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

**中國消防企業集團有限公司**

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

(Stock code: 445)

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012**

#### **HIGHLIGHTS**

- Turnover of the Group for the year ended 31 December 2012 decreased 10% to RMB1,004 million. Loss for the year decreased 42% to RMB22 million.
- Loss per share for the year was RMB0.75 cent (2011: RMB1.44 cents per share).
- The directors do not recommend the payment of any dividend for the year ended 31 December 2012.

## CHAIRMAN'S STATEMENT

This year, we see the Group's revenue dropped and loss recurred. Among the business segments of the Group, installation has been contributing the largest portion (almost 50%) to the Group's revenue. At the same time, it is highly vulnerable to the changes in the macro environment. Since customers of the installation segment are majority residential and commercial properties developers, any change in policies or in the macro economic environment that could have influential effect to the real estate market would also affect the whole installation industry. Facing such a changeable environment and competitive market, our management considered that occupying a large market share and leading the market is the key to survive the instabilities. Being an industry leader, we would enjoy the best return whenever the market condition turned favourable. By taking advantage of the Group's strong financial position, we adopted aggressive measures to secure the largest amount of contracts possible, including agreed to advance labour and material costs on behalf of the developers. As a result, not only the installation business generated the Group a good portion of revenue but the largest part of the accounts receivable balances. With the macro economic controls on the real estate market getting intensified, funding pressure on the property developers became more and more acute and we were also affected in the chain reaction. Having recognized the severity of the issue, we have been more skeptical in bidding projects, tightened further costs advancement and putting extra effort on collection. Although some long age receivables, including some aged over 4 years, were recovered during the year, the overall rate of recovery is still not satisfactory. To my disappointment, more allowance for bad and doubtful debts are required this year.

In the coming years, we will target on installation projects contracted by financially strong customers like state-owned enterprises. Therefore, focus will be switched from residential and commercial properties to the industrial sector. We will give up the old radical market enlargement strategies but take financial safety as our first priority. We aim to strengthen ourselves to maintain as the top fire engines and equipment manufacturer in the country. For this, more resources will be channeled to the development of new models of fire engines and fire equipment, and to strengthen our sales and distribution network. After years of development, our fire engines manufacturing business has built up a strong reputation and solid customer base. Sales have been growing steadily since the segment was established. We have also transformed ourselves from a single-product-enterprise (simple, low-end emergency lightings) into an enterprise offering a wide range of products: from a tiny sprinkler to an advanced, sophisticated intelligent auto-aiming fire extinguishing systems. Our "Chuan Xiao" brand has been publicized as the "Well-known Trademark" by The State Administration for Industry and Commerce, indicating the wide recognition of our products in China.

During the year, there is a substantial change in the Company's shareholdings. United Technologies Corporation (UTC), the Company's then second largest shareholder, has sold all the equity interests it held in the Company. I would like to thank UTC and its staff for their support in the past few years, though I feel sorry that our cooperation ended without much achievement. Our new partner is an experienced investor who operates numerous groups in diversified industries and is familiar with the business systems in China. Leveraging on his experience and expertise, in addition to enhancing our core businesses, we will consider diversifying into other high-potential industries such as medical supplies and others related to people's livelihood. With the rising living standard and extended average life expectancy of people in China, the demand for advanced medical supplies or services is enormous and promising. However, medical supply is in shortage relative to the huge demand and such imbalance brings abundant opportunities. Looking ahead,

we will carry out detail studies to investigate into the investment possibilities, especially those which can match and cater for government policies.

In all circumstances, the Board and the management will dedicate ourselves to work in the best interests of the shareholders. For this, I will continue to count on the support and dedication of my fellow directors and our staff.

**Jiang Xiong**  
*Chairman*  
25 March 2013

The board of directors (the “**Board**”) of the Company hereby announces the audited consolidated statement of 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 2012, together with the comparative figures for the corresponding period in 2011, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2012	2011
		RMB'000	RMB'000
<b>Turnover</b>	2	<b>1,003,523</b>	1,119,368
Cost of sales and services		<u>(894,723)</u>	<u>(1,016,417)</u>
<b>Gross profit</b>		<b>108,800</b>	102,951
Other income	3	<b>10,661</b>	9,154
Selling and distribution costs		<b>(31,366)</b>	(33,562)
Administrative expenses		<b>(86,009)</b>	(79,974)
Share of (losses) / profits of associates		<b>(1,707)</b>	726
Other expenses	4	<b>(4,228)</b>	(21,184)
Finance costs		<u><b>(7,509)</b></u>	<u>(7,042)</u>
<b>Loss before tax</b>		<b>(11,358)</b>	(28,931)
Income tax expense	5	<u><b>(10,778)</b></u>	<u>(9,557)</u>
<b>Loss for the year</b>	6	<u><b>(22,136)</b></u>	<u>(38,488)</u>
<b>Other comprehensive income after tax:</b>			
Exchange differences on translating foreign operations		<b>(33)</b>	(168)
Exchange differences reclassified to profit or loss on disposal of a subsidiary		<u><b>(24)</b></u>	<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>		<u><b>(57)</b></u>	<u>(168)</u>
<b>Total comprehensive income for the year</b>		<u><b>(22,193)</b></u>	<u>(38,656)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(21,414)</b>	(41,245)
Non-controlling interests		<u><b>(722)</b></u>	<u>2,757</u>
		<u><b>(22,136)</b></u>	<u>(38,488)</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(21,556)</b>	(41,647)
Non-controlling interests		<u><b>(637)</b></u>	<u>2,991</u>
		<u><b>(22,193)</b></u>	<u>(38,656)</u>
<b>Loss per share (RMB cents)</b>			
Basic	7	<u><b>(0.75)</b></u>	<u>(1.44)</u>
Diluted	7	<u><b>(0.75)</b></u>	<u>(1.44)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2012	At 31 December 2011
	<i>Note</i>	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		275,637	288,170
Prepaid land lease payments		33,193	34,458
Investment properties		38,700	36,410
Goodwill		16,248	19,640
Other intangible assets		459	712
Investments in associates		16,506	22,441
		<u>380,743</u>	<u>401,831</u>
<b>Current assets</b>			
Inventories		96,629	108,904
Trade and bills receivables	9	541,430	462,314
Amounts due from contract customers		488,600	548,137
Retention receivables		15,811	9,643
Prepayments, deposits and other receivables		81,051	72,024
Amount due from a jointly controlled entity		-	4,527
Amounts due from associates		1,629	2,121
Prepaid land lease payments		739	752
Pledged bank deposits		7,865	7,373
Bank and cash balances		200,463	149,568
		<u>1,434,217</u>	<u>1,365,363</u>
<b>Current liabilities</b>			
Trade and other payables	10	449,188	375,017
Amounts due to contract customers		10,628	5,671
Amount due to a jointly controlled entity		184	-
Amounts due to non-controlling shareholders		5,964	4,603
Bank borrowings		95,946	99,985
Finance lease payables		-	36
Current tax liabilities		3,951	7,971
		<u>565,861</u>	<u>493,283</u>
<b>Net current assets</b>		<u>868,356</u>	<u>872,080</u>
<b>Total assets less current liabilities</b>		<u>1,249,099</u>	<u>1,273,911</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)**

	<i>Note</i>	<b>At 31 December 2012 RMB'000</b>	At 31 December 2011 RMB'000
<b>Non-current liabilities</b>			
Deferred tax liabilities	5	<b>2,381</b>	1,455
<b>NET ASSETS</b>		<b>1,246,718</b>	1,272,456
<b>Capital and reserves</b>			
Share capital		<b>30,168</b>	30,168
Reserves		<b>1,180,286</b>	1,201,842
Equity attributable to owners of the Company		<b>1,210,454</b>	1,232,010
Non-controlling interests		<b>36,264</b>	40,446
<b>TOTAL EQUITY</b>		<b>1,246,718</b>	1,272,456

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Attributable to owners of the Company</b>											
	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 2011	30,168	646,363	(6,692)	57,840	38,053	24,296	82,427	(868)	402,070	1,273,657	26,649	1,300,306
Total comprehensive income for the year	-	-	-	-	-	-	-	(402)	(41,245)	(41,647)	2,991	(38,656)
Capital contribution	-	-	-	-	-	-	-	-	-	-	1,200	1,200
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	9,606	9,606
Transfer	-	-	-	-	-	1,145	-	-	(1,145)	-	-	-
Changes in equity for the year	-	-	-	-	-	1,145	-	(402)	(42,390)	(41,647)	13,797	(27,850)
At 31 December 2011 and 1 January 2012	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
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	(142)	(21,414)	(21,556)	(637)	(22,193)
<b>Disposal of a subsidiary</b>	-	-	-	-	-	-	-	-	-	-	(3,545)	(3,545)
<b>Transfer</b>	-	-	-	-	-	621	-	-	(621)	-	-	-
<b>Changes in equity for the year</b>	-	-	-	-	-	621	-	(142)	(22,035)	(21,556)	(4,182)	(25,738)
<b>At 31 December 2012</b>	<b>30,168</b>	<b>646,363</b>	<b>(6,692)</b>	<b>57,840</b>	<b>38,053</b>	<b>26,062</b>	<b>82,427</b>	<b>(1,412)</b>	<b>337,645</b>	<b>1,210,454</b>	<b>36,264</b>	<b>1,246,718</b>

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 2012. 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 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:

	2012 RMB’000	2011 RMB’000
Revenue from installation contracts	471,902	547,338
Sales of goods	513,931	554,746
Provision of maintenance services	12,484	17,195
Operation of a guest house	5,187	-
Provision of online advertising services	19	89
	<u>1,003,523</u>	<u>1,119,368</u>

## 3 Other income

	2012 RMB’000	2011 RMB’000
Interest income	2,543	1,588
Rental income	2,963	2,762
Gain on disposal of a subsidiary	1,221	-
Sundry income	3,934	4,804
	<u>10,661</u>	<u>9,154</u>

#### 4 Other expenses

	2012 RMB'000	2011 RMB'000
Impairment loss on goodwill	-	12,127
Impairment loss on investments in associates	<u>4,228</u>	<u>9,057</u>
	<u><b>4,228</b></u>	<u><b>21,184</b></u>

#### 5 Income tax expense

	2012 RMB'000	2011 RMB'000
Current tax		
People's Republic of China (the "PRC") Enterprise Income Tax		
Current year	9,801	14,699
Under / (over)-provision in prior years	<u>51</u>	<u>(4,399)</u>
	<u><b>9,852</b></u>	<u><b>10,300</b></u>
Deferred tax		
Current year	868	(1,650)
Under-provision in prior years	<u>58</u>	<u>907</u>
	<u><b>926</b></u>	<u><b>(743)</b></u>
	<u><b>10,778</b></u>	<u><b>9,557</b></u>

No provision for Hong Kong Profits Tax has been made in the current year as the relevant group entities have either incurred a loss for both years 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

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

	Profit recognition of installation contracts RMB'000 (note)
At 1 January 2011	2,198
Credit to the profit or loss for the year	<u>(743)</u>
At 31 December 2011 and 1 January 2012	1,455
<b>Charge to the profit or loss for the year</b>	<u><b>926</b></u>
<b>At 31 December 2012</b>	<u><u><b>2,381</b></u></u>

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 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:

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Allowance for bad and doubtful debts	<b>21,087</b>	6,216
Allowance for obsolete and slow-moving inventories	<b>395</b>	195
Amortisation of prepaid land lease payments	<b>752</b>	752
Amortisation of other intangible assets	<b>253</b>	253
Cost of inventories sold	<b>423,828</b>	455,107
Depreciation of property, plant and equipment	<b>19,947</b>	19,000
Fair value loss on investment properties	<b>1,712</b>	-
(Gain) / loss on disposal of subsidiaries	<b>(1,221)</b>	4,985
Obsolete stock written off	<b>80</b>	-

## 7 Loss per share

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

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Loss for the year attributable to owners of the Company	<b>21,414</b>	41,245
	<b>'000</b>	'000
Weighted average number of ordinary shares	<b>2,855,000</b>	2,855,000

There were no dilutive potential ordinary shares in relation to the share options as the average market prices of the shares for the years ended 31 December 2012 and 2011 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 2012 (2011: Nil).

## 9 Trade and bills receivables

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Trade and bills receivables	<b>715,078</b>	626,163
Less: Allowance for bad and doubtful debts	<b>(173,648)</b>	(163,849)
	<b>541,430</b>	462,314

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:

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
0 - 90 days	<b>150,504</b>	253,640
91 - 180 days	<b>142,510</b>	135,098
181 - 360 days	<b>134,368</b>	34,862
Over 360 days	<b>114,048</b>	38,714
	<b>541,430</b>	462,314

## 10 Trade and other payables

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Trade payables	<b>104,842</b>	99,770
Accrued charges	<b>245,819</b>	198,728
Receipts in advance	<b>50,767</b>	27,346
Value added tax, sales tax and other levies	<b>35,475</b>	36,231
Other payables	<b>12,285</b>	12,942
	<b>449,188</b>	375,017

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

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
0 - 30 days	<b>44,899</b>	37,059
31 - 60 days	<b>14,908</b>	21,938
61 - 90 days	<b>12,800</b>	11,467
Over 90 days	<b>32,235</b>	29,306
	<b>104,842</b>	99,770

## SEGMENT INFORMATION

The Group has six 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;
- trading of fire engines, fire prevention and fighting and rescue equipment;
- provision of maintenance services; and
- operation of a guest house.

Provision of network monitoring services, previously a strategic business unit, does not qualify to be a reportable segment when the Group sold the controlling interests in the subsidiaries engaged in the provision of the services in 2011. The then subsidiaries became associates of the Group from the date of disposal.

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, which does 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 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 / profits of associates and finance costs. 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 amounts due to non-controlling shareholders, current and deferred tax liabilities, bank borrowings, finance lease payables and unallocated other payables.

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 RMB'000	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Provision of maintenance services RMB'000	Operation of a guest house RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2012									
<b>TURNOVER</b>									
External sales	471,902	343,836	170,091	4	12,484	5,187	19	-	1,003,523
Inter-segment sales	-	10	5,097	4	-	-	163	(5,274)	-
<b>Total</b>	<b>471,902</b>	<b>343,846</b>	<b>175,188</b>	<b>8</b>	<b>12,484</b>	<b>5,187</b>	<b>182</b>	<b>(5,274)</b>	<b>1,003,523</b>
<b>RESULTS</b>									
Segment (loss) / profit	(15,476)	20,821	5,216	(3,842)	10,591	(7,912)	(418)		8,980
Interest income									2,543
Impairment loss on investments in associates									(4,228)
Unallocated corporate expenses									(9,437)
Share of losses of associates									(1,707)
Finance costs									(7,509)
Loss before tax									(11,358)
Income tax expense									(10,778)
<b>Loss for the year</b>									<b>(22,136)</b>

**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	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Provision of maintenance services RMB'000	Operation of a guest house RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
At 31 December 2012									
<b>ASSETS</b>									
Segment assets	855,652	439,690	217,216	1,618	1,766	30,560	182		1,546,684
Investments in associates									16,506
Amounts due from associates									1,629
Pledged bank deposits									7,865
Bank and cash balances									200,463
Unallocated other receivables									41,813
									<u>1,814,960</u>
<b>LIABILITIES</b>									
Segment liabilities	229,833	120,179	81,187	7,200	1,907	16,022	268		456,596
Amounts due to non-controlling shareholders									5,964
Current tax liabilities									3,951
Bank borrowings									95,946
Deferred tax liabilities									2,381
Unallocated other payables									3,404
									<u>568,242</u>

**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	Trading of fire engines, fire prevention and rescue equipment RMB'000	Provision of maintenance services RMB'000	Operation of a guest house RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
<b>OTHER INFORMATION</b>									
Capital expenditure	723	1,799	1,247	37	-	10,166	54		14,026
Depreciation and amortisation	226	12,372	6,325	5	5	1,906	113		20,952
Loss on disposal of property, plant and equipment	503	1,087	5	-	-	-	-		1,595
(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	1,432	(9,721)	-	-		21,087

## 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	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Provision of maintenance services RMB'000	Operation of a guest house RMB'000	Provision of network monitoring system services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2011										
TURNOVER										
External sales	547,338	320,090	176,606	58,050	14,607	-	2,588	89	-	1,119,368
Inter-segment sales	-	34	9,996	6,876	-	-	-	-	(16,906)	-
Total	547,338	320,124	186,602	64,926	14,607	-	2,588	89	(16,906)	1,119,368
RESULTS										
Segment (loss) / profit	(8,389)	10,497	10,699	(10,296)	(33)	(1,994)	(5,604)	(377)		(5,497)
Interest income										1,588
Impairment loss on investment in an associate										(9,057)
Unallocated corporate expenses										(9,649)
Share of profits of associates										726
Finance costs										(7,042)
Loss before tax										(28,931)
Income tax expense										(9,557)
Loss for the year										(38,488)

## 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	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Provision of maintenance services RMB'000	Operation of a guest house RMB'000	Provision of network monitoring system services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
At 31 December 2011										
<b>ASSETS</b>										
Segment assets	808,727	451,064	255,045	7,192	2,955	21,134	-	414		1,546,531
Investments in associates										22,441
Amounts due from associates										2,121
Pledged bank deposits										7,373
Bank and cash balances										149,568
Unallocated other receivables										39,160
										<u>1,767,194</u>
<b>LIABILITIES</b>										
Segment liabilities	179,930	91,043	87,427	7,264	1,601	10,228	-	214		377,707
Amounts due to non-controlling shareholders										4,603
Current tax liabilities										7,971
Bank borrowings										99,985
Deferred tax liabilities										1,455
Finance lease payables										36
Unallocated other payables										2,981
										<u>494,738</u>

## 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	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Provision of maintenance services RMB'000	Operation of a guest house RMB'000	Provision of network monitoring system services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
OTHER INFORMATION										
Capital expenditure	1,881	1,478	1,779	-	-	20,978	4	19		26,139
Depreciation and amortisation	373	12,355	6,596	35	44	-	494	108		20,005
Loss on disposal of property, plant and equipment	9	1	4	-	-	-	139	-		153
Loss on disposal of subsidiaries	-	-	-	-	-	-	4,985	-		4,985
Impairment loss on goodwill	-	-	-	12,127	-	-	-	-		12,127
(Reversal of allowance) / allowance for obsolete and slow-moving inventories	-	(719)	914	-	-	-	-	-		195
Allowance / (reversal of allowance) for bad and doubtful debts	1,798	2,589	(826)	1,641	1,014	-	-	-		6,216

## SEGMENT INFORMATION (CON'T)

### Geographical information:

	Revenue		Non-current assets	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	<b>1,002,636</b>	1,118,200	<b>380,662</b>	401,825
Others	<b>887</b>	1,168	<b>81</b>	6
	<b><u>1,003,523</u></b>	<u>1,119,368</u>	<b><u>380,743</u></b>	<u>401,831</u>

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 2012 and 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business review**

For the year ended 31 December 2012, turnover of the Group decreased 10% to RMB1,004 million. Loss for the year decreased 42% to RMB22 million. An impairment loss on investments in associates amounted to RMB4 million was made during the year.

#### *Installation of fire prevention and fighting systems*

Revenue from installation of fire prevention and fighting systems for the year decreased 14% to RMB472 million. Operating loss was RMB15 million (2011: RMB8 million).

Contracts of a total sum of RMB365 million were secured during the year, an amount significantly less than that made last year. Among the RMB649 million installation contracts signed up last year, a few sizable contracts from two customers, China Wanda Group and Foxconn Group, have already made up 34% of the total sum for 2011. In the absence of such large projects and the reduction in contracts obtained as a result of the Group tightened the practice of advancing costs on behalf of developers, revenue for the year dropped substantially.

In addition to the drop in revenue, additional allowance for bad and doubtful debts made because of the aging trade receivables has led to the increase in operating loss for the year.

#### *Production and sale of fire engines*

Revenue from production and sales of fire engines for the year increased 7% to RMB344 million. Operating results profit was RMB21 million (2011: RMB: 10.5 million).

Other than the increase in revenue, cost saved because of the cost control measures instituted was the main reason for the significant profit increase. Wastage was reduced as a by-product of certain product reengineering for enhancing production capability and products performance. Such costs saved plus the reversal of some allowance for obsolete stocks made in the past have inflated the operating profit for the year.

Revenue of the Group's fire engines manufacturing business has been increased steadily over the past few years. Recurring orders from old customers constitutes a large part of the sales every year, indicating the Group's high reputation among customers. To keep its competitive edge, besides maintaining high quality, the Group endeavors to enrich its product category. Abundant resources are put to make available products with different functions, appearances, and specifications for selection such that the distinctive needs of customers are fulfilled and a solid customer base is built.

#### *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 4% to RMB170 million. Operating profits was RMB5 million (2011: RMB11 million). Included in the segment's expenses, there was a fair value loss on investment properties amounted to RMB2 million (2011: Nil).

The Group sold all the equity interests it held in a subsidiary engaged in the manufacturing and sale of

central power control systems for emergency lightings. The disposal was the main reason for the drop in the segment's revenue for the year in spite of the growth in sale of the Group's fire equipment. The Group considered that the competition would soon lower the profit margin of the main products of the disposed subsidiary due to the low market entry barrier. Therefore, it was considered a good time to realize the profits earned by selling the investment. More resources will then be channeled to develop other high-end products and to strengthen the Group's sales network to compensate for the sales lost.

#### *Provision of maintenance services*

Revenue from the provision of fire prevention and fighting system maintenance services for the year decreased 15% to RMB12 million. Operating profit was RMB11 million (2011: loss of RMB33,000).

Revenue dropped because the two year contract with Foxconn International Holdings Ltd for its several plants in Shenzhen expired in October 2012. Renewal agreement is still under negotiation. With the recovery of certain long outstanding trade receivables, a reversal of allowance for bad and doubtful debts amounted to RMB9.7 million was recorded and made up the majority part of the segment's operation profit for the year.

#### *Trading of fire engines, fire prevention and fighting and rescue equipment*

The business segment secured no order for the year and because of problems in a supplier's production schedule, the three trucks that originally scheduled to be shipped in 2012 was postponed, as a result, the trading section generated no revenue for the year. As remarked in the result announcement last year, the issues that a major supplier being put under receivership and the change in procurement strategies of a major customer have exposed the Group's trading business to significant uncertainties. Since the Group does not expect improvement in the foreseeable future, the trading business will be restructured in 2013 so that resources could be more efficiently used.

#### *Operation of a guest house*

The guest house generated the Group revenue of RMB5 million for the year since trial run commenced in May 2012. Occupancy is affected by both the low publicity at the initial running stage and the nuisances brought by the entrance constructions of the underground railway nearby. Besides, higher expenditure on consumables and miscellaneous items at the early operating period was recorded. A loss of RMB8 million was thus resulted. With the prime location of the guest house, the Group expects that it will turnaround when the railway construction works completed.

### **Financial resources, liquidity, contingent liabilities and pledge of assets**

As at 31 December 2012, the Group had bank and cash balances amounting to approximately RMB208 million (2011: RMB157 million) of which RMB8 million (2011: RMB7 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. Outstanding balances of bank borrowings as at the year end date were RMB96 million (2011: RMB100 million) representing short term bank loans borrowed by two of the Company's subsidiaries in Sichuan and a jointly controlled entity in Shanghai.

As at 31 December 2012, current assets and current liabilities of the Group were approximately RMB1,434 million (2011: RMB1,365 million) and RMB566 million (2011: RMB493 million) respectively. The current ratio was approximately 2.5 times (2011: 2.8 times). Gearing ratio (interest bearing debt / total equity) at end

of the year was 7.7% (2011: 7.9%).

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 dollar. 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 dollar. There was no forward foreign currency exchange contract outstanding at 31 December 2012.

The Group guaranteed the repayment of a banking facility amounted to RMB20,000,000 granted by a bank to a jointly controlled entity in Shanghai. The outstanding loan balance drawn under the facility at 31 December 2012 was RMB11,659,000, 49% of which (i.e. RMB5,713,000) to be born by the other venturer of the jointly controlled entity according to its shareholding became contingent liabilities to Group when considering the guarantee issued by the Group. The directors do not consider it probable that a claim will be made against the Group under the guarantee.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2012.

## **Investments, disposals and capital commitments**

### *Disposal*

The Group sold all the equity interests it held in Beijing City Chongzheng Huasheng Emergency Appliances System Co., Ltd. ("Chongzheng Huasheng") at a consideration of RMB9 million during the year and brought the Group a gain of RMB1.2 million. Chongzheng Huasheng was engaged in the manufacturing and sale of central power control systems for emergency lightings. The Group foresees the profit margin of the products of Chongzheng Huasheng will soon be lowered by new market entrances because of the low entry barrier. The disposal allowed the Group to realize the profits earned before market condition deteriorates.

### *Capital commitments*

As at 31 December 2012, the Group has capital commitment of approximately RMB23 million (2011: RMB27 million) which was mainly related to the investment amount committed to the local government of the county where the Sichuan factory is located.

Save as disclosed herein, the Group has no other material capital commitments, investments, acquisitions or disposals as at 31 December 2012.

## **Employees and remuneration policies**

As at 31 December 2012, the Group had approximately 1,021 full-time employees (2011: 975). Staff costs, excluding directors' remuneration for the year was RMB53million (2011: RMB49 million). The increase in number of staff was the combined effect of staff employed for the guest house which opened during the year, and the disposal of Chongzheng Huasheng. Staff costs increased corresponded to the change in number of staff and the general pay rise. 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 2012, 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 (Note 1)	981,600,000	63.28% (Note 3)
	Deemed interest (Note 2 & 4)	825,000,000	
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

### *Note:*

1. Mr. Jiang Xiong ( "Mr. Jiang" ) is beneficially interested in 981,600,000 shares. By virtue of the option agreement (the "Option Agreement") entered into between Mr. Jiang and United Technologies Far East Limited ("UTFE"), a subsidiary of United Technologies Corporation ("UTC"), Mr. Jiang and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, Mr. Jiang is deemed to have a long position in the 825,000,000 shares of the Company owned by UTFE.
2. Mr. Jiang has a short position in the shares to be sold under the Option Agreement. On the other hand, UTFE has a long position in the option shares under the Option Agreement and therefore Mr. Jiang is deemed to have a long position in the option shares in his capacity as a party to the Option Agreement to which Section 317(1)(a) of the SFO applies.
3. The percentage figure as stated is calculated without taking into account the deemed long position in the shares to be sold under the Option Agreement.
4. UTFE entered into a Sales and Purchase agreement to sell all the 825,000,000 shares of the Company it held (the "Share Disposal") on 21 December 2012. Upon completion of the Share Disposal in January 2013, the options granted by Mr. Jiang to UTFE lapsed. The deemed long position, by virtue of the Option Agreement, that Mr. Jiang had in the 825,000,000 shares of the Company held by UTFE ceased to exist correspondingly.

### Short positions in ordinary shares of the Company

Pursuant to the Option Agreement, Mr. Jiang grants an option (the "Option") to UTFE, which, when exercised, will require Mr. Jiang to sell to UTFE the lower of :

- a. such number of shares of the Company as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares of the Company held by UTFE at the

relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the Option under the Option Agreement; and

- b. all the shares of the Company held by Mr. Jiang at the time when UTFE exercises the Option.

Mr. Jiang has a short position in the shares to be sold (as held by UTFE) under the Option Agreement. The short position ceased, however, upon the lapse of the options granted by Mr. Jiang to UTFE at the time when the Share Disposal completed in January 2013.

Details of the Option Agreement are set out in the Company's announcement and circular dated 2 February 2005 and 10 March 2005 respectively.

#### Options to subscribe for ordinary shares in the Company

<b>Grantee</b>	<b>Date of grant</b>	<b>Number of shares issuable under the options granted</b>	<b>Exercisable period</b>	<b>Exercise price (HK\$)</b>	<b>Number of shares issuable under the options outstanding as at 1 January and 31 December 2012</b>	<b>Percentage of issued share capital of the Company</b>
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 2012, 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

<b>Name of shareholder</b>	<b>Capacity and types of interests</b>	<b>Number of issued shares of HK\$ 0.01 each of the Company held</b>	<b>Percentage of issued capital of the Company</b>
UTFE	Beneficial owner	825,000,000	63.28%
	Deemed interest (Note 1)	981,600,000	(Note 2)
Otis Elevator Company	Interest of a controlled corporation (Note 3)	1,806,600,000	63.28%
Carrier Corporation	Interest of a controlled corporation (Note 4)	1,806,600,000	63.28%

UTC	Interest of a controlled corporation (Note 5)	1,806,600,000	63.28%
EH Investment Management Limited	Deemed Interest (Note 6)	825,000,000	28.9%
Mr. Ngan Lek (Mr. Ngan)	Interest of a controlled corporation (Note 6)	825,000,000	28.9%

*Note:*

1. By virtue of the Option Agreement, Mr. Jiang and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, UTFE is deemed to have a long position in the 981,600,000 shares held by Mr. Jiang.
2. UTFE has a long position in the shares to be sold under the Option Agreement. Pursuant to the Option Agreement, Mr. Jiang grants the option to UTFE which when exercised, will require Mr. Jiang to sell to UTFE the lower of: (a) such number of shares of the Company as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares held by UTFE at the relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the option under the Option Agreement; and (b) all shares of the Company held by Mr. Jiang at the time when UTFE exercises the Option. The percentage figure as stated is calculated without taking into account the long position in the shares to be sold under the Option Agreement.
3. Otis Elevator Company is beneficially interested in 50.9% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.
4. Carrier Corporation is beneficially interested in 49.1% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.
5. UTC is beneficially interested in the entire share capital of Otis Elevator Company and Carrier Corporation and is deemed or taken to be interested in the 1,806,600,000 shares in which Otis Elevator Company and Carrier Corporation have declared an interest for the purpose of the SFO.
6. UTFE entered into a Sales and Purchase Agreement (the “**S&P Agreement**”) with EH Investment Management Limited (“**EH Investment**”) on 21 December 2012 to sell all the 825,000,000 shares of the Company it held. Both EH Investment and Mr. Ngan, the owner who beneficially holds 100% of the issued share capital of EH Investment, therefore, have a long position in the shares to be sold under the S&P Agreement. Both EH Investment and Mr. Ngan are independent parties who have no relationship with any directors, senior management, substantial shareholders or controlling shareholder of the Company or their respective associates and is not connected person of the Company.

Short positions in ordinary shares of the Company

UTFE has a long position in the option shares under the Option Agreement. On the other hand, Mr. Jiang has a short position, and therefore UTFE is deemed to have a short position in the shares to be sold (as held by Mr. Jiang) under the Option Agreement pursuant to section 317 of the SFO.

UTFE has a short position in the shares of the Company to be sold to EH Investment pursuant to the S&P Agreement.

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 2012.

## **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 2012, 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 2012, 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 2012 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 six 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. 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:

<u>Name of directors</u>	<u>No. of meetings attended</u>
<i>Executive directors</i>	
Mr. Jiang Xiong (Chairman)	2/2
Mr. Jiang Qing (Chief Executive Officer)	2/2
Ms. Zhang Hai Yan	2/2
Mr. Wang De Feng	2/2
Ms. Weng Xiu Xia	2/2
Mr. Hu Yong	1/2
<i>Independent non-executive directors</i>	
Dr. Loke Yu	2/2
Mr. Heng Ja Wei	2/2
Ms. Sun Guo Li	2/2
<i>Non-executive directors</i>	
Mr. Jean-Charles Thoumire	2/2*
Mr. Oon Wee Chin	1/2*

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.

\* Mr. Jean-Charles Thoumire and Mr. Oon Wee Chin resigned with effect from 21 December 2012. They were appointed to sit on the Board as representatives of UTFE and thus resign upon UTFE's disposal of the shares the Company.

#### *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:

<i>Executive directors</i>	
Mr. Jiang Xiong (Chairman)	Study relevant materials
Mr. Jiang Qing (Chief Executive Officer)	Study relevant materials
Ms. Zhang Hai Yan	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:

<u>Name of members</u>	<u>No. of meetings attended</u>
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 June 2012 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 from 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 Rule 13.51(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 2013

As at the date of this announcement, the Company's executive directors are Mr. Jiang Xiong, Mr. Jiang Qing, Ms. Zhang Hai Yan, 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](http://www.hkexnews.hk) as well as the website of the Company ([www.chinafire.com.cn](http://www.chinafire.com.cn)).*