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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 2017**

#### **HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2017 increased 12.2% to RMB529 million.
- Profit attributable to owners of the Company for the year increased 2.7% to RMB17.8 million.
- Earnings per share for the year was RMB0.44 cent (2016: RMB0.42 cent).
- The directors do not recommend the payment of dividend for the year ended 31 December 2017.

## CHAIRMAN'S STATEMENT

2017 opens a new era for CFE. As you may recall, we have commenced the restructuring of the Group's business since 2013 by discarding those operations with continuing losses. In 2015, we expanded our fire engines business by acquiring 40% equity interests in Albert Ziegler GmbH from CIMC, and pursuant to which CIMC became a controlling shareholder of CFE. After two years of assimilation, CFE and CIMC are getting closer and in December 2017, we entered into an agreement to acquire 78.15% equity interest in Pteris Global Limited ("Pteris") from CIMC by issuing shares and convertible bonds of the Company. Subject to approval of the acquisition by the shareholders of the Company eligible to vote at the extraordinary general meeting to be held on 11 April 2018 and the fulfilment of other condition precedents as prescribed in the agreement, CIMC will hold at least 51% of the Company's enlarged issued share capital at completion of the acquisition of Pteris.

To say that CFE is on the threshold of a new era, this is not just because we are going to become a subsidiary of CIMC and can obtain greater support from it, but that we are instantly to expand into and gain from the new businesses with proven records of success and with high development potential. Moreover, we will have immediate access to markets that are new to us. Pteris and its subsidiaries (collectively the "Pteris Group"), are engaged in the design, manufacturing and sale of (i) passenger boarding bridges; (ii) automatic systems for baggage and material sorting, conveyance and storage; (iii) airport ground support equipment, such as various types of special vehicles including airport catering trucks, airport apron buses and aircraft cargo loaders; and (iv) automated parking systems. The Pteris Group is well-known in the aviation industries. It ranked the second largest supplier of passenger boarding bridges in the world in terms of revenue in 2016 and its subsidiary, Shenzhen CIMC-TianDa Airport Support Ltd. ("TianDa"), occupied over 90% market share in China. Its business extended into 69 countries and regions in Asia, Europe, Oceania, Latin America and Africa. It also ranked the fifth largest supplier of airport logistic systems in terms of contract value in China and the largest supplier of airport apron buses in China in terms of revenue in 2016. In light of the fast growing civil aviation industry and the expected large number of new civilian airports in China and overseas, the demand for the aviation related products and services is expected to keep growing in the foreseeable future. Moreover, grasping the opportunities arising from the rapid growth of the e-commerce and the express delivery industries in the PRC and the acute need for parking space to accommodate the rising number of vehicles, the material handling and warehousing systems and the automated parking systems are expected to become the Group's additional growth drivers.

Despite the big potentials from the Pteris Group's business, it is always our intention to bolster our fire engines and fire equipment business. I expect that the synergistic effect derived from the merger with the Pteris Group would boost its further development. Apart from the benefits of technological know-how and other resources sharing, by leveraging on the close relationship the Pteris Group has with CIMC's business partners worldwide and with the global airport operators, we can efficiently open more markets for the Group's fire engines, especially the airport fire engines that are in development.

The Board is mindful to deliver value to our shareholders. We have had plans for further development of the enlarged Group after completion of acquisition of the Pteris Group, which include investments in new production facilities, research and development activities and other suitable acquisitions. I am confident that all these will help us to achieve our goals for the long-term success of the Group and create value for our shareholders.

I take this opportunity to thank all our shareholders and partners who have placed great trust in us. I would also like to express my gratitude to my fellow directors for their invaluable contribution and guidance and to our staff for their continued hard work.

**Li Yin Hui**  
*Chairman*  
27 March 2018

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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2017	2016
		RMB'000	RMB'000
<b>Revenue</b>	2	<b>528,555</b>	471,252
Cost of sales		<u>(414,210)</u>	<u>(363,991)</u>
<b>Gross profit</b>		<b>114,345</b>	107,261
Other income	3	<b>7,838</b>	6,047
Selling and distribution costs		<b>(21,677)</b>	(14,779)
Administrative expenses		<u>(86,190)</u>	<u>(58,914)</u>
<b>Profit from operations</b>		<b>14,316</b>	39,615
Finance costs		<b>(131)</b>	(1,400)
Other expense	4	-	(16,224)
Share of profit of an associate		<u>14,718</u>	<u>2,881</u>
<b>Profit before tax</b>		<b>28,903</b>	24,872
Income tax expense	5	<u>(11,151)</u>	<u>(7,586)</u>
<b>Profit for the year attributable to owners of the Company</b>	6	<u><b>17,752</b></u>	<u>17,286</u>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>34,381</b>	20,403
Share of other comprehensive income of an associate		<u>(1,166)</u>	<u>164</u>
<b>Other comprehensive income for the year, net of tax</b>		<u><b>33,215</b></u>	<u>20,567</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>50,967</b></u>	<u>37,853</u>
<b>Earnings per share (RMB cent)</b>	7		
Basic		<u><b>0.44</b></u>	<u>0.42</u>
Diluted		<u><b>0.44</b></u>	<u>0.42</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2017	2016
		RMB'000	RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		179,156	183,354
Prepaid land lease payments		31,761	32,555
Goodwill		7,630	7,630
Investment in an associate		566,926	518,993
		785,473	742,532
<b>Current assets</b>			
Inventories		124,841	138,232
Trade and bills receivables	9	305,914	207,533
Prepayments, deposits and other receivables		88,562	83,571
Amount due from an associate		-	2,151
Prepaid land lease payments		794	794
Pledged bank deposits		9,166	3,270
Bank and cash balances		124,731	132,576
		654,008	568,127
<b>Current liabilities</b>			
Trade and other payables	10	309,522	226,265
Bank borrowings		-	10,000
Provision	11	16,224	16,224
Current tax liabilities		5,371	5,171
		331,117	257,660
<b>Net current assets</b>		<b>322,891</b>	310,467
<b>NET ASSETS</b>		<b>1,108,364</b>	1,052,999
<b>Capital and reserves</b>			
Share capital		39,977	39,977
Reserves		1,068,387	1,013,022
<b>TOTAL EQUITY</b>		<b>1,108,364</b>	1,052,999

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	39,977	1,037,907	(6,692)	88,783	4,111	(1,498)	-	(156,001)	1,006,587
Total comprehensive income for the year	-	-	-	-	-	20,403	164	17,286	37,853
Share-based payments	-	-	-	-	8,559	-	-	-	8,559
Total comprehensive income and changes in equity for the year	-	-	-	-	8,559	20,403	164	17,286	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
<b>At 1 January 2017</b>	<b>39,977</b>	<b>1,037,907</b>	<b>(6,692)</b>	<b>88,783</b>	<b>12,670</b>	<b>18,905</b>	<b>164</b>	<b>(138,715)</b>	<b>1,052,999</b>
Total comprehensive income for the year	-	-	-	-	-	34,381	(1,166)	17,752	50,967
Share-based payments	-	-	-	-	4,398	-	-	-	4,398
Total comprehensive income and changes in equity for the year	-	-	-	-	4,398	34,381	(1,166)	17,752	55,365
At 31 December 2017	39,977	1,037,907	(6,692)	88,783	17,068	53,286	(1,002)	(120,963)	1,108,364

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 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

	2017 RMB'000	2016 RMB'000
Interest income	2,028	2,752
Government grants (note)	3,000	1,634
Rental income	-	192
Gain on bargain purchase of a subsidiary	348	-
Sundry income	<u>2,462</u>	<u>1,469</u>
	<u><b>7,838</b></u>	<u><b>6,047</b></u>

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

## 4 Other expense

	2017 RMB'000	2016 RMB'000
Provision for a legal claim in respect of a rental dispute (Note 11)	<u>-</u>	<u>16,224</u>

## 5 Income tax expense

Income tax has been recognised in profit or loss as follows:

	2017 RMB'000	2016 RMB'000
Current tax - PRC Enterprise Income Tax		
Provision for the year	11,164	7,910
Over-provision in prior years	<u>(13)</u>	<u>(324)</u>
	<u>11,151</u>	<u>7,586</u>

No provision for Hong Kong Profits Tax has been made for 2016 and 2017 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

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

	2017 RMB'000	2016 RMB'000
Amortisation of prepaid land lease payments	794	794
Depreciation of property, plant and equipment	10,833	10,804
Impairment loss for bad and doubtful debts	2,644	339
Reversal of allowance for obsolete and slow moving inventories	<u>(484)</u>	<u>-</u>

## 7 Earnings per share

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

	2017 RMB'000	2016 RMB'000
Profit for the year attributable to owners of the Company	<u>17,752</u>	<u>17,286</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares	<u>4,078,571</u>	<u>4,078,571</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 and 2017 were lower than the exercise price of the share options.

## 8 Dividends

The directors do not recommend payment of any dividend for the year ended 31 December 2017 (2016: Nil).



## 9 Trade and bills receivables

	2017	2016
	RMB'000	RMB'000
Trade and bills receivables	325,133	224,238
Less: Impairment loss for bad and doubtful debts	<u>(19,219)</u>	<u>(16,705)</u>
	<u><b>305,914</b></u>	<u><b>207,533</b></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:

	2017	2016
	RMB'000	RMB'000
0 - 90 days	187,421	91,292
91 - 180 days	33,686	42,095
181 - 360 days	35,800	35,705
Over 360 days	<u>49,007</u>	<u>38,441</u>
	<u><b>305,914</b></u>	<u><b>207,533</b></u>

## 10 Trade and other payables

	2017	2016
	RMB'000	RMB'000
Trade payables	146,183	106,397
Accrued charges	73,929	61,312
Receipts in advance	71,331	44,001
Value added tax, sales tax and other levies	<u>18,079</u>	<u>14,555</u>
	<u><b>309,522</b></u>	<u><b>226,265</b></u>

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

	2017	2016
	RMB'000	RMB'000
0 - 30 days	65,293	50,480
31 - 60 days	21,549	12,292
61 - 90 days	7,172	7,892
Over 90 days	<u>52,169</u>	<u>35,733</u>
	<u><b>146,183</b></u>	<u><b>106,397</b></u>

## 11 Provision

	<b>RMB'000</b>
At 1 January 2016	-
Addition	<u>16,224</u>
At 31 December 2016, 1 January 2017 and 31 December 2017	<u><u>16,224</u></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 was made based on the court written judgement and the management estimation.

## 12 Event after the reporting period

### (i) Acquisitions

On 4 December 2017, the Company and its subsidiary, Wang Sing Technology Limited, entered into two sales and purchase agreements as follows:

Pteris Agreement: to acquire (the "Pteris Acquisition") 78.15% and 21.26% of the equity interests in Pteris, a non-wholly owned subsidiary of CIMC, respectively from Sharp Vision Holdings Limited ("Sharp Vision") and Fengqiang Holdings Limited ("Fengqiang"); and

TianDa Agreement: to acquire (the "TianDa Acquisition") 30% equity interests in Shenzhen CIMC-TianDa Airport Support Ltd. (深圳中集天達空港設備有限公司) ("TianDa") from Lucky Rich Holdings Limited ("Lucky Rich"). TianDa is a subsidiary of Pteris, which holds 70% of its equity interest.

The Pteris Acquisition and the TianDa Acquisition are collectively referred to as the "Proposed Acquisitions". The completion of the TianDa Acquisition is conditional upon, among other things, the completion of the Pteris Acquisition.

Pursuant to Pteris Agreement and TianDa Agreement, the Company will issue up to 7,470,108,040 shares of the Company (the "Consideration Shares") at an issue price of HKD0.366 each and convertible bonds in the aggregate principal amount of up to RMB2,093,133,694 to Sharp Vision, Fengqiang and Lucky Rich (or their respective nominee(s)) as consideration for the Proposed Acquisitions. After completion of the Proposed Acquisitions, assuming no change in the issued share capital of the Company other than the issuance and allotment of the Consideration Shares, CIMC, through its indirect shareholdings in Sharp Vision and CIMC Top Gear B.V., will hold 51% equity interests in the Company.

The completion of the Proposed Acquisitions are subject to certain conditions precedents, including but not limited to, the approval of the shareholders of the Company eligible to vote at an extraordinary general meeting (the "EGM") which is to be held on 11 April 2018.

Details of the Proposed Acquisitions are set out in the joint announcement of the Company and CIMC dated 4 December 2017 and in the circular of the Company dated 15 March 2018.

**(ii) Placing of new shares of the Company**

On 6 February 2018, the Company entered into a subscription agreement (the “Subscription Agreement”) with State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (Limited Partnership) (深圳國調招商併購股權投資基金合夥企業(有限合夥)) (the “Subscriber”), a limited partnership established in the PRC, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 673,225,000 shares of the Company at a subscription price of HKD0.366 each (the “Subscription”). The Subscription is conditional upon certain condition precedents, among which, are the completion of the Pteris Acquisition and the approval of the shareholders of the Company eligible to vote at the EGM.

Details of the Subscription are set out in the announcement of the Company dated 6 February 2018 and in the circular of the Company dated 15 March 2018.

## **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 reportable 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, other expense, share of profit of an associate, income tax expense and finance costs. Segment assets do not include investment in an associate, amount 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:**

	<b>Production and sale of fire engines RMB'000</b>	<b>Production and sale of fire prevention and fighting equipment RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>For the year ended 31 December 2017</b>				
<b>REVENUE</b>				
External sales	415,481	113,074	-	528,555
Inter-segment sales	-	-	-	-
<b>Total</b>	<b>415,481</b>	<b>113,074</b>	<b>-</b>	<b>528,555</b>
<b>RESULTS</b>				
Segment profit	41,487	8,542	-	50,029
Interest income				2,028
Unallocated corporate expenses				(37,741)
<b>Profit from operations</b>				<b>14,316</b>
Finance costs				(131)
Share of profit of an associate				14,718
<b>Profit before tax</b>				<b>28,903</b>
Income tax expense				(11,151)
<b>Profit for the year</b>				<b>17,752</b>

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

	<b>Production and sale of fire engines RMB'000</b>	<b>Production and sale of fire prevention and fighting equipment RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>At 31 December 2017</b>				
<b>ASSETS</b>				
Segment assets	<u>650,815</u>	<u>87,125</u>		737,940
Investment in an associate				566,926
Pledged bank deposits				9,166
Bank and cash balances				124,731
Unallocated other receivables				718
				<u>1,439,481</u>
<b>LIABILITIES</b>				
Segment liabilities	<u>236,171</u>	<u>60,261</u>		296,432
Current tax liabilities				5,371
Provision				16,224
Unallocated other payables				13,090
				<u>331,117</u>
<b>OTHER INFORMATION</b>				
Additions to non-current assets	6,203	542		6,745
Depreciation and amortisation	10,735	892		11,627
Impairment loss for bad and doubtful debts	2,295	349		2,644
Loss on disposal of property, plant and equipment	257	258		515
(Reversal of)/allowance for obsolete and slow moving inventories	<u>(806)</u>	<u>322</u>		<u>(484)</u>

**SEGMENT INFORMATION (CONT'D)**

Information about operating segment profit or loss, assets and liabilities:

	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 2016				
<b>REVENUE</b>				
External sales	370,369	100,883	-	471,252
Inter-segment sales	-	-	-	-
<b>Total</b>	<b>370,369</b>	<b>100,883</b>	<b>-</b>	<b>471,252</b>
 <b>RESULTS</b>				
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 expense				(16,224)
Share of profit of an associate				2,881
Profit before tax				24,872
Income tax expense				(7,586)
Profit for the year				17,286

## SEGMENT INFORMATION (CONT'D)

Information about operating segment profit or loss, assets and liabilities (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 2016				
<b>ASSETS</b>				
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>
<b>LIABILITIES</b>				
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>
<b>OTHER INFORMATION</b>				
Additions to non-current assets	1,360	685		2,045
Depreciation and amortisation	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)

### Geographical information:

The Group's revenue 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	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
PRC	528,555	471,252	218,542	223,538
Germany	-	-	566,926	518,993
Others	-	-	5	1
	<u>528,555</u>	<u>471,252</u>	<u>785,473</u>	<u>742,532</u>

### Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for both 2016 and 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

Revenue and profit of the Group for the year ended 31 December 2017 were respectively RMB529 million and RMB17.8 million, up 12.2% and 2.7% year on year respectively. As the supply of chassis restored, manufacturing schedules of fire engines delayed by the supply shortage in the third quarter was caught up in the last quarter of the year. Sales for the year exceeded that for 2016 as more fire engines sold. Average unit selling price of the fire engines sold was driven up by the Group's self-developed aerial lifting spray trucks and ladder trucks that were first released during the year.

Notwithstanding the professional fee of approximately RMB25 million incurred for the Pteris Acquisition, the TianDa Acquisition and other potential acquisitions negotiated during the year, profit increased for the year was owing to, in addition to revenue growth, the increased in share of profit of Ziegler, the Group's associate in Germany, due to its good financial performance.

Following the sale of the Group's first self-developed aerial lifting fire trucks, other models with longer working heights, like the 32-metre and 52-metre ladder trucks and aerial platform trucks, and the 60-metre jet spray fire trucks are under development. Besides, to seize the potential market arising from the possible massive upgrade and replacement of airport fire engines in China in the coming years, the Group is speeding up its development of the airport rapid mobilisation fire trucks, which is designed with rapid speed acceleration to tackle fire on aircrafts running at high speed. Research is also conducted on the application of new materials to reduce weight of fire engines, and on new design of components and parts to facilitate modularisation and product standardisation, in order to enhance manufacturing efficiency and reduce costs of production.

### New business development through acquisition of Pteris Group

Since the Group acquired 40% equity interests of Ziegler from CIMC in 2015 and pursuant to which CIMC has become a controlling shareholder of the Company, both the Group and the CIMC Group have been preparing for closer cooperation. On 4 December 2017, the Group entered into the Pteris Agreement with CIMC to acquire equity interests in Pteris and its subsidiaries. The Group's business horizon is widened instantly upon completion of the Pteris Acquisition by embracing its four major business segments:

1. Passenger Boarding Bridges (PBB): the design, manufacturing and installation of passenger boarding bridges and the provision of related repair and maintenance services. A PBB is used to connect airport terminals to commercial aircraft, providing direct access for passengers from the terminal to the aircraft and vice versa. Pteris ranked the second largest supplier of PBB in the world in terms of revenue in 2016 and TianDa occupied over 90% market share of the PBB market in China;
2. Baggage, Material and Warehouse Handling Systems (MHS): the provision of engineering and computer software solutions, on a turnkey basis, to (i) airports and seaports for baggage and cargo handling; (ii) e-commerce and express delivery service providers for sorting and handling of different types of parcels; and (iii) customers in the food and beverages, pharmaceuticals, apparels, tires sales, e-commerce, and courier services industries for automated storage and handling of goods and materials;

3. Ground Support Equipment (GSE): manufacture and sale of ground support equipment to aviation industries, including cargo loader and transporters, airport apron buses, aircraft deicers, container/pallet loaders and aircraft catering trucks. TianDa is the largest supplier of airport apron buses in China in terms of revenue in 2016; and
4. Automated Parking System (APS): design, manufacture and sale of different parking systems, including vertical lifting parking systems, aisle stacking parking systems, vertical and horizontal carriage parking systems and lift-only parking systems. The pioneer mechanical smart bus parking garage (機械式智慧公交車立體停車庫), which is specifically designed to solve the land cost problem for bus parking, is in the final development stage and is expected to be one of the future star products.

The Group's existing business could also benefit from the synergistic effect arising from the Pteris Acquisition, such as:

- i. Sharing of technical know-how, suppliers base, research & development resources, marketing channels and sales network to optimise the Group's operation efficiency;
- ii. Leveraging the close relationship between the Pteris Group and the large number of airport operators in the PRC and worldwide, the Group may open the market for its airport fire engines (the Group's airport rapid mobilisation fire trucks are currently in development);
- iii. Taking advantage of the service stations and establishments set up by the Pteris Group worldwide, the Group may expand to suitable overseas market more efficiently; and
- iv. Making use of CIMC Group's centralised financial management platform to obtain the low-cost intra-group financing for future development. Strengthened financial credibility allows the Group to have greater access to external financial such as placing of new shares and issuance of debt securities.

The Group will further invest to seize every opportunities arise from the growth in the aviation industries, e-commerce and express delivery, and the fire industries. Future investments will include (i) the establishment of a new PBB factory in the U.S.; (ii) setting up of services companies for PBB in North America, Europe and the Middle East; (iii) new products developments; and (iv) other acquisition of companies or business that fit into the Group's strategies.

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

The Group's bank and cash balances at 31 December 2017 were approximately RMB134 million (2016: RMB136 million), of which RMB9 million (2016: RMB3 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. All of the outstanding bank borrowings have been repaid during the year. Net cash balances has been maintained at a stable level, and the Group has been strengthening its after-sale services in an attempt to shorten the receivable turnover days by enhancing customers' product satisfaction and thus their efficiency in payment processing.

As at 31 December 2017, the current assets and current liabilities of the Group were approximately RMB654 million (2016: RMB568 million) and RMB331 million (2016: RMB258 million) respectively. The current ratio was approximately 2.0 times (2016: 2.2 times). As all outstanding borrowings has been repaid, the gearing ratio (interest bearing debt / total equity (non-controlling interests excluded)) reduced to zero at end of the year (2016: 1%). The gearing in the future is expected to increase by the issuance of convertible

bonds and loans of the Pteris Group upon completion of the Pteris Acquisition. The Group is considering an appropriate level of gearing so as to maintain financial stability and to facilitate its future growth.

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 minimise 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 2017.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2017.

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

#### *Investments*

The Group entered into the Pteris Agreements and TianDa Agreement on 4 December 2017 to acquire equity interests in Pteris and TianDa. The completion of the Proposed Acquisitions are subject to certain conditions precedent, including but not limited to, the approval of the shareholders of the Company eligible to vote at the EGM. Details of the Proposed Acquisitions are set out in "Events after the reporting period" in note 12 to the consolidated financial statements in this announcement.

#### *Capital commitments*

As at 31 December 2017, the Group has capital commitment of approximately RMB7 million (2016: RMB14 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 2017.

### **Employees and remuneration policies**

As at 31 December 2017, the Group had approximately 567 full-time employees (2016: 550). Staff costs (excluding directors' remuneration) for the year was RMB55.1 million (2016: RMB53.2 million) and included in which was the share based payments amounted to RMB3.8 million (2016: RMB6.6 million) from the amortisation of the fair value of share options over the two years vesting period commencing July 2015. Apart from the annual salaries and wage adjustment, staff costs for the year grew mainly due to the increase in number of staff for the research and development function.

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 2017, 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			Outstanding at 31 December 2017	Exercise price (HKD)	Percentage of issued share capital of the Company
	Outstanding at 1 January 2017	Granted during the year	Exercised during the year			
Mr. Jiang Xiong	4,000,000	-	-	4,000,000	0.42	0.098%
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>14,000,000</u>	<u>-</u>	<u>-</u>	<u>14,000,000</u>		<u>0.343%</u>

The shares options outstanding at 1 January 2017 and 31 December 2017 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). The share options granted were all vested on 11 July 2017.

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND / OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, 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 the ordinary shares and shares interested under equity derivatives of the Company

Shareholders	Capacity/ type of interest	Number of shares interested <i>(Note 10)</i>	Percentage of issued shares <i>(Note 10)</i>	Number of shares interested (other than under equity derivatives) <i>(Note 11)</i>	Number of shares interested under equity derivatives <i>(Note 11)</i>	Total number of shares/ underlying shares under equity derivatives <i>(Note 11)</i>	Percentage of issued shares <i>(Note 12)</i>
CIMC Top Gear B.V.	Beneficial owner	1,223,571,430	30.0%	1,223,571,430	–	1,223,571,430	6.7%
Cooperatie CIMC U.A.	Interest of a controlled corporation <i>(Note 1)</i>	1,223,571,430	30.0%	1,223,571,430	–	1,223,571,430	6.7%
Sharp Vision	Beneficial owner	–	–	4,664,472,279	4,954,490,318	9,618,962,597	52.3%
China International Marine Containers (Hong Kong) Limited (“CIMC HK”)	Interest of a controlled corporation <i>(Note 2 &amp; 3)</i>	1,223,571,430	30.0%	5,888,043,709	4,954,490,318	10,842,534,027	59.0%
CIMC	Interest of a controlled corporation <i>(Note 4)</i>	1,223,571,430	30.0%	5,888,043,709	4,954,490,318	10,842,534,027	59.0%
Fengqiang	Beneficial owner	–	–	985,600,000	1,631,151,693	2,616,751,693	14.2%
Fengqiang Hong Kong Co., Limited (“Fengqiang HK”)	Interest of a controlled corporation <i>(Note 5)</i>	–	–	985,600,000	1,631,151,693	2,616,751,693	14.2%
Shenzhen TGM Ltd.* (深圳特哥盟科技有限公司) (“TGM”)	Interest of a controlled corporation <i>(Note 5)</i>	–	–	985,600,000	1,631,151,693	2,616,751,693	14.2%
Genius Earn Limited	Beneficial owner	–	–	129,000,000	–	129,000,000	0.7%
Lucky Rich	Beneficial owner	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Shanghai Yunrong Investment Centre* (上海蕴融投资中心(有限合伙))	Interest of a controlled corporation <i>(Note 6)</i>	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Shenzhen Jiuming Investment Consulting Co., Ltd.* (深圳市久名投资咨询有限公司)	Interest of a controlled corporation <i>(Note 6)</i>	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%

Shareholders	Capacity/ type of interest	Number of shares interested <i>(Note 10)</i>	Percentage of issued shares <i>(Note 10)</i>	Number of shares interested (other than under equity derivatives) <i>(Note 11)</i>	Number of shares interested under equity derivatives <i>(Note 11)</i>	Total number of shares/ underlying shares under equity derivatives <i>(Note 11)</i>	Percentage of issued shares <i>(Note 12)</i>
Liu Xiaolin	Interest of a controlled corporation <i>(Note 7)</i>	–	–	1,143,679,470	947,884,300	2,091,563,770	11.4%
Yang Yuan	Interest of Spouse <i>(Note 8)</i>	–	–	1,143,679,470	947,884,300	2,091,563,770	11.4%
Dazi Dingcheng Capital Investment Co., Ltd.* (達孜縣鼎誠資本投 資有限公司)	Interest of a controlled corporation <i>(Note 9)</i>	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Beijing Zhongrong Dingxin Investment Management Co., Ltd.* (北京中融鼎新 投資管理有限公司)	Interest of a controlled corporation <i>(Note 9)</i>	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Zhongrong International Trust Co., Ltd.* (中融國際 信託有限公司)	Interest of a controlled corporation <i>(Note 9)</i>	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%
Jingwei Textile Machinery Co., Ltd	Interest of a controlled corporation <i>(Note 9)</i>	–	–	1,014,679,470	947,884,300	1,962,563,770	10.7%

\* The English translations of the Chinese names of such PRC entities are provided for identification purpose only.

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 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 HK is beneficially interested in the entire share capital of Sharp Vision and is taken to be interested in the 4,664,472,279 shares and 4,954,490,318 shares interested under equity derivatives in which Sharp Vision has declared interest for the purpose of the SFO.
4. CIMC is beneficially interested in the entire share capital of CIMC HK and is taken to be interested in the 5,888,043,709 shares and 4,954,490,318 shares interested under equity derivatives in which CIMC HK in which CIMC HK has declared interest for the purpose of the SFO.

5. Fengqiang HK is beneficially interested in the entire share capital of Fengqiang and is deemed or taken to be interested in the 985,600,000 shares and 1,631,151,693 shares interested under equity derivatives in which Fengqiang has declared an interest for the purpose of the SFO. TGM is beneficially interested in the entire share capital of Fengqiang HK and is deemed or taken to be interested in the 985,600,000 shares and 1,631,151,693 shares interested under equity derivatives in which shares interested under equity derivatives has declared an interest for the purpose of the SFO.
6. Shanghai Yunrong is beneficially interested in the entire share capital of Lucky Rich and is deemed or taken to be interested in the 1,014,679,470 shares and 947,884,300 shares interested under equity derivatives in which Lucky Rich has declared an interest for the purpose of SFO. Shenzhen Jiuming Investment Consulting Co., Ltd. is beneficially interested in 0.2% of Shanghai Yunrong.
7. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Genius Earn Ltd. and is deemed or taken to be interested in the 129,000,000 shares in which Genius Earn Ltd. has declared an interest for the purpose of SFO. Mr. Liu Xiaolin is beneficially interested in the entire share capital of Shenzhen Jiuming Investment Consulting Co., Ltd.
8. Ms. Yang Yuan is the spouse of Mr. Liu Xiaolin. Ms. Yang Yuan is taken to be interested in the shares in which Mr. Liu Xiaolin has declared interest for the purpose of the SFO.
9. Dazi Dingcheng Capital Investment Co., Ltd. is beneficially interested in 0.2% of the issued share capital of Shanghai Yunrong. Beijing Zhongrong Dingxin Investment Management Co., Ltd is beneficially interested in the entire issued share capital of Dazi Dingcheng Capital Investment Co., Ltd. and is beneficially interested in 88.5% of the issued share capital of Shanghai Yunrong. Zhongrong International Trust Co., Ltd. is beneficially interested in the entire issued share capital of Beijing Zhongrong Dingxin Investment Management Co., Ltd. Jingwei Textile Machinery Co., Ltd. is beneficially interested in 37.47% of the issued share capital of Zhongrong International Trust Co., Ltd.
10. The number of shares and percentage stated represents the number of shares held and as percentage of the issued share capital of the Company at 31 December 2017.
11. Number of shares represents the number of shares in issue immediately after completion of the Pteris Acquisition and TianDa Acquisition, assuming (i) all the convertible bonds have been fully converted; and (ii) all of the share options of the Company have been exercised, as stated in the relevant disclosure of interest forms.
12. Percentage calculated based on the total number of Shares in issue immediately after completion of Pteris Acquisition and TianDa Acquisition, assuming (i) all the convertible bonds have been fully converted; and (ii) all of the share options of the Company have been exercised, as stated in the relevant disclosure of interest forms.

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 2017.

## **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**

As set out in note 12 to the consolidated financial statements, the Company and one of its subsidiary entered into the Pteris Agreement with Sharp Vison and Fengqiang on 4 December 2017. Fengqiang is wholly owned by TGM, a company established in the PRC which is in turn owned by the employees of Pteris and its subsidiaries. Mr. Zheng Zu Hua and Mr. Luan You Jun, each being an executive director of the Company, hold approximately 7.2% and 4.5% of the equity interest in TGM, respectively.

Save as disclosed above, 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 2017, 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 2017, 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 2017 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 2017 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 2017 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 2018