CFE

中國消防企業集團有限公司
CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code：445

Annual Report 2015

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Loke Yu
Heng Ja Wei
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COMPLIANCE OFFICER
Jiang Qing

QUALIFIED ACCOUNTANT
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MEMBERS OF AUDIT COMMITTEE
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Loke Yu
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MEMBERS OF NOMINATION COMMITTEE
Heng Ja Wei
Loke Yu
Ho Man

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The Stock Exchange of Hong Kong Limited

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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") 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, CFE is ready to create a new wave of growth.

CIMC 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 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 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.

CHAIRMAN'S STATEMENT

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

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 the 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 the 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, being 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 markets 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. 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 and expects to gain from the synergistic effect in respect of technological advancement, market assessment and resources sharing. With the support of CIMC, 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, 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 29 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 mainly 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 29 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 disposed of 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 of 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 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.

Principal risks and uncertainties

The fire engines and equipment market in China is highly competitive with low entry barrier. Competitions come from not only domestic manufacturers but also foreign imports, especially in the high-end market. Quality products that tailored for market needs are the cornerstone on which the Group to stand firm in the industry and to maintain sustainable growth in such environment. In this regard, the Group is facing risks and uncertainties in respect of:

Product development

The Group's long term profitability depends on its ability to successfully develop, launch and market its new products.

Human capital

A decisive factor for the Group's success is its employees and their knowledge and competence. Future development depends on the Group's ability to maintain its position as an attractive employer.

Environmental policies and performance

The Group recognizes the importance of environmental protection to its sustainable development and is committed to protecting the environment and adheres to the principle of recycling and reducing. Doubled-sided printing and copying, switch off idle lightings and electrical appliances are being implemented in offices. The Group is also considering measures to further reduce energy consumed during production.

Compliance with regulations

There was no material breach or non-compliance with the laws and regulations applicable to the Group. Certain rules and regulations have significant impact on the operations of the Group especially those govern the design and production of its products like: (i) China Compulsory Certification (CCC) administered by the Certification and Accreditation Administration; (ii) the standards formulated and promulgated by the Standardization Administration of the PRC; and (iii) national automobile emission standards such as the Phase V of the National Emission Standards for Diesel Vehicles to be effective from 1 July 2017.

Relationship with employees, customers and suppliers

Staff remuneration packages are generally structured with reference to prevailing market terms and individual qualifications and are normally reviewed and adjusted annually according to work performance. All full-time staff 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. Share options are also available for granting to eligible employees.

The Group recognizes the importance of fulfilling needs of customers to its business development. Close relationship are maintained with all customers and provide with them the best pre-sale and post-sale services. The Group strives to maintain fair and cooperating relationships with all suppliers.

DIRECTORS

Non-executive directors

Dr. LI Yin Hui, aged 48, was appointed as a non-executive director and the Chairman of the Company on 29 July 2015. He is (i) the vice-president of CIMC; (ii) the chairman of C&C Trucks Co., Ltd.; and (iii) the chairman of the supervisory board of Ziegler. Dr. Li has been working for CIMC for over 10 years and has extensive experience in managing large-scale enterprises. Dr. Li obtained a Bachelor's degree in Arts (History) and a Doctorate degree in World Economy from the Jilin University in 1991 and 2001 respectively. In addition, he obtained a Master's degree in Business Administration from the Nanjing University in 1997.

Mr. ZHENG Zu Hua, aged 52, was appointed as a non-executive director of the Company on 29 July 2015. Mr. Zheng is (i) a member of the execution board and the general manager of the airport sector management committee of CIMC; (ii) the vice-chairman of the supervisory board of Ziegler; (iii) the chairman of Shenzhen CIMC-Tianda Airport Support Ltd. ("CIMC-Tianda"), one of the world's biggest manufacturers of passengers boarding bridge, and that of a number of other enterprises in CIMC's airport sector; and (iv) an executive director and the chief executive officer of Pteris Global Limited ("Pteris"), being a company whose issued shares are listed on the Singapore Exchange. Mr. Zheng has been working for CIMC for over 25 years. He has over 30 years' experience in the field of engineering and machinery manufacturing. Mr. Zheng obtained a Bachelor's degree in Engineering from the Huazhong University of Science and Technology in 1983 and graduated form the Post-graduate in Mechanical Engineering of the Southwest Jiaotong University in 1987. In addition, he obtained a Master's degree in Business Administration from the Guanghua School of Management of the Peking University in 2002.

Executive directors

Mr. JIANG Xiong, aged 49, was appointed as an executive director of the Company on 19 February 2002. He is also the Honorary Chairman of the Company. Mr. Jiang has over 20 years' experience in the fire services and maintenance industry in the PRC. In April 1996, he was awarded the title "Fuzhou Outstanding Entrepreneur" (福州市優秀私營企業家). In May 1996, Mr. Jiang was awarded one of the "Ten Most Outstanding Youths in Fuzhou" and in November 1997, he was appointed as "member of the Ninth Standing Committee of Fuzhou City People's Political Consultative Conference" (中國人民政治協商會議第九屆福建省福州市常務委員會委員). In May 1999, he was given the award of "Fujian Outstanding Entrepreneur" (福建省優秀青年企業家). In November 2001, he was appointed as vice-secretary-general of Fire Committee of International Police Foundation (世界警察基金會消防行業委員會副秘書長), a non-profit organisation for the promotion of police goodwill and development of police science. Mr. Jiang is a qualified engineer in the PRC and obtained the qualification of senior economist from the Human Resources Office of Fujian Provincial Government (福建省人事廳) in January 2004. Mr. Jiang was appointed as vice-president of Fujian Overseas Exchanges Association (福建省海外交流協會) in June 2013; as the executive president of Council of World Fujian Youth Association (世界福建青年聯合會) in November 2013; as the overseas committee member of Fujian Province Committee of the Chinese People's Political Consultative Conference (福建省政協海外列席委員) in 2014 and as the startup consultant of China (Fujian) Pilot Free Trade Zone (福建自貿試驗區第一批企業創新顧問專家) in 2015.

Mr. JIANG Qing, aged 51, was appointed as an executive director of the Company on 5 March 2003. He is also the Chief Executive Officer of the Company. Mr. Jiang joined the Group in April 1995 and has over 20 years' experience in the building construction industry and fire prevention and fighting systems installation. Prior to joining the Group in April 1995, Mr. Jiang was an assistant executive of Fujian Construction and Development Limited (福建省建設發展總公司), a company engaged in property development, he was mainly responsible for the management and administration for construction projects. Mr. Jiang received the professional certificate from Fujian Technical Institute of Construction (福建建築高等專科學校) in September 2000 and is a qualified engineer in the PRC and obtained the qualification of senior economist from the Human Resources Office of Fujian Provincial Government (福建省人事廳) in January 2004. Mr. Jiang was elected the chairman of the Construction Industry Association and its branch for fire safety industry in 2006. He is the elder brother of Mr. Jiang Xiong.

Mr. LUAN You Jun, aged 51, was appointed as an executive director of the Company on 29 July 2015. He is also a Vice-President of the Company. Mr. Luan is (i) the chairman and the chief executive officer of Ziegler; (ii) the chairman of Xinfa Airport Equipment Ltd.; and (iii) the vice-chairman of CIMC-Tianda. Mr. Luan has been working for CIMC for over 20 years and has extensive experience in managing machinery manufacturing businesses. Mr. Luan obtained a Bachelor's degree and a Master's degree in Mechanical Engineering from the Dalian University of Technology in 1986 and 1989 respectively. Besides, he obtained an Executive Master's degree in Business Administration from the Tsinghua University in 2006.

Independent non-executive directors

Dr. LOKE Yu alias Loke Hoi Lam, aged 66, was appointed an independent non-executive director of the Company on 1 August 2006. He is the Chairman of the audit committee and remuneration committee of the Company. Dr. Loke has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from University Teknology Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. Dr Loke is also an Associate member of The Hong Kong Institute of Chartered Secretaries.

Dr. Loke is currently the company secretary of Minth Group Limited. In additional to his directorship in the Company, he also serves as an independent non-executive director of the following companies whose shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"); Chiho-Tiande Group Limited, China Beidahuang Industry Group Holdings Limited, China Household Holdings Limited; China New Energy Power Group Limited, Martix Holdings Limited, Mega Medical Technology Limited; SCUD Group Limited; Tianhe Chemicals Group Limited, Tianjin Development Holdings Limited, V1 Group Limited; Winfair Investment Company Limited and Zhong An Real Estate Limited.

Mr. HENG Ja Wei, aged 38, was appointed an independent non-executive director of the Company on 4 March 2009. He is the Chairman of the nomination committee of the Company. Mr. Heng is the Managing Partner of Morison Heng, Certified Public Accountants. Mr. Heng holds a Master of Science degree of the Imperial College, University of London. He is a member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Heng is also an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Lee & Man Chemical Company Limited, Lee & Man Handbags Holding Limited and Matrix Holdings Limited. He also serves as the company secretary and authorized representative of China Life Insurance Company Limited.

Mr. HO Man, aged 47, was appointed as an independent non-executive director of the Company on 29 July 2015. Mr. Ho is currently managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong based private fund management company during January 2010 to December 2013 and was a managing director and head of China growth and expansion capital of CLSA Capital Partners which he worked for during August 1997 to October 2009. Mr. Ho has over 18 years of working experience in private equity investment and finance. Mr. Ho holds an EMBA from Tsinghua University and a Master of Science degree in Finance from the London Business School. He is a Chartered Financial Analyst and Certified Public Accountant.

In additional to that of the Company Mr. Ho has/had directorship in the following companies whose share are listed on the Stock Exchange: he was an independent non-executive director and member of the audit committee of SCUD Group Limited and Shanghai Tonva Petrochemical Co., Ltd. from December 2006 to October 2009 and from September 2008 to October 2009, respectively; he has been an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of Fantasia Holdings Group Co., Ltd. since October 2009; and has served as an independent non-executive director of Fu Shou Yuan International Group Limited since September 2015. Besides he has served since February 2012 as an independent non-executive director of Shenzhen Form Syntron Information Company Limited, whose shares are listed on the ChiNext of Shenzhen Stock Exchange. Mr. Ho has served as a director of Shenzhen Daxiang United Space Construction Ltd, a company which will also be listed in the National Equities Exchange and Quotations.

SENIOR MANAGEMENT

Mr. WANG De Feng, aged 47, is the president of Sichuan Morita Fire Safety Appliances Co., Ltd ("Sichuan Morita") (subsequently renamed as Sichuan Chuanxiao Fire Trucks Manufacturing Company Limited), the Company's major subsidiary engaged in the production and sale of fire engines and fire prevention and fighting equipment. Mr. Wang graduated from the Second Mechanical Engineering Department of the Chongqing University. He joined the Group in 2005 and is responsible for overseeing the Group's production and sales of fire engines and fire protection equipment. Mr. Wang had been an executive director of the Company during the period from September 2006 to July 2015.

Mr. HU Yong, aged 47, is the general manager of Sichuan Morita. Mr. Hu graduated from the Xihua University (formerly known as Sichuan Institute of Technology), specializing in hydraulic mechanics. Upon graduation, he joined Sichuan Morita as a product designer. He has been working for Sichuan Morita for 22 years and was promoted to the chief engineer and then to the general manager. He has extensive experience in product technology and design, production operations, and administration and management of the company. Mr. Hu had been an executive director of the Company during the period from May 2010 to July 2015.

Ms. ZHANG Yu Rong, aged 53, is the financial controller of Sichuan Morita. Ms. Zhang graduated from the Sichuan Radio TV University (四川廣播電視大學), major in finance and accounting. Ms. Zhang was awarded "Qualified Senior Accountant" by the Human Resources Office of the Sichuan Provincial Government (四川省人事廳) in 2000. Upon graduation, she joined Sichuan Morita, and has been working in the accounting unit for over 20 years. She was promoted to the financial controller in 2005. She has extensive experience in the finance, taxation, accounting, and management of the company.

Ms. LIAO Hong, aged 48, is the general manager of Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd., a subsidiary of the Company. Ms Liao is a graduate of the Chongqing University, specializing in Mechanical Engineering. Ms Liao joined Sichuan Morita upon graduation in 1989 and had served the enterprise as a quality control officer and then sales manager, before she resigned in 2005. Ms. Liao has extensive experience in the sales and production of fire safety equipment. She joined the Group again in 2007.

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.

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 report, 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:

Name of directors	No. of meetings attended
Non-executive directors	
Dr. Li Yin Hui (Chairman) [Note]	4/4
Mr. Zheng Zu Hua [Note]	4/4
Executive directors	
Mr. Jiang Xiong (Honorary Chairman)	11/11
Mr. Jiang Qing (Chief Executive Officer)	11/11
Mr. Luan You Jun [Note]	4/4
Independent non-executive directors	
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 the Board's 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 report comprises:

Name of members	
Dr. Loke Yu (Chairman)	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 (Chairman), 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:

Name of directors	No. of meetings attended
Non-executive directors	
Dr. Li Yin Hui (Chairman) *Note*	0/0
Mr. Zheng Zu Hua *Note*	0/0
Executive directors	
Mr. Jiang Xiong (Honorary Chairman)	2/4
Mr. Jiang Qing (Chief Executive Officer)	4/4
Mr. Luan You Jun *Note*	0/0
Independent non-executive directors	
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 form the date the requisition deposited and the EGM shall be held within two months after the deposit of the requisition. The written requisition may be sent to the Board or the Company Secretary by post to the Company's head office or principal place of business in Hong Kong.

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

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

1. PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 23 and 24 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 10 to the consolidated financial statements.

2. RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 34.

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.

	HKD'000	Equivalent to approximately RMB'000
Interim dividend		
HK3 cents per share, paid on 31 July 2015	85,650	69,496

The directors do not recommend the payment of final dividend for the year ended 31 December 2015.

3. SHARES ISSUED DURING THE YEAR

Details of the shares issued during the year ended 31 December 2015 are set out in note 33 to the consolidated financial statements.

4. DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2015 were RMB967,373,000 (2014: RMB681,295,000).

Under the Company Law (Revised) Chapter 22 of Cayman Islands, the share premium and the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

5. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on prorata basis to existing shareholders.

6. FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124 of the annual report.

7. 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.

8. SHARE OPTIONS

Particulars of the Company's share option scheme (the "Scheme") are set out in note 34 to the consolidated financial statements.

8. SHARE OPTIONS *(cont'd)*

Details of the movement of share options granted under the Scheme are as follows:

Grantees	Number of shares issuable under the options: Outstanding at 1 January 2015	Granted during the year	Outstanding at 31 December 2015	Exercise price	Percentage of issued share capital of the Company	Value of options granted
				HKD		HKD'000
Executive director and a substantial shareholder						
Mr. Jiang Xiong	–	4,000,000	4,000,000	0.42	0.098%	722
Executive director and Chief Executive Officer						
Mr. Jiang Qing	–	28,000,000	28,000,000	0.42	0.687%	5,057
Independent non-executive directors						
Dr. Loke Yu	–	4,000,000	4,000,000	0.42	0.098%	722
Mr. Heng Ja Wei	–	4,000,000	4,000,000	0.42	0.098%	722
Mr. Ho Man	–	2,000,000	2,000,000	0.42	0.049%	361
		42,000,000	42,000,000		1.030%	7,584
Other employees	–	73,625,000	73,625,000	0.42	1.805%	12,372
	–	115,625,000	115,625,000		2.835%	19,956

All the share options granted during the year were granted on 26 August 2015. The closing price of the shares on the date immediately before the share options were granted was HKD0.345 per share. The share 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 first becoming a controlling shareholder (as defined in the Listing Rules) of the Company;

(ii) the first business day after the day on which CIMC disposed of any number of shares 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 CIMC's shareholdings in the Company increased to an extent that exercise of all the share options that were granted on 26 August 2015 will not dilute its shareholdings in the Company to below 30%.

8. SHARE OPTIONS *(cont'd)*

All of the share options outstanding at 31 December 2015 have not yet been vested and therefore not exercisable.

The share options granted during the year was valued at HKD19,956,000 at the date of grant, based on the Binomial valuation model. The significant inputs into the model were share price of HKD0.365 at the date of grant, exercise price of HKD0.42, standard deviation of expected share price returns of 55.5%, expected life of options of ten years, expected dividend payout rate of 0% and annual risk-free interest rate of 1.684%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of weekly share prices over the last ten years. The Binomial model is developed to estimate the fair value of Bermuda share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

9. DIRECTORS

The directors who held office during the year and up to date of this report were:

Non-executive directors

Dr. Li Yin Hui (*Chairman*) (appointed on 29 July 2015)
Mr. Zheng Zu Hua (appointed on 29 July 2015)

Executive directors

Mr. Jiang Xiong *(Honorary Chairman)*
Mr. Jiang Qing
Mr. Luan You Jun (appointed on 29 July 2015)
Mr. Wang De Feng (resigned on 29 July 2015)
Ms. Weng Xiu Xia (resigned on 29 July 2015)
Mr. Hu Yong (resigned on 29 July 2015)

Independent non-executive directors

Dr. Loke Yu
Mr. Heng Ja Wei
Mr. Ho Man (appointed on 29 July 2015)
Ms. Sun Guo Li (resigned on 29 July 2015)

In accordance with the provisions of the Company's articles of association, Dr. Li Yin Hui, Mr. Jiang Xiong, Mr. Zheng Zu Hua, Mr. Luan You Jun, Dr. Loke Yu and Mr. Ho Man retire from office and, being eligible, offer themselves for re-election.

10. DIRECTORS' SERVICE CONTRACTS

No service contract has been entered into between the Company and the directors. The term of office of each of the directors is the period to his/her retirement by rotation in accordance with the Company's articles of association.

11. DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company and the director's connected party (as defined in the Listing Rules) had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

12. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 10 of this annual report.

13. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY'S SECURITIES

Save as disclosed below, as of 31 December 2015, none of the directors or chief executives 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 Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 interests	Number of issued shares of HK$0.01 each of the Company held	Percentage of issued capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	24.07%
Mr. Jiang Qing	Beneficial owner	7,500,000	0.18%

13. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY'S SECURITIES *(cont'd)*

Options to subscribe for ordinary shares in the Company

Details of share options granted to the directors and chief executives are set out under the section 8 "SHARE OPTIONS" above.

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

14. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

15. 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, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of the Company

Name of shareholder	Capacity and types of interests	Number of issued shares of HK$0.01 each of the Company held	Percentage of issued capital of the Company
CIMC Top Gear B.V.	Beneficial owner *(Note a)*	1,223,571,430	30.00%
Cooperatie CIMC U.A.	Interest of a controlled corporation *(Note b)*	1,223,571,430	30.00%
China International Marine Containers (Hong Kong) Limited ("CIMC (HK)")	Interest of a controlled corporation *(Note c)*	1,223,571,430	30.00%
CIMC	Interest of a controlled corporation *(Note d)*	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 *(Note e)*	218,015,000	5.35%

15. INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

Notes:

(a) 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 (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.

(b) 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.

(c) CIMC (HK) and CIMC 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.

(d) CIMC 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.

(e) 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.

16. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

17. MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the aggregate purchases and turnover attributable to the Group's five largest suppliers and customers were both less than 30% of the Group's purchases and turnover respectively.

18. CONNECTED TRANSACTIONS

On 27 February 2015, a wholly owned subsidiary of the Company entered into an Acquisition agreement to acquire 40% equity interests in Ziegler from CIMC Top Gear B.V. (the "Vendor"), a wholly owned subsidiary of CIMC. The Company issued 1,223,571,430 shares, representing 30% of the enlarged share capital of the Company, to the Vendor to settle the consideration for the Acquisition on 10 July 2015, being the date of completion of the Acquisition. The Acquisition constituted a connected transaction for the Company under 14A.28(1) of the Listing Rules as the Vendor became a controlling shareholder (as defined in the listing Rules)of the Company upon completion of 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. The Acquisition was approved by the shareholders of the company in an extraordinary general meeting of the company held on 22 May 2015.

Save as disclosed above, the Group had no connected transaction that are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

The related party transactions set out in note 42 to the financial statements do not constitute connected transactions under Chapter 14A of the Listing Rules.

19. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is pulicly available to the Company and within the knowledge of the directors, it is confirmed that the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2015.

20. 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 Group.

21. EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 34 to the consolidated financial statements.

22. BUSINESS REVIEW

Business review of the Company is set out in "Management Discussion and Analaysis" on page 5 of this annual report.

23. AUDITOR

A resolution to re-appoint the retiring auditor, RSM Hong Kong, will be put at the forthcoming annual general meeting.

On behalf of the Board

Li Yin Hui
Chairman

28 March 2016

TO THE SHAREHOLDERS OF
CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Fire Safety Enterprise Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(cont'd)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Hong Kong
Certified Public Accountants
Hong Kong

28 March 2016

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Continuing operations			
Revenue	8	**565,178**	449,249
Cost of sales		**(453,369)**	(374,390)
Gross profit		**111,809**	74,859
Other income	9	**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	11	**–**	(223)
Finance costs	12	**(4,538)**	(5,865)
Profit/(loss) before tax		**51,165**	(8,757)
Income tax expense	13	**(8,136)**	(5,475)
Profit/(loss) for the year from continuing operations	14	**43,029**	(14,232)
Discontinued operations			
Loss for the year from discontinued operations	15	**(12,585)**	(487,807)
Profit/(loss) for the year		**30,444**	(502,039)

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**(493)**	(4,473)
Exchange differences on translating foreign operations		**5,013**	(325)
Other comprehensive income for the year, net of tax		**4,520**	(4,798)
Total comprehensive income for the year		**34,964**	(506,837)
Profit/(loss) for the year attributable to:			
Owners of the Company		**18,611**	(503,854)
Non-controlling interests		**11,833**	1,815
		30,444	(502,039)
Total comprehensive income for the year attributable to:			
Owners of the Company		**23,131**	(508,341)
Non-controlling interests		**11,833**	1,504
		34,964	(506,837)
Earnings/(loss) per share (RMB cents)	19		
From continuing and discontinued operations			
Basic		**0.54**	(17.65)
Diluted		**0.54**	(17.65)
From continuing operations			
Basic		**0.91**	(0.56)
Diluted		**0.91**	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	20	**192,241**	202,316
Prepaid land lease payments	21	**33,349**	34,211
Goodwill	22	**7,630**	7,630
Investments in associates	24	**419,532**	99
		652,752	244,256
Current assets			
Inventories	25	**136,715**	168,702
Trade and bills receivables	26	**272,231**	210,106
Prepayments, deposits and other receivables		**63,660**	115,441
Amounts due from associates	27	**75,289**	1,083
Prepaid land lease payments	21	**794**	726
Pledged bank deposits	28	**10,726**	8,369
Bank and cash balances	28	**105,059**	164,002
		664,474	668,429
Assets of disposal group held for sale	29	**–**	411,573
		664,474	1,080,002
Current liabilities			
Trade and other payables	30	**265,053**	257,025
Bank borrowings	31	**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	29	**–**	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

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	33	**39,977**	30,168
Reserves	35	**966,610**	518,955
Equity attributable to owners of the Company		**1,006,587**	549,123
Non-controlling interests		**–**	54,036
TOTAL EQUITY		**1,006,587**	603,159

Approved by the Board of Directors on 28 March 2016 and are signed on its behalf by:

Li Yin Hui	**Jiang Xiong**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(Note 35(b)(i))*	Capital reserve RMB'000 *(Note 35(b)(ii))*	Statutory surplus reserve RMB'000 *(Note 35(b)(iii))*	Statutory public welfare fund RMB'000 *(Note 35(b)(iv))*	Statutory reserve fund RMB'000 *(Note 35(b)(v))*	Share-based payment reserve RMB'000 *(Note 35(b)(vi))*	Exchange reserve RMB'000 *(Note 35(b)(vii))*	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 (note 38)	–	–	–	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 (note 24)	9,809	461,040	–	–	–	–	–	–	–	–	470,849	–	470,849
Payment of interim dividend out of share premium account (note 18)	–	(69,496)	–	–	–	–	–	–	–	–	(69,496)	–	(69,496)
Share-based payments	–	–	–	–	–	–	–	4,111	–	–	4,111	–	4,111
Disposal of subsidiaries (note 38)	–	–	–	–	(32,803)	(19,724)	–	–	–	52,527	–	–	–
Acquisition of non-controlling interests (note 37)	–	–	–	–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
Continuing operations		**51,165**	(8,757)
Discontinued operations		**(11,237)**	(482,102)
		39,928	(490,859)
Adjustments for:			
Allowance for obsolete and slow-moving inventories		**116**	729
Amortisation of prepaid land lease payments		**794**	726
Depreciation of property, plant and equipment		**10,819**	16,681
Gain on disposal of subsidiaries	38	**(2,095)**	(2,461)
Gain on disposal of associates	24	**–**	(583)
Impairment loss for bad and doubtful debts		**153**	163,440
Impairment loss on property, plant and equipment		**–**	2,164
Impairment loss on amounts due from contract customers		**–**	312,322
Impairment loss on prepayments, deposits and other receivables		**–**	22,972
Finance costs		**4,538**	5,865
Interest income		**(2,637)**	(1,711)
Loss on disposal of property, plant and equipment		**324**	51
Obsolete stock written off		**–**	100
Share-based payments		**4,111**	–
Unrecoverable amounts due from associates written off		**1,268**	–
Unrecoverable prepayments, deposits and other receivables written off		**–**	2,000
Share of (profit)/losses of associates		**(15,137)**	208

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Operating profit before working capital changes		**42,182**	31,644
Decrease/(increase) in inventories		**31,871**	(15,331)
Increase in trade and bills receivables		**(71,395)**	(72,005)
Decrease/(increase) in amounts due from contract customers		**1,267**	(12,938)
Decrease/(increase) in prepayments, deposits and other receivables		**49,406**	(36,598)
(Decrease)/increase in trade and other payables		**(11,768)**	123,867
Increase in amounts due to contract customers		**8,173**	8,683
Cash generated from operations		**49,736**	27,322
Interest paid		**(4,538)**	(5,865)
Income tax paid		**(7,732)**	(11,813)
Net cash generated from operating activities		**37,466**	9,644
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(1,232)**	(2,539)
Addition of prepaid land lease payments		**–**	(1,891)
(Increase)/decrease in pledged bank deposits		**(1,667)**	266
Interest received		**2,637**	1,711
(Advance to)/repayment from associates		**(890)**	20
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	38	**33,714**	9,322
Disposal of associates	24	**–**	3,485
Proceeds from disposal of property, plant and equipment		**153**	180
Net cash generated from investing activities		**32,715**	10,554

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of non-controlling interests	**(37,000)**	–
New bank loans raised	**40,000**	105,000
Repayment of bank loans	**(100,000)**	(85,000)
Dividend paid	**(69,496)**	–
Net cash (used in)/generated from financing activities	**(166,496)**	20,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(96,315)**	40,198
Effect of foreign exchange rate changes	**(643)**	64
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**202,017**	161,755
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**105,059**	202,017
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**105,059**	164,002
Bank and cash balances included in disposal group held for sale	**–**	38,015
	105,059	202,017

1. GENERAL INFORMATION

China Fire Safety Enterprise Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The principal place of business in the People's Republic of China (the "PRC") is No. 8 Section I, Xin Hua Road, Chengdu Cross Straits Technological Industry Park, Wenjiang District, Chengdu City, Sichuan Province, the PRC.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 23 and 24 to the consolidated financial statements respectively.

2. BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

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.

Amendment to HKAS 16 and HKAS 38 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model. As the Group does not use the revaluation model, there was no effect on its consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(cont'd)*

(a) Application of new and revised HKFRSs *(cont'd)*

Amendments to HKAS 19, Defined Benefit Plans: Employee Contributions

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service). As the Group has no post-employment benefit plans requiring employees or third parties to meet some of the cost of the plan, the amendments had no effect on the Group's consolidated financial statements.

Amendment to HKAS 24 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed. This amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 3 (Annual Improvements to HKFRSs 2011-2013 Cycle)

The amendment clarifies that HKFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself. This had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 13 (Annual Improvements to HKFRSs 2011-2013 Cycle)

The amendment clarifies that the portfolio exception in HKFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of HKAS 39/HKFRS 9. This had no effect on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(cont'd)*

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(cont'd)*

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties which was carried at its fair value and assets of disposal group held for sale which was carried at the lower of carrying amount and fair value less costs of disposal as at 31 December 2014.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(a) Consolidation *(cont'd)*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(b) Business combination and goodwill *(cont'd)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in associates is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Associates *(cont'd)*

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the Company and the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Foreign currency translation *(cont'd)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary terms that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives/annual rates are as follows:

Buildings	Over the term of the lease or 20 – 30 years
Plant and equipment	10% – 33%
Furniture and fixtures	10% – 33%
Computers	20% – 33%
Motor vehicles	10% – 25%
Leasehold improvements	Over the shorter of the term of the lease or 20%

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(g) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on straight-line basis over the remaining term of lease.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it.
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overheads, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of an installation contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. The accounting policy for contract revenue is stated in (t) below.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(j) Installation contracts *(cont'd)*

Installation contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Amounts due from contract customers". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as "Amounts due to contract customers". Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the statement of financial position under "Trade and other payables".

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(l) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as to loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(m) Trade, bills and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bill and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(n) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and
– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

When the outcome of an installation contract can be estimated reliably, revenue from a fixed price installation contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

Rental income is recognised on a straight-line basis over the lease term.

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(u) Employee benefits *(cont'd)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(v) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(x) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(y) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(y) Taxation *(cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(cont'd)*

(z) **Related parties**

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(aa) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(bb) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

4. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(bb) Impairment of financial assets *(cont'd)*

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(cc) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(dd) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

Legal titles of certain buildings

As stated in note 20 to the consolidated financial statements, the Group is in the process of applying for the property rights certificates in respect of certain buildings. Despite the fact that the Group has not obtained all the relevant legal titles, the directors determined to recognise those buildings as property, plant and equipment on the grounds that the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2015 was RMB192,241,000 (2014: RMB202,316,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(cont'd)*

Key sources of estimation uncertainty *(cont'd)*

(b) 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 total budgeted contract cost of each installation contract is estimated by the management. The Group regularly reviews and revises the budget with reference to the progress and anticipated margin of each individual installation contract. Stage of completion is then measured by the proportion that contract costs incurred for work performed to date compare to the estimated total contract costs. In certain circumstances, the percentage of completion is also supported by a certificate from the quantity surveyors or customers.

For applying the percentage of completion method, the Group needs to estimate the gross profit margin of each installation contract, which is determined based on the estimated total installation contract costs and total installation contract sum. During the year, revenue from installation contracts amounted to RMB96,082,000 (2014: RMB390,081,000) was recognsied.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit 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. The carrying amount of goodwill at the end of the reporting period was RMB7,630,000. Details of the goodwill are provided in note 22 to the consolidated financial statements.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(cont'd)*

Key sources of estimation uncertainty *(cont'd)*

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, bills and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, bills and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2015, accumulated impairment loss for bad and doubtful debts was amounted to RMB17,571,000 (2014: RMB17,588,000).

(e) Allowance for obsolete and slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

As at 31 December 2015, allowance for obsolete and slow-moving inventories was amounted to RMB3,073,000 (2014: RMB2,957,000).

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, RMB8,136,000 (2014: RMB5,475,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2015 and 31 December 2014 are as follows:

Group	Exposure to foreign currencies					
	2015			2014		
	United States dollars RMB'000	**Euro RMB'000**	**Hong Kong dollars RMB'000**	United States dollars RMB'000	Euro RMB'000	Hong Kong dollars RMB'000
Trade, bills and other receivables	**–**	**–**	**–**	–	18	–
Pledged bank deposits and bank and cash balances	**22**	**2**	**14,737**	8,773	8,732	8,501
Amounts due from associates	**–**	**75,289**	**–**	–	–	–
Accrued charges	**–**	**–**	**(4,308)**	–	–	(13,010)
	22	**75,291**	**10,429**	8,773	8,750	(4,509)

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT *(cont'd)*

(a) Foreign currency risk *(cont'd)*

The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of each foreign currency against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period and adjusts their translation at each end of the reporting period for a 5% change in foreign currency rates.

	2015 RMB'000 Increase/ (decrease) in profit and other comprehensive income for the year	2014 RMB'000 (Decrease)/ increase in loss and other comprehensive income for the year
– if RMB weakens against foreign currencies		
Hong Kong dollars ("HKD")	**521**	225
United States dollars ("USD")	**1**	(439)
Euro ("EUR")	**3,765**	(437)
– if RMB strengthens against foreign currencies		
HKD	**(521)**	(225)
USD	**(1)**	439
EUR	**(3,765)**	437

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL RISK MANAGEMENT *(cont'd)*

(b) Credit risk

The Group's credit risk is primarily attributable to its trade, bills and other receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not provide any other guarantees which would expose the Group to credit risk.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

6. FINANCIAL RISK MANAGEMENT *(cont'd)*

(c) Liquidity risk *(cont'd)*

The maturity analysis of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or, if floating, based on current rates at the end of the reporting period) is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Trade and other payables	**265,053**	–	–	–	**265,053**
Bank borrowings	**41,423**	–	–	–	**41,423**
At 31 December 2014					
Trade and other payables	257,025	–	–	–	257,025
Bank borrowings	103,672	–	–	–	103,672

(d) Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

6. FINANCIAL RISK MANAGEMENT *(cont'd)*

(d) Interest rate risk *(cont'd)*

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

	2015	2014
Reasonably possible change in interest rate	**50 basis points**	50 basis points
	RMB'000 (Decrease)/ increase in profit and other comprehensive income for the year	RMB'000 (Increase)/ decrease in loss and other comprehensive income for the year
– as a result of increase in interest rate	**(376)**	(440)
– as a result of decrease in interest rate	**376**	440

(e) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**476,023**	422,724
Financial liabilities:		
Financial liabilities at amortised cost	**224,347**	231,109

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

8. 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.

9. OTHER INCOME

	2015	2014
	RMB'000	RMB'000
Continuing operations		
Interest income	**2,580**	1,425
Gain on disposal of associates (note 24)	**–**	583
Gain on disposal of subsidiaries	**1,134**	–
Government grants (note)	**1,347**	555
Rental income	**345**	490
Sundry income	**1,483**	1,525
	6,889	4,578

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

10. 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 15) for presentation in the consolidated financial statements for the current year and last year and did not constitute operating 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 described in note 4 to 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 intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

10. 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 sale of fire 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

10. 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	Elimination RMB'000	Total RMB'000
At 31 December 2015				
ASSETS				
Segment assets	547,978	148,054		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				10,588
				1,317,226
LIABILITIES				
Segment liabilities	189,244	71,433		260,677
Current tax liabilities				5,586
Bank borrowings				40,000
Unallocated other payables				4,376
				310,639
OTHER INFORMATION				
Additions to non-current assets	694	538		1,232
Allowance for obsolete and slow moving inventories	–	116		116
Depreciation and amortisation	9,040	2,573		11,613
Impairment loss for bad and doubtful debts	81	72		153
Loss on disposal of property, plant and equipment	203	121		324

10. 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)

10. 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

10. 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
OTHER INFORMATION					
Additions to non-current assets	931	2,589	–		3,520
Allowance for obsolete and slow moving inventories	729	–	–		729
Depreciation and amortisation	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

10. 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	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**551,061**	449,249	**652,747**	244,240
Others	**14,117**	–	**5**	16
	565,178	449,249	**652,752**	244,256

Revenue from major customers:

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

11. OTHER EXPENSES

	2015	2014
	RMB'000	RMB'000
Continuing operations		
Impairment loss on property, plant and equipment	–	128
Impairment loss on prepayments, deposits and other receivables	–	95
	–	223

12. FINANCE COSTS

	2015	2014
	RMB'000	RMB'000
Continuing operations		
Interest on bank borrowings	**4,538**	5,865

13. INCOME TAX EXPENSE

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

	2015	2014
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	**7,316**	5,518
Under/(over)-provision in prior years	**820**	(43)
	8,136	5,475

No provision for Hong Kong Profits Tax has been made for 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.

In accordance with the enterprise income tax laws in the PRC, the statutory tax rate for PRC operations is 25% from 1 January 2008. However, certain of the Group's subsidiaries are qualified as High and New Technology Enterprises and are entitled to reduction in the PRC statutory income tax rate. The relevant tax rates for the Group's subsidiaries in the PRC range from 15% to 25% (2014: 15% to 25%).

13. INCOME TAX EXPENSE *(cont'd)*

The reconciliation between the income tax expense and profit/(loss) before tax at applicable tax rates is as follows:

	2015	2014
	RMB'000	RMB'000
Profit/(loss) before tax (from continuing operations)	**51,165**	(8,757)
Tax at the PRC Enterprise Income Tax rate of 25% (2014: 25%)	**12,791**	(2,189)
Tax effect of income that is not taxable	**(13,292)**	(398)
Tax effect of expenses that are not deductible	**25,298**	281
Tax effect of temporary differences not recognised	**(12,516)**	6,480
Tax effect of share of results of associates	**(3,784)**	52
Tax effect attributable to tax concessions	**(4,266)**	(3,687)
Tax effect of tax losses not recognised	**2,596**	4,436
Tax effect of utilisation of tax losses not previously recognised	**–**	(101)
Under/(over)-provision in prior years	**820**	(43)
Effect of different tax rates of subsidiaries	**489**	644
Income tax expense (relating to continuing operations)	**8,136**	5,475

14. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2015	2014
	RMB'000	RMB'000
Allowance for obsolete and slow moving inventories	**116**	729
Amortisation of prepaid land lease payments	**794**	726
Auditor's remuneration	**1,126**	1,395
Cost of inventories sold (note (i))	**453,369**	374,390
Depreciation of property, plant and equipment	**10,819**	16,318
Gain on disposal of associates	**–**	(583)
Gain on disposal of subsidiaries	**(1,134)**	–
Impairment loss for bad and doubtful debts	**153**	214
Impairment loss on property, plant and equipment (included in other expenses)	**–**	128
Impairment loss on prepayments, deposits and other receivables (included in other expenses)	**–**	95
Loss on disposal of property, plant and equipment	**324**	11
Net foreign exchange (gain)/loss	**(2,916)**	286
Obsolete stock written off	**–**	100
Operating lease charges in respect of rented premises	**1,383**	622
Research and development expenditure (note (ii))	**16,874**	16,606
Unrecoverable prepayments, deposits and other receivables written off	**–**	2,000
Unrecoverable amounts due from associates written off	**1,268**	–

Notes: (i) Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, amortisation of prepaid land lease payments and operating lease charges of approximately RMB32,155,000 (2014: RMB34,016,000) which are included in the amounts disclosed separately above.

(ii) Research and development expenditure includes staff costs and depreciation of property, plant and equipment of approximately RMB5,355,000 (2014: RMB5,234,000) which are included in the amounts disclosed separately above.

15. 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 a group of 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:

	2015 **RMB'000**	2014 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)

15. DISCONTINUED OPERATIONS *(cont'd)*

	2015 RMB'000	2014 RMB'000
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 following:		
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
Loss on disposal of property, plant and equipment	**–**	40
Net foreign exchange loss	**–**	24
Operating lease charges in respect of rented premises	**–**	103
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	**2,323**	3,139
Retirement benefit scheme contributions	**293**	968
	2,616	4,107
Cash flows from discontinued operations:		
Net cash outflow from operating activities	**(21,442)**	(931)
Net cash outflow from investing activities	**(14,028)**	(9,114)
Net cash outflow	**(35,470)**	(10,045)

16. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	2015 Fees RMB'000	2015 Salaries RMB'000	2015 Discretionary bonus RMB'000	2015 Retirement benefits scheme contribution RMB'000	2015 Estimated money value of other benefit RMB'000 (Note (i))	2015 Total RMB'000	2014 Fees RMB'000	2014 Salaries RMB'000	2014 Discretionary bonus RMB'000	2014 Retirement benefits scheme contribution RMB'000	2014 Estimated money value of other benefit RMB'000 (Note (i))	2014 Total RMB'000
Non-executive directors												
Dr. Li Yin Hui (note ii)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Zheng Zu Hua (note ii)	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
Executive directors												
Mr. Jiang Xiong	–	1,158	–	–	146	1,304	–	1,119	–	–	–	1,119
Mr. Jiang Qing	–	1,013	–	8	1,024	2,045	–	995	–	–	–	995
Mr. Luan You Jun (note ii)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Wang De Feng (note iii)	84	252	–	17	–	353	143	297	–	30	–	470
Ms. Weng Xiu Xia (note iii)	84	30	–	4	–	118	143	78	–	13	–	234
Mr. Hu Yong (note iii)	84	268	–	15	–	367	143	309	–	27	–	479
	252	2,721	–	44	1,170	4,187	429	2,798	–	70	–	3,297
Independent non-executive directors												
Dr. Loke Yu	161	–	–	–	146	307	143	–	–	–	–	143
Mr. Heng Ja Wei	161	–	–	–	146	307	143	–	–	–	–	143
Mr. Ho Man (note ii)	77	–	–	–	73	150	–	–	–	–	–	–
Ms. Sun Guo Li (note iii)	84	–	–	–	–	84	143	–	–	–	–	143
	483	–	–	–	365	848	429	–	–	–	–	429
	735	2,721	–	44	1,535	5,035	858	2,798	–	70	–	3,726

16. BENEFITS AND INTEREST OF DIRECTORS *(cont'd)*

(a) Directors' emoluments *(cont'd)*

Notes:

(i) Estimated money values of other benefit represents share-based payments.

(ii) Dr. Li Yin Hui, Mr. Zheng Zu Hua, Mr. Luan You Jun and Mr. Ho Man were appointed on 29 July 2015.

(iii) Mr. Wang De Feng, Ms. Weng Xiu Xia, Mr. Hu Yong and Ms. Sun Guo Li resigned on 29 July 2015.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and there was no arrangement under which a director waived or agreed to waive any emoluments (2014: RMBNil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. EMPLOYEE BENEFITS EXPENSE

	2015 RMB'000	2014 RMB'000
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	**40,943**	38,796
Equity-settled share-based payments	**4,111**	–
Retirement benefit scheme contributions	**8,202**	8,497
	53,256	47,293

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2014: three) directors, whose emoluments are included in the note 16 to the consolidated financial statements above. The emoluments of the remaining three (2014: two) individuals are set out below:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	**1,749**	1,819
Equity-settled share-based payments	**817**	–
Retirement benefit scheme contributions	**54**	27
	2,620	1,846

17. EMPLOYEE BENEFITS EXPENSE *(cont'd)*

Five highest paid individuals *(cont'd)*

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HKD1,000,000 (equivalent to RMB801,300)	**2**	1
HKD1,000,001 to HKD1,500,000 (equivalent to RMB801,301 to RMB1,201,950)	**1**	1
	3	2

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: RMBNil).

18. DIVIDENDS

	2015	2014
	RMB'000	RMB'000
Interim dividend of HK3 cents (2014: HKDNil) per share, paid on 31 July 2015	**69,496**	–

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 final dividend for the year ended 31 December 2015. No dividend was declared or paid for the year ended 31 December 2014.

19. 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	2014
	RMB'000	RMB'000
Profit/(loss) for the year attributable to owners of the Company	**18,611**	(503,854)
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	**883**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**3,442,527**	2,855,000

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

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).

20. PROPERTY, PLANT AND EQUIPMENT

	Group							
	Buildings	Plant and equipment	Furniture and fixtures	Computers	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At 1 January 2014	267,277	21,687	2,565	2,077	9,350	1,109	276	304,341
Additions	–	204	444	27	1,864	–	–	2,539
Reclassification	–	–	276	–	–	–	(276)	–
Disposals	–	–	(7)	(4)	(733)	–	–	(744)
At 31 December 2014 and 1 January 2015	267,277	21,891	3,278	2,100	10,481	1,109	–	306,136
Additions	176	915	6	135	–	–	–	1,232
Disposals	(86)	(1,186)	(972)	(907)	(463)	–	–	(3,614)
Disposal of subsidiaries	–	(735)	(232)	(362)	(4,845)	(1,072)	–	(7,246)
At 31 December 2015	267,367	20,885	2,080	966	5,173	37	–	296,508
Accumulated depreciation and impairment								
At 1 January 2014	66,850	9,711	1,518	1,250	5,416	743	–	85,488
Charge for the year	13,368	1,932	359	213	714	95	–	16,681
Impairment loss	–	79	28	32	1,763	262	–	2,164
Disposals	–	–	(6)	(4)	(503)	–	–	(513)
At 31 December 2014 and 1 January 2015	80,218	11,722	1,899	1,491	7,390	1,100	–	103,820
Charge for the year	7,954	1,908	364	172	413	8	–	10,819
Disposals	(77)	(963)	(875)	(819)	(403)	–	–	(3,137)
Disposal of subsidiaries	–	(735)	(226)	(357)	(4,846)	(1,071)	–	(7,235)
At 31 December 2015	88,095	11,932	1,162	487	2,554	37	–	104,267
Carrying amount								
At 31 December 2015	179,272	8,953	918	479	2,619	–	–	192,241
At 31 December 2014	187,059	10,169	1,379	609	3,091	9	–	202,316

At 31 December 2015, the Group was in the process of applying for the property rights certificates in respect of buildings with carrying amount of RMB83,953,000 (2014: RMB87,573,000).

During the year, the Group changed the estimated useful lives of certain buildings from 20 years to 30 years due to the re-assessment of the condition of the buildings performed by the management because of the expansion plan made during the year. As a result of this change in accounting estimate, the depreciation charge decreased by approximately RMB5,456,000 for the year and will also decreased by approximately RMB5,456,000 for each of the following 23 years.

21. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payment represent payments for land use rights certificates in the PRC under medium-term leases. The carrying amount is analysed as follows:

	2015	2014
	RMB'000	RMB'000
At 1 January	**34,937**	33,772
Additions	**–**	1,891
Amortisation of prepaid land lease payments	**(794)**	(726)
At 31 December	**34,143**	34,937
Current portion	**(794)**	(726)
Non-current portion	**33,349**	34,211

At 31 December 2014, the Group was in the process of applying for the land use rights certificates in respect of land leases with carrying amount of RMB21,381,000. All the land use rights certificates were obtained in 2015.

22. GOODWILL

	2015	2014
	RMB'000	RMB'000
Cost		
At 1 January	**17,762**	45,348
Derecognised on disposal of subsidiaries	**(10,132)**	(27,586)
At 31 December	**7,630**	17,762
Accumulated impairment losses		
At 1 January	**10,132**	37,718
Derecognised on disposal of subsidiaries	**(10,132)**	(27,586)
At 31 December	**–**	10,132
Carrying amount		
At 31 December	**7,630**	7,630

22. GOODWILL *(cont'd)*

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating unit ("CGU"). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2015 and 2014 is allocated as follows:

	2015	2014
	RMB'000	RMB'000
Production and sale of fire engines	**7,630**	7,630

The recoverable amount of the above CGU has been determined on the basis of its value in use calculation using discounted cash flow method. The cash flow projection was based on financial budget approved by management covering a five-year period, and discount rate at 15.27% (2014: 13%). The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate at 1% (2014: 1%). This growth rate is based on the forecast of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculation included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the CGU's historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of CGU to fall below its carrying amount.

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Company	Principal activities
Wang Sing Technology Limited/limited liability company	British Virgin Islands	4,984,359 ordinary shares of USD1 each	100% (note (i))	Investment holding
Allied Best Holdings Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
萃聯(中國)消防設備製造有限公司 Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD50,000,000	100%	Production and sale of fire prevention and fighting equipment
Morita-CFE Investment Company Limited (subsequently renamed as CFE Appliances Investment Company Limited)/limited liability company	Hong Kong	Ordinary shares of HKD1,000	100%	Investment holding
Profit Asia International Trading Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
四川森田消防裝備製造有限公司(後更名為四川川消消防車輛製造有限公司) Sichuan Morita Fire Safety Appliances Co., Ltd. ("Sichuan Morita") (subsequently renamed as Sichuan Chuanxiao Fire Trucks Manufacturing Co., Ltd.) sino-foreign equity joint venture	PRC	Registered capital of RMB80,640,000	100%	Production and sale of fire engines and fire prevention and fighting equipment

Note: (i) Shares held directly by the Company.

23. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

The following table shows information of a subsidiary that has non-controlling interests ("NCI") material to the Group as at 31 December 2014. The Group acquired the entire NCI at a consideration of RMB37,000,000 on 10 December 2015. The summarised financial information represented amounts before inter-company eliminations.

Name	**Sichuan Morita**
	2014
Principal place of business/Country of incorporation	PRC
% of ownership interest held by NCI	25%
	RMB'000
At 31 December:	
Non-current assets	13,452
Current assets	491,928
Current liabilities	(285,572)
Net assets	219,808
Accumulated NCI	54,723
Year ended 31 December:	
Revenue	341,055
Profit	6,573
Total comprehensive income	6,573
Profit allocated to NCI	1,644
Net cash used in operating activities	(7,502)
Net cash generated from investing activities	10,566
Net cash generated from financing activities	15,000
Net increase in cash and cash equivalents	18,064

At 31 December 2015, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB101,024,000 (2014: RMB170,688,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. INVESTMENTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Unlisted investments:		
Share of net assets	**135,426**	42,732
Goodwill	**284,106**	1,231
	419,532	43,963
Impairment losses (note)	**–**	(43,864)
	419,532	99

Note: The change in the balance of impairment losses was due to the disposal of the relevant associates during the year. No impairment loss was made for the year.

Details of the Group's associate at 31 December 2015 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Albert Ziegler GmbH ("Ziegler")/ limited liability company	Germany	EUR13,543,000	40%	Production and sale of fire engines and fire prevention and fighting equipment

The Group completed the acquisition of 40% equity interests in Ziegler on 10 July 2015. The Company issued 1,223,571,430 shares, representing 30% issued share capital of the Company to CIMC Top Gear B.V. (the "Vendor", a wholly owned subsidiary of CIMC) as purchase consideration. The closing price of the Company's shares as quoted on the Stock Exchange on the date of completion was HKD0.48 per share, giving rise to a total consideration of HKD587,314,000 (equivalent to approximately RMB470,849,000). Consideration paid amounted to EUR10,356,000 (equivalent to approximately RMB74,584,000) was for acquiring 40% of the loans advanced by the Vendor to Ziegler (on a 1:1 basis) at the date of completion which has been recognised as amount due from associates (note 27).

The Group has disposed of all the investments in other associates during the year.

24. INVESTMENTS IN ASSOCIATES *(cont'd)*

The following table shows information on Ziegler, the associate of the Group at 31 December 2015, which is accounted for in the consolidated financial statements using the equity method.

	Ziegler 2015 RMB'000
At 31 December:	
Non-current assets	408,391
Current assets	916,991
Non-current liabilities	(86,651)
Current liabilities	(898,545)
Non-controlling interests	(1,621)
Net assets	338,565
The Group's 40% share of net assets	135,426
Goodwill	284,106
The Group's share of carrying amount of interests	419,532
For the period from 10 July to 31 December 2015:	
Revenue	790,785
Profit from continuing operations	38,092
Total comprehensive income	38,092
The Group's 40% share of profit	15,236

24. INVESTMENTS IN ASSOCIATES *(cont'd)*

The following table shows, in aggregate the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2015 RMB'000	2014 RMB'000
At 31 December:		
Carrying amounts of interests	–	99
Year ended 31 December (up to the date of disposal):		
Loss from continuing operations	99	208
Total comprehensive income	99	208

At 31 December 2015, the Group's associate has no bank and cash balances in the PRC denominated in RMB (2014: RMB1,078,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Particulars of associates disposed of in 2015 and 2014 are as follows:

Associates disposed of in 2015:

Name/type of legal entity	Percentage of ownership interest	Principal activities
北京特威特國際環保科技有限公司 Beijing TWT/limited liability enterprise	45%	Production and sale of fire suppression foam
四川神劍消防科技有限公司 Sichuan Shenjian/limited liability enterprise	40%	Production and sale of fire prevention and fighting equipment

24. INVESTMENTS IN ASSOCIATES *(cont'd)*

Associates disposed of in 2014:

Name/type of legal entity	Percentage of ownership interest	Principal activities
福州華安消防工程技術有限公司 Fuzhou Huaan Fire Engineering Co., Ltd.	40%	Provision of fire prevention and fighting system installation services and maintenance services
永利高環球有限公司 Profit Top Global Limited	49%	Investment holding and development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre
上海凱德消防設備有限公司 Shanghai Kidde Fire Fighting Co., Ltd.	30%	Production and sale of fire prevention and fighting equipment

The transactions have resulted in the recognition of a gain in profit or loss, calculated as follows:

	2015 **RMB'000**	2014 RMB'000
Proceed of disposal	–	3,485
Less: Carrying amount of the investments in associates at date of disposal	–	(2,902)
Gain on disposal of associates	–	583

25. INVENTORIES

Inventories represent fire engines and fire prevention and fighting equipment.

	2015 RMB'000	2014 RMB'000
Raw materials	**34,312**	32,635
Work in progress	**32,423**	38,700
Finished goods	**69,980**	97,367
	136,715	168,702

The above inventories are stated at lower of cost and net realisable value.

26. TRADE AND BILLS RECEIVABLES

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

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.

26. TRADE AND BILLS RECEIVABLES *(cont'd)*

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
	272,231	210,106

The carrying amount of the Group's trade and bills receivables at 31 December 2015 and 2014 were all denominated in RMB.

As at 31 December 2015, trade and bills receivables of RMB62,343,000 (2014: RMB79,314,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade and bills receivables is as follows:

	2015	2014
	RMB'000	RMB'000
181 – 360 days	**18,990**	50,569
Over 360 days	**43,353**	28,745
	62,343	79,314

26. TRADE AND BILLS RECEIVABLES *(cont'd)*

Reconciliation of impairment loss for bad and doubtful debts:

	2015 **RMB'000**	2014 RMB'000
At 1 January	**17,588**	289,046
Impairment loss for the year	**153**	163,440
Amounts written off	**(168)**	(270)
Disposal of subsidiaries	**(2)**	(30,943)
Classified as disposal group held for sale	**–**	(404,155)
Exchange differences	**–**	470
At 31 December	**17,571**	17,588

The management closely monitors the credit quality of the trade and bills receivables and considers the trade and bills receivables that were neither past due nor impaired to be recoverable. Based on the payment pattern of the customers of the Group, trade and bills receivables that were past due but not impaired were generally collectable as there has not been a significant change in credit quality and loss event of these customers. Impairment loss for bad and doubtful debts recognised for 2015 and 2014 were on trade and bills receivables which were either aged over two years or customers which had either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

27. AMOUNTS DUE FROM ASSOCIATES

As referred to in note 24 to the consolidated financial statements, the amounts due from associates at 31 December 2015 represented the loans acquired at the time when the Group acquired the equity interests in Ziegler and corresponding loan interest from the date of acquisition to 31 December 2015.

	2015
	RMB'000
Loan	**74,584**
Interest	**705**
	75,289

The loan is unsecured and interest bearing as follows:

At 31 December 2015			
In original currency	**Equivalent to**	**Interest rate**	**Repayment**
EUR'000	RMB'000		
596	4,292	1.7451% p.a.	On demand
9,760	70,292	3 months Euribor + 2%	5 December 2016
10,356	74,584		

The amounts due from associates at 31 December 2014 were due from Beijing TWT and Sichuan Shenjian. The amounts were unsecured, interest free and repayable on demand. These associates have been disposed of during 2015 and the outstanding balances were fully written off.

28. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank balances carry interest ranging from Nil to 1.025% (2014: Nil to 1.35%) per annum.

The pledged bank deposits are mainly to secure banking facilities granted to the Group and carry interest at 0.35% (2014: 0.35%) per annum.

As at 31 December 2015, pledged bank deposit and bank and cash balances of the Group denominated in RMB amount to RMB101,024,000 (2014: RMB170,688,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. 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 15 to the consolidated financial statements. 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	38,015
Assets of disposal group held for sale	411,573
Trade and other payables	(333,993)
Amounts due to contract customers	(21,242)
Current tax liabilities	(2,105)
Deferred tax liabilities	(4,233)
Liabilities directly associated with assets of disposal group held for sale	(361,573)
Net assets of disposal group held for sale	50,000

30. 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	**19,131**	3,002
	265,053	257,025

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	**22,650**	24,910
	95,757	84,442

Except for the part of the accrued charges as disclosed in note 6(a) to the consolidated financial statements were denominated in HKD, the carrying amount of the Group's trade and other payables at 31 December 2015 and 2014 were all denominated in RMB.

31. BANK BORROWINGS

	2015	2014
	RMB'000	RMB'000
Bank loans, unsecured	**40,000**	100,000

The Group's bank borrowings at 31 December 2015 and 2014, were all denominated in RMB and were due for settlement within 12 months (shown under current liabilities).

The bank loans were guaranteed by subsidiaries of the Company.

The average interest rates for the year ended 31 December are as follows:

	2015	2014
Bank loans	**6.06%**	6.67%

The interest rates for the bank loans outstanding at 31 December 2015 were arranged at 110% to 118% (2014: 110% to 116%) of the benchmark interest rate as stipulated by the People's Bank of China and expose the Group to cash flow interest rate risk.

32. DEFERRED TAX

At 31 December 2015, the Group has unused tax losses of RMB93,500,000 (2014: RMB84,853,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. As at 31 December 2015, all tax losses may be carried forward indefinitely (2014: RMB5,743,000 expire from 2015 to 2019).

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB160,828,000 (2014: RMB290,048,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

33. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Authorised:		
Shares of HKD0.01 (2014: HKD0.01) each		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	10,000,000,000	100,000
Issued and fully paid:		
Shares of HKD0.01 (2014: HKD0.01) each		
At 1 January 2014, 31 December 2014 and 1 January 2015	2,855,000,000	28,550
Shares issued for acquisition of an associate (note 24)	1,223,571,430	12,236
At 31 December 2015	4,078,571,430	40,786

	2015	2014
	RMB'000	RMB'000
Shown in the consolidated financial statements as	**39,977**	30,168

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as total debt divided by adjusted capital. Total debt comprises bank borrowings. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

33. SHARE CAPITAL *(cont'd)*

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the debt-to-adjusted capital ratio at reasonable level. The debt-to-adjusted capital ratios at 31 December 2015 and at 31 December 2014 were as follows:

	2015	2014
	RMB'000	RMB'000
Total debt	**40,000**	100,000
Adjusted capital	**1,006,587**	549,123
Debt-to-adjusted capital ratio	**4%**	18%

The decrease in the debt-to-adjusted capital ratio during 2015 resulted primarily from new issuance of share capital and repayments of bank borrowings.

The externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares restricted throughout the year.

The Company was not informed of any change in the Company's shareholdings that would lead to its non-compliance with the 25% public float requirement throughout the year.

34. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The shareholders of the Company adopted a share option scheme on 29 May 2009 (the "Scheme") in replacement of the old share option scheme, which had been in effect before the Company transferred the listing of its shares from GEM to Main Board of the Stock Exchange on 6 October 2008. Options granted but unexercised under the old share option scheme remained valid and exercisable with their terms of issue. The Scheme shall be valid and effective until the close of business of the Company on the date which falls ten years after the date of adoption, after which period no further options will be granted.

The purpose of the Scheme is to advance the interests of the Company and its shareholders by offering the eligible persons a performance incentive for better services and loyalty with the Company and its subsidiaries and enhancing such persons' contributions to the Group by share ownership. A duly authorised committee of the board of directors of the Company may, at its absolute discretion, offer any full-time employee of the Company or any its subsidiaries, including any executive and non-executive directors of the Company or any of its subsidiaries options to subscribe for shares on the terms set out in the Scheme.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes must not exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 285,500,000 shares of the Company, without prior approval of the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period must not exceed 1% of the shares of the Company in issue, without prior approval of the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding 0.1% of the Company's shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant transaction. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the Board of Directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

34. SHARE-BASED PAYMENTS *(cont'd)*

Equity-settled share option scheme *(cont'd)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

The total number of shares available for issue under the Scheme is 285,500,000 shares, representing 7% of the Company's issued share capital as at the date of this report.

Details of the movement of share options during the year are as follows:

	2015		2014	
	No. of share options	**Exercise Price (HKD)**	No. of share options	Exercise price (HKD)
Outstanding at 1 January	–	–	20,000,000	0.44
Granted during the year	**115,625,000**	**0.42**	–	–
Expired during the year	–	–	(20,000,000)	0.44
Outstanding at 31 December	**115,625,000**	**0.42**	–	–
Exercisable at end of the year	–	–	–	–

The share options outstanding at 1 January 2014 was granted to a director of the Company on 24 May 2004. The options were exercisable at any time from 25 May 2004 to 24 May 2014 but none of them had been exercised before they were expired on 24 May 2014. Share options are forfeited according to the terms of the Scheme if the employee leaves the Group.

34. SHARE-BASED PAYMENTS *(cont'd)*

Equity-settled share option scheme *(cont'd)*

The share options outstanding at 31 December 2015 was granted to certain directors of the Company and certain employees of the Group on 26 August 2015. The share 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 first becoming a controlling shareholder (as defined in the Listing Rules) of the Company;

(ii) the first business day after the day on which CIMC disposed of any number of shares 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 CIMC's shareholdings in the Company increased to an extent that exercise of all the share options that were granted on 26 August 2015 will not dilute its shareholdings in the Company to below 30%.

All of the share options outstanding at 31 December 2015 have not yet been vested and therefore not exercisable.

The estimated fair value of the share options granted on 26 August 2015, as calculated using the Binomial pricing model, was HKD19,956,000. The inputs into the model are as follows:

	2015
Share price at date of grant	**HKD0.365**
Exercise price	**HKD0.42**
Expected volatility	**55.5%**
Expected life of options	**10 years**
Risk free rate	**1.684%**
Expected dividend yield	**0%**

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous ten years.

For the year ended 31 December 2015, employee's share-based payment of approximately HKD4,989,000 (equivalently to approximately RMB4,111,000) has been charged to the Group's profit for the year with a corresponding credit to the share-based payment reserve.

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Special reserve

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

(ii) Capital reserve

The capital reserve represents the share premium arising from the issue of shares of a subsidiary to the investors under the group reorganisation.

(iii) Statutory surplus reserve

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate 10% or an amount to be determined by the directors of their respective profits after tax in accordance with the relevant PRC accounting rules and financial regulations before any distribution of dividends to equity holders each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital. In normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into capital and expansion of their respective production facilities and operations.

(iv) Statutory public welfare fund

Pursuant to the articles of association of the group entities established in the PRC, the relevant group entities are required to appropriate from their respective profits after tax at the rate of 5% to 10% or an amount to be determined by the directors to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. The statutory public welfare fund forms part of the equity and is non-distributable other than upon liquidation.

35. RESERVES *(cont'd)*

(b) Nature and purpose of reserves *(cont'd)*

(v) Statutory reserve fund

In accordance with the Law of the PRC on foreign enterprises, wholly foreign-owned enterprises are required to transfer an amount of not less than 10% of their respective profits after tax to the statutory reserve fund, which may be used for making up prior year losses, if any, and for capitalisation into capital.

(vi) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(v) to the consolidated financial statements.

(vii) Exchange reserve

Group

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

Company

The exchange reserve arose from the change of functional currency of the Company from HKD to RMB in prior year.

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current assets		
Investments in subsidiaries	**187,567**	187,567
Current assets		
Prepayments, deposits and other receivables	**40**	38
Amounts due from subsidiaries	**798,594**	484,234
Bank and cash balances	**13,760**	28,637
	812,394	512,909
Current liabilities		
Accrued charges	**2,843**	3,356
Net current assets	**809,551**	509,553
NET ASSETS	**997,118**	697,120
Capital and reserves		
Share capital	**39,977**	30,168
Reserves	**957,141**	666,952
	997,118	697,120

Approved by the Board of Directors on 28 March 2016 and are signed on its behalf by:

Li Yin Hui
Director

Jiang Xiong
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(cont'd)*

(b) Reserve movement of the Company

	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserves RMB'000	Exchange reserve RMB'000 *(Note 35 (b)(vii))*	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	646,363	170,607	–	(3,342)	(120,013)	693,615
Total comprehensive income for the year	–	–	–	–	(26,663)	(26,663)
At 31 December 2014 and 1 January 2015	646,363	170,607	–	(3,342)	(146,676)	666,952
Total comprehensive income for the year	–	–	–	–	(105,466)	(105,466)
Issue of shares for acquisition of an associate (note 24)	461,040	–	–	–	–	461,040
Payment of interim dividend out of share premium account (note 18)	(69,496)	–	–	–	–	(69,496)
Share-based payments	–	–	4,111	–	–	4,111
At 31 December 2015	1,037,907	170,607	4,111	(3,342)	(252,142)	957,141

37. ACQUISITION OF NON-CONTROLLING INTERESTS

The Group acquired an additional 25% equity interest in Sichuan Morita in December 2015 for a cash consideration of RMB37,000,000, increasing its ownership from 75% to 100%. The carrying amount of the non-controlling interests at the date of acquisition was approximately RMB65,869,000.

38. DISPOSAL OF SUBSIDIARIES

The Group disposed of all the equity interests held in the following subsidiaries during the year:

Name of subsidiary/ type of legal entity	Percentage of ownership interests held by the Group	Principal activities
萃聯(上海)貿易有限公司 Allied Best (Shanghai) Trading Co., Ltd./limited liability enterprise	100%	Trading of fire prevention and fighting equipment
CFE Investment Limited/ limited liability company	100%	Investment holding
川消消防工程有限公司 Chuanxiao Fire Engineering Company Limited limited liability enterprise	100%	Provision of fire prevention and fighting system installation services and maintenance services
福州市萬友消防設備有限公司 Fuzhou Wanyou Fire Equipment Co., Ltd./ wholly foreign-owned enterprise	100%	Production and sale of fire prevention and fighting equipment
金格邏博網絡技術有限公司 Jinge Luobo Network Technologies Co., Ltd./limited liability enterprise	100%	Provision on on-line advertising services
Loyal Asset Investment Holdings Limited/ limited liability company	100%	Investment holding
四川萬山福特種消防裝備制造有限公司 Sichuan Wan Shan Fu Special Fire Equipment Manufacturing Co., Ltd./limited liability enterprise	100%	Production and sale of fire prevention and fighting equipment
萬友消防工程集團有限公司 Wanyou Fire Engineering Group Company Limited /limited liability enterprise	100%	Provision of fire prevention and fighting system installation services and maintenance services

38. DISPOSAL OF SUBSIDIARIES *(cont'd)*

The net (liabilities)/assets of the subsidiaries disposed of at the date of disposal were as follows:

	2015 Continuing operations RMB'000	2015 Discontinued operations RMB'000	**2015 Total RMB'000**
Property, plant and equipment	5	6	**11**
Retention receivables	–	329	**329**
Trade and bills receivables	2,675	535,214	**537,889**
Impairment loss for bad and doubtful debts	(2,675)	(401,484)	**(404,159)**
Amounts due from contract customers	–	246,659	**246,659**
Bank and cash balances	217	16,079	**16,296**
Trade and other payables	(852)	(313,345)	**(314,197)**
Amounts due to contract customers	–	(29,415)	**(29,415)**
Current tax liabilities	(1)	(509)	**(510)**
Deferred tax liabilities	–	(4,495)	**(4,495)**
Net (liabilities)/assets disposed of	(631)	49,039	**48,408**
Release of exchange reserve	(493)	–	**(493)**
	(1,124)	49,039	**47,915**
Gain on disposal of subsidiaries	1,134	961	**2,095**
Total consideration	10	50,000	**50,010**
Satisfied by:			
Cash consideration received	10	50,000	**50,010**
Net cash (outflow)/inflow arising on disposal:			
Cash consideration received	10	50,000	**50,010**
Bank and cash balances disposed of	(37)	(16,259)	**(16,296)**
	(27)	33,741	**33,714**

38. DISPOSAL OF SUBSIDIARIES *(cont'd)*

During 2014, the Group disposed of all the equity interests held in the following subsidiaries:

Name of subsidiary/ type of legal entity	Percentage of ownership interests held by the Group	Principal activities
成都萃聯酒店有限公司 Chengdu Allied Best Hotel Co., Ltd./ limited liability enterprise	60%	Operation of a guest house
福建東盟聯合水產品投資管理有限公司 Fujian Asean United Aquatic Products Investment Management Co. Ltd./ limited liability enterprise	100%	Production and sale of fire prevention and fighting equipment
Tung Shing Trade Development Company Limited/limited liability company	51%	Trading of fire engines and fire fighting and rescue equipment

38. DISPOSAL OF SUBSIDIARIES *(cont'd)*

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	2014 Continuing operations RMB'000	2014 Discontinued operations RMB'000	2014 Total RMB'000
Property, plant and equipment	–	13,752	13,752
Investment properties	–	38,700	38,700
Prepaid land lease payments	–	513	513
Trade and bills receivables	–	30,943	30,943
Impairment loss for bad and doubtful debts	–	(30,943)	(30,943)
Prepayments, deposits and other receivables	–	8,078	8,078
Bank and cash balances	–	12,114	12,114
Trade and other payables	–	(27,546)	(27,546)
Amounts due to non-controlling shareholders	–	(6,189)	(6,189)
Net assets disposed of	–	39,422	39,422
Non-controlling interests	–	24,900	24,900
Release of exchange reserve	–	(4,473)	(4,473)
	–	59,849	59,849
Gain on disposal of subsidiaries	–	2,461	2,461
Total consideration	–	62,310	62,310
Satisfied by:			
Cash consideration received	–	21,436	21,436
Cash consideration receivable	–	40,874	40,874
	–	62,310	62,310
Net cash inflow, arising on disposal:			
Cash consideration received	–	21,436	21,436
Bank and cash balances disposed of	–	(12,114)	(12,114)
	–	9,322	9,322

39. CAPITAL COMMITMENTS

At 31 December 2015, the Group's capital commitments are as follows:

	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	**16,250**	17,677

40. OPERATING LEASE COMMITMENTS

As lessee

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	**1,799**	451
In the second to fifth year inclusive	**3,742**	–
	5,541	451

Operating lease payments represent rentals payable by the Group for certain of its premises, offices and staff quarters. Length of the leases ranged from six months to three years and rentals are fixed over the lease terms and do not include contingent rentals.

As lessor

At 31 December 2015, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	**553**	282
In the second to fifth year inclusive	**569**	–
	1,122	282

41. RETIREMENT BENEFIT SCHEMES

The group entities operating in the PRC participate in a state-managed retirement benefit plan operated by the government of the PRC. All eligible PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at rates ranging from 18% to 21% (2014: 18% to 22%) of the basic salary of its eligible PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2015 amounted to RMB8,408,000 (2014: RMB9,388,000).

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme. During the year ended 31 December 2015, the Group made to the MPF Scheme contributions amounting to RMB87,000 (2014: RMB77,000).

42. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2015 RMB'000	2014 RMB'000
Finished goods purchased from associates	221	5,539
Finished goods sold to associates	7	86
Interest income received from an associate	705	–
Rental income received from associates	75	336

(b) The key management personnel are the directors. The details of the remuneration paid to them are set out in note 16 to the consolidated financial statements.

43. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2015 (2014: RMB Nil).

FINANCIAL SUMMARY

	For the year ended 31 December				
	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
RESULTS					
Turnover	1,080,349	969,273	836,812	846,828	**662,399**
(Loss)/profit before tax	(28,931)	(11,501)	(149,449)	(490,859)	**39,928**
Income tax expense	(9,557)	(10,635)	(12,281)	(11,180)	**(9,484)**
(Loss)/profit for the year	(38,488)	(22,136)	(161,730)	(502,039)	**30,444**
Attributable to:					
Owners of the Company	(41,245)	(21,414)	(152,871)	(503,854)	**18,611**
Non-controlling interests	2,757	(722)	(8,859)	1,815	**11,833**
	(38,488)	(22,136)	(161,730)	(502,039)	**30,444**
(Loss)/earnings per share (RMB cents)					
Basic	(1.44)	(0.75)	(5.35)	(17.65)	**0.54**
Diluted	(1.44)	(0.75)	(5.35)	(17.65)	**0.54**

	At 31 December				
	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,751,890	1,789,889	1,687,623	1,324,258	**1,317,226**
Total liabilities	(479,286)	(543,023)	(602,527)	(721,099)	**(310,639)**
	1,272,604	1,246,866	1,085,096	603,159	**1,006,587**
Equity attributable to owners of the Company	1,232,158	1,210,602	1,057,464	549,123	**1,006,587**
Non-controlling interests	40,446	36,264	27,632	54,036	**–**
Total equity	1,272,604	1,246,866	1,085,096	603,159	**1,006,587**