CFE

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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2013 decreased 14% to RMB 837 million. Loss for the year was RMB162 million (2012: RMB22 million).

- Loss per share for the year was RMB5.35 cents (2012: RMB0.75 cent per share).

- The directors do not recommend the payment of any dividend for the year ended 31 December 2013.

CHAIRMAN'S STATEMENT

Since the change in the Company's major shareholders in December 2012, some misguided strategies that did not fit in the nation's macro-environment and that posed restrictions to our management have been changed. At the beginning of 2013, our management and the new substantial shareholders have analysed and reviewed the Group's strategies and policies taken in previous years, and discussed about the possible ways to rectify the problems and issues found. We concluded that we should focus on the business stream that our competitive advantages are the strongest, such that the Group's sustainable growth and positive return to our shareholders could be assured. As such, this year, we started a reorganization plan to shake up our Group. The plan involves cutting off those unprofitable non-core business (the guest house operation and the trading business); discarding some of the loss-making associates; and cleaning up non-performing assets. Our move is to get rid of those encumbrances such that all resources and efforts could be channeled to the business that is profitable and with high potential: the manufacturing of fire engines, special vehicles and firefighting equipment.

Since start up in 2004, our fire engine business has progressed steadily as reflected in the growing revenue and improved profitability. We have built our brand "Chuan Xiao" a national well-known trademark. We have been assessed a national advanced and high-tech enterprise and now have over 100 models of fire engines and special vehicles which assist firefighting in different circumstances and environment. Our fire trucks are the only one which passed the first national stress test organized by the state authority. The result indicated not just superb quality, but more importantly, it showed our outperforming reliability. Because of these, we receive recurring orders from fire brigades in different provinces and cities and enterprises in the petrochemical industries across the country. In the upcoming years, we will keep on strengthening our production abilities, product development (include bringing in advanced technologies from overseas) and marketing network. Other than internal growth, we also seek for external expansion. During the year, we came across a potential acquisition, the target of which is a company also engaged in the manufacturing and sale of fire trucks, special vehicles, pumps and other firefighting equipment. I believe the two companies could complement each other and would generate a big synergetic effect, whether in terms of marketing, product design and development and production techniques, if we two were merged. Negotiations are ongoing and we are also looking for other opportunities. I expect further announcement will be made soon.

During the process of rectifying the issues caused by the previously misguided strategies, the implementation of the reorganization unavoidably brought us pain. This year, I regret to say that we had the ever biggest financial loss since established. Impairment losses were recognized on assets of the subsidiaries to be disposed of based on the difference between the carrying value of the assets and the exit value. A big allowance for doubtful trade receivables of the installation business was also recorded. The allowance made for the year were largely for receivables from contracts secured during the old days when we aggressively expanded by taking advantage of the rich funds on hand to outbid competitors, but without detail risk analysis and review of customers' reputation and creditability. We have had lots of discussions with the customers in default for possible solutions, but to our disappointment, no satisfactory result in respect of debt settlement arrived. In view of the thin profit margin and harsh operating environment, we have decided to scale down the installation business in Fujian progressively until completely withdrawn from the market. We are also in discussion of selling some of the receivables to certain distress asset management companies in order to avoid further disturbance to the financial results caused by the problematic receivables, and more importantly, to cash the assets for the development of our fire engines business.

I am confident that the reorganization and reforms our Group is going to go through will make our financial performance turnaround. I know the road ahead is not smooth but full of challenges. I am looking forward to work hand in hand all the staff, my fellow directors, partners and shareholders to unveil a new page of our Group companies.

Jiang Xiong
Chairman
25 March 2014

The board of directors (the "**Board**") of the Company hereby announces the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2013, together with the comparative figures for the corresponding period in 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2013**	2012
		RMB'000	RMB'000 (Restated)
Turnover	*2*	**836,812**	969,273
Cost of sales and services		**(745,182)**	(867,103)
Gross profit		**91,630**	102,170
Other income	*3*	**16,952**	12,035
Selling and distribution costs		**(15,640)**	(28,054)
Administrative expenses		**(191,553)**	(83,509)
Share of losses of associates		**(12,515)**	(1,707)
Share of profit / (loss) of a joint venture		**1,167**	(849)
Other expenses	*4*	**(34,024)**	(4,228)
Finance costs		**(5,466)**	(7,359)
Loss before tax		**(149,449)**	(11,501)
Income tax expense	*5*	**(12,281)**	(10,635)
Loss for the year	*6*	**(161,730)**	(22,136)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(40)**	(33)
Exchange differences reclassified to profit or loss on disposal of a subsidiary		**-**	(24)
Other comprehensive income for the year, net of tax		**(40)**	(57)
Total comprehensive income for the year		**(161,770)**	(22,193)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CON'T)

		Year ended 31 December	
		2013	2012
	Note	**RMB'000**	RMB'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		**(152,871)**	(21,414)
Non-controlling interests		**(8,859)**	(722)
		(161,730)	(22,136)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(153,138)**	(21,556)
Non-controlling interests		**(8,632)**	(637)
		(161,770)	(22,193)
Loss per share (RMB cents)			
Basic	*7*	**(5.35)**	(0.75)
Diluted	*7*	**(5.35)**	(0.75)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2013**	At 31 December 2012	At 1 January 2012
		RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment		**218,853**	274,385	286,823
Prepaid land lease payments		**33,046**	33,193	34,458
Investment properties		**-**	38,700	36,410
Goodwill		**7,630**	16,248	19,640
Other intangible assets		**-**	-	100
Investments in associates		**3,209**	16,506	22,441
Investment in a joint venture		**-**	17,744	18,593
		262,738	396,776	418,465
Current assets				
Inventories		**154,200**	87,094	104,219
Trade and bills receivables	*9*	**417,921**	527,358	443,369
Amounts due from contract customers		**547,310**	488,600	548,137
Retention receivables		**8,562**	10,729	5,402
Prepayments, deposits and other receivables		**71,018**	78,691	70,908
Amount due from a joint venture		**-**	-	9,238
Amounts due from associates		**1,103**	1,629	2,121
Prepaid land lease payments		**726**	739	752
Pledged bank deposits		**9,325**	4,281	3,949
Bank and cash balances		**136,900**	193,992	145,330
		1,347,065	1,393,113	1,333,425
Assets of disposal group held for sale	*10*	**77,820**	-	-
		1,424,885	1,393,113	1,333,425
Current liabilities				
Trade and other payables	*11*	**466,392**	429,787	359,618
Amounts due to contract customers		**12,559**	10,628	5,671
Amount due to a joint venture		**-**	376	-
Amounts due to non-controlling shareholders		**-**	5,964	4,603
Bank borrowings		**80,000**	90,000	99,985
Finance lease payables		**-**	-	36
Current tax liabilities		**6,780**	3,887	7,918
		565,731	540,642	477,831
Liabilities directly associated with disposal group held for sale	*10*	**34,104**	-	-
		599,835	540,642	477,831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

	Note	**At 31 December 2013 RMB'000**	At 31 December 2012 RMB'000 (Restated)	At 1 January 2012 RMB'000 (Restated)
Net current assets		**825,050**	852,471	855,594
Total assets less current liabilities		**1,087,788**	1,249,247	1,274,059
Non-current liabilities				
Deferred tax liabilities	*5*	**2,692**	2,381	1,455
NET ASSETS		**1,085,096**	1,246,866	1,272,604
Capital and reserves				
Share capital		**30,168**	30,168	30,168
Reserves		**1,027,296**	1,180,434	1,201,990
Equity attributable to owners of the Company		**1,057,464**	1,210,602	1,232,158
Non-controlling interests		**27,632**	36,264	40,446
TOTAL EQUITY		**1,085,096**	1,246,866	1,272,604

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Statutory reserve fund	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012, as previously stated	30,168	646,363	(6,692)	57,840	38,053	25,441	82,427	(1,270)	359,680	1,232,010	40,446	1,272,456
Effect of changes in accounting policies (note 1)	-	-	-	-	-	-	-	148	-	148	-	148
At 1 January 2012, as restated	30,168	646,363	(6,692)	57,840	38,053	25,441	82,427	(1,122)	359,680	1,232,158	40,446	1,272,604
Total comprehensive income for the year	-	-	-	-	-	-	-	(142)	(21,414)	(21,556)	(637)	(22,193)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,545)	(3,545)
Transfer	-	-	-	-	-	621	-	-	(621)	-	-	-
Changes in equity for the year	-	-	-	-	-	621	-	(142)	(22,035)	(21,556)	(4,182)	(25,738)
At 31 December 2012, as restated	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,264)	337,645	1,210,602	36,264	1,246,866
At 1 January 2013, as previously stated	**30,168**	**646,363**	**(6,692)**	**57,840**	**38,053**	**26,062**	**82,427**	**(1,412)**	**337,645**	**1,210,454**	**36,264**	**1,246,718**
Effect of changes in accounting policies (note 1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**148**	**-**	**148**	**-**	**148**
At 1 January 2013, as restated	**30,168**	**646,363**	**(6,692)**	**57,840**	**38,053**	**26,062**	**82,427**	**(1,264)**	**337,645**	**1,210,602**	**36,264**	**1,246,866**
Total comprehensive income and changes in equity for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(267)**	**(152,871)**	**(153,138)**	**(8,632)**	**(161,770)**
At 31 December 2013	**30,168**	**646,363**	**(6,692)**	**57,840**	**38,053**	**26,062**	**82,427**	**(1,531)**	**184,774**	**1,057,464**	**27,632**	**1,085,096**

Notes:

1 Basis of presentation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years, except as stated below.

HKFRS 11 "Joint Arrangements"

HKFRS 11 "Joint Arrangements" supersedes HKAS 31 "Interests in Joint Ventures" and Hong Kong (SIC) Interpretation 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 defines joint arrangement as an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of the arrangement, it exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. HKFRS 11 requires a single method i.e. equity method, to account for interests in joint ventures and thereby eliminating the proportionate consolidation method.

Previously, the Group accounted for its interests in a jointly controlled entity using proportionate consolidation method. The jointly controlled entity was then accounted for as a joint venture using equity method, after adopting the transitional provisions of the HKFRS 11 from 1 January 2012. The adoption of HKFRS 11 resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2012	1 January 2012
	RMB'000	RMB'000
Impact on consolidated statement of financial position:		
Increase in investment in a joint venture	**17,744**	18,593
Decrease in property, plant and equipment	**1,252**	1,347
Decrease in other intangible assets	**459**	612
Decrease in inventories	**9,535**	4,685
Decrease in trade and bills receivables	**14,072**	18,945
Decrease in retention receivables	**5,082**	4,241
Decrease in prepayments, deposits and other receivables	**2,360**	1,116
Increase in amount due from a joint venture	**-**	4,711
Decrease in pledged bank deposits	**3,584**	3,424
Decrease in bank and cash balances	**6,471**	4,238

	31 December 2012 RMB'000	1 January 2012 RMB'000
Impact on consolidated statement of financial position (con't)		
Decrease in trade and other payables	**19,401**	15,399
Increase in amount due to a joint venture	**192**	-
Decrease in bank borrowings	**5,946**	-
Decrease in current tax liabilities	**64**	53
Change in exchange reserves	**148**	148
Impact on consolidated statement of profit or loss and other comprehensive income:		
Increase in share of loss of a joint venture	**849**	
Decrease in turnover	**34,250**	
Decrease in cost of sales and services	**27,620**	
Increase in other income	**1,374**	
Decrease in selling and distribution costs	**3,312**	
Decrease in administrative expenses	**2,500**	
Decrease in finance costs	**150**	
Decrease in income tax expense	**143**	

HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements. The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

2 Turnover

Turnover represents the aggregate of the value of installation contract works carried out, the sale proceeds of goods sold, the income from provision of maintenance services, the income from operation of a guest house and the income from provision of online advertising services during the year less discounts and sales related tax. An analysis is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Revenue from installation contracts	**421,818**	471,902
Sales of goods	**406,815**	479,681
Provision of maintenance services	**4,394**	12,484
Operation of a guest house	**3,775**	5,187
Provision of online advertising services	**10**	19
	836,812	969,273

3 Other income

	2013 RMB'000	2012 RMB'000 (Restated)
Interest income	**11,366**	3,917
Rental income	**3,203**	2,963
Gain on disposal of a subsidiary	**-**	1,221
Subcontracting income	**525**	-
Sundry income	**1,858**	3,934
	16,952	12,035

4 Other expenses

	2013 RMB'000	2012 RMB'000
Impairment loss on goodwill	**8,618**	-
Impairment loss on investments in associates	**782**	4,228
Impairment loss on property, plant and equipment	**24,624**	-
	34,024	4,228

5 Income tax expense

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Current tax			
People's Republic of China (the "**PRC**") Enterprise Income Tax			
Provision for the year		**11,877**	9,709
Under-provision in prior years		**93**	-
		11,970	9,709
Deferred tax			
Provision for the year		**360**	868
(Over)/under-provision in prior years		**(49)**	58
	a	**311**	926
		12,281	10,635

No provision for Hong Kong Profits Tax has been made for both years as the relevant group entities incurred a loss or utilised the tax losses brought forward.

Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective group entities.

Note a. Deferred tax liabilities

The following is the deferred tax liabilities recognised, and movements thereon:

	Profit recognition of installation contracts RMB'000 (note)
At 1 January 2012	1,455
Charge to the profit or loss for the year	926
At 31 December 2012 and 1 January 2013	2,381
Charge to the profit or loss for the year	**311**
At 31 December 2013	**2,692**

Note : The amount represents the temporary differences arising on the profit recognition of installation contracts between HKFRSs in which revenue and costs of installation contracts are recognised in the consolidated statement of profit or loss and other comprehensive income by reference to the stage of completion of the contract activities and the taxable income of the PRC subsidiaries which recognise revenue of installation contracts upon completion.

6 Loss for the year

The Group's loss for the year is stated at after charging/(crediting) the following:

	2013 RMB'000	2012 RMB'000 (Restated)
Allowance for bad and doubtful debts	**117,615**	21,087
Allowance for obsolete and slow-moving inventories	**1,745**	395
Amortisation of other intangible assets	**-**	100
Amortisation of prepaid land lease payments	**739**	752
Cost of inventories sold	**332,413**	396,208
Depreciation of property, plant and equipment	**21,250**	19,592
Fair value loss on investment properties	**-**	1,712
Gain on disposal of a subsidiary	**-**	(1,221)
Loss on disposal of a joint venture	**1,123**	-
Obsolete stock written off	**249**	80

7 Loss per share

The calculation of the basic and diluted loss per share is based on the following:

	2013	2012
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company	**152,871**	21,414
	'000	'000
Weighted average number of ordinary shares	**2,855,000**	2,855,000

There were no dilutive potential ordinary shares in relation to the share options as the average market price of the shares for the years ended 31 December 2013 and 2012 were lower than the exercise price of the share options.

8 Dividends

The directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

9 Trade and bills receivables

	2013	2012
	RMB'000	RMB'000
		(Restated)
Trade and bills receivables	**706,967**	699,134
Less: Allowance for bad and doubtful debts	**(289,046)**	(171,776)
	417,921	527,358

The Group allows an average credit period of 30 days to 180 days to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The aging analysis of trade and bills receivables, based on the invoice date, net of allowance for bad and doubtful debts, is as follows:

	2013	2012
	RMB'000	RMB'000
		(Restated)
0 - 90 days	**160,797**	142,183
91 - 180 days	**55,133**	140,199
181 - 360 days	**57,279**	132,652
Over 360 days	**144,712**	112,324
	417,921	527,358

10 Disposal group held for sale

Pursuant to the resolution of the Board on 30 December 2013, the Group will dispose of all the equity interests it held in certain subsidiaries and associates (the "Disposals"). The subsidiaries to be disposed of are engaged in the production and sale of fire prevention and fighting equipment, trading of fire engines and fire-fighting and rescue equipment, and operation of a guest house. The associates to be disposed of are engaged in the provision of installation and maintenance services to fire prevention and fighting systems, and the provision of network based monitoring services to fire prevention and fighting systems. Subject to certain conditions precedent, the Disposals are expected to be completed within 12 months after the reporting period. The total consideration of the Disposals are approximately RMB74 million.

The assets and liabilities of the subsidiaries to be disposed of have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The Group's interests in the associates to be disposed of has no carrying value as the costs of the investments have either been fully impaired or written down to zero by the accumulated losses shared.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2013 are as follows:

	RMB'000
Property, plant and equipment	**13,752**
Investment properties	**38,700**
Prepaid land lease payments	**513**
Bank and cash balances	**24,855**
Investments in associates	**-**
Total for assets of disposal group held for sale	**77,820**
Trade and other payables	**(28,020)**
Amounts due to non-controlling shareholders	**(6,084)**
Total for liabilities directly associated with disposal group held for sale	**(34,104)**
Net assets of disposal group	**43,716**

At 31 December 2013, cumulative expense recognised in other comprehensive income relating to the disposal group classified as held for sale amounted to RMB452,000.

11 Trade and other payables

	2013 RMB'000	2012 RMB'000 (Restated)
Trade payables	**102,006**	91,495
Accrued charges	**292,694**	245,741
Receipts in advance	**46,539**	45,782
Value added tax, sales tax and other levies	**25,153**	34,484
Other payables	**-**	12,285
	466,392	429,787

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
0 - 30 days	**53,752**	41,885
31 - 60 days	**13,042**	12,120
61 - 90 days	**7,473**	10,590
Over 90 days	**27,739**	26,900
	102,006	91,495

12 Events after the reporting period

Subsequent to the end of the reporting period, the Group entered into several agreements to sell the equity interests it held in certain subsidiaries and associates (the "Disposals"). The carrying value of the net assets to be disposed of at 31 December 2013 was approximately RMB44 million, the composition of which has been disclosed at note 10 above. The total consideration of the Disposals is approximately RMB74 million. Subject to certain conditions precedent, the Disposals are expected to be completed within 12 months after the reporting period.

SEGMENT INFORMATION

The Group has four reportable segments as follows:

- installation of fire prevention and fighting systems;
- production and sale of fire engines;
- production and sale of fire prevention and fighting equipment; and
- operation of a guest house.

Each reportable segment is a strategic business unit which offers different products and services that require different production techniques and marketing strategies.

The Group's other operating segment refers to the provision of online advertising services, trading of fire engines, fire prevention and fighting and rescue equipment, and provision of maintenance services, which do not meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segment is included in the "Others" column. The management considered that the grouping of the three types of businesses, which do not make up a significant part of the Group, whether in terms of turnover, profit and loss, assets and liabilities, allows a clearer presentation and analysis of the Group's performance and state of affairs.

The accounting policies of the operating segments are the same as those applied by the Group in the financial statements. Segment profits or losses do not include interest income, unallocated corporate expenses, impairment loss on investments in associates, share of losses of associates, share of profit/loss of a joint venture, finance costs and income tax expense. Segment assets do not include investments in associates, investment in a joint venture, amounts due from associates, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include amount due to a joint venture, current and deferred tax liabilities, bank borrowings and unallocated other payables. Assets of the disposal group held for sale and the liabilities directly associated with (note 10) are also separately disclosed.

The Group accounts for the intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

SEGMENT INFORMATION (CON'T)

Information about reportable segment profit or loss, assets and liabilities:

	Installation of fire prevention and fighting systems	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Operation of a guest house	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2013							
TURNOVER							
External sales	421,818	273,876	118,715	3,775	18,628	-	836,812
Inter-segment sales	-	-	8,671	-	-	(8,671)	-
Total	421,818	273,876	127,386	3,775	18,628	(8,671)	836,812
RESULTS							
Segment (loss) / profit	(121,319)	13,838	7,837	(32,364)	(1,174)		(133,182)
Interest income							11,366
Impairment loss on investments in associates							(782)
Unallocated corporate expenses							(10,037)
Share of losses of associates							(12,515)
Share of profit of a joint venture							1,167
Finance costs							(5,466)
Loss before tax							(149,449)
Income tax expense							(12,281)
Loss for the year							(161,730)

SEGMENT INFORMATION (CON'T)

	Installation of fire prevention and fighting systems	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Operation of a guest house	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013							
ASSETS							
Segment assets	807,469	481,914	157,792	-	1,713		1,448,888
Investments in associates							3,209
Amounts due from associates							1,103
Pledged bank deposits							9,325
Bank and cash balances							136,900
Unallocated other receivables							10,378
							1,609,803
Assets of disposal group held for sale							77,820
							1,687,623
LIABILITIES							
Segment liabilities	293,384	122,538	56,178	-	3,536		475,636
Current tax liabilities							6,780
Bank borrowings							80,000
Deferred tax liabilities							2,692
Unallocated other payables							3,315
							568,423
Liabilities directly associated with disposal group held for sale							34,104
							602,527

SEGMENT INFORMATION (CON'T)

	Installation of fire prevention and fighting systems	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Operation of a guest house	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
OTHER INFORMATION							
Additions to non-current assets	229	599	4,020	393	21		5,262
Depreciation and amortisation	274	11,806	5,827	4,045	37		21,989
Impairment loss on goodwill	8,442	-	176	-	-		8,618
Impairment loss on property, plant and equipment	-	-	-	24,586	38		24,624
Loss on disposal of property, plant and equipment	28	16	-	-	22		66
Allowance for obsolete and slow-moving inventories	1,745	-	-	-	-		1,745
Obsolete stock written off	-	-	-	249	-		249
Allowance / (reversal of allowance) for bad and doubtful debts	118,469	(1,439)	(2,400)	414	2,571		117,615

SEGMENT INFORMATION (CON'T)

	Installation of fire prevention and fighting systems RMB'000	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000 (Restated)	Operation of a guest house RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000 (Restated)
For the year ended 31 December 2012							
TURNOVER							
External sales	471,902	343,836	135,841	5,187	12,507	-	969,273
Inter-segment sales	-	10	5,097	-	167	(5,274)	-
Total	471,902	343,846	140,938	5,187	12,674	(5,274)	969,273
RESULTS							
Segment (loss) / profit	(15,476)	20,821	4,398	(7,912)	6,331		8,162
Interest income							3,917
Impairment loss on investments in associates							(4,228)
Unallocated corporate expenses							(9,437)
Share of losses of associates							(1,707)
Share of loss of a joint venture							(849)
Finance costs							(7,359)
Loss before tax							(11,501)
Income tax expense							(10,635)
Loss for the year							(22,136)

SEGMENT INFORMATION (CON'T)

	Installation of fire prevention and fighting systems	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Operation of a guest house	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)				(Restated)
At 31 December 2012							
ASSETS							
Segment assets	855,652	439,690	184,456	30,560	3,566		1,513,924
Investments in associates							16,506
Investment in a joint venture							17,744
Amounts due from associates							1,629
Pledged bank deposits							4,281
Bank and cash balances							193,992
Unallocated other receivables							41,813
							1,789,889
LIABILITIES							
Segment liabilities	229,833	120,179	61,602	16,022	9,375		437,011
Amounts due to non-controlling shareholders							5,964
Amount due to a joint venture							376
Current tax liabilities							3,887
Bank borrowings							90,000
Deferred tax liabilities							2,381
Unallocated other payables							3,404
							543,023

SEGMENT INFORMATION (CON'T)

	Installation of fire prevention and fighting systems	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Operation of a guest house	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)				(Restated)
OTHER INFORMATION							
Additions to non-current assets	723	1,799	977	10,166	91		13,756
Depreciation and amortisation	226	12,372	5,817	1,906	123		20,444
Loss on disposal of property, plant and equipment	503	1,087	-	-	-		1,590
(Reversal of allowance) / allowance for obsolete and slow-moving inventories	-	(542)	937	-	-		395
Obsolete stock written off	-	-	-	-	80		80
Allowance / (reversal of allowance) for bad and doubtful debts	26,673	2,657	46	-	(8,289)		21,087

SEGMENT INFORMATION (CON'T)

Geographical information:

	Revenue		Non-current assets	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
PRC	**836,812**	968,386	**262,706**	396,695
Others	**-**	887	**32**	81
	836,812	969,273	**262,738**	396,776

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for the both 2013 and 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the year ended 31 December 2013, turnover of the Group decreased 14% to RMB837 million. Loss for the year increased to RMB162 million (2012: RMB22 million). Other than the four business segments (as explained below), the decreased in revenue was also driven by the expiry of the maintenance contracts with Foxconn International Holdings Ltd in the fourth quarter of 2012 which brought the Group revenue of approximately RMB10 million last year. Included in the turnover for the year, there were also revenue recognized from trading of the three fire engines backlogged last year amounted to RMB14 million.

Making up a significant part of the loss for the year were certain non-recurring expenses: allowance for doubtful debts arising from the old age trade receivables from the installation business, impairment loss on goodwill associated with the installation business, and impairment loss on the assets of the guest house, which amounted to RMB151 million in total. The accumulation of the old age trade receivables has again driven up the allowance for doubtful debts for the installation business. The Group has started a reorganisation plan ("Reorganisation") aiming to make the operations of the Group turnaround. The Group will concentrate on the development and manufacturing of fire engines, special vehicles and fire prevention and fighting equipment and will chop off other unprofitable non-core business and investments including the trading business, the guest house and certain associates. Subsequent to the year-end date, the Group has signed a number of agreement to sell the equity interests in those non-core business to be discarded and hence, an impairment loss on assets of the guest house base on the difference between the carrying value and the exit value was recognized during the year. Corresponding to the shrinking of the installation business, in Fujian in particular, as part of the Reorganisation, the value of the goodwill associated was considered unrecoverable which justified an impairment.

Installation of fire prevention and fighting systems

Revenue from installation of fire prevention and fighting systems for the year decreased 11% to RMB422 million. Operating loss was RMB121 million (2012: RMB15 million).

The allowance for doubtful debts made for the year that amounted to RMB118 million was the main reason for the significant increase in operating loss for the year. Business aggressively expanded without careful consideration of reputation and financial condition of customers have led to the accumulation of old age receivables, which called for bigger allowance as the recoverability is increasingly uncertain. Debt recovering in recent years deteriorates and most of the negotiations with customers were found in vain. The Group will seek other ways to recover the outstanding receivables, including appointing collection agency, selling part of the debts to certain distressed assets management companies at a discount, and taking legal actions. Also included in the operating loss for the year was an impairment loss on the goodwill associated with the installation business amounted to RMB8 million, which was made after taken into consideration the operating losses recurred for successive years and the plan to contract the business in Fujian.

The Group secured new contracts during the year amounting to RMB502 million (2012: RMB365 million), of which over 65% were sourced from the subsidiary in Chengdu serving largely customers in Sichuan and other cities in the southwest region, and surpassed that of the subsidiary in Fuzhou for the first time. Given that the Group has decided to withdraw from the Fujian market progressively, the subsidiary in Chengdu will contribute majority of the segment's business in the future. Recognition of installation revenue is subject to the progress of the underlying projects. Since quite a number of new projects, especially certain large-scale, were still at the early stage of works at year end, as a result, revenue was not increased correspondingly with the increased in amount of contracts secured.

Production and sale of fire engines

Revenue from production and sales of fire engines for the year decreased 20% to RMB274 million. Operating profit was RMB14 million (2012: RMB: 21 million).

A number of fire engines were completed awaiting delivery at year end date, should they had all been delivered, an additional revenue of RMB42 million would have been recognized for 2013. The Group commenced capacity enlargement program during the year as the production cap has been reached. Some of the production schedules, however, were unavoidably been affected when the program was carried out and completion of certain sales orders were thus delayed, leading to the decrease in revenue comparing that of last year. With the enlarged production capacity and the orders on hand, the Group is optimistic about the sales in the coming years.

The Group is highly concerned about the product quality, functionality and marketability. Abundant resources are put in product design, new products development and quality control. The Group's fire engines is the only one that passed the first national stress test, in which trucks were required to run 48 hours non-stop, conducted by the conducted by the Fire Equipment Quality Supervision and Inspection Centre (國家消防裝備質量監督檢驗中心). In addition to production strengthening, the Group will also focus on the development of special purpose vehicles which has few domestic supply such as the aerial platforms and airport crash tender, so as to cater for the demand of customers who have tighter budget constraint.

Production and sale of fire prevention and fighting equipment

Revenue from production and sales of fire prevention and fire fighting equipment for the year decreased 13% to RMB119 million. Operating profit for the year was RMB8 million (2012(restated): RMB4 million). Included in the segment's expenses for 2012, there was a non-recurring fair value loss on investment properties amounted to RMB2 million.

Sales of the Group's fire equipment for the year kept stable as compared to that of last year. The decrease in revenue was mainly due to the disposal of a subsidiary engaged in the manufacturing and sale of central power control systems for emergency lightings in July 2012. There was a slight increase in the gross profit ratio arising from changes in sales mix and customer mix and therefore led to the increase in the operating profit despite revenue dropped.

Operation of a guest house

The operation of the Group's guest house has been subcontracted to a party independent of the Group since May 2013, given the losses incurred since opening and the short of relevant expertise. Besides the revenue from rooms and food & beverages during the period before subcontracting, there was also a subcontracting income of RMB0.5 million recognized for the year. As part of the Reorganisation, the Group entered into an agreement to sell its equity interests in the guest house after year end date, the carrying value of the assets and liabilities subject to disposal were therefore marked to the exit value and gave rise to an impairment loss of RMB25 million.

Financial resources, liquidity, contingent liabilities and pledge of assets

Taken into account those included in the assets of disposal group held for sale, the Group's bank and cash balances at 31 December 2013 were approximately RMB171 million (2012(restated): RMB198 million), of which RMB9 million (2012(restated): RMB4 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. Outstanding balances of the short term bank loans borrowed by two of the Group's subsidiaries in Sichuan as at the year-end date were RMB80 million (2012(restated): RMB90 million).

As at 31 December 2013, if current assets and current liabilities of the Group were approximately RMB1,425 million (2012(restated): RMB1,393 million) and RMB600 million (2012(restated): RMB541 million) respectively. The current ratio was approximately 2.4 times (2012(restated): 2.6 times). Gearing ratio (interest bearing debt / total equity) at end of the year was 7.4% (2012(restated): 7.2%). Included in the current assets for the year are non-current assets of certain subsidiaries to be disposed of in the coming 12 months. The carrying value of the non-current assets concerned at 31 December 2013 was approximately RMB53 million.

Renminbi is the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases are primarily denominated in Renminbi and Hong Kong dollars. The Group uses forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than Renminbi and Hong Kong dollars. There was no forward foreign currency exchange contract outstanding at 31 December 2013.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2013.

Investments, disposals and capital commitments

Disposal

The Group sold all the equity interests it held in Shanghai Pudong Special Fire Equipment Co., Ltd. ("Shanghai Pudong"), a joint venture, at a consideration of RMB19 million during the year. Shanghai Pudong was engaged in the manufacturing and sale of fire equipment for industrial use. The Group sold the investment because the competitive advantage of Shanghai Pudong was considered significantly impaired when the other shareholder, a state owned enterprise which supplied it all the production technologies, sold its interest in the joint venture during the year. The disposal incurred the Group a loss of RMB1 million.

Capital commitments

As at 31 December 2013, the Group has capital commitment of approximately RMB19 million (2012: RMB23 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located.

Save as disclosed herein, the Group has no other material capital commitments, investments, acquisitions or disposals as at 31 December 2013.

Employees and remuneration policies

As at 31 December 2013, the Group had approximately 807 full-time employees (2012(restated): 913). Staff costs, excluding directors' remuneration for the year was RMB46.7 million (2012(restated): RMB50.5 million). The decrease in number of staff and also the staff costs were mainly due to the hotel subcontracting from May 2013. All costs of the hotel have been born by the subcontractor since then. All full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive in-house and on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN THE COMPANY'S SECURITIES

Save as disclosed below, as of 31 December 2013, none of the directors or chief executive has any interest 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 Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

Name of Director	Capacity and types of interest	Number of issued shares of HK$0.01 each of the Company held	Percentage of issued share capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	34.38%
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	Number of shares issuable under the options granted	Exercisable period	Exercise price (HK$)	Number of shares issuable under the options outstanding as at 1 January and 31 December 2013	Percentage of issued share capital of the Company
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004 – 24 May 2014	0.44	20,000,000	0.70%

Note: All options granted are vested on the date of acceptance, i.e. 25 May 2004.

Save as disclosed above, no options were granted to, or exercised by, the directors of the Company during the year.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of the Company

Name of shareholder	**Capacity and types of interests**	**Number of issued shares of HK$ 0.01 each of the Company held**	**Percentage of issued capital of the Company**
EH Investment Management Ltd.	Beneficial owner	618,750,000	21.67%
Mr. Ngan Lek (“Mr. Ngan”)	Interest of a controlled corporation *(Note 1)*	618,750,000	21.67%
Genius Earn Ltd.	Beneficial owner	206,250,000	7.22%
Mr. Liu Xiao Lin (Mr. Liu)	Interest of a controlled corporation *(Note 2)*	206,250,000	7.22%

Notes:

1. Mr. Ngan 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 SFO.

2. Mr. Liu is beneficially interested in the entire share capital of Genius Earn Ltd. and is deemed or taken to be interested in the 206,250,000 shares in which Genius Earn Ltd. has declared an interest for the purpose of SFO.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 December 2013.

COMPETING INTERESTS

None of the directors or the management shareholder of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or had any other conflicts of interest, which any such person has or may have with the Group.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

Corporate governance practices

Throughout the year ended 31 December 2013, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except for the following:

1. There were no fixed terms of appointment for the non-executive directors.
2. According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation.

The details of such deviation have been disclosed in the relevant paragraphs below and in the Corporate Governance Report in the 2013 annual report to be dispatched to the shareholders and posted on the website of the Stock Exchange in accordance with the Listing Rules.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

Board of directors

The Board, as at the date of this announcement, is composed of five executive directors and three independent non-executive directors. Name of the directors are set out in the table below. Mr. Jiang Xiong (Chairman) and Mr. Jiang Qing (Chief Executive Officer) are brothers.

There were four Board meetings held during the year which, besides the approval of the Company's interim and annual reports, were mainly related to strategic decisions. Day to day operational decisions were delegated to the management team of the Company. Other than in Board meetings, members of the Board are communicated regularly to discuss the performance of the Group which allow the Board members to have a more thorough understanding of the Group to exercise effective leadership and supervision of the Group.

Attendance of each director is set out below:

Name of directors	No. of meetings attended
Executive directors	
Mr. Jiang Xiong (Chairman)	3/4
Mr. Jiang Qing (Chief Executive Officer)	4/4
Mr. Wang De Feng	3/4
Ms. Weng Xiu Xia	3/4

Name of directors	No. of meetings attended
Mr. Hu Yong	3/4
Ms. Zhang Hai Yan *	2/3
Independent non-executive directors	
Dr. Loke Yu	4/4
Mr. Heng Ja Wei	4/4
Ms. Sun Guo Li	2/4

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

* Ms. Zhang Hai Yan resigned as an executive director of the Company on 17 December 2013. One of the board meetings was held after her resignation.

Continuous Professional Development

To ensure that their contributions to the board are informed and relevant, the directors have done the following to develop and refresh their knowledge and skill:

Executive directors	
Mr. Jiang Xiong (Chairman)	Study relevant materials
Mr. Jiang Qing (Chief Executive Officer)	Study relevant materials
Mr. Wang De Feng	Study relevant materials
Ms. Weng Xiu Xia	Study relevant materials
Mr. Hu Yong	Study relevant materials
Ms. Zhang Hai Yan	Study relevant materials
Independent non-executive directors	
Dr. Loke Yu	Attend courses and trainings
Mr. Heng Ja Wei	Attend courses and trainings
Ms. Sun Guo Li	Study relevant materials

Chairman and chief executive officer

Mr. Jiang Xiong is the Chairman of the Board and Mr. Jiang Qing is the Chief Executive Officer of the Company. The Chairman is responsible for leading the Board in formulating strategic plans for the Group while the Chief Executive Officers oversees the Group’s daily operations and execution of Board decisions.

According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation. This is not in strict compliance with the code provision of the Code on Corporate Governance Practice which requires every director (including those appointed for a specific term) to be subject to retirement by rotation at least once every three years.

Non-executive directors

There were no fixed terms of appointment for the non-executive directors but they are subject to retirement by rotation according to the Company’s articles of association. Under the Company’s articles of association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the articles of association. The Board is of the opinion that this serves the same objectives of the relevant provision.

Remuneration of directors

The remuneration committee comprises Dr. Loke Yu (Chairman) and Mr. Heng Ja Wei, both are independent non-executive directors of the Company, and Mr. Jiang Qing who is an executive director and Chief Executive Officer of the Company. The primary duties of the committee are to formulate policy and structure of remuneration of directors and senior management of the Group and to provide advice and recommendations thereon to the Board. During the year, the remuneration committee held one meeting, in which all members were present, to review remuneration packages of the executive directors and senior management.

Nomination of directors

The nomination committee comprises Mr. Heng Ja Wei (Chairman), Dr. Loke Yu and Ms. Sun Guo Li, all are independent non-executive director of the Company. The primary duties of the committee are review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members, and to make recommendation to the Board thereon. New director(s) is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company. Under the Company’s articles of association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the articles of association. During the year, the nomination committee held one meeting in which all members were present.

Audit committee

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li. The primary duties of the audit committee are to review the Company’s annual report and accounts and half-yearly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

During the year, the audit committee held two meetings to review and comment on the Company's interim and annual financial reports and to meet with the external auditors and participate in the reappointment and assessment of the performance of the external auditors. Attendance of each member of the audit committee is set out below:

Name of members	No. of meetings attended
Dr. Loke Yu (Chairman)	2/2
Mr. Heng Ja Wei	2/2
Ms. Sun Guo Li	2/2

The Group’s results for the year have been reviewed by the audit committee.

Corporate governance functions

The full Board is responsible for the corporate governance functions, during the year, it has performed the following:

- develop and review the Company's policies and practices on corporate governance;
- review and monitor training and continuous professional development of directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct to employees and directors; and
- review compliance with the Code of Corporate Governance and disclosure in the Corporate Governance Report.

Internal control

The Board is responsible for maintaining a sound and effective internal control system. During the year, the Board has reviewed its effectiveness.

Auditor's remuneration

Auditor's remuneration is for audit services provided only. The auditor did not provide any non-audit services to the Group during the year.

It is the responsibilities of the directors of the Company to prepare the financial statements of the Group. The auditor is responsible for expressing an independent opinion on the consolidated financial statements of the Group based on their audit and to report the opinion to the shareholders of the Company.

General meeting

The Company's annual general meeting was held in May 2013 in Hong Kong. Mr. Jiang Xiong (Chairman), Dr. Loke Yu and Mr. Heng Ja Wai (both are independent non-executive directors) attended the meeting. Other directors were absent as they were occupied by other business matters.

Shareholders' rights

Any one or more shareholders of the Company holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting general meetings of the Company shall have the right to require the Board to call extraordinary general meetings ("**EGM**"). The shareholder(s) requesting the convening of an EGM should deposit a written requisition to the Board or the Company Secretary, specifying the transaction of business to be dealt with in the EGM. The Board shall convene such meeting within twenty one days form the date the requisition deposited and the EGM shall be held within two months after the deposit of the requisition. The written requisition may be sent to the Board or the Company Secretary by post to the Company's head office or principal place of business in Hong Kong.

A qualified shareholder may nominate a person as candidate for election of director of the Company by sending a written notice giving his intention to propose. Such nomination notice must be lodged at the Company's head office or at its Hong Kong branch share registrar within 7 days from the day after the dispatch of the notice of the general meeting (or such other period, being a period of not less than 7 days, commencing no earlier than the day after the dispatch of the notice of such meeting and ending no later than 7 days prior to the date appointed for such meeting, as may be determined by the Directors from time to time). The nomination notice lodged must be accompanied by:

a. A notice signed by the candidate indicating his / her willingness to be elected in the general meeting.

b. A biographical details of the candidate as set out in Rule13.51(2) of the Listing Rules.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors are responsible for the preparation of the financial statements, which give a true and fair view of the condition of the Group. The auditor is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the directors and reports the opinion solely to the shareholders of the Company.

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

Hong Kong, 25 March 2014

As at the date of this announcement, the Company's 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.

This announcement is available for viewing on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company (www.chinafire.com.cn).