China Fire Safety Enterprise Group Holdings Limited

中國消防企業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8201)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors (the "Directors") of China Fire Safety Enterprise Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2005 was RMB830 million, representing a growth of 70% compared to last year's turnover of RMB487 million.

- Profit attributable to equity holders of the Company for the year increased 34% to RMB173 million.

- Earnings per share was 7.59 RMB cents, rose 18% from 6.44 RMB cents last year.

- The Board recommends the payment of a final dividend of 1.3 HK cents per share for the year ended 31 December 2005.

CHAIRMAN'S STATEMENT

Results for the year

I am delighted to present to all our shareholders the encouraging results of the Group for the year ended 31 December 2005. Both turnover and profit attributable to equity holders soared to record levels of RMB830 million and RMB173 million, representing growth of 70% and 34% respectively over last year. Per share earnings was 7.59 RMB cents, 18% more than last year's 6.44 RMB cents.

Among our various business segments, installation service has continued to be our star performer. The prosperous property market has again supported the growth of the sector this year. To maintain this growth, however, we have to work beyond the Fujian market and become a national one-stopped fire safety services provider. To achieve this goal, we have budgeted RMB300 million for the acquisition of / cooperation with some well-established installation services providers in different provinces in the coming two years. Such move allows us to have a faster capture of the local markets and facilitates the promotion of our products and the network based monitoring system throughout the nation. In respect of maintenance services, the network based monitoring system for fire fighting and prevention systems ("**network based monitoring system**") is finally ready to launch to the market. Ten monitoring centres in different provinces have been set up and ready to operate, another 14 centres are in the final stage of establishment. Revenue is expected from the second quarter of 2006.

On the product side, in order to survive the ever-intensifying competition, on one hand we have developed new models of substantially reduced costs to maintain our competitiveness; on the other, we are looking for some potential companies which are in production of equipment or systems that are currently uncovered by us to further enrich our product mix. Since the integration of Sichuan Morita Fire Safety Appliances Company Limited ("**Sichuan Morita**") (四川森田消防裝備製造有限公司) into our Group, our production capacity is largely enhanced. Looking backward, the restructuring of the Sichuan Morita was full of difficulties, especially because it involved a massive layoff of redundant workers. Fortunately, with the efforts of our staff, all problems were resolved and the whole process was completed at the end of the year. I believe Sichuan Morita will become one of our most important growth drivers especially with the active participation of Morita Corporation ("**Morita**"). Two engineers and technicians from Morita will arrive at Sichuan Morita in April 2006, who will bring along the advance technology and help steer the plant and production reform.

Strategic Alliance

Maintaining close ties with large international corporations has been our source of strength, it is also an important bridge for us to move toward the global market. I am pleased that two important strategic partners, Morita and United Technologies Corporation ("**UTC**") joined us in 2005.

Morita is a famous world class manufacturer and distributor of fire engines and fire fighting and prevention equipment and the largest fire engines manufacturer in Japan. It has been one of our shareholders since our company went listed on the Stock Exchange in 2002. It made further investment in our Group by acquiring 25% of the equity interests in Sichuan Morita in 2005 and will actively participate in its plant and operation reform and upgrade. Soon we will see new brands of products named "Sichuan Morita" denoting our cooperation results available on the market.

UTC, through its wholly owned subsidiary, United Technologies Far East Limited ("**UTFE**"), has become one of our substantial shareholders holding 14.98% of the Company's issued share capital since April 2005. In accordance with the subscription agreement signed between the Company and UTFE (the "**Subscription Agreement**") and the option agreement between I and UTFE (the "**Option Agreement**"), its shareholdings will further increase to 29% upon the exercise and completion of the second tranche subscription (which is expected to take place next month) and may eventually become the controlling shareholder of the Company. UTC is one of the largest corporations in the US and has different business units providing great varieties of products and services, including those in fire safety industry. With UTC's involvement in our Group, we can gain from the synergetic effects with their operation. The proceeds from new issue also facilitate our acquisition plans.

In addition, in January 2006 we entered into an agreement with Profile Vehicles Oy ("**Profile**"), to jointly set up a company in Hong Kong, which eventually aim at establishing a sino-foreign joint venture to build the first professional ambulance factory in China. Profile is the largest ambulance manufacturer in Northern Europe and is the sole agent in Asia of the only existing SARS virus filter for installing in ambulances. The sino-foreign joint venture will target at the medium to high end market in China and the South East Asia, its products will carry the name of "Profile" and be equipped with its advance technologies but at comparative low prices, so it is particularly suitable for those emerging markets. Total initial investment of the factory would be around RMB30 million and we intend to have pilot production commenced in summer 2006.

I am very pleased to be working with all these world class international companies. The fact that we are selected by them as a major partner in their development of the China market has shown our market status. With their input and leverage gained from their involvement, I am confident that our Group will keep on the upward path.

Appreciation

The outstanding results could never be achieved without the hard work of our staff on behalf of the Board, I would like to thank all of them for their dedication and good works. More, I would like to extend my grateful thanks to all my fellow directors for their support and valuable contributions.

Jiang Xiong
Chairman

27 March 2006

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated income statement and consolidated balance sheet of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2005, together with the comparative figures for the corresponding period in 2004, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2005** RMB'000	**2004** RMB'000
Turnover	*2*	829,627	486,720
Cost of sales		(543,871)	(287,258)
Gross Profit		285,756	199,462
Other income		4,846	1,500
Distribution costs		(10,770)	(6,159)
Administrative expenses		(59,281)	(32,775)
Finance costs		(1,280)	(117)
Profit before taxation	*3*	219,271	161,911
Taxation	*4*	(44,655)	(31,602)
Profit for the year		174,616	130,309
Attributable to:			
Equity holders of the Company		172,929	129,089
Minority interests		1,687	1,220
		174,616	130,309
Dividends	*5*		
- Ordinary		63,174	21,200
- Special		-	98,495
		63,174	119,695
Earnings per share (RMB cents)	*6*		
- Basic		7.59	6.44
- Diluted		7.44	6.44

CONSOLIDATED BALANCE SHEET

	Notes	At 31 December 2005 RMB'000	At 31 December 2004 (restated) RMB'000
Non-current assets			
Property, plant and equipment		**166,633**	135,305
Prepaid lease payments		**23,301**	6,154
Goodwill		**62,543**	50,329
Development costs		**5,455**	7,135
Deposit paid for acquisition of a subsidiary		**-**	32,400
Deposit paid for purchase of plant and equipment		**-**	10,000
		257,932	241,323
Current assets			
Inventories		**52,277**	9,220
Retention receivables		**5,034**	3,045
Amounts due from contract customers		**35,527**	20,766
Trade receivables	*7*	**264,233**	123,657
Deposits, prepayments and other receivables		**36,087**	21,099
Prepaid lease payments		**521**	129
Pledged bank deposits		**22,442**	2,123
Bank balances and cash		**420,013**	245,126
		836,134	425,165
Current liabilities			
Trade and other payables	*8*	**191,281**	73,682
Amounts due to contract customers		**13,401**	3,257
Amount due to minority shareholders		**7,695**	9,036
Tax liabilities		**20,362**	12,239
Bank borrowings		**24,367**	12,448
Obligation under a finance lease			
- amount due within one year		**32**	-
		257,138	110,662
Net current assets		**578,996**	314,503
Total assets less current liabilities		**836,928**	555,826
Non-current liabilities			
Deferred tax liabilities		**3,142**	2,492
Obligation under a finance lease			
- amount due after one year		**142**	-
Amount payable on acquisition of a subsidiary		**-**	5,830
		3,284	8,322
Net assets		**833,644**	547,504

Capital and reserves			
Share capital		**25,186**	21,412
Reserves	*9*	**780,456**	519,524
Equity attributable to equity holders of the Company		**805,642**	540,936
Minority interests		**28,002**	6,568
Total equity		**833,644**	547,504

Notes:

1 Basis of presentation

APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS / CHANGES IN ACCOUNTING POLICIES

The Group's audited consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In the current year, the Group has applied, for the first time, a number of new HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The change in presentation has been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations of which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously capitalised on the balance sheet, the Group on 1 January 2005 eliminated the carrying amount of the related accumulated amortisation of RMB13,418,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually and before the end of the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

In the current year, the Group has also applied HKAS 21 The Effects of Changes in Foreign Exchange Rates which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made.

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. The Group had no share options granted after 7 November 2002 and not yet vested on 1 January 2005, and accordingly, no retrospective restatement is required.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKSA 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Other financial liabilities" are carried at amortised cost using the effective interest method.

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies on the results for the current and prior year is as follows:

	Year ended 31 December	
	2005	**2004**
	RMB'000	RMB'000
Decrease in amortisation of goodwill included in administrative expenses	13,895	-

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 are summarised as below:

	At 31 December 2004 RMB'000 (Originally stated)	Adjustments RMB'000	At 31 December 2004 RMB'000 (Restated)
Balance sheet items			
Property, plant and equipment	141,588	(6,283)	135,305
Prepaid lease payments	-	6,283	6,283

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management had made the following judgments and estimates that have the most significant effect on the amounts recognised in the financial statements.

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Profit recognition of installation contracts

The Group recognises revenue on installation contracts by reference to the stage of completion of the individual contract activity when the outcome of an installation contract can be estimated reliably. The Group's management estimates the stage of completion of installation works if the value of works has not been certified by the quantity surveyors or customers at the balance sheet date. In making its judgment, the management considered the detailed criteria for the recognition of contract revenue from installation contracts, set out in HKAS 11 Construction Contracts. The directors of the Company are satisfied that the revenue recognition of installation contract in the current year is appropriate.

Corresponding costs of the contract revenue are also estimated by the management. The Group regularly reviews and revises the budget with reference to the progress and anticipated margins of each individual installation contract. At the end of each accounting period, costs attributable to contract activities that have not been billed to the Group but the corresponding revenue for the work done has been recognised, the Group estimates these costs by reference to the budget and the actual billings subsequently received. The directors of the Company are satisfied that the recognition of contract cost of installation contract in the current year is appropriate.

2 Turnover

Turnover represents the aggregate of the value of installation contract work carried out, the sales proceeds of goods sold and income from provision of maintenance services during the year less sales tax, and is analysed as follows:

	Year ended 31 December	
	2005	**2004**
	RMB'000	RMB'000
Revenue from installation contracts	363,063	229,807
Sale of goods	412,296	210,765
Provision of maintenance services	54,268	46,148
	829,627	486,720

3 Profit before taxation

Profit before taxation has been arrived at after charging:

	Year ended 31 December 2005 RMB'000	2004 RMB'000
Depreciation of property, plant and equipment		
Owned assets	18,171	15,909
Assets held under a finance lease	16	-
Amortisation of prepaid lease payments	188	129
Amortisation of goodwill included in administrative expenses	-	5,593
Amortisation of development costs included in cost of sales	1,680	1,010

4 Taxation

	Year ended 31 December 2005 RMB'000	2004 RMB'000
The charge comprises:		
Current tax		
PRC enterprise income tax	43,346	32,600
Hong Kong Profits Tax	659	-
	44,005	32,600
Deferred tax	650	(998)
	44,655	31,602

The charge for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax was made in prior year as the Group had no assessable profit derived from Hong Kong in 2004.

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

Fujian Wanyou Fire Fighting Science and Technology Co., Ltd. and Fuzhou Wanyou Fire Fighting Science and Technology Co. Ltd., both subsidiaries of the Company, are entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from year 2002 and 2004 respectively.

The Group's deferred tax liability mainly relates to the temporary difference arising on the profit recognition of installation contracts between Hong Kong generally accepted accounting principles in which revenue and costs of installation contract are recognised in the income statement by reference to the stage of completion of the contract activity and the taxable income of the PRC subsidiaries which recognised revenue of installation contracts upon its completion..

5 Dividends

	Year ended 31 December	
	2005	**2004**
	RMB'000	RMB'000
Ordinary		
Interim dividend of 1 HK cent (2004: 1 HK cent) per share paid	24,710	21,200
Final dividend of 1.3HK cent (2004: Nil) per share proposed	38,464	-
	63,174	21,200
Special dividend proposed of nil (2004: 4.6 HK cents per share on 2,020,000 shares)	-	98,495
	63,174	119,695

The Board recommends the payment of a final dividend of 1.3 HK cents per share for the year ended 31 December 2005 (2004: Nil).

At the meeting held on 31 January 2005, the Board proposed a special interim dividend of 4.6 HK cents per share subject to the completion of the first tranche of the Subscription Agreement as set out in the announcement (the "Announcement") and circular (the "Circular") of the Company dated 2 February and 10 March 2005 respectively, which was paid on 26 April 2005.

6 Earnings per share

	Year ended 31 December	
	2005	**2004**
	RMB'000	RMB'000
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	172,929	129,089
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,277,490	2,002,959
Effect of dilutive potential ordinary shares:		
Share options	10,000	1,944
Second tranche subscription (Note 1)	38,097	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,325,587	2,004,903

Note:

1. 469,000,000 shares of the Company are to be issued to UTFE at HK$0.577 each pursuant to the second tranche subscription of the Subscription Agreement as set out in the Announcement and the Circular, which is expected to be completed in April 2006.

A maximum of 10,000,000 shares of the Company are issuable as a deferred consideration for the acquisition of a subsidiary in 2004. The shares to be issued are subject to a profit warranty adjustment in respect of the profits of the subsidiary for the two years ending 31 December 2006. As the conditions have not been satisfied at the end of 2005, the Company has no dilutive potential ordinary shares on it as at 31 December 2005.

7 Trade receivables

The credit period allowed by the Group to its customers is normally ranging from 30 to180 days. The aged analysis of trade receivables is as follows:

	2005 RMB'000	2004 RMB'000
0-90 days	**183,307**	88,152
91-180 days	**44,629**	11,585
180-360 days	**25,832**	22,973
Over 360 days	**10,465**	947
	264,233	123,657

The fair value of the Group's trade receivables at 31 December 2005 approximates to the corresponding carrying amount.

8 Trade and other payables

	2005 RMB'000	2004 RMB'000
Trade creditors	**101,447**	32,550
Accrued costs and charges	**43,693**	21,044
Receipts in advance	**16,858**	5,912
Value added tax, sales tax and other levies	**23,453**	14,176
Amount payable on acquisition of a subsidiary	**5,830**	-
	191,281	73,682

The aged analysis of trade creditors included in trade and other payables is as follows:

	2005 RMB'000	2004 RMB'000
Within 30 days	**28,045**	1,683
31-60 days	**18,236**	465
61-90 days	**18,111**	388
Over 90 days	**37,055**	30,014
	101,447	32,550

The fair value of the Group's trade creditors, accrued costs and charges at 31 December 2005 approximates to the corresponding carrying amount.

9 Movement in reserves

	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Statutory surplus fund RMB'000	Statutory public welfare fund RMB'000	Statutory reserve fund RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2004	139,920	(6,692)	57,840	13,267	10,586	20,684	-	185,688	421,293
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	94	-	94
Issue of new shares	11,448	-	-	-	-	-	-	-	11,448
Profit for the year	-	-	-	-	-	-	-	129,089	129,089
Transfer	-	-	-	5,138	2,569	10,993	-	(18,700)	-
Dividends paid	-	-	-	-	-	-	-	(42,400)	(42,400)
At 31 December 2004	151,368	(6,692)	57,840	18,405	13,155	31,677	94	253,677	519,524
At 1 January 2005	151,368	(6,692)	57,840	18,405	13,155	31,677	94	253,677	519,524
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	(2,639)	-	(2,639)
Realisation of exchange reserve on disposal of a subsidiary	-	-	-	-	-	-	(116)	-	(116)
Issue of new shares	213,963	-	-	-	-	-	-	-	213,963
Profit for the year	-	-	-	-	-	-	-	172,929	172,929
Transfer	-	-	-	6,738	3,639	12,532	-	(22,909)	-
Dividends paid	-	-	-	-	-	-	-	(123,205)	(123,205)
At 31 December 2005	365,331	(6,692)	57,840	25,143	16,794	44,209	(2,661)	280,492	780,456

SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is currently organised into the following operating divisions – installation of fire prevention and fighting systems, production and sale of fire engines, fire prevention and fighting equipment, trading of fire engines, fire prevention and fighting and rescue equipment and provision of maintenance services. These divisions are the basis on which the Group reports its primary segment information.

Segment information on these businesses is as follows:

	Installation of fire prevention and fighting systems RMB'000	Production and sale of fire engines, 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	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2005						
TURNOVER						
External sales	363,063	314,120	98,176	54,268	-	829,627
Inter-segment sales	-	68,533	-	-	(68,533)	-
Total	363,063	382,653	98,176	54,268	(68,533)	829,627
Inter-segment sales are charged on cost-plus basis.						
RESULTS						
Segment results	111,299	73,066	5,413	42,801		232,579
Unallocated corporate expenses						(12,028)
Finance costs						(1,280)
Profit before taxation						219,271
Taxation						(44,655)
Profit for the year						174,616
ASSETS						
Segment assets	176,398	374,258	71,216	27,347		649,219
Unallocated corporate assets						444,847
						1,094,066
LIABILITIES						
Segment liabilities	61,475	88,489	31,108	1,352		182,424
Unallocated corporate liabilities						77,998
						260,422
OTHER INFORMATION						
Additions of capital expenditure	5,584	67,043	524	9,482		
Depreciation and amortisation	639	18,208	91	981		

	Installation of fire prevention and fighting systems RMB’000	Production and sale of fire engines, 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	Elimination RMB’000	Consolidated RMB’000
For the year ended 31 December 2004						
TURNOVER						
External sales	229,807	202,469	8,296	46,148	-	486,720
Inter-segment sales	-	52,697	-	-	(52,697)	-
Total	229,807	255,166	8,296	46,148	(52,697)	486,720

Inter-segment sales are charged on cost-plus basis.

RESULTS						
Segment results	69,328	70,628	(1,445)	38,289		176,800
Unallocated corporate expenses						(14,772)
Finance costs						(117)
Profit before taxation						161,911
Taxation						(31,602)
Profit for the year						130,309
ASSETS						
Segment assets	93,600	256,326	47,703	14,775		412,404
Unallocated corporate assets						254,084
						666,488
LIABILITIES						
Segment liabilities	29,633	18,502	15,146	6,205		69,486
Unallocated corporate liabilities						49,498
						118,984
OTHER INFORMATION						
Additions of capital expenditure	10	11,355	34,503	12,136		
Depreciation and amortisation	3,342	16,969	1,176	1,043		

(b) Geographical segments

No geographical segment information in respect of the Group's operations has been presented as over 90% of the Group's turnover was derived from the PRC.

The analysis of the carrying amount of segment assets and additions to property, plant and equipment, goodwill and intangible assets analysed by the geographical areas in which the assets are located are as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment, prepaid lease payments and goodwill	
	2005	**2004**	**2005**	**2004**
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	937,295	567,377	82,109	23,489
Hong Kong	156,546	97,428	552	34,520
USA	225	557	-	13
Australia	-	1,126	-	754
	1,094,066	666,488	82,661	58,776

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's turnover for the year grew 70% to approximately RMB830 million, giving rise to a 34% increase in profit attributable to shareholders of the Company to approximately RMB173 million and generated a per share earnings of 7.59 RMB cents, an 18% rise over that of last year.

Installation of fire prevention and fighting systems
Revenue from installation of fire prevention and fighting systems increased by RMB133 million (58%) to RMB 363 million while profit increased by RMB42 million (61%) to RMB111 million.

This year, the growth in revenue and profits were again propelled by the active property market. During the year, in addition to projects of large-scale housing estates and office towers, which have been the sector's main source of income, the Group has also been awarded contracts of over RMB98 million on some important government sites and facilities, reflecting the Group's highly recognised quality services. Besides the operations in Fujian, the Group has long been devoted to developing other markets, over 30 branch offices located in the different major cities have made up a significant portion of the revenue for the year. Nevertheless, these branch offices have to suffer low profit margins in order to be competitive and therefore, their profit contributions were minimal.

To speed up the expansion, the Group has budgeted RMB300 million for the acquisition of / cooperation with well-established companies specialising in installation of fire prevention and fighting system services in different part of the country in the coming two years. The move would bring along a number of benefits: firstly, it allows the Group to have the fastest captures of the local markets as the potential targets must have impressive track records, established customer bases and sound order books. Secondly, sales of the Group's fire prevention and fighting equipment are expected to be benefited from the increase in number of installation contracts obtained, deeper market penetration and wider publicity. Moreover, familiarity with the fire safety network designs of the existing customers largely facilitates the promotion of the Group's network based monitoring systems. Thirdly, the low profit margin problem could be greatly improved and thus keep the sector's performance on an upward trend.

Production and sale of fire engines, fire prevention and fighting equipment
Revenue from production and sales of fire engines, fire prevention and fighting equipment increased by RMB112 million (55 %) to RMB314 million. Profit contributed increased only slightly by RMB2 million (3%) to RMB73 million.

Revenue brought by Sichuan Morita for the period between the date of acquisition and the balance sheet date amounting to approximately RMB97 million was the main reason for the sector's revenue increase, although its profit contribution was just around RMB8 million. Since the Group took over the company in July 2005, focus has been put on restructuring the company including streamlining operations and staff layoff, which unavoidably affect the operation of the company. With the completion of all the re-organisation works at the end of the year, efforts and resources can be re-directed to productive activities. Moreover, with the arrival of two engineers and technicians from Morita in April 2006, who bring along the advanced production technology and operation plan, Sichuan Morita could definitely be reformed to a modern and efficient business unit, which will further boost the Group's growth outlook.

Excluding the results of Sichuan Morita, revenue from sales of fire prevention and fighting equipment increased by RMB15 million (7%) to RMB217 million for the year. Profit, on the other hand dropped RMB6 million (8%) to RMB65 million. Gross profit margin has also declined from 35% to 30%. This shows that the Group's product sales, if in terms of quantity, have been kept on the rise. However, fierce competition exerting great pressure on the product prices, particularly on fire alarm systems, has substantially squeezed the profit margin and led to the fall in profit. In response, the Group has developed two improved models of heat and smoke detectors and alarm control units, which cost much lower than the existing models and therefore more competitive. The products are now undergoing approval testing in the relevant authorities and will soon be launched on the market. By then, the sector's profit margin could be stablised. After completion of the acquisitions last year, the Group now has a comprehensive range of products including emergency lightings, fire alarm systems, fire engines, fire extinguishers, sprinkler systems and other rescue tools and equipment. To further enrich the product mix, the Group is looking for some other potential companies which are in production of equipment or systems that are currently unavailable to the Group, such as CO2 fire smothering system.

Provision of fire prevention and fighting system maintenance services

Revenue from the provision of fire prevention and fighting system maintenance services increased by approximately RMB8 million (18%) to approximately RMB54 million while profit increased by approximately RMB5 million (12%) to approximately RMB43 million.

The maintenance services sector comprises the provision of traditional repair and maintenance services and the network based monitoring system, although no revenue has been generated by the latter up to date. The network based monitoring system allows users to have their fire prevention and fighting systems securely monitored all the time in a remote automatic monitoring center established in each city, so as to keep them maintained in a good ready-for-use standard. There are now 10 centers (in Fujian, Jiangxi, Henan, Hebei, Liaoning, Anhui, Chongqing and Sichuan) set up and ready to operate and another 14 centres (located in Guangdong, Shangdong and Shangxi) with approvals from the local fire brigades obtained and in the final stage of establishment. Revenue is expected from the second quarter of 2006 and will compose of system connection fee, regular system maintenance fee and fire safety system modification fee (when imperfections in systems identified). Given the rising concern of public safety, tightening rules and regulations together with the Group's expansion plan as mentioned under the *"Installation of fire prevention and fighting systems"* above, it is anticipated that there will be great demand of such high quality and advanced system and will further improve the performance of the Group's maintenance service sector.

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

Revenue and profits contributed by the trading of fire engines, fire prevention and fighting and rescue equipment for the year was approximately 98 million and RMB 5 million respectively.

This is a new sector of the Group developed from the acquisition of a subsidiary at the end of last year. Its main operation is the sale of fire engines and fire prevention and fighting and rescue equipment sourced mainly in Europe and Japan. Since products sold are mainly of high-end categories, most of the customers are fire brigades in the Eastern coastal provinces and large national companies such as China Petroleum International Company Limited. With the increasing awareness of public safety, government's fiscal budget allocated to the relevant areas is on the rise, and it is expected that demand for high quality fire engines and equipment would escalate to a great extent and the Group can have a good share of the enlarged market.

Financial resources, liquidity, contingent liabilities and pledge of assets

As at 31 December 2005, the Group had cash and bank balances amounting to approximately RMB442 million (2004: RMB247 million) of which RMB22 million (2004: RMB2 million) were pledged to secure banking facilities granted to the Group. Outstanding balances of short term bank loans, trust receipt loans and bank overdrafts as at the year end date were RMB4 million (2004: RMB3 million), RMB11 million (2004: RMB1 million) and RMB9 million (2004: RMB9 million) respectively. The trust receipt loans and overdrafts were granted to a subsidiary and were secured by the Group's bank deposits together with personal assets and guarantee of a minority shareholder. The short term bank loans was granted to another subsidiary and was secured by certain land leases and buildings of the Group with a total carrying value of approximately RMB20 million. Save as disclosed herein, there were no other material charges on the assets of the Group as at 31 December 2005.

As at 31 December 2005, current assets and current liabilities of the Group were approximately RMB836 million (2004: RMB425 million) and RMB257 million (2004: RMB111 million) respectively. The current ratio was approximately 3.3 times (2004: 3.8 times), reflecting sufficient financial resources to meet the Group's liabilities. Trade receivables as at end of the year was RMB264 million, representing an increment of 114% over that of last year and nearly 70% of the amount are in the 0-90 days aging range. The increase was mainly attributable to the slack credit policy and receivable recovering practice of Sichuan Morita during the days when it was a state owned enterprises. In response, the Group has tightened the control of the subsidiary's receivables and expects that the condition would be gradually improved. The Group has a minimal gearing ratio as its long-term interest bearing liabilities as at year end date was only RMB0.1 million in comparison with the Group's shareholders equity of RMB806 million (gearing ratio for 2004: Nil).

Renminbi is adopted as the reporting currency by the Group. As at 31 December 2005, trade payables of approximately RMB0.8 million, 0.8% of the total trade payables only, were denominated in foreign currencies (mainly Euro dollar and Japanese Yen) that are subject to potential volatile exchange rates fluctuations, therefore no hedging was exercised. The Group's assets, liabilities, sales and purchases are primarily denominated in Renminbi and Hong Kong dollar, the Group's exposure to foreign currencies fluctuation is minimal, and therefore, no hedging against foreign currencies exposure was taken. The Group had no material contingent liabilities as at 31 December 2005.

Acquisitions, disposals and capital commitments

During the year, the Group has the following acquisitions and disposals:

Acquisitions

The Group has taken over Sichuan Morita since 1 July 2005 pursuant to the sale and purchase agreement dated 24 September 2004. The subsidiary principally engaged in the manufacturing and sale of fire engines, design, manufacture, sale and installation of fire prevention and fighting equipment and provision of installation and maintenance services of fire prevention and fighting systems. Since the subsidiary is integrated into the Group, it has contributed RMB97 million in turnover and RMB8 million in profit to the

Group.

Disposals

On 14 January 2005, the Group entered into an agreement to sell 25% of equity interest in Sichuan Morita to Morita, at cash consideration of approximately RMB21 million. Morita is a shareholder of the Company holding 0.98% of the issued share capital of the Company and is the largest manufacturer and distributor of fire engines and fire prevention and fighting equipment in Japan. Morita and Sichuan Morita has entered into an agreement in March 2006, pursuant to which Morita will transfer certain kinds and level of technology to Sichuan Morita and two engineers and technicians from Morita will arrive at Sichuan Morita in April 2006 to steer the factory's quality improvement, production upgrade and restructuring matters. New products of higher quality targeting the high-end market in China under the brand name of "Morita Sichuan" will soon be available.

Capital commitments

As at 31 December 2005, the Group has capital commitment of approximately RMB0.5 million for the acquisition of property, plant and equipment and certain technical know-how.

Save as disclosed herein, the Group has no significant capital commitment, investments, acquisitions or disposals of subsidiaries as at 31 December 2005.

Employees and remuneration policies

As at 31 December 2005, the Group had approximately 1,370 full-time employees (2004: 900). Staff costs, excluding directors' remuneration, for the year amounted to RMB49 million, a 32% increase over the previous year's RMB37 million. The rise in staff costs is the direct results of growth in number of workers employed following the acquisition of Sichuan Morita and the expansion in relation to the development of the network based system in different provinces. 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.

Strategic partners

In addition to the cooperation with Morita in Sichuan Morita as disclosed in "*Acquisitions, disposals and capital commitments*" above, on 1 February 2005, the Company entered into the Subscription Agreement with UTFE, an indirect wholly owned subsidiary of UTC. Pursuant to the Subscription Agreement, UTFE will subscribe for shares of the Company in two tranches at a subscription price of HK$0.577 per share, subject to certain conditions. The first tranche subscription has been completed in April 2005 and UTFE became a substantial shareholder of the Company holding 14.98% of the Company's enlarged issued share capital. As at the date of this announcement, all second tranche conditions have been fulfilled or waived (as the case may be) in accordance with the Subscription Agreement, accordingly, another 469,000,000 shares of the Company will be issued to UTFE. Upon completion of the second tranche subscription, UTFE will hold 825,000,000 shares of the Company, or 29% of the Company's enlarged issued share capital. UTC is a multi-national conglomerate listed on the New York Stock Exchange having different business units specialising in a great variety of businesses including Chubb, a world leading provider of products and services for the fire protection industry. UTC and Chubb's involvement in the Group will assist the Group considerably with its strategic planning and expansion in the fire safety industry. The proceeds from the new issue also facilitate the Group in carrying out its expansion plan mentioned in "*Business review – installation of fire prevention and fighting systems*".

Besides, in January 2006, a subsidiary of the Group entered into an agreement with Profile, the largest ambulance manufacturer in Northern Europe, to jointly set up a company in Hong Kong with the ultimate aim of establishing a sino-foreign joint venture company in China (the "**JV Co**") to invest in an ambulance factory in Chengdu. The factory is believed to be the first one in China specialising in the manufacturing of ambulances. Total initial investment will be around RMB30 million. The JV Co will target the medium to high-end ambulance market and products will carry the "Profile" name and equipped with the advanced technology from Profile but at much lower prices, therefore, they are particularly suitable to those emerging markets such as China and the South-East Asia. Production is expected to commence in summer 2006.

China's continuing development over the coming years will give rise to growing demand for sophisticated and high quality fire safety and rescue systems and solutions which the Group, with support from major international companies in the fire safety industry, will be uniquely placed to supply.

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

Save as disclosed below, as of 31 December 2005, none of the Directors or chief executive had 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 Rules 5.46 to 5.67 of the GEM 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	76.04% (Note 3)
	Deemed Interest (Note 2)	825,000,000	
Mr. Jiang Qing	Beneficial owner	7,500,000	0.32%

Note:

1. Mr. Jiang Xiong ("Mr. Jiang") is beneficially interested in 981,600,000 Shares. By virtue of the Option Agreement, he and UTFE are parties to the agreement under section 317 of the SFO. On 1 February 2005, the Company entered into the Subscription Agreement with UTFE, pursuant to which the Company will issue 825,000,000 new shares of the Company to UTFE in two tranches at a price of HK$0.577 per share. On 12 April 2005, the Company issued 356,000,000 shares to UTFE upon completion of the first tranche subscription, which represented 14.98% of the Company's enlarged issued share capital. Under the SFO, Mr. Jiang is deemed to have a long position in the 825,000,000 shares issued/ to be issued to UTFE pursuant to

the Subscription Agreement.

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 its 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.

Short positions in ordinary shares of the Company

On 1 February 2005, Mr. Jiang Xiong ("**Mr. Jiang**") entered into the Option Agreement with UTFE, a substantial shareholder of the Company, pursuant to which 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 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 the shares 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.

Details of the Option Agreement and the Subscription 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

Grantee	**Date of grant**	**No. of shares issuable under the options granted**	**Exercise period**	**Exercise price (HK$)**	**No. of shares issuable under the options granted as at 1 January and 31 December 2005**	**Percentage of issued share capital of the Company**
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004 – 24 May 2014	0.44 *(Note)*	20,000,000	0.84%
Mr. Chen Shu Quan	25 May 2004	5,000,000	25 May 2004 – 24 May 2014	0.44 *(Note)*	5,000,000	0.21%
Mr. Chan Siu Tat	25 May 2004	5,000,000	25 May 2004 – 24 May 2014	0.44 *(Note)*	5,000,000	0.21%

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

Interest in a subsidiary

Name of directors	Name of subsidiary	Capacity	Value of equity capital held RMB	Percentage of equity interest in the subsidiary
Mr. Jiang Xiong	北京集保盛安安全防護技術發展有限公司 Beijing Jibao Shengan Security Technology Development Company Limited	Beneficial owner	5,000	0.05%
Mr. Jiang Qing	北京集保盛安安全防護技術發展有限公司 Beijing Jibao Shengan Security Technology Development Company Limited	Beneficial owner	5,000	0.05%

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shown that other than the interests disclosed above in respect of certain directors, the following shareholders have notified the Company of their relevant interests in the issued share capital of the Company.

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Long positions in ordinary shares of the Company

Name of shareholder	Capacity and type of interest	Number of issued share of HKD0.01 each of the Company held	Percentage of issued capital of the Company
UTFE	Beneficial owner (Note 1) Deemed Interest (Note 2)	825,000,000 981,600,000	76.04% (Note 3)
Otis Elevator Company	Interest of a controlled corporation (Note 4)	1,806,600,000	76.04%
Carrier Corporation	Interest of a controlled corporation (Note 5)	1,806,600,000	76.04%
United Technologies Corporation	Interest of a controlled corporation (Note 6)	1,806,600,000	76.04%

Notes:

1. UTFE is beneficially interested in 825,000,000 Shares issued/ to be issued to UTFE pursuant to the Subscription Agreement.

2. 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.

3. 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 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 the shares 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.

4. 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.

5. 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.

6. United Technologies Corporation 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 interest for the purpose of the SFO.

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.

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 2005.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the businesses of the Group or has 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 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 2005, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company. Save the issue of shares pursuant to the Subscription Agreement, the Company has not sold any listed securities of the Company.

COPORATE GOVERNANCE

Corporate governance practices

Throughout the year ended 31 December 2005, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules, except for the following:

1. There were no fixed terms of appointment for the non-executive directors.
2. The roles of chairman and chief executive officer were preformed by Mr. Jiang Xiong until Mr. Jiang Qing was appointed Chief Executive Officer on 1 April 2005.
3. No remuneration committee has been set up.
4. 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 2005 annual report to be dispatched to the shareholders and posted on the web-site of the Stock Exchange in accordance with the GEM 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 Rules 5.48 to 5.67 of the GEM 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 is composed of four executive directors, two non-executive directors and 3 independent non-executive directors. Name of the directors are set out on below in the table below. Mr. Jiang Xiong (Chairman) and Mr. Jiang Qing (Chief Executive Officer) are brothers.

There were 9 board meetings held during the year which, besides the approval of the Company's quarterly, interim and annual reports, were mainly related to strategic decisions. Day to day operational decisions were delegated to the management team of the Company. Attendance of each director is set out below:

Name of directors	No. of meetings attended
Executive directors	
Mr. Jiang Xiong (Chairman)	7/9
Mr. Jiang Qing (Chief Executive Officer)	7/9
Mr. Chen Shu Quan	9/9
Mr. Chan Siu Tat	9/9
Non-executive directors	
Mr. Cheng Kai Tuen, George *	2/3
Mr. Wat Chi Ping, Isaac *	2/3
Independent non-executive directors	
Mr. Liu Shi Pu	6/9
Mr. Heng Kwo Seng	6/9
Mr. Pu Rong Sheng *	1/2

* Mr. Cheng Kai Tuen, George and Mr. Wat Chi Ping, Issac were appointed as non-executive directors of the Company on 21 June 2005, since then three Board meetings were held. Mr. Pu Rong Sheng was appointed independent non-executive directors of the Company on 22 September 2005, since then two Board meetings were convened.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

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

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. Since Mr. Jiang Qing was appointed the chief executive officer of the Company on 1 April 2005, the role of the chairman and chief executive officer are segregated and performed by the different persons. The chairman is responsible for the 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. Although their service contracts are for a period of three years, 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
No remuneration committee has been set up. Remuneration to the executive directors remained the same though service contracts of three of them have been expired in September 2005. Bonuses were paid to the executive directors according to a scheme set by the Board without the participation of the executive directors. The remuneration committee will be set up in accordance with the Code on Corporate Governance Practice after completion of the second tranche subscription with UTFE which is expected to take place in April 2006 and remuneration packages for all directors will be reviewed by the remuneration committee at that time.

Nomination of directors
The Board does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board. The Board considers that the 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.

Audit Committee

The audit committee comprises three independent non-executive Directors, namely Mr. Liu Shi Pu, Mr. Heng Kwoo Seng ("Mr. Heng") and Mr. Pu Rong Sheng ("Mr. Pu"). Mr. Pu were appointed as independent non-executive directors and members of the audit committee on 22 September 2005. Mr. Xiang Yu Fu ("Mr. Xiang") was a member of the audit committee for the period up to 22 September 2005. Mr. Xiang resigned as an independent non-executive Director and a member of the audit committee on 22 September 2005. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly 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 four meetings to review and comment on the Company's quarterly, interim and annual financial reports and to meet with the external auditors and participate in the reappointment and assessment of the performance of the external auditors. Attendance of each member of the audit committee is set out below:

Name of Members	No. of meetings attended
Mr. Liu Shi Pu	4/4
Mr. Heng Kwo Seng	4/4
Mr. Pu Rong Sheng *	1/1

* Mr. Pu Rong Sheng was appointed independent non-executive directors of the Company on 22 September 2005, since then one audit committee meeting was convened.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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 auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the directors and report the opinion solely to the shareholders of the Company.

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

As at the date of this announcement, the Company's Executive Directors are Mr. Jiang Xiong, Mr. Jiang Qing, Mr. Chen Shu Quan and Mr. Chan Siu Tat; the Non-Executive Directors are Mr. Cheng Kai Tuen, George and Mr. Wat Chi Ping, Isaac; and the Independent Non-Executive Directors are Mr. Liu Shi Pu, Mr. Heng Kwoo Seng and Mr. Pu Rong Sheng.

Hong Kong, 27 March 2006

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page for at least seven days from the day of its posting.