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China Fire Safety Enterprise Group Limited

中國消防企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2016 decreased 16.6% to RMB471 million. Profit from operations for the year was RMB39.6 million, broadly in line with the prior year.
- Profit attributable to owners of the Company for the year declined 7.1% to RMB17.3 million.
- Earnings per share for the year was RMB0.42 cent (2015: RMB0.54 cent).
- The directors do not recommend the payment of dividend for the year ended 31 December 2016.

CHAIRMAN'S STATEMENT

Despite the 16.6% drop in revenue for the year ended 31 December 2016, the growth in sale of high-margin special vehicles such as bidirectional trucks and large-sized fire engines that equipped with advanced chassis and equipment have driven up the Group's overall profit margin and largely compensated the profit lost from revenue slipped. Profit from operations for the year was broadly in line with that of previous year. However, because of the decrease in share of profit of associates and the provision for a rental dispute, the Group's profit for the year declined as compared to last year. The Group's financial results are explained in the "*Business review*" section of the Management Discussion and Analysis.

2016 has seen a significant change in the management of the Group. Mr. Zheng Zu Hua, my fellow director, has taken over the challenge of the Chief Executive Officer since April 2016. Mr. Zheng has extensive knowledge and experience in management and has proven records of success with CIMC. During the year, we have engaged an internal control team of the CIMC Group to run a risk assessment and internal control review of the Group, quite a number of areas for improvement have been identified. The assumption of the role of CEO by Mr. Zheng implies not only a new management model but a series of changes to reshape CFE in the years ahead.

The Board is mindful of its role as guardian of shareholders' money. In addition to ensuring operating excellence, we are restless in hunting for shareholders value. On one hand, we have been searching for fire engines and fire equipment manufacturing enterprises in China and overseas for cooperation or merger and acquisition. We have visited quite a number of target companies and have discussed with the respective owners and management and hopefully will have some achievements in 2017. On the other hand, we are committed to optimize the Group's management in all respects, and enhance our competitiveness through flexibility in management and increased input into research and development. We are confident that such measures would well prepare us to overcome the stiff competition brought by the release of the restrictions in number of qualified fire engines manufacturers by the relevant authorities at the beginning of 2016.

When CIMC came into CFE last year, it aims at pushing CFE to top the global fire engines market. Today, CFE and CIMC are still working towards this aim. This is not an easy road and without the dedications of my fellow directors and all the staff, this road is even tougher. I would like to thank all of them for their contributions made.

Li Yin Hui
Chairman
27 March 2017

The board of directors (the “**Board**”) of the Company hereby announces the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016, together with the comparative figures for the corresponding period in 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2016	2015
		RMB'000	RMB'000
Continuing operations			
Revenue	2	471,252	565,178
Cost of sales		<u>(363,991)</u>	<u>(453,369)</u>
Gross profit		107,261	111,809
Other income	3	6,047	6,889
Selling and distribution costs		(14,779)	(18,469)
Administrative expenses		<u>(58,914)</u>	<u>(59,663)</u>
Profit from operations		39,615	40,566
Finance costs		(1,400)	(4,538)
Other expense	4	(16,224)	-
Share of profit of associates		<u>2,881</u>	<u>15,137</u>
Profit before tax		24,872	51,165
Income tax expense	5	<u>(7,586)</u>	<u>(8,136)</u>
Profit for the year from continuing operations	6	<u>17,286</u>	<u>43,029</u>
Discontinued operations			
Loss for the year from discontinued operations	7	<u>-</u>	<u>(12,585)</u>
Profit for the year		<u>17,286</u>	<u>30,444</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		-	(493)
Exchange differences on translating foreign operations		20,403	5,013
Share of other comprehensive income of an associate		<u>164</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>20,567</u>	<u>4,520</u>
Total comprehensive income for the year		<u>37,853</u>	<u>34,964</u>

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

	<i>Note</i>	Year ended 31 December	
		2016	2015
		RMB'000	RMB'000
Profit for the year attributable to:			
Owners of the Company		17,286	18,611
Non-controlling interests		<u>-</u>	<u>11,833</u>
		<u>17,286</u>	<u>30,444</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		37,853	23,131
Non-controlling interests		<u>-</u>	<u>11,833</u>
		<u>37,853</u>	<u>34,964</u>
Earnings per share (RMB cent)			
From continuing and discontinued operations			
Basic	8	<u>0.42</u>	<u>0.54</u>
Diluted		<u>0.42</u>	<u>0.54</u>
From continuing operations			
Basic		<u>0.42</u>	<u>0.91</u>
Diluted		<u>0.42</u>	<u>0.91</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment		183,354	192,241
Prepaid land lease payments		32,555	33,349
Goodwill		7,630	7,630
Investment in an associate		518,993	419,532
		742,532	652,752
Current assets			
Inventories		138,232	136,715
Trade and bills receivables	10	207,533	272,231
Prepayments, deposits and other receivables		83,571	63,660
Amounts due from an associate		2,151	75,289
Prepaid land lease payments		794	794
Pledged bank deposits		3,270	10,726
Bank and cash balances		132,576	105,059
		568,127	664,474
Current liabilities			
Trade and other payables	11	226,265	265,053
Bank borrowings		10,000	40,000
Provision	12	16,224	-
Current tax liabilities		5,171	5,586
		257,660	310,639
Net current assets		310,467	353,835
NET ASSETS		1,052,999	1,006,587
Capital and reserves			
Share capital		39,977	39,977
Reserves		1,013,022	966,610
TOTAL EQUITY		1,052,999	1,006,587

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

Attributable to owners of the Company

	Share capital	Share premium	Special reserve	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Share-based payment reserve	Exchange reserve	Other reserve	Retained profits/(accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	30,168	646,363	(6,692)	88,783	32,803	19,724	-	(6,018)	-	(256,008)	549,123	54,036	603,159
Total comprehensive income for the year	-	-	-	-	-	-	-	4,520	-	18,611	23,131	11,833	34,964
Issue of shares for acquisition of an associate	9,809	461,040	-	-	-	-	-	-	-	-	470,849	-	470,849
Payment of interim dividend out of share premium account	-	(69,496)	-	-	-	-	-	-	-	-	(69,496)	-	(69,496)
Share-based payments	-	-	-	-	-	-	4,111	-	-	-	4,111	-	4,111
Disposal of subsidiaries	-	-	-	-	(32,803)	(19,724)	-	-	-	52,527	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	28,869	28,869	(65,869)	(37,000)
Total comprehensive income and changes in equity for the year	9,809	391,544	-	-	(32,803)	(19,724)	4,111	4,520	-	100,007	457,464	(54,036)	403,428
At 31 December 2015	39,977	1,037,907	(6,692)	88,783	-	-	4,111	(1,498)	-	(156,001)	1,006,587	-	1,006,587
At 1 January 2016	39,977	1,037,907	(6,692)	88,783	-	-	4,111	(1,498)	-	(156,001)	1,006,587	-	1,006,587
Total comprehensive income for the year	-	-	-	-	-	-	-	20,403	164	17,286	37,853	-	37,853
Share-based payments	-	-	-	-	-	-	8,559	-	-	-	8,559	-	8,559
Total comprehensive income and changes in equity for the year	-	-	-	-	-	-	8,559	20,403	164	17,286	46,412	-	46,412
At 31 December 2016	39,977	1,037,907	(6,692)	88,783	-	-	12,670	18,905	164	(138,715)	1,052,999	-	1,052,999

Notes:

1 Basis of presentation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has adopted all the new and revised HKFRSs to the extent that they are relevant to the Group for the current and prior accounting periods.

2 Revenue

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

3 Other income

	2016 RMB'000	2015 RMB'000
Continuing operations		
Interest income	2,752	2,580
Gain on disposal of subsidiaries	-	1,134
Government grants (note)	1,634	1,347
Rental income	192	345
Sundry income	1,469	1,483
	<u>6,047</u>	<u>6,889</u>

Note: The government grants represent subsidies provided by government organizations or authorities in The People's Republic of China (“**PRC**”) for subsidizing certain research and development projects conducted by the Group's subsidiaries.

4 Other expense

	2016 RMB'000	2015 RMB'000
Provision for a legal claim in respect of a rental dispute (Note 12)	16,224	-

5 Income tax expense

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

	2016	2015
	RMB'000	RMB'000
Current tax		
The PRC Enterprise Income Tax		
Provision for the year	7,910	7,316
(Over)/under-provision in prior years	(324)	820
	<u>7,586</u>	<u>8,136</u>

No provision for Hong Kong Profits Tax has been made for 2015 and 2016 as the relevant group entities had no assessable profits for both years.

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

6 Profit for the year from continuing operations

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

	2016	2015
	RMB'000	RMB'000
Allowance for obsolete and slow moving inventories	-	116
Amortization of prepaid land lease payments	794	794
Depreciation of property, plant and equipment	10,804	10,819
Impairment loss for bad and doubtful debts	<u>339</u>	<u>153</u>

7 Discontinued operations

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

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Loss for the year from discontinued operations:		
Revenue	-	97,221
Cost of sales and services	-	(94,178)
Gross profit	-	3,043
Other income	-	57
Administrative expenses	-	(15,298)
Loss before tax	-	(12,198)
Income tax expense	-	(1,348)
Gain on disposal of subsidiaries	-	961
Loss for the year from discontinued operations and attributable to owners of the Company	-	(12,585)

Loss for the year from discontinued operations include the followings:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Gain on disposal of subsidiaries	-	(961)

8 Earnings per share

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

	From continuing and discontinued operations	
	2016	2015
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	<u>17,286</u>	<u>18,611</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,078,571	3,441,644
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 per share	<u>4,078,571</u>	<u>3,442,527</u>

	From continuing operations		From discontinued operations	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Profit/ (loss) for the year attributable to owners of the Company	<u>17,286</u>	<u>31,196</u>	<u>-</u>	<u>(12,585)</u>

There was no dilutive potential ordinary shares in relation to the share options as the average market price of the shares for the year ended 31 December 2016 was lower than the exercise price of the share options.

From discontinued operations

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 were RMB0.37 cent per share.

9 Dividends

	2016 RMB'000	2015 RMB'000
Interim dividend of HK3 cents per share, paid on 31 July 2015	<u>-</u>	<u>69,496</u>

The directors recommended an interim dividend of HK3 cents per share 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.

Save as disclosed above, no dividend was declared or paid for the year ended 31 December 2015 and 2016.

10 Trade and bills receivables

	2016 RMB'000	2015 RMB'000
Trade and bills receivables	224,238	289,802
Less: Impairment loss for bad and doubtful debts	<u>(16,705)</u>	<u>(17,571)</u>
	<u>207,533</u>	<u>272,231</u>

The Group allows an average credit period of 30 days to 180 days to its trade customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The aging analysis of trade and bills receivables, based on the invoice date and net of impairment loss for bad and doubtful debts, is as follows:

	2016	2015
	RMB'000	RMB'000
0 - 90 days	91,292	124,305
91 - 180 days	42,095	85,583
181 - 360 days	35,705	18,990
Over 360 days	38,441	43,353
	<u>207,533</u>	<u>272,231</u>

11 Trade and other payables

	2016	2015
	RMB'000	RMB'000
Trade payables	106,397	95,757
Accrued charges	61,312	69,459
Receipts in advance	44,001	80,706
Value added tax, sales tax and other levies	14,555	19,131
	<u>226,265</u>	<u>265,053</u>

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

	2016	2015
	RMB'000	RMB'000
0 - 30 days	50,480	44,865
31 - 60 days	12,292	15,424
61 - 90 days	7,892	12,818
Over 90 days	35,733	22,650
	<u>106,397</u>	<u>95,757</u>

12 Provision

	RMB'000
At 1 January 2016	-
Addition	<u>16,224</u>
At 31 December 2016	<u>16,224</u>

The provision represents a legal claim in respect of a rental dispute brought against the Group by a lessor for the unsettle rental expenses. The provision is made based on the court written judgement and the management estimation.

13 Event after the reporting period

The Group acquired the entire equity interest of 四川川消汽車服務有限公司, a company incorporated in Sichuan and engaged mainly in the provision of fire engines maintenance services, on 8 February 2017.

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 accounting policies of the operating segments are the same as those applied by the Group in the consolidated financial statements. Segment profits or losses do not include interest income, unallocated corporate expenses, gain on disposal of subsidiaries, other expense, share of profit of associates, income tax expense and finance costs. Segment assets do not include investment in an associate, amounts due from an associate, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include current tax liabilities, bank borrowings, provision and unallocated other payables.

The Group accounts for the intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

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

	Production and sale of fire engines RMB'000	Production and prevention and fighting equipment RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2016				
REVENUE				
External sales	370,369	100,883	-	471,252
Inter-segment sales	-	-	-	-
Total	370,369	100,883	-	471,252
RESULTS				
Segment profit	45,000	5,591		50,591
Interest income				2,752
Unallocated corporate expenses				(13,728)
Profit from operations				39,615
Finance costs				(1,400)
Other expenses				(16,224)
Share of profit of an associate				2,881
Profit before tax				24,872
Income tax expense				(7,586)
Profit for the year from continuing operations				17,286

SEGMENT INFORMATION (CONT'D)

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

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Total RMB'000
At 31 December 2016			
ASSETS			
Segment assets	<u>557,346</u>	<u>85,027</u>	642,373
Investment in an associate			518,993
Amount due from an associate			2,151
Pledged bank deposits			3,270
Bank and cash balances			132,576
Unallocated other receivables			<u>11,296</u>
			<u>1,310,659</u>
LIABILITIES			
Segment liabilities	<u>166,939</u>	<u>56,571</u>	223,510
Current tax liabilities			5,171
Bank borrowings			10,000
Provision			16,224
Unallocated other payables			<u>2,755</u>
			<u>257,660</u>
OTHER INFORMATION			
Additions to non-current assets	1,360	685	2,045
Depreciation and amortization	10,366	1,232	11,598
Impairment loss for bad and doubtful debts	266	73	339
Loss on disposal of property, plant and equipment	<u>31</u>	<u>19</u>	<u>50</u>

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)
Profit from operations				40,566
Finance costs				(4,538)
Share of profit of associates				15,137
Profit before tax				51,165
Income tax expense				(8,136)
Profit for the year from continuing operations				43,029

SEGMENT INFORMATION (CONT'D)

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

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

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	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	471,252	551,061	223,538	233,215
Germany	-	-	518,993	419,532
Others	-	14,117	1	5
	<u>471,252</u>	<u>565,178</u>	<u>742,532</u>	<u>652,752</u>

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for both 2015 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Revenue of the Group dropped 16.6% to RMB471 million for the year ended 31 December 2016. Profit from operations for the year was RMB39.6 million, broadly in line with the prior year. Profit for the year, however, declined 43.2% to RMB17.3 million. To better comply with the accounting policies, the Group's revenue, from fire engines in particular, can only be recognized when customers finished their inspection on the products. The relaxation of the restrictions in number of qualified fire engines manufacturers by the Ministry of Industry and Information Technology and the Ministry of Public Security from the beginning of 2016 has rapidly boost up the number of players in the market and put stress on the Group's order books.

In spite of the decline in revenue, the lost in profit was largely compensated by the increase in gross profit margin due to change in product mix and customer mix. The growth in sales of special vehicles, such as the first lot of bidirectional trucks sold since launched; and sale of large-sized fire engines that equipped with more equipment and advanced chassis, have driven up the gross profit margin for the year as those trucks required comparatively more advanced production techniques and complicated production procedures and could be sold at higher profit margin.

The drop in profit for the year was attributable to: (i) the decrease in share of profit of associates; and (ii) the provision for a rental dispute amounted to RMB16 million as referred to in note 12 to the consolidated financial statements above. The Group completed the acquisition of 40% of Albert Ziegler GmbH ("Ziegler") in July 2015 and therefore shared only the financial results for the second half of 2015. The first two quarters of a year are normally the slack seasons for Ziegler and the Group should have been shared a loss of approximately RMB9.4 million for 2015, had Ziegler's results for the full year been taken into account.

The market for conventional fire trucks is approaching saturation but demand for special vehicles is rising. The Group has focused on developing those products that cater for market needs and are able to fill market gaps in recent years. For the projects discussed in the annual report last year, the bi-directional trucks have been sold in 2016. Orders for aerial platform trucks have been received which is expected to be delivered in 2017. The development of the large-scale compressed air extinguishing system which is designed specifically to tackle conflagrations in areas with oil tanks, oil depots and petrochemical storage and factories, one of the research projects of the thirteen national five year plan, is progressing smoothly and may launch soon.

In addition to growth through internal development, the Group is actively looking for merger and acquisition opportunities. The Group is negotiating to acquire fire engine and fire equipment manufacturing companies in China and in Europe. The acquisitions, if succeed, will enrich the Group's product portfolio and technologies and enlarge its market coverage by building a solid foothold in the international market.

Financial resources, liquidity, contingent liabilities and pledge of assets

The Group's bank and cash balances at 31 December 2016 were approximately RMB136 million (2015: RMB116 million), of which RMB3 million (2015: RMB11 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. Outstanding balances of the short

term bank loans borrowed by a subsidiary in Sichuan as at the year-end date reduced to RMB10 million (2015: RMB40 million). The increase in net cash balances was mainly due to the Group's strengthened effort in recovering accounts receivables. The Group has also strengthen its after-sales services to follow up the problems that customers may encounter in respect of the products purchased so as to enhance their satisfaction and willingness to pay.

As at 31 December 2016, the current assets and current liabilities of the Group were approximately RMB568 million (2015: RMB664 million) and RMB258 million (2015: RMB311 million) respectively. The current ratio was approximately 2.2 times (2015: 2.1 times). Gearing ratio (interest bearing debt / total equity (non-controlling interests excluded)) at end of the year was 1% (2015: 4%). The reduction in current assets at end of 2016 was mainly due to the decrease in the amounts due from an associate as the Group waived the loan receivable from Ziegler amounted to RMB76 million (in original currency EUR10 million) in December 2016. In view of the improving performance of Ziegler for recent years and the growing sales orders received, the Group and CIMC, the other 60% shareholder, approved Ziegler to convert the shareholders loans due into capital reserves in December 2016, in order to facilitate its raising of low-rate Euro bank loans in the local German market by improving its debt-to-equity ratio. Following Ziegler's loan-equity conversion, the Group recognised an increase in investment in associate to offset the reduction in amounts due from associate. Decrease in gearing ratio was due to the repayment of bank loans during the year as the Group's cash position improved.

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 2016.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2016.

Investments, disposals and capital commitments

Capital commitments

As at 31 December 2016, the Group has capital commitment of approximately RMB14 million (2015: RMB16 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 2016.

Employees and remuneration policies

As at 31 December 2016, the Group had approximately 550 full-time employees (2015: 576). Staff costs for the year (excluding directors' remuneration and those incurred for the discontinued operations) was RMB53.2 million (2015: RMB48.2 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, HKD10.0 million (approximately RMB8.6 million) in relation to the value of the options for the year ended 31 December 2016 were charged to the profit for the year as share based payments. The share based payments charged to the profit for 2015, from date of grant to 31 December 2015, were HKD5.0 million (approximately RMB4.1 million). All full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

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

Save as disclosed below, as of 31 December 2016, none of the directors or chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

Name of Director	Capacity and types of interest	Number of issued shares of HKD0.01 each of the Company held	Percentage of issued share capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	24.07%

Options to subscribe for ordinary shares in the Company

Name of Director	Number of shares of HKD0.01 each of the Company issuable under the options				Exercise price (HKD)	Percentage of issued share capital of the Company
	Outstanding at 1 January 2016	Granted during the year	Re-classification (Note)	Outstanding at 31 December 2016		
Mr. Jiang Xiong	4,000,000	-	-	4,000,000	0.42	0.098%
Mr. Jiang Qing	28,000,000	-	(28,000,000)	-	0.42	-
Dr. Loke Yu	4,000,000	-	-	4,000,000	0.42	0.098%
Mr. Heng Ja Wei	4,000,000	-	-	4,000,000	0.42	0.098%
Mr. Ho Man	2,000,000	-	-	2,000,000	0.42	0.049%
	<u>42,000,000</u>	<u>-</u>	<u>(28,000,000)</u>	<u>14,000,000</u>		<u>0.343%</u>

Note: Mr. Jiang Qing ceased to be an executive director and the Chief Executive Officer of the Company and was re-designated as a non-executive director and the Chief Business Development Officer of the Company on 5 April 2016. He subsequently resigned as a non-executive director on 26 May 2016 but remained employed as the Company's Chief Business Development Officer.

The shares options outstanding at 1 January 2016 and 31 December 2016 were granted to the directors on 26 August 2015. They will be valid for 10 years from 26 August 2015 to 25 August 2025 (both dates inclusive) but cannot be exercised until they are vested which shall be on the earliest of the following dates:

- (i) the first business day after the second anniversary of 10 July 2015, being the date on which CIMC Group first becoming the controlling shareholder (as defined under the Listing Rules) of the Company;
- (ii) the first business day after the day on which CIMC Group disposed of any number of shares of the Company it held such that its shareholdings in the Company will decrease to below 30%; and
- (iii) the first business day after the day on which shareholdings of CIMC Group in the Company increased to an extent that the exercise of all the share options that were granted on 26 August 2015 will not dilute its shareholdings in the Company to below 30%.

The share options granted to the directors and outstanding at 31 December 2016 have not yet been vested and therefore not exercisable.

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

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of the Company

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

Notes:

1. 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.

2. CIMC HK and CIMC Group are beneficially interested in 1% and 99% respectively of the issued share capital of Cooperatie CIMC U.A. and are taken to be interested in the 1,223,571,430 shares in which Cooperatie CIMC U.A. has declared interest for the purpose of the SFO.
3. CIMC Group is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 1,223,571,430 shares in which CIMC HK has declared interest for the purpose of the SFO.
4. 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 2016.

COMPETING INTERESTS

None of the directors or the management shareholder of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or had any other conflicts of interest, which any such person has or may have with the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

Corporate governance practices

Throughout the year ended 31 December 2016, 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 directors although they are subject to retirement by rotation according to the Company's Articles of Association. The Board is of the opinion that this serves the same objectives of the relevant provision.
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 Corporate Governance Report will be included in the 2016 annual report which will be dispatched to the shareholders and posted on the website of the Stock Exchange in accordance with the Listing Rules.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors of the Company are responsible for the preparation of the financial statements, which give a true and fair view of the condition of the Group. The Group's results for the year have been reviewed by the Audit Committee. RSM Hong Kong, the Group's 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. RSM Hong Kong gives an unqualified opinion on the consolidated financial statements of the Group as at 31 December 2016 and for the year then ended.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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

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

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

Hong Kong, 27 March 2017