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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 2015

HIGHLIGHTS

- Revenue of the Group from continuing operations for the year ended 31 December 2015 increased 25.8% to RMB565 million whereas revenue from discontinued operations decreased 75.5% to RMB97 million. The subsidiaries classified as discontinued operations were disposed of in April 2015.
- Profit for the year from continuing operations was RMB43 million (2014: loss of RMB14 million).
- Earnings per share for the year was RMB0.54 cent (2014: loss per share RMB17.65 cents) which was made up of earnings per share from continuing operations of RMB0.91 cent (2014: loss per share RMB0.56 cent) and loss per share from discontinued operations of RMB0.37 cent (2014: RMB17.09 cents).
- Interim dividend of HK3 cents per share, giving a total of HKD85,650,000 (approximately RMB69,496,000), was paid on 31 July 2015. The directors do not recommend the payment of final dividend for the year ended 31 December 2015 (2014: nil).

CHAIRMAN'S STATEMENT

2015 was a remarkable year for CFE. First of all, the restructuring plan started a few years ago has been accomplished, and all the unprofitable business units that had been burdening the Group have been discarded. More importantly, since China International Marine Containers (Group) Co., Ltd. ("CIMC Group") has become a controlling (and the single largest) shareholder of CFE in July 2015, CFE gained new power for further development.

This year, the business strategy of focusing on the fire engines business that the Group set in 2013 has taken effect, including the share of profit of Albert Ziegler GmbH ("Ziegler"), an associate, amounted to RMB15 million, we have made a profit of RMB43 million from continuing operations for the year. CFE has solid customer base and quality products. It is one of the few manufacturers in China that produce over 500 fire engines a year. The Chinese fire engines industry is a dispersed one, different regions have their own dominating suppliers. Domestic market supply has yet to catch up with the rising demand especially for those fire engines that carry special functions such as aerial platform trucks, ladder trucks, airport trucks and bi-directional driving trucks for tunnels etc., a large portion of them are supported by overseas imports with few domestic sources. As far as I see, in this critical time of development, with the support of a financially strong and globalized enterprise like CIMC Group, CFE is ready to create a new wave of growth.

CIMC Group and its subsidiaries are engaged in diversified businesses, providing a wide range of distinguished equipment and services spanning across different fields like logistics, energy and real estate etc. and many of their products and services are top of the world. In spite of this, CIMC Group has been looking for opportunities to keep on the growth momentum. Looking into the Chinese fire safety industry, because of the rising public concern about security and protection, and the urbanization and other developments as a result of the economic and social advancement including the establishment of 20 Metropolitan Coordinating Regions, demand for fire safety equipment is surging. As such, CIMC Group has seen the fire safety equipment industry, in particular the development and manufacturing of high-end fire engines, as the next target for long term investment. In the foreseeable future, we are going to enhance our value by consolidating all resources available to improve our products and services, as well as to optimize the synergistic effect of the cooperation between our fire engines manufacturing subsidiary in Sichuan and Ziegler. We will grasp all possible opportunities to strengthen ourselves and promote a healthy development of the industry.

The merging of two companies that have different culture and histories has never been an easy task. We met many difficulties in the past few months. Fortunately, all issues in respect of the Group's future development have been solved and consensus reached among major shareholders. I am looking forward to work close with my fellow directors, our dedicated management and staff at all level to lead CFE forward.

Li Yin Hui
Chairman
28 March 2016

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 2015, together with the comparative figures for the corresponding period in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | |
|---|-------------|-------------------------------|------------------|
| | <i>Note</i> | 2015 | 2014 |
| | | RMB'000 | RMB'000 |
| Continuing operations | | | |
| Revenue | 2 | 565,178 | 449,249 |
| Cost of sales | | <u>(453,369)</u> | <u>(374,390)</u> |
| Gross profit | | 111,809 | 74,859 |
| Other income | 3 | 6,889 | 4,578 |
| Selling and distribution costs | | (18,469) | (19,444) |
| Administrative expenses | | (59,663) | (62,454) |
| Share of profit/ (losses) of associates | | 15,137 | (208) |
| Other expenses | 4 | - | (223) |
| Finance costs | | <u>(4,538)</u> | <u>(5,865)</u> |
| Profit/ (loss) before tax | | 51,165 | (8,757) |
| Income tax expense | 5 | <u>(8,136)</u> | <u>(5,475)</u> |
| Profit/ (loss) for the year from continuing operations | 6 | <u>43,029</u> | <u>(14,232)</u> |
| Discontinued operations | | | |
| Loss for the year from discontinued operations | 7 | <u>(12,585)</u> | <u>(487,807)</u> |
| Profit/ (loss) for the year | | <u>30,444</u> | <u>(502,039)</u> |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences reclassified to profit or loss on disposal of subsidiaries | | (493) | (4,473) |
| Exchange differences on translating foreign operations | | <u>5,013</u> | <u>(325)</u> |
| Other comprehensive income for the year, net of tax | | <u>4,520</u> | <u>(4,798)</u> |
| Total comprehensive income for the year | | <u>34,964</u> | <u>(506,837)</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

| | | Year ended 31 December | |
|---|-------------|-------------------------------|------------------|
| | <i>Note</i> | 2015 | 2014 |
| | | RMB'000 | RMB'000 |
| Profit/(loss) for the year attributable to: | | | |
| Owners of the Company | | 18,611 | (503,854) |
| Non-controlling interests | | 11,833 | 1,815 |
| | | <u>30,444</u> | <u>(502,039)</u> |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 23,131 | (508,341) |
| Non-controlling interests | | 11,833 | 1,504 |
| | | <u>34,964</u> | <u>(506,837)</u> |
| Earnings/ (loss) per share (RMB cents) | | | |
| From continuing and discontinued operations | 8 | | |
| Basic | | <u>0.54</u> | <u>(17.65)</u> |
| Diluted | | <u>0.54</u> | <u>(17.65)</u> |
| From continuing operations | | | |
| Basic | | <u>0.91</u> | <u>(0.56)</u> |
| Diluted | | <u>0.91</u> | <u>(0.56)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Note</i> | At 31 December 2015 RMB'000 | At 31 December 2014 RMB'000 |
|---|-------------|-----------------------------------|-----------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 192,241 | 202,316 |
| Prepaid land lease payments | | 33,349 | 34,211 |
| Goodwill | | 7,630 | 7,630 |
| Investments in associates | | 419,532 | 99 |
| | | 652,752 | 244,256 |
| Current assets | | | |
| Inventories | | 136,715 | 168,702 |
| Trade and bills receivables | 10 | 272,231 | 210,106 |
| Prepayments, deposits and other receivables | | 63,660 | 115,441 |
| Amounts due from associates | | 75,289 | 1,083 |
| Prepaid land lease payments | | 794 | 726 |
| Pledged bank deposits | | 10,726 | 8,369 |
| Bank and cash balances | | 105,059 | 164,002 |
| | | 664,474 | 668,429 |
| Assets of disposal group held for sale | 11 | - | 411,573 |
| | | 664,474 | 1,080,002 |
| Current liabilities | | | |
| Trade and other payables | 12 | 265,053 | 257,025 |
| Bank borrowings | | 40,000 | 100,000 |
| Current tax liabilities | | 5,586 | 2,501 |
| | | 310,639 | 359,526 |
| Liabilities directly associated with assets of disposal group held for sale | 11 | - | 361,573 |
| | | 310,639 | 721,099 |
| Net current assets | | 353,835 | 358,903 |
| NET ASSETS | | 1,006,587 | 603,159 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

| | <i>Note</i> | At 31 December 2015 RMB'000 | At 31 December 2014 RMB'000 |
|--|-------------|--|-----------------------------------|
| Capital and reserves | | | |
| Share capital | | 39,977 | 30,168 |
| Reserves | | 966,610 | 518,955 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 1,006,587 | 549,123 |
| Non-controlling interests | | - | 54,036 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 1,006,587 | 603,159 |
| | | <hr/> <hr/> | <hr/> <hr/> |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---------------------------------------|----------------|-----------------|-----------------|---------------------------|-------------------------------|------------------------|-----------------------------|------------------|---------------------------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Special reserve | Capital reserve | Statutory surplus reserve | Statutory public welfare fund | Statutory reserve fund | Share-based payment reserve | 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 | RMB'000 |
| 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 | - | - | - | - | - | - | - | - | (4,487) | (503,854) | (508,341) | 1,504 | (506,837) |
| Disposal of subsidiaries | - | - | - | 30,943 | (5,250) | (6,338) | (82,427) | - | - | 63,072 | - | 24,900 | 24,900 |
| 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 |
| At 1 January 2015 | 30,168 | 646,363 | (6,692) | 88,783 | 32,803 | 19,724 | - | - | (6,018) | (256,008) | 549,123 | 54,036 | 603,159 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | 4,520 | 18,611 | 23,131 | 11,833 | 34,964 |
| Issue of shares for acquisition of an associate | 9,809 | 461,040 | - | - | - | - | - | - | - | - | 470,849 | - | 470,849 |
| Payment of interim dividend out of share premium account | - | (69,496) | - | - | - | - | - | - | - | - | (69,496) | - | (69,496) |
| Share-based payments | - | - | - | - | - | - | - | 4,111 | - | - | 4,111 | - | 4,111 |
| Disposal of subsidiaries | - | - | - | - | (32,803) | (19,724) | - | - | - | 52,527 | - | - | - |
| Acquisition of non-controlling interests | - | - | - | - | - | - | - | - | - | 28,869 | 28,869 | (65,869) | (37,000) |
| Total comprehensive income and changes in equity for the year | 9,809 | 391,544 | - | - | (32,803) | (19,724) | - | 4,111 | 4,520 | 100,007 | 457,464 | (54,036) | 403,428 |
| At 31 December 2015 | 39,977 | 1,037,907 | (6,692) | 88,783 | - | - | - | 4,111 | (1,498) | (156,001) | 1,006,587 | - | 1,006,587 |

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 (“HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622).

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. 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 Revenue

Revenue from continuing operations represents the proceeds of sale of fire engines and fire prevention and fighting equipment during the year less discounts and sales related tax.

3 Other income

| | 2015 RMB’000 | 2014 RMB’000 |
|----------------------------------|-----------------|-----------------|
| Continuing operations | | |
| Interest income | 2,580 | 1,425 |
| Gain on disposal of associates | - | 583 |
| Gain on disposal of subsidiaries | 1,134 | - |
| Government grants (note) | 1,347 | 555 |
| Rental income | 345 | 490 |
| Sundry income | 1,483 | 1,525 |
| | <u>6,889</u> | <u>4,578</u> |

Note: The government grants represent subsidies provided by certain government organizations or authorities in the PRC for subsidizing certain research and development projects conducted by the Group’s subsidiaries.

4 Other expenses

| | 2015 RMB’000 | 2014 RMB’000 |
|--|-----------------|-----------------|
| Continuing operations | | |
| Impairment loss on property, plant and equipment | - | 128 |
| Impairment loss on prepayments, deposits and other receivables | - | 95 |
| | <u>-</u> | <u>223</u> |

5 Income tax expense

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

| | 2015 RMB'000 | 2014 RMB'000 |
|--|---------------------|---------------------|
| Current tax | | |
| The People's Republic of China (the "PRC") | | |
| Enterprise Income Tax | | |
| Provision for the year | 7,316 | 5,518 |
| Under/ (over)-provision in prior years | <u>820</u> | <u>(43)</u> |
| | <u><u>8,136</u></u> | <u><u>5,475</u></u> |

No provision for Hong Kong Profits Tax has been made for both 2015 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 Profit/ (loss) for the year from continuing operations

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Allowance for obsolete and slow moving inventories | 116 | 729 |
| Amortization of prepaid land lease payments | 794 | 726 |
| Depreciation of property, plant and equipment | 10,819 | 16,318 |
| Impairment loss for bad and doubtful debts | 153 | 214 |
| 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 |
| Obsolete stock written off | - | 100 |
| Unrecoverable prepayments, deposits and other receivables written off | <u>-</u> | <u>2,000</u> |

7 Discontinued operations

For the year ended 31 December 2015, discontinued operations referred to the Group's two business units: provision of installation of fire prevention and fighting systems services and provision of maintenance of fire prevention and fighting systems services. The Group entered into a sale and purchase agreement to dispose of the entire equity interests in the subsidiaries that had been engaged mainly in the two business units on 27 February 2015 and decided to cease operating the relevant businesses upon completion of the disposal. The disposal was completed in April 2015.

For the year ended 31 December 2014, in addition to the provision of installation and maintenance of fire prevention and fighting systems services, discontinued operations included also the financial results of certain subsidiaries disposed of during 2014. The subsidiaries were engaged respectively in trading of fire engines and firefighting and rescue equipment and operation of a guest house.

As the disposal of the subsidiaries constituted a discontinuance of major lines of business, the profit or loss of the respective subsidiaries were classified as discontinued operations and disclosed separately as follows:

| | Year ended 31 December | |
|---|-------------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Loss for the year from discontinued operations: | | |
| Revenue | 97,221 | 397,579 |
| Cost of sales and services | (94,178) | (376,628) |
| Gross profit | 3,043 | 20,951 |
| Other income | 57 | 3,393 |
| Administrative expenses | (15,298) | (171,672) |
| Other expenses | - | (337,235) |
| Loss before tax | (12,198) | (484,563) |
| Income tax expense | (1,348) | (5,705) |
| | (13,546) | (490,268) |
| Gain on disposal of subsidiaries | 961 | 2,461 |
| Loss for the year from discontinued operations | (12,585) | (487,807) |
| Loss for the year from discontinued operations attributable to: | | |
| Owners of the Company | (12,585) | (487,979) |
| Non-controlling interests | - | 172 |
| | (12,585) | (487,807) |

Loss for the year from discontinued operations include the followings:

| | Year ended 31 December | |
|--|-------------------------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Depreciation for property, plant and equipment | - | 363 |
| Gain on disposal of subsidiaries | (961) | (2,461) |
| Impairment loss for bad and doubtful debts | - | 163,226 |
| Impairment loss on amounts due from contract customers | - | 312,322 |
| Impairment loss on prepayments, deposits and other receivables | - | 22,877 |
| Impairment loss on property, plant and equipment | - | 2,036 |

8 Earnings/ (loss) per share

The calculation of the basic and diluted earnings/ (loss) per share is based on the following:

| | From continuing and discontinued operations | |
|--|---|------------------|
| | 2015 RMB'000 | 2014 RMB'000 |
| Profit/ (loss) for the year attributable to owners of the Company | <u>18,611</u> | <u>(503,854)</u> |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/ (loss) per share | 3,441,644 | 2,855,000 |
| Effect of dilutive potential ordinary shares arising from share options issued by the Company | <u>883</u> | <u>-</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings/ (loss) per share | <u>3,442,527</u> | <u>2,855,000</u> |

| | From continuing operations | | From discontinued operations | |
|---|----------------------------|-----------------|------------------------------|------------------|
| | 2015 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| Profit/ (loss) for the year attributable to owners of the Company | <u>31,196</u> | <u>(15,875)</u> | <u>(12,585)</u> | <u>(487,979)</u> |

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted earnings/ (loss) per share are the same. The basic and diluted loss per share from discontinued operations for 2015 are RMB0.37 cent per share (2014: RMB17.09 cents per share).

9 Dividends

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------|-----------------|
| Interim dividend of HK3 cents (2014: nil) per share, paid on 31 July 2015 | <u>69,496</u> | <u>-</u> |

The directors recommended an interim dividend of HK3 cents per share of HKD0.01 each in the capital of the Company to be paid entirely out of the share premium account of the Company on 5 June 2015. The interim dividend was approved by the shareholders of the Company at an extraordinary general meeting on 24 June 2015 and was subsequently paid on 31 July 2015.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2015. No dividend was declared or paid for the year ended 31 December 2014.

10 Trade and bills receivables

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Trade and bills receivables | 289,802 | 227,694 |
| Less: Impairment loss for bad and doubtful debts | (17,571) | (17,588) |
| | <u>272,231</u> | <u>210,106</u> |

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 and net of impairment loss for bad and doubtful debts, is shown below.

| | 2015 | 2014 |
|----------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| 0 - 90 days | 124,305 | 63,215 |
| 91 - 180 days | 85,583 | 67,577 |
| 181 - 360 days | 18,990 | 50,569 |
| Over 360 days | 43,353 | 28,745 |
| | <u>272,231</u> | <u>210,106</u> |

11 Disposal group held for sale

Disposal group held for sale at 31 December 2014 represented the assets and liabilities of a group of subsidiaries disposed of pursuant to a sales and purchase agreement the Group entered into on 27 February 2015 as referred to in note 7 above. The subsidiaries concerned were mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The disposal was completed in April 2015.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2014 were as follows:

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

12 Trade and other payables

| | 2015 RMB'000 | 2014 RMB'000 |
|---|-----------------------|-----------------------|
| Trade payables | 95,757 | 84,442 |
| Accrued charges | 69,459 | 43,665 |
| Receipts in advance | 80,706 | 125,916 |
| Value added tax, sales tax and other levies | <u>19,131</u> | <u>3,002</u> |
| | <u><u>265,053</u></u> | <u><u>257,025</u></u> |

The aging analysis of trade payables, based on the date of receipt of goods, is shown below.

| | 2015 RMB'000 | 2014 RMB'000 |
|--------------|----------------------|----------------------|
| 0 - 30 days | 44,865 | 34,099 |
| 31 - 60 days | 15,424 | 12,599 |
| 61 - 90 days | 12,818 | 12,834 |
| Over 90 days | <u>22,650</u> | <u>24,910</u> |
| | <u><u>95,757</u></u> | <u><u>84,442</u></u> |

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 requires different production techniques and marketing strategies.

The Group disposed of the entire equity interests it held in the subsidiaries engaged in trading of fire engines and firefighting and rescue equipment and operation of a guest house during 2014. Moreover, the Group disposed of the entire equity interests it held in the subsidiaries engaged in the provision of installation and maintenance of fire prevention and fighting systems services during 2015 pursuant to an agreement entered into on 27 February 2015. The operations concerned have been classified as discontinued operations (note 7) for presentation in the consolidated financial statements for the current year and last year and did not constitute reportable segments.

The Group's other operating segment for 2014 referred to the provision of online advertising services which did not meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segment was included in the "Others" column. The Group has disposed of the subsidiary engaged in the provision of online advertising services in 2015.

The accounting policies of the operating segments are the same as those applied by the Group in the consolidated financial statements. Segment profits or losses do not include interest income, unallocated corporate expenses, gain on disposal of subsidiaries, gain on disposal of associates, share of profit/losses of associates, income tax expense 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 current tax liabilities, bank borrowings and unallocated other payables. Assets and liabilities of the disposal group held for sale were 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 (CONT'D)**Information about operating segment profit or loss, assets and liabilities from continuing operations:**

| | Production and sale of fire engines RMB'000 | Production and prevention and fighting equipment RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|--|---|--------------------------------|--------------------------|
| For the year ended 31 December 2015 | | | | |
| REVENUE | | | | |
| External sales | 438,685 | 126,493 | - | 565,178 |
| Inter-segment sales | 337 | 2,739 | (3,076) | - |
| Total | 439,022 | 129,232 | (3,076) | 565,178 |
| RESULTS | | | | |
| Segment profit | 45,585 | 15,694 | | 61,279 |
| Interest income | | | | 2,580 |
| Gain on disposal of subsidiaries | | | | 1,134 |
| Unallocated corporate expenses | | | | (24,427) |
| Share of profit of associates | | | | 15,137 |
| Finance costs | | | | (4,538) |
| Profit before tax | | | | 51,165 |
| Income tax expense | | | | (8,136) |
| Profit for the year from continuing operations | | | | 43,029 |

SEGMENT INFORMATION (CONT'D)

Information about operating segment profit or loss, assets and liabilities from continuing operations (cont'd):

| | Production and sale of fire engines RMB'000 | Production and sale of fire prevention and fighting equipment RMB'000 | Total RMB'000 |
|--|--|--|------------------|
| At 31 December 2015 | | | |
| ASSETS | | | |
| Segment assets | <u>547,978</u> | <u>148,054</u> | 696,032 |
| Investments in associates | | | 419,532 |
| Amounts due from associates | | | 75,289 |
| Pledged bank deposits | | | 10,726 |
| Bank and cash balances | | | 105,059 |
| Unallocated other receivables | | | <u>10,588</u> |
| | | | <u>1,317,226</u> |
| LIABILITIES | | | |
| Segment liabilities | <u>189,244</u> | <u>71,433</u> | 260,677 |
| Current tax liabilities | | | 5,586 |
| Bank borrowings | | | 40,000 |
| Unallocated other payables | | | <u>4,376</u> |
| | | | <u>310,639</u> |
| OTHER INFORMATION | | | |
| Additions to non-current assets | 694 | 538 | 1,232 |
| Allowance for obsolete and slow moving inventories | - | 116 | 116 |
| Depreciation and amortization | 9,040 | 2,573 | 11,613 |
| Impairment loss for bad and doubtful debts | 81 | 72 | 153 |
| Loss on disposal of property, plant and equipment | <u>203</u> | <u>121</u> | <u>324</u> |

SEGMENT INFORMATION (CONT'D)**Information about operating segment profit or loss, assets and liabilities from continuing operations
(cont'd):**

| | 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 2014 | | | | | |
| REVENUE | | | | | |
| 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 (CONT'D)**Information about operating segment profit or loss, assets and liabilities from continuing operations (cont'd):**

| | 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 |
|--|--|--|-------------------|------------------------|------------------|
| 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 for obsolete and slow moving inventories | 729 | - | - | | 729 |
| Depreciation and amortization | 12,853 | 4,174 | 17 | | 17,044 |
| Impairment loss / (reversal of impairment loss) for bad and doubtful debts | 297 | (83) | - | | 214 |
| 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 (CONT'D)

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

| | Revenue | | Non-current assets | |
|--------|-----------------|-----------------|--------------------|-----------------|
| | 2015 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| PRC | 551,061 | 449,249 | 652,747 | 244,240 |
| Others | 14,117 | - | 5 | 16 |
| | <u>565,178</u> | <u>449,249</u> | <u>652,752</u> | <u>244,256</u> |

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for both 2015 and 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's business for the year consists of two 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. The revenue growth and higher profit margins from new products launched have driven the increase in profit for the year.

During the year, the Group has launched a new developed fire engines that was particularly designed for densely populated cities. The new fire engines is smaller in size than those conventional types such that it can travel through narrow and congested streets in cities more efficiently. Despite its smaller-than-conventional size, it is characterized by a high power engine, large truck cap for transporting more firemen, specifically designed cabinets for carrying large range of tools and rescue equipment. Equipped with the Group's compressed air foam extinguishing systems, it can perfectly handle small to medium size fire rescue tasks alone or act as a vanguard in large-scale rescue missions. The fire engines is favorably commented by the Ministry of Public Security of PRC. The fire engines and equipment markets in China are huge but highly competitive. The market for conventional fire trucks is approaching saturation but demand for special vehicles is rising. Products that cater for market needs and able to fill market gaps are the key to future growth. In the coming years, the Group is going to launch a number of special vehicles and fire equipment: (i) 30 meters to 60 meters aerial platform fire trucks and turntable ladder trucks; (ii) large-scale compressed air extinguishing system which is designed specifically to tackle conflagrations in areas with oil tanks, oil depots and petrochemical storage and factories, one of the research projects of the thirteen national five year plan in China; and (iii) bidirectional driving fire trucks and other railway-specific and tunnel-specific fire equipment, in anticipation of opening up more overseas market by the opportunities created by the national policy of exporting the high-speed rail.

As disclosed in the annual report 2014, the Company acquired 40% equity interests in Ziegler by issuing new shares that made up 30% of its enlarged share capital to CIMC Group. Ziegler is a world renowned manufacturer of fire engines, special purpose vehicles, water pumps and other firefighting components and is known for its high quality craftsmanship as well as technological leadership in customized fire engines and firefighting equipment. Through the acquisition, the Group has build up a strategic relationship with Ziegler and CIMC Group and expects to gain from the synergistic effect in respect of technological advancement, market assessment and resources sharing. With the support of CIMC Group, the Group aims at achieving growth organically by focusing on improving production techniques, developing new products and enhancing product quality. Besides, it will actively plan for mergers and acquisitions so as to speed up the pace of development.

Financial resources, liquidity, contingent liabilities and pledge of assets

The Group's bank and cash balances at 31 December 2015 were approximately RMB116 million (2014: RMB172 million), of which RMB11 million (2014: RMB8 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 RMB40 million (2014: RMB100 million). Other than the repayment of bank loans, major cash outflow during the

year were payment of interim dividend amounted to RMB69 million in July 2015 and cash consideration for acquisition of non-controlling interests at RMB37 million in December 2015.

As at 31 December 2015, the current assets and current liabilities of the Group were approximately RMB664 million (2014: RMB1,080 million) and RMB311 million (2014: RMB721 million) respectively. The current ratio was approximately 2.1 times (2014: 1.5 times). Gearing ratio (interest bearing debt / total equity (non-controlling interests excluded)) at end of the year was 4.0% (2014: 18.2%). The reduction in the amounts of current assets and current liabilities at end of 2015 was due to the completion of disposal of certain major subsidiaries in 2015. Those subsidiaries were classified as disposal group held for sale in 2014 as referred to in note 11 to the consolidated financial statements. Since the assets of the disposal group were materially impaired with reference to the consideration of the disposal last year, the disposal of the related assets and liabilities has led to the improvement in the Group's current ratio at end of the current year. Reduction in gearing ratio was due to the issuance of new Shares for the acquisition of Ziegler as referred to in the section "*Investments, disposals and other capital commitments – Acquisition*" below.

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 when considered necessary. There was no forward foreign currency exchange contract outstanding at 31 December 2015.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2015.

Investments, disposals and capital commitments

Acquisition

The Group completed the acquisition of 40% equity interests in Ziegler, a limited liability company incorporated in Germany and is one of the leading producers of fire engines globally in July 2015. Ziegler is also engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components. The Company issued 1,223,571,430 shares of the Company to the vendor of Ziegler as settlement of the acquisition consideration. Ziegler is accounted for as an associate in the Group's consolidated financial statements and contributed to the Group a share of profit from date of acquisition to end of the year amounted to approximately RMB15.2 million.

In addition to Ziegler, in December 2015, the Group acquired the 25% equity interest in Sichuan Morita Fire Appliances Co., Ltd ("Sichuan Morita") held by a minority shareholder at a cash consideration of RMB37,000,000, increasing its ownership in Sichuan Morita from 75% to 100%. Sichuan Morita is the Group's major subsidiary engaged in the production and sale of fire engines and fire prevention and fighting equipment and made up over 75% of the Group's revenue for the year ended 31 December 2015. The carrying amount of the non-controlling interest at date of acquisition was approximately RMB65.9 million.

Disposal

The Group completed the disposal of all the equity interests it held in the subsidiaries classified as disposal group held for sale last year as referred to in note 11 to the consolidated financial statements at a cash consideration of RMB50,000,000 in April 2015. Besides, the Group has also disposed some of the small wholly owned subsidiaries that were either dormant or had little operating activities. The carrying values of the total assets and total liabilities of those small subsidiaries at date of disposal were approximately RMB42,000 and RMB572,000 respectively. Gain on disposal of subsidiaries amounted to RMB2.1 million was recognized for all of the disposals completed in 2015.

During the year, the Group has disposed of all the investments in associates (except for the interests in Ziegler which was acquired during the year). The associates were engaged in the production and sale of fire suppression foam and powder. The disposal has resulted in no gain or loss as the carrying value of the investments have been fully written off by the operating losses shared and impairment losses in the past.

Capital commitments

As at 31 December 2015, the Group has capital commitment of approximately RMB16 million (2014: RMB18 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 2015.

Employees and remuneration policies

As at 31 December 2015, the Group had approximately 576 full-time employees (2014: 705). The decrease in number of staff was mainly due to the disposal certain subsidiaries during the year. Staff costs for the year (excluding directors' remuneration and those incurred for the discontinued operations) was RMB48.2 million (2014: RMB43.6 million). The Company issued share options to certain directors and employees in August 2015. Subject to the vesting conditions, the options are to be vested in maximum 2 years. They were valued at HKD20 million (approximately RMB16.6 million) at date of grant and among which, HKD5.0 million (approximately RMB4.1 million) in relation to the value of the options granted to the employees from date of grant to 31 December 2015 were charged to the profit for the year as share based payments. All full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive 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 2015, 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 HKD0.01 each of the Company held | Percentage of issued share capital of the Company |
|------------------|--------------------------------|---|---|
| Mr. Jiang Xiong | Beneficial owner | 981,600,000 | 24.07% |
| Mr. Jiang Qing | Beneficial owner | 7,500,000 | 0.18% |

Options to subscribe for ordinary shares in the Company

Number of shares of HKD0.01 each of the Company issuable under the options

| Name of Director | Outstanding at 1 January 2015 | Granted during the year | Outstanding at 31 December 2015 | Exercise price (HKD) | Percentage of issued share capital of the Company |
|------------------|-------------------------------|-------------------------|---------------------------------|----------------------|---|
| Mr. Jiang Xiong | - | 4,000,000 | 4,000,000 | 0.42 | 0.098% |
| Mr. Jiang Qing | - | 28,000,000 | 28,000,000 | 0.42 | 0.687% |
| Dr. Loke Yu | - | 4,000,000 | 4,000,000 | 0.42 | 0.098% |
| Mr. Heng Ja Wei | - | 4,000,000 | 4,000,000 | 0.42 | 0.098% |
| Mr. Ho Man | - | 2,000,000 | 2,000,000 | 0.42 | 0.049% |
| | <u>-</u> | <u>42,000,000</u> | <u>42,000,000</u> | | <u>1.030%</u> |

The options were granted to the directors on 26 August 2015. The closing price of the shares of the Company on the date immediately before the options were granted was HKD0.345 per share. The options granted will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive) but cannot be exercised until they are vested which shall be on the earliest of the following dates:

- (i) the first business day after the second anniversary of 10 July 2015, being the date on which CIMC Group first becoming the controlling shareholder (as defined under the Listing Rules) of the Company;
- (ii) the first business day after the day on which CIMC Group disposed of any number of shares of the Company it held such that its shareholdings in the Company will decrease to below 30%; and

- (iii) the first business day after the day on which shareholdings of CIMC Group in the Company increased to an extent that the exercise of all the share options that were granted on 26 August 2015 will not dilute its shareholdings in the Company to below 30%.

The share options granted to the directors and outstanding at 31 December 2015 have not yet been vested and therefore not exercisable.

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 2015, 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 HKD0.01 each of the Company held | Percentage of issued capital of the Company |
|---|--|---|---|
| CIMC Top Gear B.V. | Beneficial owner (<i>Note 1</i>) | 1,223,571,430 | 30.00% |
| Cooperatie CIMC U.A. | Interest of a controlled corporation (<i>Note 2</i>) | 1,223,571,430 | 30.00% |
| China International Marine Containers (Hong Kong) Limited ("CIMC HK") | Interest of a controlled corporation (<i>Note 3</i>) | 1,223,571,430 | 30.00% |
| CIMC Group | Interest of a controlled corporation (<i>Note 4</i>) | 1,223,571,430 | 30.00% |
| EH Investment Management Ltd. | Beneficial owner | 218,015,000 | 5.35% |
| Mr. Ngan Iek | Interest of a controlled corporation (<i>Note 5</i>) | 218,015,000 | 5.35% |

Notes:

- The Company issued 1,223,571,430 shares of the Company to CIMC Top Gear B.V. on 10 July 2015, upon completion of the acquisition agreement dated 27 February 2015, pursuant to which the Company acquired from CIMC Top Gear B.V. 40% equity interests in Ziegler at a consideration of HK\$489,428,572 (the "Acquisition"). Details of the Acquisition are set out in the Company's announcement and circular dated 27 February 2015 and 28 April 2015 respectively.
- Cooperatie CIMC U.A. is beneficially interested in the entire share capital of CIMC Top Gear B.V. and is taken to be interested in the 1,223,571,430 shares in which CIMC Top Gear B.V. has declared interest for the purpose of the SFO.

3. CIMC HK and CIMC Group are beneficially interested in 1% and 99% respectively of the issued share capital of Cooperatie CIMC U.A. and are taken to be interested in the 1,223,571,430 shares in which Cooperatie CIMC U.A. has declared interest for the purpose of the SFO.
4. CIMC Group is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 1,223,571,430 shares in which CIMC HK has declared interest for the purpose of the SFO.
5. Mr. Ngan Iek is beneficially interested in the entire share capital of EH Investment Management Ltd. and is taken to be interested in the 218,015,000 shares in which EH Investment Management Ltd. has declared interest for the purpose of the SFO.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 December 2015.

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 2015, 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 2015, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except for the following:

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

The details of such deviation have been disclosed in the relevant paragraphs below and in the Corporate Governance Report in the 2015 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 three executive directors, two non-executive directors and three independent non-executive directors. Name of the directors are set out in the table below. Mr. Jiang Xiong (Honorary Chairman) and Mr. Jiang Qing (Chief Executive Officer) are brothers.

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

Attendance of each director is set out below:

| <u>Name of directors</u> | <u>No. of meetings attended</u> |
|--|---------------------------------|
| <i>Non-executive directors</i> | |
| Dr. Li Yin Hui (Chairman) ^{Note} | 4/4 |
| Mr. Zheng Zu Hua ^{Note} | 4/4 |
| <i>Executive directors</i> | |
| Mr. Jiang Xiong (Honorary Chairman) | 11/11 |
| Mr. Jiang Qing (Chief Executive Officer) | 11/11 |
| Mr. Luan You Jun ^{Note} | 4/4 |
| <i>Independent non-executive directors</i> | |
| Dr. Loke Yu | 10/11 |
| Mr. Heng Ja Wei | 11/11 |
| Mr. Ho Man ^{Note} | 4/4 |

Note: The directors were appointed on 29 July 2015. The denominators of the attendance record shown represented the total number of meetings convened after their appointment.

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:

Non-executive directors

| | |
|---------------------------|------------------------------|
| Dr. Li Yin Hui (Chairman) | Study relevant materials |
| Mr. Zheng Zu Hua | Attend courses and trainings |

Executive directors

| | |
|--|------------------------------|
| Mr. Jiang Xiong (Honorary Chairman) | Study relevant materials |
| Mr. Jiang Qing (Chief Executive Officer) | Study relevant materials |
| Mr. Luan You Jun | Attend courses and trainings |

Independent non-executive directors

| | |
|-----------------|------------------------------|
| Dr. Loke Yu | Attend courses and trainings |
| Mr. Heng Ja Wei | Attend courses and trainings |
| Mr. Ho Man | Attend courses and trainings |

Chairman and chief executive officer

Dr. Li Yin Hui 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 Officer 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 as at the date of this announcement comprises:

Name of members

| | |
|---------------------------------|-------------------------------------|
| Dr. Loke Yu (<i>Chairman</i>) | Independent non-executive directors |
| Mr. Heng Ja Wei | Independent non-executive directors |
| Mr. Ho Man | Independent non-executive directors |
| Mr. Jiang Qing | Executive directors |
| Mr. Zheng Zu Hua | Non-executive directors |

Mr. Ho Man and Mr. Zheng Zu Hua were appointed as members of the remuneration committee on 3 August 2015.

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 two meetings and all the sitting members at the time attended the meetings 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 Mr. Ho Man, all are independent non-executive director of the Company. Mr. Ho Man replaced Ms. Sun Guo Li as a member of the nomination committee on 29 July 2015 when Ms. Sun resigned as an independent non-executive director of the Company. The primary duties of the committee are to 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 two meetings and all the sitting members at the time attended the meetings.

Audit committee

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man. Mr. Ho Man replaced Ms. Sun Guo Li as a member of the audit committee when Ms. Sun resigned as an independent non-executive director of the Company on 29 July 2015. The primary duties of the audit committee are to review the Company's annual report and accounts and half-yearly report 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. All the sitting members at the time attended the meetings.

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 on 22 May 2015 in Hong Kong. Apart from that, there were also three extraordinary general meetings convened in Hong Kong on 17 April 2015, 22 May 2015 and 24 June 2015 respectively.

Attendance of each director is set out below:

| <u>Name of directors</u> | <u>No. of meetings attended</u> |
|--|---------------------------------|
| <i>Non-executive directors</i> | |
| Dr. Li Yin Hui (Chairman) ^{Note} | 0/0 |
| Mr. Zheng Zu Hua ^{Note} | 0/0 |
| <i>Executive directors</i> | |
| Mr. Jiang Xiong (Honorary Chairman) | 2/4 |
| Mr. Jiang Qing (Chief Executive Officer) | 4/4 |
| Mr. Luan You Jun ^{Note} | 0/0 |
| <i>Independent non-executive directors</i> | |
| Dr. Loke Yu | 3/4 |
| Mr. Heng Ja Wei | 4/4 |
| Mr. Ho Man ^{Note} | 0/0 |

Note: No general meeting has been convened after the appointment of the directors.

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.

The auditor gives an unqualified opinion on the consolidated financial statements of the Group as at 31 December 2015 and for the year then ended.

By order of the Board
China Fire Safety Enterprise Group Limited
Li Yin Hui
Chairman

As at the date of this announcement, the Company's Directors are as follows:

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

Hong Kong, 28 March 2016