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 2014

HIGHLIGHTS

- Turnover of the Group from continuing operations for the year ended 31 December 2014 increased 14.4% to RMB 449 million whereas turnover from discontinued operations decreased 10.5% to RMB398 million.

- Loss for the year from continuing operations was RMB14 million (2013: RMB2 million). Loss for the year from discontinued operations was RMB488 million (2013: RMB160 million) which attributable mainly to the impairment losses on the assets of the installation and maintenance businesses to be disposed of made with reference to the consideration for the disposal.

- Loss per share for the year was RMB17.65 cents (2013: RMB5.35 cents) which was made up of loss per share from continuing operations of RMB0.56 cent (2013: RMB0.26 cent) and loss per share from discontinued operations of RMB17.09 cents (2013: RMB5.09 cents).

- The directors do not recommend the payment of any dividend for the year ended 31 December 2014.

CHAIRMAN'S STATEMENT

To describe the performance of the Group for 2014, I will say: "The darkest hour is just before the dawn". The installation and maintenance businesses, once the Group's major profit contributors, have become a burden in recent years. The over-aggressive expansion in previous years plus the change in the operating environment, especially the macro-economic control measures on the property market and credit tightening have finally led to the Group's consecutive years of losses since 2009. In addition to determine how to handle the two business operations, we have also been looking for ways to strengthen the other business units to compensate the losses brought by the installation and maintenance businesses.

Since we commenced our fire engines operations in Sichuan via an acquisition in 2004, it has been progressing steadily. From my point of view, our fire engines business could have performed hundred times better had it not been constrained by the resources available. I am glad that such limitation may very soon be overcome. On 27 February 2015, the Group have entered into an agreement with a subsidiary of China International Marine Containers (Group) Co., Ltd ("CIMC") to acquire from it 40% (out of 100%) equity interests in Albert Ziegler GmBH ("Ziegler"). If the acquisition is approved by our shareholders, we will settle the consideration by way of issuing new shares of the Company to CIMC and by then CIMC will hold become the Group's controlling shareholder holding 30% of the Company's enlarged share capital. Ziegler is one of the top five fire engines manufacturers in the world with which we have over 10 years business relationship. Its first-class craftsmanship and techniques in design, development and production of fire engines and equipment will definitely enrich our product portfolio and enhance product quality to a great extent if applied on our product development and production. It is the quality that brings success after all. CIMC is a conglomerate that has lots of successful stories in different industries. Its next ambition is to become the largest fire engines manufacturer in China and even in the world. According to the acquisition agreement, CIMC undertakes to arrange banking facilities of not less RMB180 million for the Group's working capital. We will have the first right of refusal to take up acquisition projects in the fire safety industry in China that CIMC identified and it will back us up financially in completing these acquisitions. Other than financial support, its far-reaching relationship network enables the Group to widen its market coverage and customer portfolio. I know the road ahead is not smooth even with all these supports, no matter what, the potential is there, and we will work hard to unleash it.

As a precondition for the completion of the acquisition of Ziegler, we have to dispose of all the interests in the subsidiaries engaging in the installation and maintenance businesses. After years of review, it seems that it is highly unlikely we could turnaround the two businesses in a short period of time and therefore, selling the interests in the respective subsidiaries sounds to be the only plausible move. Nevertheless, under all circumstances, we have to ensure firstly that all the contracts must be completed according to the terms agreed; and secondly, all staff, workers and subcontractors must be properly arranged. After all, we do not want to risk the Group's reputation or involve in any disputes or litigations that might arise from the disposal. We finally reached consensus and entered into an agreement with an independent party (as defined in the Listing Rules) (the "Purchaser") who undertakes to bear all the responsibilities regarding the installation and maintenance contracts signed and in respect of the staff, workers and subcontractors. It further undertakes to indemnify the Group for all losses, fines and compensations and taxes arising from disputes in relation to the disposed subsidiaries if the Group held responsible. In other words, after the disposal, we can get rid of all the encumbrances in relation to the installation and maintenance business and give the Group a clear start for business development, although we have to bear a huge one-time loss due to the low consideration amount as we were put in an unfavourable bargaining position because of the need to close the deal in short period of time. For the year ended 31 December 2014, the Group has made impairment losses of RMB501 million on the assets in relation to the installation and maintenance businesses and brought to us the largest amount of loss ever. In light of the benefits and potential returns from the strategic alliance with Ziegler and CIMC, I think it is justified to take the loss. CIMC is the leader in many industries in China and in the world, having such a strong backup, I believe the future is boundless to us.

I am looking forward to work hand in hand with all the staff, my fellow directors, partners and shareholders to overcome all difficulties ahead. It is the time we take wings to fly high.

Jiang Xiong
Chairman
20 March 2015

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 2014, together with the comparative figures for the corresponding period in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2014**	2013
		RMB'000	RMB'000
Continuing operations			
Turnover	*2*	**449,249**	392,601
Cost of sales and services		**(374,390)**	(320,790)
Gross profit		**74,859**	71,811
Other income	*3*	**4,578**	13,053
Selling and distribution costs		**(19,444)**	(13,538)
Administrative expenses		**(62,454)**	(48,044)
Share of losses of associates		**(208)**	(12,515)
Other expenses	*4*	**(223)**	(782)
Share of profit of a joint venture		**-**	1,167
Finance costs		**(5,865)**	(5,260)
(Loss) / profit before tax		**(8,757)**	5,892
Income tax expense	*5*	**(5,475)**	(7,821)
Loss for the year from continuing operations	*6*	**(14,232)**	(1,929)
Discontinued operations			
Loss for the year from discontinued operations	*7*	**(487,807)**	(159,801)
Loss for the year		**(502,039)**	(161,730)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(325)**	(40)
Other comprehensive income for the year, net of tax		**(325)**	(40)
Total comprehensive income for the year		**(502,364)**	(161,770)

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

	Note	**Year ended 31 December** **2014** **RMB'000**	2013 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(503,854)**	(152,871)
Non-controlling interests		**1,815**	(8,859)
		(502,039)	(161,730)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(503,868)**	(153,138)
Non-controlling interests		**1,504**	(8,632)
		(502,364)	(161,770)
Loss per share (RMB cents)	*8*		
From continuing and discontinued operations			
Basic		**(17.65)**	(5.35)
Diluted		**(17.65)**	(5.35)
From continuing operations			
Basic		**(0.56)**	(0.26)
Diluted		**(0.56)**	(0.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment		**202,316**	218,853
Prepaid land lease payments		**34,211**	33,046
Goodwill		**7,630**	7,630
Investments in associates		**99**	3,209
		244,256	262,738
Current assets			
Inventories		**168,702**	154,200
Trade and bills receivables	*10*	**210,106**	417,921
Amounts due from contract customers		**-**	547,310
Retention receivables		**-**	8,562
Prepayments, deposits and other receivables		**115,441**	71,018
Amounts due from associates		**1,083**	1,103
Prepaid land lease payments		**726**	726
Pledged bank deposits		**8,369**	9,325
Bank and cash balances		**164,002**	136,900
		668,429	1,347,065
Assets of disposal group held for sale	*11*	**411,573**	77,820
		1,080,002	1,424,885
Current liabilities			
Trade and other payables	*12*	**257,025**	466,392
Amounts due to contract customers		**-**	12,559
Bank borrowings		**100,000**	80,000
Current tax liabilities		**2,501**	6,780
		359,526	565,731
Liabilities directly associated with assets of disposal group held for sale	*11*	**361,573**	34,104
		721,099	599,835
Net current assets		**358,903**	825,050
Total assets less current liabilities		**603,159**	1,087,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

	Note	**At 31 December 2014 RMB'000**	At 31 December 2013 RMB'000
Non-current liabilities			
Deferred tax liabilities		**-**	2,692
NET ASSETS		**603,159**	1,085,096
Capital and reserves			
Share capital		**30,168**	30,168
Reserves		**518,955**	1,027,296
Equity attributable to owners of the Company		**549,123**	1,057,464
Non-controlling interests		**54,036**	27,632
TOTAL EQUITY		**603,159**	1,085,096

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	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/ (accumulated losses)	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 2013	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
At 1 January 2014	**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**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**(503,854)**	**(503,868)**	**1,504**	**(502,364)**
Disposal of subsidiaries	**-**	**-**	**-**	**30,943**	**(5,250)**	**(6,338)**	**(82,427)**	**(4,473)**	**63,072**	**(4,473)**	**24,900**	**20,427**
Total comprehensive income and changes in equity for the year	**-**	**-**	**-**	**30,943**	**(5,250)**	**(6,338)**	**(82,427)**	**(4,487)**	**(440,782)**	**(508,341)**	**26,404**	**(481,937)**
At 31 December 2014	**30,168**	**646,363**	**(6,692)**	**88,783**	**32,803**	**19,724**	**-**	**(6,018)**	**(256,008)**	**549,123**	**54,036**	**603,159**

Notes:

1 Basis of presentation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants and the accounting principles generally accepted in Hong Kong. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 73 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements also comply with applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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 2014. 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.

2 Turnover

Turnover from continuing operations represents the aggregate of the sale proceeds of goods sold and the income from provision of online advertising services during the year less discounts and sales related tax. An analysis is as follows:

	2014	2013
	RMB'000	RMB'000
Sales of goods	**449,249**	392,591
Provision of online advertising services	**-**	10
	449,249	392,601

3 Other income

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Interest income	**1,425**	11,029
Rental income	**490**	486
Gain on disposal of associates	**583**	-
Sundry income	**2,080**	1,538
	4,578	13,053

4 Other expenses

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Impairment loss on investments in associates	-	782
Impairment loss on property, plant and equipment	128	-
Impairment loss on prepayments, deposits and other receivables	95	-
	223	782

5 Income tax expense

Income tax relating to continuing operations has been recognized in profit or loss as follows:

	2014	2013
	RMB'000	RMB'000
Current tax		
The People's Republic of China **(the "PRC")** Enterprise Income Tax		
Provision for the year	5,518	7,735
(Over) / under-provision in prior years	(43)	86
	5,475	7,821

No provision for Hong Kong Profits Tax has been made for both 2013 and 2014 as the relevant group entities had no assessable profits for both years.

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

6 Loss for the year from continuing operations

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

	2014	2013
	RMB'000	RMB'000
Allowance / (reversal of allowance) for bad and doubtful debts	214	(4,146)
Allowance for obsolete and slow moving inventories	729	-
Amortisation of prepaid land lease payments	726	726
Depreciation of property, plant and equipment	16,318	16,267
Impairment loss on prepayments, deposits and other receivables (included in other expenses)	95	-
Impairment loss on property, plant and equipment (included in other expenses)	128	-
Loss on disposal of a joint venture	-	1,123
Obsolete stock written off	100	-
Unrecoverable prepayments, deposits and other receivables written off	2,000	-

7 Discontinued operations

During the year, the Group has completed the disposal of the entire equity interests it held in the following three subsidiaries:

- Tung Shing Trade development Company Limited which was engaged in the trading of fire engines and firefighting and rescue equipment;
- Chengdu Allied Best Hotel Co., Ltd. which was engaged in the operation of a guest house; and
- Fujian Asean United Aquatic Products Investment Management Co., Ltd. which was engaged in the production and sale of fire prevention and fighting equipment.

In February 2015, the Group entered into an agreement to dispose of a group of subsidiaries (the **"Disposal"**), namely:

- Loyal Asset Investments Holdings Limited ("**Loyal Asset**")
- Fuzhou Wanyou Fire Equipment Co., Ltd. ("**Fuzhou Wanyou**")
- Wanyou Fire Engineering Company Limited ("**Wanyou Engineering**")
- Chuanxiao Fire Engineering Company Limited ("**Chuanxiao Engineering**")

The group of subsidiaries to be disposed of are mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The Group ceases to provide such services upon completion of the Disposal. Subject to the satisfaction of certain conditions precedent, the Disposal is expected to be completed in the first half of 2015. The assets and liabilities of the subsidiaries of the Disposal have been classified as held for disposal at end of the year (as disclosed in Note 11 below).

Since the disposal of the above subsidiaries, whether completed already or to be carried out, constituted a discontinuance of major lines of business, the profit or loss of the respective subsidiaries have been classified as discontinued operations and disclosed separately as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss for the year from discontinued operations:		
Turnover	**397,579**	444,211
Cost of sales and services	**(376,628)**	(424,392)
Gross profit	**20,951**	19,819
Other income	**5,854**	3,899
Selling and distribution costs	**-**	(2,102)
Administrative expenses	**(171,672)**	(143,509)
Other expenses	**(337,235)**	(33,242)
Finance costs	**-**	(206)
Loss before tax	**(482,102)**	(155,341)
Income tax expense	**(5,705)**	(4,460)
Loss for the year from discontinued operations	**(487,807)**	(159,801)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss for the year from discontinued operations attributable to:		
Owners of the Company	**(487,979)**	(145,363)
Non-controlling interests	**172**	(14,438)
	(487,807)	(159,801)

Included in the turnover and loss for the year from discontinued operations above were turnover and loss generated by the installation and maintenance businesses amounted to RMB397,579,000 (2013: RMB426,212,000) and RMB492,024,000 (2013: RMB124,946,000) respectively.

Loss for the year from discontinued operations included the followings:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Allowance for bad and doubtful debts	**163,226**	121,761
Allowance for obsolete and slow moving inventories	**-**	1,745
Amortisation of prepaid land lease payments	**-**	13
Depreciation for property, plant and equipment	**363**	4,983
Gain on disposal of subsidiaries	**(2,461)**	-
Impairment loss on amounts due from contract customers	**312,322**	-
Impairment loss on prepayments, deposits and other receivables	**22,877**	-
Impairment loss on goodwill	**-**	8,618
Impairment loss on property, plant and equipment	**2,036**	24,624
Obsolete stock written off	**-**	249

8 Loss per share

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

	From continuing and discontinued operations	
	2014	2013
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company	**503,854**	152,871
	'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 for both years ended 31 December 2014 and 2013. All the share options issued have been expired during the year 2014. For 2013, the average market price of the shares was lower than the exercise price of the share options.

	From continuing operations		From discontinued operations	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss for the year attributable to owners of the Company	**15,875**	7,508	**487,979**	145,363

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same. The basic and diluted loss per share from discontinued operations for 2014 are RMB17.09 cents (2013: RMB5.09 cents).

9 Dividends

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

10 Trade and bills receivables

	2014	2013
	RMB'000	RMB'000
Trade and bills receivables	**227,694**	706,967
Less: Allowance for bad and doubtful debts	**(17,588)**	(289,046)
	210,106	417,921

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, including those classified as part of the disposal group held for sale, based on the invoice date, net of allowance for bad and doubtful debts, is as follows:

	2014	2013
	RMB'000	RMB'000
0 - 90 days	**92,479**	160,797
91 - 180 days	**103,551**	55,133
181 - 360 days	**87,120**	57,279
Over 360 days	**51,569**	144,712
	334,719	417,921

11 Disposal group held for sale

As disclosed in Note 7 above, the Group entered into an agreement in February 2015 to dispose of a group of subsidiaries: Loyal Asset, Fuzhou Wanyou, Wanyou Engineering and Chuanxiao Engineering. Loyal Asset is the holding company of the other three subsidiaries to be disposed of. Fuzhou Wanyou is engaged in the production and sale of fire prevention and fighting equipment. The production line of which, however, has ceased to operate at end of 2012 and since then, it generated minimal amount of revenue only from clearance sale. Both Wanyou Engineering and Chuanxiao Engineering are engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The Group ceases to provide such services upon completion of the Disposal. Subject to the satisfaction of certain conditions precedent, the Disposal is expected to be completed in the first half of 2015.

The consideration for the Disposal is RMB50,000,000. The net assets value of the four companies to be disposed of have been impaired with reference to the consideration and accordingly, impairment losses of RMB500,746,000 have been recognized for the year. 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 major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2014 are as follows:

	2014
	RMB'000
Retention receivables	**329**
Trade and bills receivables	**528,768**
Allowance for bad and doubtful debts	**(404,155)**
Amounts due from contract customers	**247,926**
Pledged bank deposits	**690**
Bank and cash balances	**38,015**
Assets of disposal group held for sale	**411,573**
Trade and other payables	**(333,993)**
Amounts due to contract customers	**(21,242)**
Current tax liabilities	**(2,105)**
Deferred tax liabilities	**(4,233)**
Liabilities directly associated with assets of disposal group held for sale	**(361,573)**
Net assets of disposal group held for sale	**50,000**

The disposal group held for sale at 31 December 2013 was in respect of the disposals of certain subsidiaries and associates pursuant to the resolution of the Board of Directors of the Company on 30 December 2013. The disposals of all the subsidiaries and associates concerned have been completed in 2014. The gain on disposal have been recognized in the profit or loss for the year.

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

	2013
	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	-
Assets of disposal group held for sale	77,820
Trade and other payables	(28,020)
Amounts due to non-controlling shareholders	(6,084)
Liabilities directly associated with assets of disposal group held for sale	(34,104)
Net assets of disposal group held for sale	43,716

12 Trade and other payables

	2014	2013
	RMB'000	RMB'000
Trade payables	**84,442**	102,006
Accrued charges	**43,665**	292,694
Receipts in advance	**125,916**	46,539
Value added tax, sales tax and other levies	**3,002**	25,153
	257,025	466,392

The aging analysis of trade payables, including those classified as part of the disposal group held for sale, based on the date of receipt of goods, is as follows:

	2014	2013
	RMB'000	RMB'000
0 - 30 days	**37,678**	53,752
31 - 60 days	**13,754**	13,042
61 - 90 days	**14,239**	7,473
Over 90 days	**35,826**	30,268
	101,497	104,535

13 Events after the reporting period

Subsequent to the end of the reporting period, the Group entered into the following agreements:

i. Acquisition

On 27 February 2015, the Group entered into a sales and purchase agreement with a subsidiary of China International Marine Containers (Group) Co., Ltd., ("**CIMC**") (the "**Vendor**") to acquire 40% equity interests in Albert Ziegler GmBH ("**Ziegler**") (the "**Acquisition**") from CIMC at a consideration of HKD489,428,572. Ziegler is a company incorporated in Germany, it and its subsidiaries are principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting equipment. To settle the consideration, the Company will issue to the Vendor 1,223,571,430 new shares of the Company, which represents 30% of the enlarged issued share capital of the Company. Upon completion of the Acquisition, Zielger will be accounted for as an associate of the Company. Subject to certain conditions precedent, the Acquisition is expected to be completed in the first half of 2015.

ii. Disposal

Also on 27 February 2015, the Group entered into the Disposal agreement with a party independent of the Company and its connected persons to dispose of a group of subsidiaries at a cash consideration of RMB50,000,000. The major operations of the Disposal group are to be discontinued upon completion of the Disposal and accordingly, the operations have been classified as discontinued operations and separately disclosed in Note 7 above. The composition of the carrying value of the net assets to be disposed of at 31 December 2014 has been disclosed in Note 11 above. Subject to certain conditions precedent, the Disposal is expected to be completed in the first half of 2015.

SEGMENT INFORMATION

The Group has two operating segments as follows:
- production and sale of fire engines; and
- production and sale of fire prevention and fighting equipment.

The Group's operating segments are strategic business units that offer different products and services. They are managed separately because each business units require different production techniques and marketing strategies.

The Group disposed of the entire equity interests in the subsidiaries engaged in trading of fire engines and firefighting and rescue equipment, and operation of a guest house during the year. Besides, it will cease to engage in the provision of installation of fire prevention and fighting systems and the provision of maintenance of fire prevention and fighting systems upon the completion of the Disposal. Therefore, they all have been classified as discontinued operations (Note 7) for presentation in the financial statements for the current year and did not constitute reportable segments.

The Group's other operating segment refers to the provision of online advertising services which do not meet any of the quantitative thresholds for determining reportable segment. The information of this other operating segment is included in the "Others" column.

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, gain on disposal of an associate, impairment loss on investments in associates, share of losses of associates, share of profit of a joint venture, finance costs and income tax expense. Segment assets do not include investments in associates, amounts due from associates, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include current tax liabilities, bank borrowings and unallocated other payables. Assets and liabilities of the disposal group held for sale (Note 11) 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:

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014					
TURNOVER					
External sales	341,055	108,194	-	-	449,249
Inter-segment sales	-	13,832	-	(13,832)	-
Total	341,055	122,026	-	(13,832)	449,249
RESULTS					
Segment profit / (loss)	10,629	4,655	(15)		15,269
Interest income					1,425
Gain on disposal of associates					583
Unallocated corporate expenses					(19,961)
Share of losses of associates					(208)
Finance costs					(5,865)
Loss before tax					(8,757)
Income tax expense					(5,475)
Loss for the year from continuing operations					(14,232)

SEGMENT INFORMATION (CON'T)

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014					
ASSETS					
Segment assets	578,809	119,014	-		697,823
Investments in associates					99
Amounts due from associates					1,083
Pledged bank deposits					8,369
Bank and cash balances					164,002
Unallocated other receivables					41,309
					912,685
Assets of disposal group held for sale					411,573
					1,324,258
LIABILITIES					
Segment liabilities	196,949	46,820	247		244,016
Current tax liabilities					2,501
Bank borrowings					100,000
Unallocated other payables					13,009
					359,526
Liabilities directly associated with assets of disposal group held for sale					361,573
					721,099
OTHER INFORMATION					
Additions to non-current assets	931	2,589	-		3,520
Allowance / (reversal of allowance) for bad and doubtful debts	297	(83)	-		214
Allowance for obsolete and slow moving inventories	729	-	-		729
Depreciation and amortisation	12,853	4,174	17		17,044
Impairment loss on property, plant and equipment	-	128	-		128
Impairment loss on prepayments, deposits and other receivables	-	95	-		95
Loss on disposal of property, plant and equipment	6	5	-		11
Obsolete stock written off	100	-	-		100
Unrecoverable prepayments, deposits and other receivables written off	-	-	2,000		2,000

SEGMENT INFORMATION (CON'T)

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2013					
TURNOVER					
External sales	273,876	118,715	10	-	392,601
Inter-segment sales	-	8,671	-	(8,671)	-
Total	273,876	127,386	10	(8,671)	392,601
RESULTS					
Segment profit / (loss)	13,838	9,108	(154)		22,792
Interest income					11,029
Impairment loss on investments in associates					(782)
Unallocated corporate expenses					(10,539)
Share of losses of associates					(12,515)
Share of profit of a joint venture					1,167
Finance costs					(5,260)
Profit before tax					5,892
Income tax expense					(7,821)
Loss for the year from continuing operations					(1,929)

SEGMENT INFORMATION (CON'T)

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013					
ASSETS					
Segment assets	481,914	157,792	-		639,706
Investments in associates					3,209
Amounts due from associates					1,103
Pledged bank deposits					9,325
Bank and cash balances					116,993
Unallocated other receivables					10,378
					780,714
Assets of disposal group held for sale					77,820
Assets relating to discontinued operations					829,089
					1,687,623
LIABILITIES					
Segment liabilities	122,538	56,178	250		178,966
Current tax liabilities					5,156
Bank borrowings					80,000
Unallocated other payables					3,315
					267,437
Liabilities directly associated with assets of disposal group held for sale					34,104
Liabilities relating to discontinued operations					300,986
					602,527
OTHER INFORMATION					
Additions to non-current assets	599	3,994	414		5,007
(Reversal of allowance) / allowance for bad and doubtful debts	(1,439)	(2,708)	1		(4,146)
Depreciation and amortisation	11,806	5,166	21		16,993
Loss on disposal of property, plant and equipment	16	-	23		39

SEGMENT INFORMATION (CON'T)

Geographical information:

	Revenue		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**449,249**	392,601	**244,240**	262,706
Others	**-**	-	**16**	32
	449,249	392,601	**244,256**	262,738

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 2014 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Turnover and loss of the Group for the year ended 31 December 2014 is segregated into those from continuing operations and discontinued operations and are shown as follows:

	2014	2013
Turnover	RMB’000	RMB’000
From continuing operations	449,249	392,601
From discontinued operations	397,579	444,211
Turnover for the Group	846,828	836,812
Loss for the year		
From continuing operations	14,232	1,929
From discontinued operations	487,807	159,801
Loss for the year for the Group	502,039	161,730

Continuing operations

The continuing operations consist of two business segments: the production and sale of fire engines and the production and sale of fire prevention and fighting equipment. Revenue growth for the year was mainly attributable to increase in the units of fire engines sold. However, due to the costs inflation, change in sales mix, and the increase in inspection and testing expenses in relation to the tightened vehicle emission standard from Euro 3 to Euro 4 in China at the end of the year, there was a drop in the gross profit margin for the fire engines segment. Since the production of the emergency lightings and fire alarms and fire systems control panels halt and the disposal of certain subsidiaries a few years ago, the Group’s portfolio of fire equipment has been confined to firefighting components equipped on fire engines such as fire monitors, water pumps, valves and other firefighting equipment and systems like sprinklers and the Intelligent Auto-aiming Fire Extinguishing System. Sales of these equipment have been kept stable in recent years and contributed to the Group a secured income stream.

As disclosed last year, to save the Group from sequential years of losses, it has commenced a restructuring plan with an aim to discard the unprofitable business units such that resources of the Group could be focus on the operations it considered most promising, i.e. the production and sale of fire engines and fire prevention and fighting equipment. Since the Group started its involvement in the production and sale of fire engines via the acquisition of the predecessor of Sichuan Morita in 2004, the development of the business segment has been progress steadily with sustainable revenue and profits. Notwithstanding this, to maintain its leading position in the industry in China and even stepping forward to compete in the global market, the Group has been looking for ways and opportunities to strengthen itself for further advancement. As disclosed in Note 13 to the consolidated financial statement, in February 2015, the Group entered into the Acquisition agreement to acquire from CIMC 40% equity interests in Ziegler, a wholly owned subsidiary of CIMC, by issuing new shares of the Company to settle the consideration. Upon completion of the Acquisition, CIMC will hold 30% equity interests and become the controlling shareholder of the Company.

Ziegler is a world renowned manufacturer of fire engines, special purpose vehicles, water pumps and other firefighting components. It is known for its high quality craftsmanship as well as technological leadership in customized fire engines and firefighting equipment. Through the Acquisition, the Group expects to build up a strategic relationship with Ziegler and CIMC and to achieve numerous potential synergies including:

i. advancement in development of new models of fire engines and firefighting equipment and improvement in production techniques with Ziegler's technical input;
ii. expansion of product portfolio and enhancement of product quality;
iii. achieve potential economies of scale through production resources sharing;
iv. obtain direct access to the international market particularly the European market by taking advantage of the distribution network of Ziegler; and
v. expansion of market coverage by tapping into CIMC's established relationship network.

Besides, on the basis that the Acquisition completed, CIMC has undertaken to arrange for the Group banking facilities of not less than RMB180 million for its working capital and provide financial support for the Group's future acquisition projects. It is anticipated that the Group will grow in a fast pace in the coming years by means of endogenous growth and acquisitions as well.

Discontinued operations

The discontinued operations comprises the turnover and results of:

i. the installation of fire prevention and fighting systems;
ii. the maintenance of fire prevention and fighting systems;
iii. the trading of fire engines and firefighting and rescue equipment;
iv. the operation of a guest house; and
v. a subsidiary engaged in the production and sale of fire prevention and fighting equipment.

The Group has ceased or will cease to operate the business units concerned and therefore, they have been classified as discontinued operations for reporting purpose in the current year as detailed in Note 7 to the consolidated financial statements.

Included in the loss from discontinued operations for the year is the impairment loss made on the carrying value of the assets of the subsidiaries engaged in the installation and maintenance of fire prevention and fighting systems which are to be disposed of. The impairment loss of approximately RMB501 million was made with reference to the consideration of the Disposal. The Group have made losses for consecutive years since 2009 largely because of the large amount of allowances for doubtful debts made on long outstanding accounts receivables resulting from the over-aggressive take-ups of installation projects in prior years. The Group is not optimistic about the prospect of the installation business because:

i. there are far too many service providers in the market especially when the current state of the real estate market in China, which is still suffering from the adverse effect of macro-economic control measures caused, is taken into consideration; and
ii. it is difficult to recover outstanding accounts receivables as many property developers are facing credit and funding issues.

Since the buyer of the Disposal subsidiaries has undertaken to (1) carry on all the installation and maintenance projects according to the contract terms the Group has agreed with the customers at its own costs; and (2) indemnify the Group for all losses, liabilities, compensations, penalties, fees and taxes arising from disputes or liabilities in respect of the installation and maintenance businesses, the Group considered that the Disposal is a kind of corporate recovery action to release it from the burden of the installation and maintenance businesses and to remove the risks of non-recovery of the receivables. Moreover, it enables the

Group to embark on a clear start of the business development. The completion of the Disposal is also for the fulfilment of a precondition of the Acquisition. The Group considered that the long term benefits and returns to be derived from the strategic alliance with Ziegler and CIMC justified to incur the one-time loss from the Disposal.

Financial resources, liquidity, contingent liabilities and pledge of assets

Taking into account those included in the assets of disposal group held for sale, the Group's bank and cash balances at 31 December 2014 were approximately RMB211 million (2013: RMB171 million), of which RMB9 million (2013: RMB9 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 RMB100 million (2013: RMB80 million).

As at 31 December 2014, the current assets and current liabilities of the Group were approximately RMB1,080 million (2013: RMB1,425 million) and RMB721 million (2013: RMB600 million) respectively. The current ratio was approximately 1.5 times (2013: 2.4 times). Gearing ratio (interest bearing debt / total equity) at end of the year was 16.6% (2013: 7.4%). Because of the significant amount of impairment losses made on the assets of the Disposal group with reference to the consideration of Disposal, loss for the year increased and carrying value of the current assets decreased leading to an increase in gearing ratio and drop in current ratio for the year.

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 2014.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2014.

Investments, disposals and capital commitments

Disposal

The Group sold all the equity interests it held in three subsidiaries during the year as detailed in Note 7 to the consolidated financial statements. They were engaged respectively in the trading of fire engines and firefighting and rescue equipment; operation of a guest house; and the production and sale of fire prevention and fighting equipment. The disposals were made pursuant to the Group's restructuring plan formulated last year such that unprofitable and non-core businesses would be chop-off and resources would be redirect to business units that have high development potential and promising prospective, such as the production and sale of fire engines. The total considerations for the disposals were RMB62 million and generated gain on disposal of RMB2.5 million for the year.

Capital commitments

As at 31 December 2014, the Group has capital commitment of approximately RMB18 million (2013: RMB19 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 2014.

Employees and remuneration policies

As at 31 December 2014, the Group had approximately 705 full-time employees (2013: 807). The decrease in number of staff was mainly due to the disposal of three subsidiaries during the year. Staff costs (with continuing and discontinued operations all inclusive), excluding directors' remuneration, for the year was RMB47.7 million (2013: RMB46.7 million). 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 2014, 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	Exercisable period	Exercise price (HK$)	Percentage of issued share capital of the Company	Number of shares issuable under the options: Granted and outstanding at 1 January 2014	Expired during the year	Granted and outstanding at 31 December 2014
Mr. Jiang Qing	25 May 2004	25 May 2004 – 24 May 2014	0.44	0.70%	20,000,000	20,000,000	-

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

No option to subscribe for ordinary shares of the Company was outstanding at 31 December 2014. 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 2014, 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	200,000,000	7.01%
Mr. Liu Xiao Lin (“Mr. Liu”)	Interest of a controlled corporation *(Note 2)*	200,000,000	7.01%

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 200,000,000 shares in which Genius Earn Ltd. has declared an interest for the purpose of SFO.

Pursuant to the Acquisition agreement dated 27 February 2015 (as disclosed in Note 13 to the consolidated financial statements), subject to the completion of the Acquisition, the Company will issue to the Vendor 1,223,571,430 new shares of the Company, representing 30% of the enlarged issued share capital of the Company.

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 2014.

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 2014, 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 2014, 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. Only two board meetings were held during the year.
2. There were no fixed terms of appointment for the non-executive directors.
3. 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 2014 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 two 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. The Board is in the opinion that these communications allow the Board members to have a thorough understanding of the Group to exercise effective leadership and supervision of the Group, though the number of Board meetings held was less than the four as stated in the code provision.

Attendance of each director is set out below:

Name of directors	No. of meetings attended
Executive directors	
Mr. Jiang Xiong (Chairman)	2/2
Mr. Jiang Qing (Chief Executive Officer)	2/2
Mr. Wang De Feng	2/2
Ms. Weng Xiu Xia	1/2
Mr. Hu Yong	1/2
Independent non-executive directors	
Dr. Loke Yu	2/2
Mr. Heng Ja Wei	2/2
Ms. Sun Guo Li	2/2

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.

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
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	1/2

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 2014 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, 20 March 2015

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).