
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Fire Safety Enterprise Group Limited, you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE EQUITY INTEREST IN LOYAL ASSET INVESTMENTS HOLDINGS LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 4 to 14 of this circular. A notice convening the EGM to be held at 3:00 p.m. on Friday, 17 April 2015 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-2 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.

27 March 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions bear the following meanings:

“Acquisition”	the proposed acquisition of the 40% equity interest in Ziegler by the Zielger Purchaser from the Zielger Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 27 February 2015 and entered into among the Zielger Vendor, the Zielger Purchaser, the Company and China International Marine Containers (Hong Kong) Ltd. (a direct wholly-owned subsidiary of CIMC) in respect of the Acquisition
“acting in concert”	has the meaning ascribed to it under The Hong Kong Code on Takeovers and Mergers
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chuanxiao Fire”	Chuanxiao Fire Engineering Company Limited, a limited liability enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“CIMC”	China International Marine Containers (Group) Co., Ltd., a joint stock limited company incorporated in the PRC in January 1980 under the PRC Company Law, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange
“Company”	China Fire Safety Enterprise Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by Wang Sing to the Purchaser pursuant to the Disposal Agreement

DEFINITIONS

“Disposal Agreement”	the sale and purchase agreement dated 27 February 2015 and entered into between Wang Sing and the Purchaser in respect of the Disposal
“Disposal Group”	together, Loyal Asset, Fuzhou Wanyou, Wanyou Fire and Chuanxiao Fire
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Disposal
“Fuzhou Wanyou”	Fuzhou Wanyou Fire Equipment Co., Ltd, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the joint announcement of the Company and CIMC dated 27 February 2015 in relation to, among other things, the Disposal and the Acquisition
“Latest Practicable Date”	25 March 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loyal Asset”	Loyal Asset Investments Holdings Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	吉祥(福建)投資集團有限公司 (Jixiang (Fujian) Investment Group Limited)*, a company incorporated in the PRC with limited liability

* For identification purpose only

DEFINITIONS

“Sale Shares”	such number of issued shares in Loyal Asset representing the entire equity interest in Loyal Asset as at the date of Completion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wang Sing”	Wang Sing Technology Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Wanyou Fire”	Wanyou Fire Engineering Group Company Limited, a limited liability enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Ziegler”	Albert Ziegler GmbH, a limited liability company incorporated in Germany
“Zielger Purchaser”	Profit Asia International Trading Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Zielger Vendor”	CIMC Top Gear B.V., a company incorporated in the Netherlands with limited liability and an indirect wholly-owned subsidiary of CIMC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this circular, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.25. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at all.

LETTER FROM THE BOARD



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)

Executive Directors

Mr. Jiang Xiong
Mr. Jiang Qing
Mr. Wang De Feng
Ms. Weng Xiu Xia
Mr. Hu Yong

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors

Dr. Loke Yu
Mr. Heng Ja Wei
Ms. Sun Guo Li

*Head office and principal place
of business in Hong Kong:*

Units A-B, 16/F
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

27 March 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE EQUITY INTEREST IN LOYAL ASSET INVESTMENTS HOLDINGS LIMITED

INTRODUCTION

Reference is made to the Joint Announcement. On 27 February 2015, Wang Sing (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which Wang Sing conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares at a cash consideration of RMB50 million (equivalent to approximately HK\$62.5 million). The Disposal Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under the Listing Rules which is subject to the approval of the Shareholders.

The purpose of this circular is to provide you with, among other things, details of the Disposal, financial information of the Group, and the notice of the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE DISPOSAL AGREEMENT

Date

27 February 2015

Parties

- (i) Wang Sing Technology Limited (a wholly-owned subsidiary of the Company), as vendor;
and
- (ii) 吉祥(福建)投資集團有限公司 Jixiang (Fujian) Investment Group Limited, as purchaser.

The Purchaser is a company incorporated in the PRC with limited liability. It has a registered capital of RMB100 million and is principally engaged in land and real estate development in the PRC. In addition, it has invested and involved in other industries such as information technologies, medical, financing, leisure and entertainment and tourism. As at the Latest Practicable Date, the Purchaser and its beneficial owner(s) did not hold any Shares. The Purchaser and its ultimate beneficial owner(s) are third parties independent of (i) the Company and its connected persons (as defined under the Listing Rules); and (ii) the Ziegler Vendor and its beneficial owner(s).

Assets to be disposed of

Pursuant to the Disposal Agreement, Wang Sing conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, representing the entire equity interest in Loyal Asset as at the date of Completion. Details of the Disposal Group are set out in the section headed “Information on the Disposal Group” below.

Consideration for the Disposal

The consideration for the Disposal is RMB50 million (equivalent to approximately HK\$62.5 million), which shall be paid by the Purchaser in cash to Wang Sing upon Completion.

Basis of determination of the consideration for the Disposal

The consideration for the Disposal was determined after arm’s length negotiations between Wang Sing and the Purchaser taking into account the latest financial position of the Disposal Group, business prospects of the Disposal Group, and the potential liabilities and responsibilities to be assumed by the Purchaser after Completion.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon fulfillment of the following conditions:

- (i) the Disposal Group having settled the outstanding balances with companies of the Group (including dividend receivables and dividend payables);
- (ii) members of the Disposal Group having transferred the interests in other companies (including subsidiaries, associated companies and related companies), as a result of which Loyal Asset will only hold the equity interest in Fuzhou Wanyou, Wanyou Fire and Chuanxiao Fire;
- (iii) the approval of relevant regulatory authorities and the Shareholders having been obtained, including but not limited to the passing of the resolution by the Shareholders at the EGM approving the Disposal Agreement and transactions contemplated thereunder; and
- (iv) the warranties given by Wang Sing and the Purchaser pursuant to the Disposal Agreement remaining true and accurate.

None of the conditions set out above can be waived by any party under the Disposal Agreement. If any of the above conditions is not fulfilled by 12:00 noon on 30 June 2015 (or such later date as the parties to the Disposal Agreement may agree in writing), the Disposal Agreement shall terminate and neither party to the Disposal Agreement shall have any further obligations towards the other thereunder except for antecedent breaches. For information purpose, the net amount due by the Disposal Group to the other companies of the Group was approximately RMB380 million as at 31 December 2014. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Completion

Completion shall take place on or before 30 June 2015 after all the conditions precedent under the Disposal Agreement have been fulfilled or such other date as may be agreed by Wang Sing and the Purchaser.

Undertakings by the Purchaser

Pursuant to the Disposal Agreement, upon Completion, the Purchaser undertakes to:

- (i) assume all the liabilities of the Disposal Group, whether recorded or contingent and whether incurred before or after Completion;
- (ii) carry on all ongoing installation and maintenance projects according to the contract terms agreed between the Disposal Group and the customers at the Purchaser's own costs; and
- (iii) take responsibilities for all the disputes, if any, with customers, staff and workers and to assume all the compensations and penalties imposed.

LETTER FROM THE BOARD

The Purchaser further undertakes to indemnify Wang Sing and the Company for all losses, liabilities, compensations, penalties, fees and taxes that Wang Sing and the Company paid or incurred for disputes or liabilities arising from the Disposal Group for which Wang Sing or the Company is held responsible.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Group is principally engaged in the installation and maintenance of fire prevention and fighting systems. Loyal Asset, which is an investment holding company incorporated in the BVI, is wholly-owned by Wang Sing. The principal asset of Loyal Asset is its holding of the entire equity interest in Fuzhou Wanyou.

Fuzhou Wanyou is a wholly foreign-owned enterprise established in the PRC with registered capital of HK\$20,000,000. Fuzhou Wanyou was principally engaged in the production and sale of fire prevention and fighting equipment, the production line of which has been stopped in 2012. Since then, Fuzhou Wanyou only recorded minimal amount of turnover generated from clearance sale. The principal assets of Fuzhou Wanyou are its holding of the entire equity interest in Wanyou Fire and approximately 0.58% equity interest in Chuanxiao Fire.

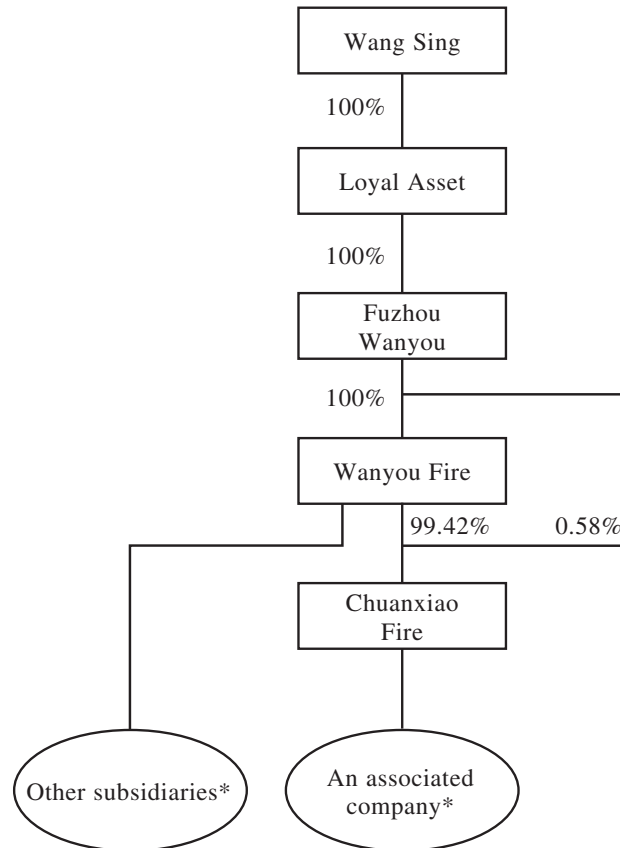
Wanyou Fire is a limited liability enterprise established in the PRC with registered capital of RMB50,000,000 and is principally engaged in the provision of fire prevention and fighting system installation services and maintenance services. Wanyou Fire holds approximately 99.42% equity interest in Chuanxiao Fire.

Chuanxiao Fire is a limited liability enterprise established in the PRC with registered capital of RMB51,000,000 and is principally engaged in the provision of fire prevention and fighting system installation services and maintenance services.

LETTER FROM THE BOARD

Simplified group structure of the Disposal Group

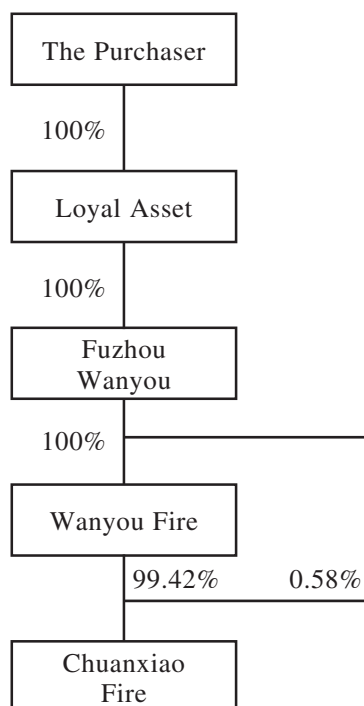
The simplified chart below shows in summary the group structure of the Disposal Group as at the Latest Practicable Date:



- * *Loyal Asset's equity interests in other subsidiaries and the associated company will be disposed of to third parties independent of the Company before Completion. In the event that such disposals constitute notifiable transactions for the Company under the Listing Rules, the Company will comply with applicable Listing Rules as and when appropriate.*

LETTER FROM THE BOARD

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



Financial information of the members of the Disposal Group

Set out below are the audited financial information of Loyal Asset, Fuzhou Wanyou, Wanyou Fire and Chuanxiao Fire extracted from their respective audited financial statements for the years ended 31 December 2013 and 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards:

Loss before taxation^(note):

	For the year ended	
	31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Loyal Asset	91	11,396
Fuzhou Wanyou	232	427
Wanyou Fire	119,157	477,092
Chuanxiao Fire	1,501	10,596
	<hr/>	<hr/>
Total	120,981	499,511
	<hr/> <hr/>	<hr/> <hr/>

Note: Loss before taxation of the entities for the years ended 31 December 2013 and 2014 were for the entity itself only and did not include the profit or loss of its subsidiaries and associates.

LETTER FROM THE BOARD

Loss after taxation^(note 1):

	For the year ended	
	31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Loyal Asset	91	11,396
Fuzhou Wanyou	232	427
Wanyou Fire	122,207	480,038
Chuanxiao Fire	2,912	13,355
	125,442	505,216
Total	125,442	505,216

Net assets/(liabilities) to be disposed of^(note 2):

	At 31 December 2014			
	Net assets/ (liabilities) per audited financial statements	Investment in subsidiaries and associates	Net amount due to group companies	Net assets/ (liabilities) to be disposed of
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	
	(a)	(b)	(c)	(d) = (a)-(b)-(c)
Loyal Asset	(4,526)	20,800	(28,455)	3,129
Fuzhou Wanyou	16,238	72,407	(56,056)	(113)
Wanyou Fire	(453,836)	54,571	(552,530)	44,123
Chuanxiao Fire	(10,061)	1,767	(14,689)	2,861
				50,000
Total				50,000

Notes:

1. *Loss after taxation of the entities for the years ended 31 December 2013 and 2014 were for the entity itself only and did not include the profit or loss of its subsidiaries and associates.*
2. *Pursuant to the Disposal Agreement, (i) transfer of interests in other companies (other than companies in the Disposal Group) by the Disposal Group; and (ii) settlement of the outstanding balances (by means of waiver) with companies of the Group are conditions precedent to Completion. Accordingly, the above net assets/(liabilities) to be disposed of have been calculated by deducting the following from the net assets/(liabilities) per the audited financial statements: (1) the investments in subsidiaries and investments in associates; and (2) net amount due to group companies.*

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 and maintenance of fire prevention and fighting systems; and (iv) other businesses and investments.

As disclosed in the annual results announcement of the Company for the year ended 31 December 2014, the installation and maintenance of fire prevention and fighting systems segments (which were shown as discontinued operations) recorded turnover of approximately RMB426.2 million and loss of approximately RMB124.9 million for the year ended 31 December 2013, and turnover of approximately RMB397.6 million and loss of approximately RMB492 million for the year ended 31 December 2014. The reduction in revenue in 2014 was due to the fact that (i) the Company's plan in 2013 to withdraw gradually from the Fujian market taking into account the prospects of the real estate market in Fujian which was not considered optimistic and that a majority of the Group's long outstanding accounts receivables came from the installation business in Fujian; and (ii) the Company became more skeptical in securing new projects. As a result of the aggressive measures previously adopted (included advancing labour and material costs on behalf of the developers) in attempting to secure more possible contracts, the Group had experienced long outstanding accounts receivables resulting from the over-aggressive take-ups of projects in previous years, which has adversely affected the Company's financial results. In light of this, the Company has modified its strategies to take up less new projects and tightened the policy of advancing costs on behalf of developers when competing for new contracts. The significant loss for 2013 was mainly attributable to the allowances for bad and doubtful debts as a result of the aging of trade receivables and impairment on the goodwill associated with Wanyou Fire due to the consecutive years of losses and the unfavourable market conditions of the installation and maintenance businesses. The loss for 2014 was mainly due to the impairment losses on assets of the Disposal Group made with reference to the consideration for the Disposal.

The Directors are not optimistic about the prospects of the installation business after taking into account the following factors: (i) there are many installation service providers in the market but the real estate market in the PRC has been adversely affected by the credit tightening policy and other macro-economic control measures, resulting in a reduction in the number of new projects and the shrunk market for installation business; (ii) it is difficult to recover the long outstanding accounts receivables because the property developers are facing credit and funding issues; and (iii) there is no improvement in recoverability of accounts receivables in 2014. The net assets of the Disposal Group to be disposed of as at 31 December 2014 (before taking into account of the impairment of assets) comprised total assets and total liabilities of approximately RMB912 million and RMB362 million respectively. The total assets of the Disposal Group included trade receivables in gross amount of approximately RMB529 million in which over 80% has been overdue for more than one year. The Group has made allowances for doubtful debts of approximately RMB241 million (before the impairment of assets for 2014) and among which only a few were recovered in 2014. In the past few years, the Group had regularly sent payment reminders and issued demand letters to the customers who had outstanding account balances in order to recover such outstanding amounts. The Group also held meetings and discussed with the customers in the hope of bringing about a feasible settlement proposal. However, no concrete settlement terms have been agreed between the Group and the customers. The Group's trade receivables in respect of installation business were due from diverse customers and most of them are engaged in land and property development in Fujian. The largest amount due from a single customer represents less than 10% of the total gross amount of trade receivables of the Disposal Group. Included in the total assets of the Disposal Group to be

LETTER FROM THE BOARD

disposed of, there were also contract sum to-be-billed amounted to RMB560 million for which installation works have been partially or fully completed but bills have not been issued pending inspection and verification by customers. Based on the experience in recent years, it was quite difficult to get through the inspection and verification process as many customers may use dissatisfaction with quality, which the Group considered as quite controversial, as an excuse to delay the billing process and avoid payment. In this regard, independent inspectors would be employed for progress verification and inspection for some large projects. The Group believes that it may help resolving disputes in some cases but communications with the customers and independent inspectors, which are required for the billing process to complete, could be time-consuming. Notwithstanding the foregoing, the Group continues the communication work as and when required with a view to speed up the billing process. Having considered the negative effect of the credit tightening policy and other control measures on the financial condition of the land and property developers and the experience of the Group in the past few years, the Board considered that recoverability of the Group's trade receivables, whether billed or to-be-billed, are highly uncertain.

Having considered that the Purchaser undertakes to indemnify Wang Sing and the Company from disputes, liabilities, losses, etc. arising from the installation business and all losses, liabilities, compensations, penalties, fees and taxes from such disputes, liabilities and losses, etc., the Directors are of the view that the Disposal is a corporate recovery action so as to release the Group from the burden of the installation business, which include:

- the time and costs of completing the contracted projects (including the costs of labour and materials, taxes and other levies and the risks of costs inflation, etc);
- severance payments and other compensations to workers and staff if the Group closed the installation business instead of disposing it to the Purchaser;
- the time and costs of maintaining a team of staff and workers for recovering outstanding debts, meeting customers with overdue amount, sending payment reminders and demand letters and providing additional works requested by customers as a condition for payment;
- the legal costs that may arise in relation to the recovery of the outstanding debts; and
- the risks and costs of possible litigations that may arise if the installation business was closed instead of acquired by the Purchaser.

As disclosed in the Joint Announcement, on 27 February 2015, the Company, the Zielger Purchaser, the Zielger Vendor and China International Marine Containers (Hong Kong) Ltd. entered into the Acquisition Agreement, pursuant to which the Zielger Purchaser shall acquire a 40% equity interest in Ziegler, which is one of the leading producers of fire trucks globally. The Acquisition is expected to allow the Group to realise potential synergies through enhancing its product quality and portfolio and expanding its market. The Directors consider that the Disposal enables the Group to remove the risks of non-recovery of the receivables relating to Wanyou Fire and focus its resources on the strategic alliance with Ziegler and its subsidiaries (details of which are disclosed in the Joint Announcement) and other core businesses. Since the Group commenced its fire engines business in 2005, it has been developing and growing steadily. In spite of this, encumbered with the underperformed installation business, the Group has been suffering losses for consecutive years. The Board believes that cooperation with Ziegler and CIMC opens up an opportunity to the Group and such cooperation not only represents a turnaround opportunity but

LETTER FROM THE BOARD

also allows the Group to participate in and ultimately compete in the world market. The disposal of the installation business, as a precondition for the cooperation with Ziegler and CIMC, enables the Group to embark on a clear start of its business development. The Board considers that the long-term benefit and returns to be derived from the Acquisition justify the one-time loss arising from the Disposal. Upon Completion, the Group will cease to hold any equity interest in Loyal Asset and Loyal Asset will cease to be a subsidiary of the Company, such that the Group will no longer hold any interest in or be involved in the installation business.

The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately HK\$62.5 million and are intended to be used as general working capital of the Group.

Based on the above, the Directors consider that the Disposal 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 and fire prevention and fighting equipment.

FINANCIAL EFFECTS OF THE DISPOSAL

Assets and liabilities

The assets and liabilities of the Disposal Group were classified as a disposal group held for sale and presented separately in the audited consolidated statement of financial position of the Group as at 31 December 2014. The carrying value of the net assets of the Disposal Group as at 31 December 2014 was impaired with reference to the consideration for the Disposal. Assuming Completion had taken place on 31 December 2014, the consolidated total assets of the Group would have been decreased by approximately RMB361,573,000 from approximately RMB1,324,258,000 to approximately RMB962,685,000 and the consolidated total liabilities of the Group would have been decreased by approximately RMB361,573,000 from approximately RMB721,099,000 to approximately RMB359,526,000.

Earnings

For the year ended 31 December 2014, the Group made impairment losses of RMB500,746,000 on the assets of the Disposal Group with reference to the consideration for the Disposal. In other words, the carrying value of the net assets of the Disposal Group as at 31 December 2014 was equal to the consideration for the Disposal. If there is no change in such carrying value as at the date of Completion, there will be no material gain or loss recognised from the Disposal. Shareholders and investors of the Company should note that the actual gain or loss on the Disposal is dependent upon the net carrying value of the Disposal Group in the consolidated financial statements of the Group as at the date of Completion and may be different from the amount calculated above.

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval by the Shareholder at the EGM by way of poll.

LETTER FROM THE BOARD

As stated in the Joint Announcement, the Ziegler Vendor, Mr. Jiang Xiong, 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 Disposal would abstain from voting on the resolution approving the Disposal at the EGM. As at the Latest Practicable Date, (i) the Ziegler Vendor and parties acting in concert with it did not hold any Shares; and (ii) Mr. Jiang Xiong and Mr. Jiang Qing were 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 at 3:00 p.m. on Friday, 17 April 2015 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-2 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 the terms of the Disposal Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder.

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
Company Secretary

1. FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 31 December 2012, 2013 and 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinafire.com.cn>):

- annual report of the Company for the year ended 31 December 2012 published on 19 April 2013 (pages 28 to 103);
- annual report of the Company for the year ended 31 December 2013 published on 24 April 2014 (pages 26 to 109); and
- annual results announcement of the Company for the year ended 31 December 2014 published on 20 March 2015 (pages 4 to 22);

2. INDEBTEDNESS STATEMENT

At the close of business on 31 January 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of RMB100 million, which were all unsecured short term bank loans.

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 31 January 2015, any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or accepted credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, the existing available credit facilities of the Group and the net proceeds from the Disposal, the Group has sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will focus on the production and sale of fire engines and fire prevention and fighting equipment.

Based on the foundation that the Group's fire engines business has built in the past 50 years (include the predecessor of the subsidiary that the Group acquired in 2004 through which it stepped into the industry) and the strategic alliances to be established among the Group, Ziegler and CIMC, the Group will strengthen its fire engines and firefighting equipment businesses through:

1. enrichment of the product portfolio by strengthening the research and development function;
2. improvement of the product quality and enhancement of its production efficiency and after-sale services by introducing new and advance production technologies through cooperation with Ziegler;
3. expansion of the market coverage by tapping into the sales and relationship network of Ziegler and CIMC; and
4. potential acquisition of enterprises that will create synergies with the Group's operations.

Demand for advance and high performance fire engines in the PRC has been increasing. However, domestically produced fire engines are lagged far behind their foreign counterparts for the time being. To capture the high-end market, which is largely occupied by foreign imports, the Group plans to develop and produce series of fire engines that are comparable with the imported trucks in terms of quality and functions but at relatively low costs and have scarce domestic supply. The Directors expect that such move would help to expand the Group's market share and raise its overall sales volume and profit margin level. The fire engines manufacturing industry in the PRC is quite fragmented with no dominate national leader, with all these inputs, the Group hopefully would lead the national market and ultimately to compete in the global market.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Jiang Xiong	Beneficial owner	981,600,000	34.38%
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions to be notified to the Company and the Stock Exchange.

(b) **Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company**

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Group (if any) or had any options in respect of such capital:

Long positions in the Shares

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding	Note
EH Investment Management Ltd.	Beneficial owner	618,750,000	21.67%	1
Mr. Ngan Lek	Interest of a controlled corporation	618,750,000	21.67%	1
Genius Earn Ltd.	Beneficial owner	200,000,000	7.01%	2
Mr. Liu Xiao Lin	Interest of a controlled corporation	200,000,000	7.01%	2

Notes:

1. Mr. Ngan Lek is beneficially interested in the entire share capital of EH Investment Management Ltd. and is deemed or taken to be interested in the 618,750,000 Shares in which EH Investment Management Ltd. has declared an interest for the purpose of the SFO.
2. Mr. Liu Xiao Lin is beneficially interested in the entire share capital of Genius Earn Ltd. and is deemed or taken to be interested in the 200,000,000 Shares in which Genius Earn Ltd. has declared an interest for the purpose of the SFO.

Pursuant to the Acquisition Agreement dated 27 February 2015, subject to completion of the Acquisition, the Company will allot and issue to the Ziegler Vendor (or its nominee) 1,223,571,430 consideration Shares, representing approximately 30% 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 aforementioned consideration Shares since the Latest Practicable Date up to the date of completion of the Acquisition).

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

6. MATERIAL CONTRACTS

Save for (i) the Acquisition Agreement (entered into among the Zielger Vendor, the Zielger Purchaser, the Company and China International Marine Containers (Hong Kong) Ltd. in relation to the Acquisition 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 new Shares at the issue price of HK\$0.4 per Share to the Ziegler Vendor (or its nominee)); and (ii) the Disposal Agreement, there were no material contracts (not being contracts entered into in the ordinary course of business of the Group) which have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Li Ching Wah. She is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The head office and principal place of business in Hong Kong of the Company is situated at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular and the accompanying forms of proxies shall prevail over their respective Chinese texts.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (c) the annual report of the Company for the year ended 31 December 2013 and the annual result announcement of the Company for the year ended 31 December 2014;
- (d) the material contracts referred to in the section headed "Material Contracts" in this appendix;
and
- (e) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of China Fire Safety Enterprise Group Limited (the “**Company**”) will be held at 3:00 p.m. on Friday, 17 April 2015 at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional sale and purchase agreement dated 27 February 2015 (the “**Disposal Agreement**”) and entered into between Wang Sing Technology Limited, a wholly-owned subsidiary of the Company, as vendor, and Jixiang (Fujian) Investment Group Limited (吉祥(福建)投資集團有限公司), as purchaser, in respect of the sale and purchase of the entire number of issued shares in Loyal Asset Investments Holdings Limited (“**Loyal Asset**”), representing the entire issued share capital of Loyal Asset as at the date of completion of the Disposal Agreement for the consideration of RMB50 million (equivalent to approximately HK\$62.5 million), (a copy of the Disposal Agreement has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to, the Disposal Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 27 March 2015

NOTICE OF EGM

Registered office:

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place

of business in Hong Kong:

Units A-B, 16 Floor
China Oversea Building
No 139 Hennessy Road
Wanchai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof (as the case may be).
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The voting at the Meeting shall be taken by way of poll.

As at the date of this notice, the executive Directors are Mr. Jiang Xiong, Mr. Jiang Qing, Mr. Wang De Feng, Ms. Weng Xiu Xia and Mr. Hu Yong; and the independent non-executive Directors are Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li.