPECIFIC MANDATE**
- (3) PROPOSED INCREASE OF AUTHORIZED CAPITAL**
- (4) APPLICATION FOR WHITEWASH WAIVER**

**Financial Adviser to the Company**



**Placing Agents**

*(In alphabetical order)*



## **THE SUBSCRIPTION AGREEMENT**

On 6 February 2018, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 673,225,000 Subscription Shares at the Subscription Price of HK\$0.366 per Subscription Share.

The Subscription Shares represents (i) approximately 16.5% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 5.5% of the enlarged issued share capital of the Company (assuming (a) only the Pteris Completion takes place and the TianDa Completion does not take place; and (b) there is no change in the issued share capital of the Company between the date of this announcement and the Subscription Completion Date save for the issuance of the Consideration Shares and the Subscription Shares); and (iii) approximately 5.5% of the enlarged issued share capital of the Company (assuming (a) both the Pteris Completion and the TianDa Completion take place; and (b) there is no change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the issuance of the Consideration Shares and the Subscription Shares). The aggregate nominal value of the Subscription Shares is HK\$6,732,250.

The Subscription Price of HK\$0.366 per Subscription Share represents: (i) a discount of approximately 3.7% to the closing price of HK\$0.380 per Share as quoted on the Stock Exchange on the date of this announcement; (ii) a discount of approximately 7.8% to the average closing price of approximately HK\$0.397 per Share for the last five consecutive trading days immediately prior to the date of this announcement; and (iii) a discount of approximately 7.3% to the average closing price of approximately HK\$0.395 per Share for the last ten consecutive trading days immediately prior to the date of this announcement.

## **SPECIFIC MANDATE**

The Subscription Shares will be allotted and issued by the Company pursuant to the Specific Mandate sought to be granted to the Board at the EGM. Therefore, the allotment and issuance of the Subscription Shares by the Company is subject to the approval of the Independent Shareholders at the EGM.

## **GENERAL**

An application will be made by CIMC (on behalf of Sharp Vision) to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Sharp Vision to make a mandatory general offer for all Shares and CFE Share Options that are not already owned or agreed to be acquired by the CIMC Concert Group as a result of the allotment and issuance of the Consideration Shares to Sharp Vision (or its nominee(s)) and the Subscription Shares to the Subscriber.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Special Deal. The CFE Independent Financial Adviser has been appointed by the Company pursuant to the requirements under the Takeovers Code to advise the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent Shareholders on matters in relation to, among other things, the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate the Whitewash Waiver and the Special Deal.

A circular containing, among other things, (i) further details of the Proposed Acquisitions, the proposed increase in authorized capital of the Company, the Specific Mandate, the Whitewash Waiver and the Special Deal; (ii) a letter from the CFE Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate; (iii) a letter from the CFE Whitewash Waiver Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Special Deal; and (iv) a letter from the CFE Independent Financial Adviser to the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent Shareholders containing its recommendation in respect of the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Special Deal is expected to be despatched to the Shareholders on or before 14 February 2018.

**As the Subscription Completion is subject to the satisfaction (or waiver) of the Conditions, the Subscription may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## INTRODUCTION

Reference is made to the Joint Announcement issued by the Company and CIMC on 4 December 2017 in relation to, among other things, the Proposed Acquisitions, the proposed issuance of Consideration Shares and Convertible Bonds, the application for the Whitewash Waiver and the Special Deal. Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meanings as those defined in the Joint Announcement.

The Board is pleased to announce that in connection with the Proposed Pteris Acquisition, on 6 February 2018, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 673,225,000 Subscription Shares at the Subscription Price of HK\$0.366 per Subscription Share.

## **THE SUBSCRIPTION AGREEMENT**

The principal terms of the Subscription Agreement are set out below:

### **Date**

6 February 2018

### **Parties**

- (a) the Company, as issuer; and
- (b) the Subscriber, as subscriber.

### **Subscription Shares**

Pursuant to the terms and conditions of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 673,225,000 Subscription Shares.

The Subscription Shares represents (i) approximately 16.5% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 5.5% of the enlarged issued share capital of the Company (assuming (a) only the Pteris Completion takes place and the TianDa Completion does not take place; and (b) there is no change in the issued share capital of the Company between the date of this announcement and the Subscription Completion Date save for the issuance of the Consideration Shares and the Subscription Shares); and (iii) approximately 5.5% of the enlarged issued share capital of the Company (assuming (a) both the Pteris Completion and the TianDa Completion take place; and (b) there is no change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the issuance of the Consideration Shares and the Subscription Shares). The aggregate nominal value of the Subscription Shares is HK\$6,732,250.

### **Ranking of the Subscription Shares**

The Subscription Shares will rank *pari passu* in all respects with the Shares then in issue as at the date of the allotment.

### **Subscription Price**

The Subscription Price of HK\$0.366 per Subscription Share represents:

- (a) a discount of approximately 3.7% to the closing price of HK\$0.380 per Share as quoted on the Stock Exchange on the date of this announcement;
- (b) a discount of approximately 7.8% to the average closing price of approximately HK\$0.397 per Share for the last five consecutive trading days immediately prior to the date of this announcement; and

- (c) a discount of approximately 7.3% to the average closing price of approximately HK\$0.395 per Share for the last ten consecutive trading days immediately prior to the date of this announcement.

The gross proceeds from the Subscription are HK\$246.4 million (equivalent to approximately RMB198.6 million). The net proceeds from the Subscription, after deducting all related fees and expenses, are expected to be approximately HK\$243.7 million (equivalent to approximately RMB196.4 million). The net price per Subscription Share, after deducting all such related fees and expenses, is therefore approximately HK\$0.362.

The Subscription Price was arrived after arm's length negotiations between the Company and the Subscriber based on the issue price of the Consideration Shares and the conversion price of the Convertible Bonds pursuant to the terms of the Proposed Acquisitions, which was determined with reference to (i) the historical market price of the Shares since early 2017 when the negotiation on terms of the Sale and Purchase Agreements first started; (ii) acquisitions of business or assets by other listed companies that involve the issuance of consideration shares, which often involve a discount to the recent trading prices; and (iii) the relatively high price-earnings ratio of the Consideration Shares as compared to the price-earnings ratio of identifiable comparable companies listed on other stock exchanges that are engaged in comparable business of the Company, which provides justification for the discount of the issue price to the market price of the Shares.

### **Conditions**

Completion of the Subscription is conditional upon all of the following Conditions having been satisfied:

- (a) the Pteris Completion having taken place;
- (b) the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate having been approved by the Independent Shareholders at the EGM;
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal, in the Subscription Shares (and such listing and permission not subsequently having been revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (d) no legislation, rule or regulation having been proposed or passed that would prohibit or materially restrict the implementation of the Subscription Agreement; and

- (e) the warranties given by the Subscriber under the Subscription Agreement remaining true, accurate, complete and correct in all respects and not misleading in any respect up to and including the Subscription Completion Date.

The Company may waive any of the Conditions (other than Conditions (a), (b) and (c) as set out above) at its absolute discretion at or before 12:00 noon (Hong Kong time) on the Subscription Long Stop Date.

### **Completion**

Completion shall take place within three Business Days after (a) satisfaction (or waiver) of the last of the Conditions; and (b) the payment of the Subscription Monies by the Subscriber pursuant to the terms of the Subscription Agreement, or at such date and time as agreed by the Company and the Subscriber.

### **Termination**

The Company may, by notice in writing to the Subscriber, terminate the Subscription Agreement at any time before the Subscription Completion Date in the event that any of the Conditions have not been fulfilled (or waived) on or before the Subscription Long Stop Date.

### **SPECIFIC MANDATE**

The Subscription Shares will be allotted and issued by the Company pursuant to the Specific Mandate sought to be granted to the Board at the EGM. Therefore, the allotment and issuance of the Subscription Shares by the Company is subject to the approval of the Independent Shareholders at the EGM.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

- (a) The following table sets out the shareholding structure of the Company as at the date of this announcement:

	<i>Number of CFE Shares</i>	<i>Approximate %</i>
<b><i>Non-Public CFE Shareholders</i></b>		
1. <b>CIMC Group</b>		
Top Gear <sup>#</sup>	1,223,571,430	30.0%
Sharp Vision <sup>#</sup>	—	—
2. Jiang Xiong	981,600,000	24.1%
<b>Subtotal of non-public CFE Shareholders</b>	<b>2,205,171,430</b>	<b>54.1%</b>
<b><i>Public CFE Shareholders</i></b>		
3. <b>Liu Xiaolin and his controlled corporations</b>		
Genius Earn Limited <sup>(1)#</sup>	129,000,000	3.2%
Lucky Rich (or its nominees) <sup>(1)#</sup>	—	—
4. Fengqiang <sup>#</sup>	—	—
5. Other public CFE Shareholders	1,744,400,000	42.7%
6. Subscriber <sup>#</sup>	—	—
<b>Subtotal of public CFE Shareholders</b>	<b>1,873,400,000</b>	<b>45.9%</b>
<b>Total</b>	<b>4,078,571,430</b>	<b>100.0%</b>

<sup>#</sup> As at the date of this announcement, members of the CIMC Concert Group (namely Top Gear, Sharp Vision, Genius Earn Limited, Lucky Rich, Fengqiang and the Subscriber) held an aggregate of 1,352,571,430 Shares, representing approximately 33.2% of the issued share capital of the Company.

- (b) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion and the Subscription Completion, assuming (i) the TianDa Completion does not take place; (ii) none of the Convertible Bonds is converted; and (iii) none of the CFE Share Options is exercised:

	<i>Number of CFE Shares</i>	<i>Approximate %</i>
<b><i>Non-Public CFE Shareholders</i></b>		
1. <b>CIMC Group</b>		
Top Gear <sup>#</sup>	1,223,571,430	10.0%
Sharp Vision <sup>#</sup>	6,326,428,570	51.8%
2. Jiang Xiong	981,600,000	8.0%
3. <b>Liu Xiaolin and his controlled corporations</b>		
Genius Earn Limited <sup>(1)#</sup>	129,000,000	1.1%
<b>Subtotal of non-public CFE Shareholders</b>	<b>8,660,600,000</b>	<b>70.9%</b>
<b><i>Public CFE Shareholders</i></b>		
4. Fengqiang	1,143,679,470	9.3%
5. Other public CFE Shareholders	1,744,400,000	14.3%
6. Subscriber <sup>(2)#</sup>	673,225,000	5.5%
<b>Subtotal of public CFE Shareholders</b>	<b>3,561,304,470</b>	<b>29.1%</b>
<b>Total</b>	<b>12,221,904,470</b>	<b>100.0%</b>

<sup>#</sup> Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited, Lucky Rich and the Subscriber) will hold an aggregate of 8,352,225,000 Shares, representing approximately 68.3% of the then issued share capital of the Company.



- (c) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion, the TianDa Completion and the Subscription Completion, assuming: (i) none of the Convertible Bonds is converted; and (ii) none of the CFE Share Options is exercised:

	<i>Number of CFE Shares</i>	<i>Approximate %</i>
<b><i>Non-Public CFE Shareholders</i></b>		
1. <b>CIMC Group</b>		
Top Gear <sup>#</sup>	1,223,571,430	10.0%
Sharp Vision <sup>#</sup>	4,664,472,279	38.2%
2. Jiang Xiong	981,600,000	8.0%
3. Fengqiang	1,790,956,291	14.7%
<b>Subtotal of non-public CFE Shareholders</b>	<b>8,660,600,000</b>	<b>70.9%</b>
<b><i>Public CFE Shareholders</i></b>		
4. Liu Xiaolin and his controlled corporations		
Genius Earn Limited <sup>(1)</sup>	129,000,000	1.0%
Lucky Rich (or its nominees) <sup>(1)</sup>	1,014,679,470	8.3%
5. Other public CFE Shareholders	1,744,400,000	14.3%
6. Subscriber <sup>(2)#</sup>	673,225,000	5.5%
<b>Subtotal of public CFE Shareholders</b>	<b>3,561,304,470</b>	<b>29.1%</b>
<b>Total</b>	<b>12,221,904,470</b>	<b>100.0%</b>

<sup>#</sup> Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision and the Subscriber) will hold an aggregate of 6,561,268,709 Shares, representing approximately 53.7% of the then issued share capital of the Company.

- (d) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion and the Subscription Completion, assuming (i) the TianDa Completion does not take place; (ii) all of the Convertible Bonds have been fully converted; and (iii) none of the CFE Share Options have been exercised:

	<i>Number of CFE Shares</i>	<i>Approximate %</i>
<b><i>Non-Public CFE Shareholders</i></b>		
1. <b>CIMC Group</b>		
Top Gear <sup>#</sup>	1,223,571,430	7.2%
Sharp Vision <sup>#</sup>	9,618,962,597	56.6%
2. Jiang Xiong	981,600,000	5.8%
3. Fengqiang	2,616,751,693	15.4%
4. Liu Xiaolin and his controlled corporations		
Genius Earn Limited <sup>(1)#</sup>	129,000,000	0.8%
<b>Subtotal of non-public CFE Shareholders</b>	<b>14,569,885,720</b>	<b>85.8%</b>
<b><i>Public CFE Shareholders</i></b>		
5. Other public CFE Shareholders	1,744,400,000	10.2%
6. Subscriber <sup>(2)#</sup>	673,225,000	4.0%
<b>Subtotal of public CFE Shareholders</b>	<b>2,417,625,000</b>	<b>14.2%</b>
<b>Total</b>	<b>16,987,510,720</b>	<b>100.0%</b>

<sup>#</sup> Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and the Subscriber) will hold an aggregate of 11,644,759,027 Shares, representing approximately 68.6% of the then issued share capital of the Company.

- (e) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion, the TianDa Completion and the Subscription Completion, assuming: (i) all of the Convertible Bonds have been fully converted; and (ii) none of the CFE Share Options have been exercised:

	<i>Number of CFE Shares</i>	<i>Approximate %</i>
<b><i>Non-Public CFE Shareholders</i></b>		
1. <b>CIMC Group</b>		
Top Gear <sup>#</sup>	1,223,571,430	6.4%
Sharp Vision <sup>#</sup>	9,618,962,597	50.7%
2. Jiang Xiong	981,600,000	5.2%
3. Fengqiang	2,616,751,693	13.8%
4. <b>Liu Xiaolin and his controlled corporations</b>		
Genius Earn Limited <sup>(1)</sup>	129,000,000	0.7%
Lucky Rich (or its nominees) <sup>(1)</sup>	1,962,563,770	10.4%
<b>Subtotal of non-public CFE Shareholders</b>	<b>16,532,449,490</b>	<b>87.2%</b>
<b><i>Public CFE Shareholders</i></b>		
5. Other public CFE Shareholders	1,744,400,000	9.2%
6. Subscriber <sup>(2)#</sup>	673,225,000	3.6%
<b>Subtotal of public CFE Shareholders</b>	<b>2,417,625,000</b>	<b>12.8%</b>
<b>Total</b>	<b>18,950,074,490</b>	<b>100.0%</b>

<sup>#</sup> Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, and the Subscriber) will hold an aggregate of 11,515,759,027 Shares, representing approximately 60.8% of the then issued share capital of the Company.

- (f) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion and the Subscription Completion, assuming: (i) The TianDa Completion does not take place; (ii) all of the Convertible Bonds have been fully converted; and (iii) all of the CFE Share Options have been exercised:

	<i>Number of CFE Shares</i>	<i>Approximate %</i>
<b><i>Non-Public CFE Shareholders</i></b>		
1. <b>CIMC Group</b>		
Top Gear <sup>#</sup>	1,223,571,430	7.1%
Sharp Vision <sup>#</sup>	9,618,962,597	56.2%
2. Jiang Xiong	985,600,000	5.8%
3. Fengqiang	2,616,751,693	15.3%
4. <b>Liu Xiaolin and his controlled corporations</b>		
Genius Earn Limited <sup>(1)#</sup>	129,000,000	0.8%
Lucky Rich (or its nominees) <sup>(1)#</sup>	—	—
5. Directors of the Group (other than Jiang Xiong)	65,625,000	0.4%
<b>Subtotal of non-public CFE Shareholders</b>	<b>14,639,510,720</b>	<b>85.6%</b>
<b><i>Public CFE Shareholders</i></b>		
6. Other public CFE Shareholders	1,790,400,000	10.5%
7. Subscriber <sup>(2)#</sup>	673,225,000	3.9%
<b>Subtotal of public CFE Shareholders</b>	<b>2,463,625,000</b>	<b>14.4%</b>
<b>Total</b>	<b>17,103,135,720</b>	<b>100.0%</b>

<sup>#</sup> Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision, Genius Earn Limited and the Subscriber) will hold an aggregate of 11,644,759,027 Shares, representing approximately 68.1% of the then issued share capital of the Company.

- (g) The following table sets out the shareholding structure of the Company immediately after the Pteris Completion, the TianDa Completion and the Subscription Completion, assuming: (i) all of the Convertible Bonds have been fully converted; and (ii) all of the CFE Share Options have been exercised:

	<i>Number of CFE Shares</i>	<i>Approximate %</i>
<b><i>Non-Public CFE Shareholders</i></b>		
1. <b>CIMC Group</b>		
Top Gear <sup>#</sup>	1,223,571,430	6.4%
Sharp Vision <sup>#</sup>	9,618,962,597	50.5%
2. Jiang Xiong	985,600,000	5.2%
3. Fengqiang	2,616,751,693	13.7%
4. <b>Liu Xiaolin and his controlled corporations</b>		
Genius Earn Limited <sup>(1)</sup>	129,000,000	0.7%
Lucky Rich (or its nominees) <sup>(1)</sup>	1,962,563,770	10.3%
5. Directors of the Group (other than Jiang Xiong)	65,625,000	0.3%
<b>Subtotal of non-public CFE Shareholders</b>	<b>16,602,074,490</b>	<b>87.1%</b>
<b><i>Public CFE Shareholders</i></b>		
6. Other public CFE Shareholders	1,790,400,000	9.4%
7. Subscriber <sup>(2)#</sup>	673,225,000	3.5%
<b>Subtotal of public CFE Shareholders</b>	<b>2,463,625,000</b>	<b>12.9%</b>
<b>Total</b>	<b>19,065,699,490</b>	<b>100.0%</b>

<sup>#</sup> Members of the CIMC Concert Group at the relevant time (namely Top Gear, Sharp Vision and the Subscriber) will hold an aggregate of 11,515,759,027 Shares, representing approximately 60.4% of the then issued share capital of the Company.

*Notes:*

- (1) As at the date of this announcement, Mr. Liu Xiaolin holds the Shares through Genius Earn Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Liu Xiaolin. Mr. Liu Xiaolin is also the sole shareholder of one of the two general partners of a limited partnership directly holding the entire issued share capital of Lucky Rich, which is in turn interested in 30% of the equity interest in TianDa as at the date of this announcement. In the event that only the Pteris Completion takes place, TianDa will become a non-wholly owned subsidiary of the Company, and Mr. Liu Xiaolin (a substantial shareholder of TianDa) will become a core connected person of the Company (as defined under the Listing Rules). Accordingly, the Shares directly held by Genius Earn Limited (a close associate of Mr. Liu Xiaolin as defined under the Listing Rules) should not be counted towards the public float of the Company.

- (2) The Subscriber is presumed to be a party acting in concert with CIMC pursuant to the class (1) presumption under the Takeovers Code, as further explained in the section headed “Information on the Subscriber” below.
- (3) Scenarios (d), (e), (f) and (g) are based on the assumption that the Convertible Bonds have been fully converted. The public float requirement under the Listing Rules would not be complied with under such scenarios. According to the terms of the Convertible Bonds, the summary of which is set out in the section headed “(2) Proposed Issuance of Convertible Bonds” in Part B of the Joint Announcement, no conversion of the Convertible Bonds shall take place if immediately after such conversion, the public float of the Shares will fall below the minimum public float as stipulated under the Listing Rules or as required by the Stock Exchange. Therefore, scenarios (d), (e), (f) and (g) are for illustration purpose only.

## **FUND-RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS**

The Company has not raised any funds by issuing equity securities during the 12 months immediately before the date of this announcement.

## **APPLICATION FOR LISTING**

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and facilitate the growth of the Enlarged Group. The Pteris Group will continue to consolidate its leadership position in domestic boarding bridges, ground support equipment, baggage handling systems, automated warehouses markets. At the same time, the Pteris Group will further expand the international market, and its resources will be especially concentrated in the U.S. market. According to Frost & Sullivan, the revenue in the global PBB market is forecast to reach approximately RMB3,332.0 million in 2021, realizing a CAGR of 5.5% from 2016 to 2021. For the GSE market, underpinned by growing upgrading and new deployment demand around the world, the global GSE market is expected to achieve 15.6% revenue growth in the coming five years from 2017 to 2021 as compared with the past five years. For the MHS market, it is forecast that the global MHS market is likely to maintain its steady revenue growth in the following five years from 2016 to 2021, reaching approximately US\$22.3 billion in 2021, representing a CAGR of 5.2%. The Directors believe that the additional funds to be raised from the Subscription could speed up the execution plan towards the Enlarged Group’s goal and help capture the growth of the market.

Furthermore, upon the Subscription Completion and upon conversion of the Conversion Bonds by the core connected persons of the Company (as defined in the Listing Rules) to a level permissible under Rule 8.08 of the Listing Rules, the finance charge and the liability component of the Convertible Bonds of the Enlarged Group can decrease.

The Directors (other than the non-executive Directors and independent non-executive Directors who will give their opinion after taking into consideration the advice of the CFE Independent Financial Adviser) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

## **USE OF PROCEEDS**

The net proceeds from the Subscription are intended to be used in the following manner:

- (i) as to approximately RMB58.8 million to be used for the construction of a new PBB factory in the U.S.;
- (ii) as to approximately RMB58.8 million to be used for the expansion of the Pteris Group's PBB business into overseas markets such as the U.S., Canada, the Netherland and Dubai by, among other things, setting up services companies to upgrade aged passenger boarding bridges and providing general after-sale support services in the aforementioned regions;
- (iii) as to approximately RMB58.8 million to be used for research and development activities, including but not limited to those relating to visually intelligent docking guidance system for the PBB business, fully automated connection systems for the PBB and GSE business segments and automated guided vehicles for the MHS and APS business segments; and
- (iv) as to approximately RMB20.0 million to be used for replenishment of general working capital.

## **INFORMATION ON THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the production and sale of fire engines, and production and sale of fire prevention and fighting equipment.

## **INFORMATION ON THE SUBSCRIBER**

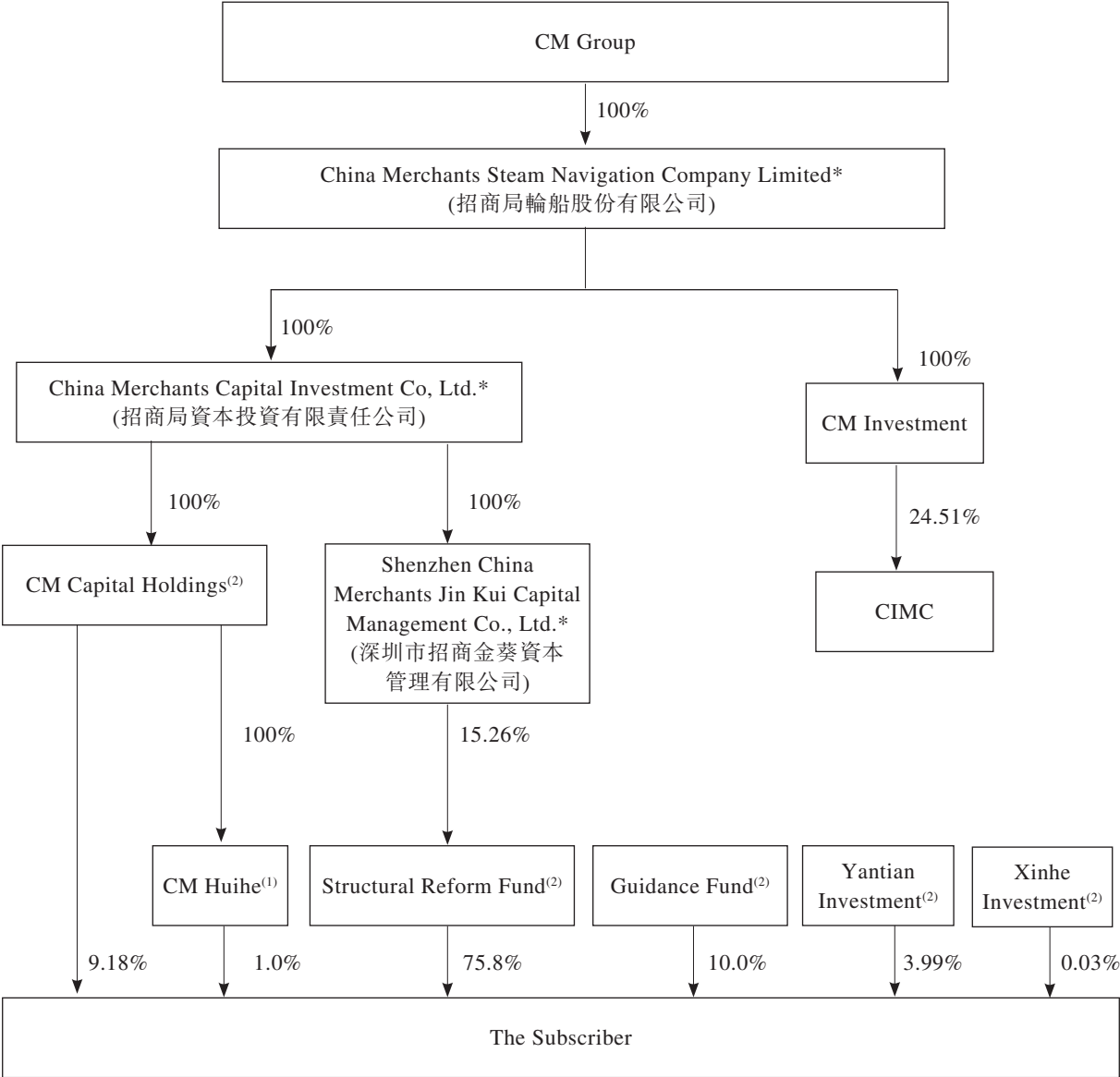
The Subscriber is a limited partnership established in the PRC, which focuses on mergers and acquisitions, restructuring and reform of state-owned enterprises in the field of cultural and entertainment, medical, logistic, financial, and environmental industry. As at the date of this announcement, the Subscriber has assets under management of approximately RMB25 billion.

As at the date of this announcement, the general partner of the Subscriber is CM Huihe which holds approximately 1.00% of the limited partnership interest in the Subscriber. CM Capital Holdings, Guidance Fund, Structural Reform Fund, Yantian Investment and Xinhe Investment are limited partners of the Subscriber, which hold approximately 9.18%, 10.00%, 75.80%, 3.99%, 0.03% and 1.00%, respectively, of the limited partnership interest in the Subscriber. Each of CM Huihe, CM Capital Holdings and the Structural Reform Fund is indirectly owned by CM Group as to approximately 100%, 100% and 15.26%, respectively. CM Investment, an indirect wholly-owned subsidiary of CM Group, directly holds approximately 24.51% of the total issued share capital of CIMC and therefore, each of CM Group and CM Investment constitutes a substantial shareholder of CIMC (as defined in the Listing Rules).

The remaining three limited partners of the Subscriber (namely, Guidance Fund, Yantian Investment and Xinhe Investment) do not have any shareholding relationship with CM Group and are independent third parties of the Company.



The following chart sets forth the simplified shareholding relationship amongst the Subscriber, CIMC and the Company as at the date of this announcement:



Notes:

- (1) CM Huihe is the general partner of the Subscriber.
- (2) Each of CM Capital Holdings, Guidance Fund, Structural Reform Fund, Yantian Investment and Xinhe Investment is a limited partner of the Subscriber.

Accordingly, the Subscriber is presumed to be a party acting in concert with CIMC pursuant to the class (1) presumption under the Takeovers Code. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## GENERAL

An application will be made by CIMC (on behalf of Sharp Vision) to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Sharp Vision to make a mandatory general offer for all Shares and CFE Share Options that are not already owned or agreed to be acquired by the CIMC Concert Group as a result of the allotment and issuance of the Consideration Shares to Sharp Vision (or its nominee(s)) and the Subscription Shares to the Subscriber.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Special Deal. The CFE Independent Financial Adviser has been appointed by the Company pursuant to the requirements under the Takeovers Code to advise the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent Shareholders on matters in relation to, among other things, the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Special Deal.

A circular containing, among other things, (i) further details of the Proposed Acquisitions, the proposed increase in authorized capital of the Company, the Specific Mandate, the Whitewash Waiver and the Special Deal; (ii) a letter from the CFE Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate; (iii) a letter from the CFE Whitewash Waiver Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Special Deal; and (iv) a letter from the CFE Independent Financial Adviser to the CFE Independent Board Committee, the CFE Whitewash Waiver Board Committee and the Independent Shareholders containing its recommendation in respect of the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Special Deal is expected to be despatched to the Shareholders on or before 14 February 2018.

**As the Subscription Completion is subject to the satisfaction (or waiver) of the Conditions, the Subscription may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday and public holiday) on which banks are open for general banking business in Hong Kong
“CIMC Concert Group”	CIMC and parties acting in concert with it (as defined in the Takeovers Code)
“CM Capital Holdings”	China Merchants Capital Holdings Co., Ltd.*(招商局資本控股有限責任公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CM Group
“CM Group”	China Merchants Group Limited (招商局集團有限公司), a leading state-owned conglomerate based in Hong Kong and under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council
“CM Huihe”	Shenzhen China Merchants Huihe Equity Investment Fund Management Co., Ltd.*(深圳市招商慧合股權投資基金管理有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CM Group
“CM Investment”	China Merchants (CIMC) Investment Limited, an indirect wholly-owned subsidiary of CM Group which holds approximately 24.51% of the total issued share capital of CIMC as at the date of this announcement
“Company”	China Fire Safety Enterprise Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 445)
“Conditions”	the conditions precedent to the Subscription Completion under the Subscription Agreement

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Proposed Acquisitions, the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate
“Enlarged Group”	the Group (as enlarged by the Proposed Acquisitions)
“Group”	the Company and its subsidiaries
“Guidance Fund”	Shenzhen Guidance Fund Investment Co., Ltd.* (深圳市引導基金投資有限公司), a limited liability company established in the PRC
“Independent Shareholders”	Shareholders other than the CIMC Concert Group and those Shareholders who are interested or involved in the Proposed Acquisitions, the Specific Mandate, the proposed increase of authorized capital of the Company, the Whitewash Waiver, the Special Deal and/or the Subscription Agreement and the transactions contemplated thereunder
“Joint Announcement”	the joint announcement issued by the Company and CIMC on 4 December 2017 in relation to, among other things, the Proposed Acquisitions, the proposed issuance of Consideration Shares and Convertible Bonds, the application for the Whitewash Waiver and the Special Deal
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares from time to time
“Specific Mandate”	the specific mandate for the allotment and issuance of the Consideration Shares, the Convertible Bonds and the Subscription Shares proposed to be granted to the Board at the EGM

“Structural Reform Fund”	China Structural Reform Fund Co., Ltd.*(中國國有企業結構調整基金股份有限公司), a limited liability company established in the PRC
“Subscriber”	State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership)* (深圳國調招商併購股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Subscription”	the subscription by the Subscriber of the Subscription Shares to be allotted and issued by the Company at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 6 February 2018 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Subscription Completion Date”	the date on which the Subscription Completion takes place
“Subscription Long Stop Date”	30 June 2018 (or such other date as the Company and the Subscriber may agree in writing pursuant to the terms of the Subscription Agreement)
“Subscription Monies”	the aggregate sum of the Subscription Price multiplied by the number of Subscription Shares under the Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.366 per Subscription Share
“Subscription Share(s)”	673,225,000 new Shares to be issued and allotted by the Company to the Subscriber under the Subscription

“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Sharp Vision to make a mandatory general offer for all Shares and CFE Share Options that are not already owned or agreed to be acquired by the CIMC Concert Group as a result of the allotment and issuance of the Consideration Shares to Sharp Vision (or its nominee(s)) and the Subscription Shares to the Subscriber
“Xinhe Investment”	Shenzhen Xinhe Investment (Limited Partnership)* (深圳市新合投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Yantian Investment”	Shenzhen Yantian State-owned Capital Investment Management Co., Ltd.*(深圳市鹽田區國有資本投資管理有限公司)
“%”	per cent.

*For the purposes of this announcement, the exchange rate of HK\$1 =RMB0.80600, being the central parity rate as announced by the People’s Bank of China on 1 February 2018 has been used.*

By order of the Board  
**China Fire Safety Enterprise Group Limited**  
**Li Ching Wah**  
*Company Secretary*

Hong Kong, 6 February 2018

*As at the date of this announcement, the Directors are as follows:*

<i>Dr. Li Yin Hui</i>	<i>Chairman and Non-executive Director</i>
<i>Mr. Jiang Xiong</i>	<i>Honorary Chairman and Executive Director</i>
<i>Mr. Zheng Zu Hua</i>	<i>Executive Director</i>
<i>Mr. Luan You Jun</i>	<i>Executive Director</i>
<i>Mr. Yu Yu Qun</i>	<i>Non-executive Director</i>
<i>Mr. Robert Johnson</i>	<i>Non-executive Director</i>
<i>Dr. Loke Yu</i>	<i>Independent non-executive Director</i>
<i>Mr. Heng Ja Wei</i>	<i>Independent non-executive Director</i>
<i>Mr. Ho Man</i>	<i>Independent non-executive Director</i>

*All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those in relation to the CIMC Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of CIMC jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those in relation to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*\* For identification purpose only*