Annual Report 2009

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

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CFE

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Jiang Xiong, Chairman
Jiang Qing
Wang De Feng
Weng Xiu Xia
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NON-EXECUTIVE DIRECTORS
Xi Zheng Zheng
Harinath Krishnamurthy

INDEPENDENT NON-EXECUTIVE DIRECTORS
Loke Yu
Sun Jian Guo
Heng Ja Wei

COMPLIANCE OFFICER
Jiang Qing

QUALIFIED ACCOUNTANT
Li Ching Wah, AHKICPA

COMPANY SECRETARY
Li Ching Wah, AHKICPA

AUTHORIZED REPRESENTATIVES
Jiang Qing
Li Ching Wah, AHKICPA

MEMBERS OF AUDIT COMMITTEE
Loke Yu
Sun Jian Guo
Heng Ja Wei

MEMBERS OF REMUNERATION COMMITTEE
Loke Yu
Heng Ja Wei
Jiang Qing

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STOCK EXCHANGE LISTING
The Stock Exchange of Hong Kong Limited

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This is the first time we have a net loss for the year. Sales and operating results for all business segments declined. The Group's operating environment has been changing rapidly in these years: competition is getting more intensive, contract terms are becoming tougher and profit margins are squeezed. National macro-economic control measures and the volatile world economic climate also exerts unpredictable and unavoidable influences on the industry and thus on our group companies.

Since we were listed on the Hong Kong Stock Exchange, we have been expanding both in width and depth. Through acquisitions and internal development, our products' variety has now covered almost all types of fire protection equipment. Initially, our products were limited to small electronics products like emergency lightings and smoke detectors, but now we have a full range: fire engines (whether imported or domestic), fire suppression foam, different types of fire extinguishing systems, large-scale industrial used equipment, rescue equipment, central power supply emergency lighting systems, valves and sprinklers etc. For services, in addition to the installation and maintenance services, we have also developed the network monitoring system services and online advertising. The expansion and development was to enlarge our income base and to provide the Group a steady income stream especially under unstable economic environment. Take for an example, the network monitoring system, which requires customers to pay an annual fee to have their fire protection systems kept under continuous checking, was designed to complement the fluctuations in income brought by the one-off maintenance services the Group normally provided. Unfortunately, the level of acceptance by customers is disappointing. Consecutive losses were resulted and it seems to me that unless the installation of the system made compulsory, the current unsatisfactory situation could not be overturned.

Policies and conditions of the economy are the two most influential environmental factors affecting our performance and among the business segments, installation services bear the brunt of the environmental changes. We saw a big drop in the revenue generated especially in the first half of the year when the Chinese economy was dull following the financial crisis in 2008. Fortunately, there was improvement in the second half with the reviving of the real estate market. A number of contracts are secured including some for several large residential estates worth over RMB170 million. In spite of this, the central government's concern over bubbles in property markets and overheated economy that may result, may arouse another wave of control measures on the real estate market that will probably put the performance of our installation services at stake again.

CHAIRMAN'S STATEMENT

Looking forward, we will continue to develop more high-value added products. Our intelligent auto-aiming fire extinguishing system is one of the successful models, which is now widely selected by many constructions with high ceilings such as exhibition centres and train stations etc. Both the China Pavilion and the Macau Pavilion of the Shanghai Expo 2010 have also installed the system. I also see there are a number of deficiencies that we need to take care of in order to remain competitive in the market. Among them, the most important is cost control particularly in view of the anticipated inflation in the coming years. We also need to strengthen our receivables recovery and must reconsider the balance between business growth and credit risks. I believe these series of actions could reverse the unsatisfactory results we had in 2009.

I would like to extend my gratitude to all the staff and my fellow directors for their support and valuable contributions in the past year. To me, they are particularly precious in difficult time.

Jiang Xiong
Chairman

22 April 2010

BUSINESS REVIEW

For the year ended 31 December 2009, turnover of the Group dropped 18% to RMB1,003 million and a loss of RMB107 million was recorded (2008: profit of RMB77 million). An impairment loss for the goodwill associated with the network monitoring system and the provision on online advertising services totaled RMB13 million were made during the year because the Group does not foresee big improvement in operations for both businesses due to the low level of customer acceptance. Allowance for bad and doubtful debts for the year surged to RMB89 million. There was also an impairment loss on investments in associates amounted to RMB34 million.

Installation of fire prevention and fighting systems

Revenue from installation of fire prevention and fighting systems for the year increased 13% to RMB531 million. Operating results turned into a loss of RMB25 million (2008: profit of RMB50 million) after an allowance for bad and doubtful debts of RMB44 million (2008: RMB0.7 million)

Growth in revenue for the year was mainly due to certain large projects secured including services provided for a number of large residential estates in Nanning, Guangxi, with contract value totaled RMB175 million. Contracts secured during 2009 valued over RMB500 million, which doubled that for 2008. However, gross profit for most of the contracts obtained was considerably lower than that for last year and thus causing a drop in gross profit in spite of the rise in revenue. Competition has made the Group to accept lower profit margin and tougher terms of contract.

Production and sale of fire engines

Revenue and operating profit from production and sales of fire engines for the year increased 15% to RMB284 million. Operating profit dropped 60% to RMB7 million, after an allowance for bad and doubtful debts of RMB1.6 million (2008: RMB0.9 million).

Despite more fire engines were sold during the year, the operating results declined because a significantly larger amount of depreciation charges were incurred after the opening of the new factory in last October.

In addition to the domestic market, the Group has been working on opening the overseas market. Besides Dubai, Angola and Vietnam into which the Group has previously entered, it has successfully solicited orders from the Sudan government for more than 30 fire engines in December 2009. Given the favourable comments from the overseas customers, the Group will actively open more foreign markets especially those developing countries in Africa and the South East Asia and it is expected that the Group will soon have larger presence and serving increasingly more customers in these markets.

Production and sale of fire prevention and fighting equipment

Revenue from production and sales of fire prevention and fire fighting equipment for the year decreased 41% to RMB157 million. Operating results turned into a loss of RMB86 million (2008: profit of RMB34 million) after an allowance for bad and doubtful debts of RMB37 million (2008: RMB2 million) and an impairment loss on investments in associates amounted to RMB34 million (2008: Nil).

The impairment was mainly related to an associate which manufactures a self-invented and patented fire suppression foam. The new foam has numerous advantages over the traditional foam. However, the exponential growth in sales anticipated has not realised because it takes longer than expected time to overcome the customers' inertia. The Group considered that it would take far more time for the new foam to penetrate into and become the prime fire suppression foam in the market and therefore an impairment loss was made.

The decrease in revenue and profit for the year was mainly attributable to the drop in sales of the Group's electronics fire protection equipment. There were further decline in sales of the fire detection and alarm systems following the Group's decision to phase out majority models of the two product categories at the beginning of 2008. Emergency lighting also recorded a big drop in sales due to the severe competition from the low-cost substandard products in the market. On the other hand, there is slight improvement in the sale of the Group's other fire protection equipment and systems although the increase in depreciation charges due to the new factory has lowered the profit level.

During the year and up to the date of this report, the Group has successfully won a number of supply contracts for the intelligent auto-aiming fire extinguishing systems (大空間智能滅火裝備), gas extinguishing systems, foam extinguishing systems and fire hydrants systems etc. Customers include some national landmark constructions like the China National Pavilion and Macau Pavilion of the Shanghai Expo 2010, Hunan TV Broadcast Tower (the world's highest steel tower), West Tower of Guangzhou International Finance Centre (the highest building in the Southern China) and Fuzhou Cross-Boarder Exhibition Centre (the second largest exhibition centre in the Asia). In addition to the domestic market, the Group's products are also well-received by the overseas customers. Orders were secured for supplying equipment to the thermal power plant in Vietnam and Indonesia and also residential properties in Angola.

Provision of maintenance services

Revenue from the provision of fire prevention and fighting system maintenance services for the year decreased 94% to RMB5 million. Operating results turned from profit of RMB48 million for 2008 to a loss of RMB2 million for 2009 after an allowance for bad and doubtful debts amounted to RMB4 million (2008: Nil).

The Group's maintenance services provided are largely one-off nature performed during office/shop renovation or in preparation for authorities' inspections. Since many enterprises have their budgets cut and plans of renovation deferred, the market for maintenance services was greatly shrunk, leading to the unsatisfactory performance of the segment.

Provision of network monitoring system services

Revenue from provision of network monitoring system services for the year increased by 15% to approximately RMB7 million. After an impairment loss of RMB11 million in respect of goodwill associated with the business segment, operating loss increased by 182% to RMB15 million.

The number of customers slightly increased to 410 (2008: 380) though no new monitoring centre opened during the year, thus leading to the rise in revenue for the year. If the impairment loss on goodwill was excluded, operating loss decreased by 30% which was due to the cost cutting measures introduced including the fall in number of staff by natural wastage.

The segment has been incurring losses since it was established in 2004. Although the national standards for the remote network monitoring system (城市消防遠程監控系統技術規範) were promulgated at the beginning of 2008, customers' level of acceptance is far below expected. Unless the installation of the system is made mandatory, the Group does not expect a significant growth in the sales of the services and therefore have provided for an impairment loss for the goodwill associated during the year amounting to RMB11 million.

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

Revenue from the trading of fire engines, fire prevention and fighting and rescue equipment for the year decreased by 87% to approximately RMB19 million. Operating loss, after an allowance for bad and doubtful debts of RMB2.7 million (2008: RMB0.2 million), decreased by 94% to RMB1 million.

A majority part of the fire engines sold in 2008 were those backlogged since 2006 due to the 3C certificate problem. With all the backlogged orders released last year, revenue generated in 2009 dropped substantially as compared to 2008. Besides, given that there are generally six to nine months production lead time, the pessimistic economic climate in the first half of 2009 has adversely affected the order book and therefore the sales for the year. As at end of 2009, the Group has outstanding orders for 10 fire engines amounting to RMB60 million that are scheduled to be delivered in the first half of 2010.

Results of the segment improved despite the decrease in revenue for the year because it suffered a large exchange loss when revenue for those 3C backlogs was recognised in 2008. Euro appreciated significantly against Hong Kong dollar during the backlogged period and eroded the profit that should have been generated. Since then, the Group has used forward contracts to hedge against risks arising from foreign currencies fluctuations.

FINANCIAL RESOURCES, LIQUIDITY, CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2009, the Group had bank and cash balances amounting to approximately RMB166 million (2008: RMB786 million) of which RMB6 million was pledged for bid bond guarantee issued and performance guarantee (2008: RMB8 million to secure banking facilities granted to a subsidiary and as performance guarantee). Outstanding balances of short term bank loans as at the year end date were RMB80 million (2008: RMB60 million). They were borrowed by a non-wholly owned subsidiary and the repayment of which was guaranteed by another subsidiary of the Group. A subsidiary in Hong Kong was granted banking facilities which included trading facilities (letter of credit, trust receipt loans and forward contracts etc.) and bank overdraft totaled USD23,000,000. The settlement of the borrowings under the facilities was guaranteed by the Company. Net cash decrease during the year was mainly due to the costs incurred for several large installation contracts the Group secured during the year. Value of the contracts totaled RMB175 million and according to the terms, no progress billings would be received until the projects completed. Besides, the Group has paid RMB216 million performance guarantee for an installation project secured in the fourth quarter (which include a five-star hotel and blocks of luxury apartments) to be commenced in 2010.

As at 31 December 2009, current assets and current liabilities of the Group were approximately RMB1,247 million (2008: RMB1,495 million) and RMB357 million (2008: RMB445 million) respectively. The current ratio was approximately 3.5 times (2008: 3.4 times). Gearing ratio (interest bearing debt / total equity) at end of the year was 6% (2008: 4.4%). Allowance for bad and doubtful debts amounted to RMB89 million (2008: RMB3.5 million) was made for the year because of the worsened debt recovery. The management has reviewed the recoverability of the trade and bills receivables and considered the existing level of provision appropriate.

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 dollar. The Group has entered into foreign currency forward exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than Renminbi and Hong Kong dollar. During the year, there were gains arising from changes in fair value of currency derivatives amounting to RMB0.4 million (2008: loss of RMB2.5 million).

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2009.

INVESTMENTS AND CAPITAL COMMITMENTS

Capital commitments

As at 31 December 2009, the Group has capital commitment of approximately RMB28 million (2008: RMB149 million) which was related to the investment amount committed to the local government of the county where the Sichuan factory is located.

Save as disclosed herein, the Group has no material capital commitments, investments, acquisitions or disposals of subsidiaries as at 31 December 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had approximately 1,239 full-time employees (2008: 1,279). Staff costs, excluding directors' remuneration for the year was RMB41 million (2008: RMB42 million). All full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive in-house and on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

DIRECTORS

Executive Directors

Mr. JIANG Xiong, aged 42, is the Chairman of the Board of the Company. He is responsible for the strategic planning and the overall development of the Group and joined the Group in January 1994. He has over 10 years of 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 also 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 Qing, aged 45, is an executive director and Chief Executive Officer of the Company. He joined the Group in April 1995 and has over 10 years of 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, from February 1993 to April 1995 and 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 responsible for the corporate management and overall operation of the Group. He is the elder brother of Mr. Jiang Xiong.

Mr. WANG De Feng, aged 41, is as an executive director of the Company. He is a graduate of the Second Mechanical Engineering Department of the Chongqing University. Mr. Wang joined the Group in 2005. He is a vice president of the Group responsible for overseeing the Group's production and sales of fire engines and fire protection equipment.

Ms. WENG Xiu Xia, aged 40, is as an executive director of the Company. Ms. Weng joined the Group in 1998 and is a vice president of the Group responsible for overseeing the Group's installation and maintenance service on fire safety systems. She has over 15 years experience in project design and management since she graduated from the Faculty of Civil Engineering of the university of Fuzhou in 1992. She is awarded "Grade I project manager" by the Ministry of Construction in 2004 and was elected executives of the Construction Industry Association and its branch for fire safety industry in 2006. Ms. Weng was awarded "Outstanding Manager" by the Construction Office of Fujian Province in 2007.

Ms. ZHANG Hai Yan, aged 37, is an executive director of the Company. Ms. Zhang joined the Group in 2004 and is responsible for overseeing acquisitions and other development projects of the Group. Ms. Zhang is a graduate of the Jianghan Petroleum Institute and was elected the Deputy Secretary General and executive of the Fujian Young Entrepreneur Association in 2005.

Mr. SHI Jia Hao, aged 63, is an executive director of the Company. He is a graduate of the Department of Business Administration of the Xiamen University and a qualified economist. He has extensive experience of corporate management gained from various sectors including manufacturing, tourism and real estate. Mr. Shi joined the Group in 2005 and is responsible for administration works of the Group, he is also a director of Sichuan Morita Fire Safety Appliances Company Limited ("Sichuan Morita"), a subsidiary of the Company. Mr. Shi resigned as an executive director of the Company on 25 February 2010.

Non-executive Directors

Ms. XI Zheng Zheng, aged 42, is as a non-executive director of the Company. She joined the Company in November 2006. She is the Director of Legal Affairs of UTC Fire & Security Asia. Ms. Xi graduated with a LL.B from Beijing University Law School and a LL.M from Cornell Law School (New York, USA). She is a qualified lawyer in both China and State of New York, USA. Ms. Xi joined United Technologies Corporation in 1998 and served as Counsel for Otis and Pratt Whitney respectively, prior to joining UTC Fire & Security.

Mr. Harinath KRISHNAMURTHY, aged 44, was appointed a non-executive director of the Company on 17 November 2009. He was the alternate director to Mr. Doug Wright before his resignation. He is the Director Finance, Asia of UTC Fire & security Asia. He holds a Bachelor Degree in commerce where he graduated from Bangalore University (India) and is a qualified Chartered Accountant from Institute of Chartered Accountants of India. Before joining UTC Fire & Security, he held a series management positions at GE Infrastructure, Hercules Inc, Betz and 3M.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Doug WRIGHT, aged 39, was appointed as a non-executive director of the Company on 10 October 2007. He is the President of UTC Fire & Security Asia. He holds a Bachelor of Science in Mechanical Engineering where he graduated from the Virginia Polytechnic Institute and State University and an M.B.A. from the University of North Carolina-Charlotte. Before joining UTC Fire & Security, he held a series of senior management positions at Ingersoll Rand Company. Mr. Wright resigned as a non-executive director of the Company on 17 November 2009.

Independent non-executive Directors

Dr. LOKE Yu, aged 60, is an independent non-executive director of the Company. He joined the Company in August 2006. Dr. Loke has over 35 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administrative Degree from Universiti Teknologi Malaysia and a Doctor of Business Administrative Degree from University of South Australia. He is a fellow member 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 and a member of Malaysian Institute Accountants. He is the Chairman of MHL Consulting Limited. He serves as an independent non-executive director of several publicly listed companies in Hong Kong including Bio-Dynamic Group Limited, Matrix Holdings Limited, Scud Group Limited, VODone Limited, Winfair Investment Company Limited and Zhong An Real Estate Limited.

Mr. SUN Jian Guo, aged 51, was appointed as an independent non-executive director of the Company on 7 May 2007. He is a Vice Secretary-General of the Chinese Productivity Distribution and Regional Economic Development Committee of Chinese Association of Productivity Science (中國生產力學會生產力佈局與地區經濟發展專業委員會), a Vice President of the Hebei Economic Promotion Association (河北省經濟促進會) and a Visiting Professor of Beijing Minzu Daxue (北京民族大學). Mr. Sun graduated from the Faculty of Chinese of Hebei University in 1981. He had been working in Baoding division of Hebei Province of the Ministry of Public Security (河北省保定市公安局) before he retired as the Chief Commander of sub-division in 1996.

Mr. HENG Ja Wei, aged 32, is Managing Partner of Morison Heng, Certified Public Accountants. Mr. Heng holds a Master of Science degree of the Imperial College, the 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 was appointed an independent non-executive director of the Company on 4 March 2009.

SENIOR MANAGEMENT

Mr. HU Yong, aged 41, is the General Manager and Chief Engineer of Sichuan Morita. Mr. Hu graduated from the Sichuan Institute of Technology (四川工業學院), specializing in hydraulic mechanics. Upon graduation, he joined Sichuan Morita, and has since then been in service for 17 years, having been promoted from a designer to the General Manager and Chief Engineer. He has extensive experience in the product technology and design, production operations, and administration and management of the company.

Mr. LI Jin, aged 55, is the Managing Director of Fujian Shengan City Safety Communications Development Company Limited, a subsidiary of the Company. Mr. Li has over 21 years of experience in working for the fire services department of Fujian Province from 1974 to 2001. He retired from the fire services department of Fujian Province in 2001. He was also awarded Third Class Honour (三等功) for his contribution when he served in the fire services department in 1999. Mr. Li is a qualified engineer in the PRC. He joined the Group in May 2001 and is responsible for the supervision of the R&D of the Group's network-based monitoring system as well as the operation and marketing of monitoring centres.

Ms. ZHANG Yu Rong, aged 47, is the Financial Controller of Sichuan Morita. Ms. Zhang graduated from the Sichuan Radio TV University (四川廣播電視大學), with an emphasis 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 in service in the accounting area 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 42, is the General Manager of Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd., a subsidiary of the Company. Ms Liao graduated from the Chongqing University, specializing in Mechanical Engineering. Ms Liao joined Sichuan Fire Safety Appliances Factory (四川消防機械總廠) (renamed Sichuan Morita Fire Appliances Company Limited after being acquired by the Company in 2005) 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CAI Jun, aged 46, is the Managing Director of Beijing City Chongzheng Huasheng Emergency Appliances System Co., Ltd. ("Chongzheng Huasheng") (北京市崇正華盛應急設備系統有限責任公司), a subsidiary of the Company. Mr. Cai is a graduate of the Department of Mechanical Engineering of the Southwest Jiaotong University (西南交通大學). He is the Divisional Leader of the Emergency Lighting Division of the Interior Experts Committee of the China Illumination Engineer Association (中國照明學會室內專業委員會應急照明課題組組長), and the committee member of the No. 6 Sub-Committee of the China Fire Safety Standardizations Technology Committee (中國消防標準化技術委員會第六分委技術委員會委員). Mr. Cai is also a member of the editorial committee responsible for formulating the National Standards in fire safety lighting equipments (消防應急燈具), fire safety emergency power sources (消防設備應急電源), and the Acceptance Standards for the Installation of Emergency Lighting Equipments and Signage (消防應急照明系統及標誌牌安裝驗收規範).

Mr. FENG Quan Hui, aged 47, is the General Manager of Jiangxi Shengan City Safety Communications Development Company Limited (江西省盛安城市安全信息發展有限公司), a subsidiary of the Company, responsible for its management and business development. Mr. Feng is a graduate of the department of electronics of South China University of Technology (華南工學院). He is a qualified senior engineer and was awarded the first class manager qualification (一級項目經理資格) by the Ministry of Construction. Mr. Feng has many years of experience in fire systems installation.

Mr. CHAN Chun Wo, aged 59, is the Managing Director of Tung Shing Trade Development Company Limited, a subsidiary of the Company. Mr. Chan is a graduate of the Mechanical and Engineering Department of Southeast University of China (Nanjing) (中國東南大學(南京)), has over 15 years of experience in trading of fire services and rescuing equipments. Mr. Chan is responsible for the management and business development of Tung Shing.

Mr. REN Long, aged 47, the General Manager of Chuanxiao Fire Engineering Company Limited, a subsidiary of the Company. He has worked in the fire safety engineering and project implementation and administration for over 20 years. Mr. Ren has extensive experience in the administration of numerous large-scaled fire safety projects.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2009, 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. Only three board meetings were held during the year.

2. There were no fixed terms of appointment for the directors.

3. 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, up to the date of this report, is composed of five 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 (Chairman) and Mr. Jiang Qing (Chief Executive Officer) are brothers.

There were three 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. The Board is in the opinion that these communications allow the Board members to have a thorough understanding of the Group to exercise effective leadership and supervision of the Group, though the number of Board meetings held was less than the four as stated in the code provision.

Attendance of each director is set out below:

Name of directors	**No. of meetings attended**
Executive directors	
Mr. Jiang Xiong (Chairman)	2/3
Mr. Jiang Qing (Chief Executive Officer)	3/3
Mr. Wang De Feng	2/3
Ms. Weng Xiu Xia	3/3
Ms. Zhang Hai Yan	3/3
Mr. Shi Jia Hao	3/3*
Non-executive directors	
Ms. Xi Zheng Zheng	3/3
Mr. Harinath Krishnamurthy	0/0*
Mr. Doug Wright	3/3*
Independent non-executive directors	
Dr. Loke Yu	3/3
Mr. Sun Jian Guo	2/3
Mr. Heng Ja Wei	3/3
Mr. Heng Kwoo Seng	0/0*

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.

* Mr. Shi Jiao Hao resigned on 25 February 2010. Mr. Doug Wright resigned on 17 November 2009 and Mr. Harinath Krishnamurthy was appointed on the same date to fill the place vacated. Mr. Krishnamurthy was the alternate director to Mr. Wright before his resignation and one of the board meetings held during the year was attended by Mr. Krishnamurthy on behalf of Mr. Wright. No board meeting was held after Mr. Krishnamurthy's appointment. Mr. Heng Kwoo Seng resigned on 28 February 2009 and there was no board meeting held during the year before his resignation.

AUDITOR'S REMUNERATION

At the extraordinary general meeting of the shareholders of the Company held on 21 December 2009, a resolution was passed to appoint RSM Nelson Wheeler ("RSM") as auditor of the Company in place of the resigned auditor, Deloitte Touche Tomatsu ("Deloitte"), to hold office until the conclusion of the next annual general meeting of the Company.

Auditor's remuneration is for audit services provided only. Both Deloitte and RSM did not provide any non-audit services to the Group during the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Jiang Xiong is the Chairman of the Board and Mr. Jiang Qing is the Chief Executive Officer of the Company. The Chairman is responsible for the leading the Board in formulating strategic plans for the Group while the Chief Executive Officers oversees the Group's daily operations and execution of Board decisions.

According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation. 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 comprises Dr. Loke Yu and Mr. Heng Ja Wei, both are independent non-executive directors of the Company, and Mr. Jiang Qing who is an executive director and Chief Executive Officer of the Company. 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 one meeting, in which all members were present, to review all of the directors' remuneration packages. Mr. Heng Ja Wei, who was appointed as an independent non-executive director of the Company on 4 March 2009, joined the remuneration committee since appointment to take the place vacated by the resignation of Mr. Heng Kwoo Seng as an independent non-executive director of the Company on 28 February 2009.

NOMINATION OF DIRECTORS

The Board does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board. The Board considers that the new director(s) is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company. Under the Company's articles of association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the articles of association.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Sun Jian Guo and Mr. Heng Ja Wei. The primary duties of the audit committee are to review the Company's annual report and accounts and half-yearly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

During the year, the audit committee held 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. Attendance of each member of the audit committee is set out below:

Name of members	No. of meetings attended
Dr. Loke Yu *(Chairman)*	2/2
Mr. Sun Jian Guo	1/2
Mr. Heng Ja Wei	2/2

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

Mr. Heng Kwoo Seng resigned as an independent non-executive director of the Company on 28 February 2009. Mr. Heng Ja Wei was appointed an independent non-executive director of the Company on 4 March 2009 and joined the audit committee since appointment to fill the place vacated by Mr. Heng Kwoo Seng.

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 financial statements of the Group for the year ended 31 December 2009.

1. **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries, associates and a jointly controlled entity are set out in notes 45, 21 and 22 to the financial statements.

2. **CHANGE OF NAME**

At the annual general meeting of the shareholders of the Company held on 29 May 2009, a special resolution was passed to change the name of the Company from China Fire Safety Enterprise Group Holdings Limited to China Fire Safety Enterprise Group Limited.

3. **RESULTS AND FINANCIAL POSITION**

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 29.

The state of affairs of the Group at 31 December 2009 are set out in the consolidated statement of financial position on pages 30.

4. **SHARE CAPITAL**

Details of the movements in the share capital of the Company are set out in note 39 to the financial statements.

5. **RESERVES**

The movements in the reserves of the Group during the year are set out in the consolidated statement of comprehensive income on page 29 and consolidated statement of changes in equity on page 32.

The Company's reserves available for distribution to shareholders as at 31 December 2009 were RMB729,825,000 (2008: RMB766,609,000).

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.

6. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: Nil).

7. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

8. DIRECTORS

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

Executive Directors

Mr. Jiang Xiong *(Chairman)*	
Mr. Jiang Qing	
Mr. Wang De Feng	
Ms. Weng Xiu Xia	
Ms. Zhang Hai Yan	
Mr. Shi Jia Hao	(resigned on 25 February 2010)

Non-executive Directors

Ms. Xi Zheng Zheng	
Mr. Harinath Krishnamurthy	(appointed on 17 November 2009)
Mr. Doug Wright	(resigned on 17 November 2009)

Independent Non-executive Directors

Dr. Loke Yu	
Mr. Sun Jian Guo	
Mr. Heng Ja Wei	(appointed on 4 March 2009)
Mr. Heng Kwoo Seng	(resigned on 28 February 2009)

In accordance with the provisions of the Company's articles of association, Ms. Zhang Hai Yan, Mr. Harinath Krishnamurthy and Dr. Loke Yu retire from office and, being eligible, offer themselves for re-election.

9. 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.

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

Save as disclosed below, as of 31 December 2009, 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 ("Mr. Jiang")	Beneficial owner *(Note a)*	981,600,000	63.28%*(Note c)*
	Deemed interest *(Note b)*	825,000,000	
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Note:

(a) Mr. Jiang is beneficially interested in 981,600,000 shares. By virtue of the option agreement (the "Option Agreement") entered into between Mr. Jiang and United Technologies Far East Limited ("UTFE"), a subsidiary of United Technologies Corporation ("UTC"), Mr. Jiang and UTFE are parties to the agreement under Section 317 of the SFO. Under the SFO, Mr. Jiang is deemed to have a long position in the 825,000,000 shares of the Company owned by UTFE.

(b) Mr. Jiang has a short position in the shares to be sold under the Option Agreement. On the other hand, UTFE has a long position in the option shares under the Option Agreement and therefore Mr. Jiang is deemed to have a long position in the option shares in his capacity as a party to the agreement to which Section 317(1)(a) of the SFO applies.

(c) The percentage figure as stated is calculated without taking into account the deemed long position in the shares to be sold under the Option Agreement.

10. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY'S SECURITIES *(continued)*

Short positions in ordinary shares of the Company

Pursuant to the Option Agreement, Mr. Jiang grants an option (the "Option") to UTFE, which, when exercised, will require Mr. Jiang to sell to UTFE the lower of:

(i) such number of shares of the Company as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares of the Company held by UTFE at the relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the Option under the Option Agreement; and

(ii) all shares of the Company held by Mr. Jiang at the time when UTFE exercises the Option.

Mr. Jiang has a short position in the shares to be sold (as held by UTFE) under the Option Agreement.

Details of the Option Agreement are set out in the Company's announcement and circular dated 2 February 2005 and 10 March 2005 respectively.

Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	Number of shares issuable under the options granted	Exercisable period	Exercise price HK$	Number of shares issuable under the options outstanding as at 1 January 2009 and 31 December 2009	Percentage of issued share capital of the Company
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004 to 24 May 2014	0.44	20,000,000	0.70%

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

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

11. 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.

12. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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.

13. INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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
UTFE	Beneficial owner	825,000,000	63.28%
	Deemed interest *(Note a)*	981,600,000	(Note b)
Otis Elevator Company	Interest of a controlled corporation *(Note c)*	1,806,600,000	63.28%
Carrier Corporation	Interest of a controlled corporation *(Note d)*	1,806,600,000	63.28%
UTC	Interest of a controlled corporation *(Note e)*	1,806,600,000	63.28%

13. INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS *(continued)*

Long positions in ordinary shares of the Company *(continued)*

Note:

(a) By virtue of the Option Agreement, Mr. Jiang and UTFE are parties to the agreement under Section 317 of the SFO. Under the SFO, UTFE is deemed to have a long position in the 981,600,000 shares held by Mr. Jiang.

(b) UTFE has a long position in the shares to be sold under the Option Agreement. Pursuant to the Option Agreement, Mr. Jiang grants the option to UTFE which when exercised, will require Mr. Jiang to sell to UTFE the lower of: (i) such number of shares of the Company as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares of the Company held by UTFE at the relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the option under the Option Agreement; and (ii) all shares of the Company held by Mr. Jiang at the time when UTFE exercises the option. The percentage figure as stated is calculated without taking into account the long position in the shares to be sold under the Option Agreement.

(c) Otis Elevator Company is beneficially interested in 50.9% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.

(d) Carrier Corporation is beneficially interested in 49.1% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.

(e) UTC is beneficially interested in the entire share capital of Otis Elevator Company and Carrier Corporation and is deemed or taken to be interested in the 1,806,600,000 shares in which Otis Elevator Company and Carrier Corporation have declared an interest for the purpose of the SFO.

Short positions in ordinary shares of the Company

UTFE has a long position in the option shares under the Option Agreement. On the other hand, Mr. Jiang has a short position, and therefore UTFE is deemed to have a short position in the shares to be sold (as held by Mr. Jiang) under the Option Agreement pursuant to Section 317 of the SFO.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 December 2009.

14. SHARE OPTIONS

At the general meeting of the shareholders of the Company held on 29 May 2009, an ordinary resolution was passed to terminate the original share option scheme of the Company adopted on 20 September 2002 (the "GEM Share Option Scheme") and to adopt a new share option scheme (the "New Share Option Scheme"). The adoption of the New Share Option Scheme was proposed because of the transfer of listing of the Company's shares from the Growth Enterprise Market ("GEM") to Main Board of the Stock Exchange since 6 October 2008. The directors considered it appropriate to terminate the GME Share Option Scheme and adopt the New Share Option Scheme which complies with the Listing Rules.

Options granted but unexercised under the GEM Share Option Scheme remained valid and exercisable with their terms of issue. As at the date of this report, 20,000,000 options have already been granted to Mr. Jiang Qing, an executive director, which are exercisable at an exercise price of HK$0.44 per share during the period from 25 May 2004 to 24 May 2014. Other than that, there were no options granted, exercised, lapsed or cancelled during the year. Particulars of the New Share Option Scheme are set out in note 40 to the financial statements.

15. RETIREMENT BENEFIT SCHEMES

The Group complies with the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff in Hong Kong and to the staff retirement fund for staff in the People's Republic of China.

16. PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

17. APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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.

18. 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 pro-rata basis to existing shareholders.

19. 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.

20. MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2009, 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.

21. SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

22. AUDITOR

At an extraordinary general meeting of the shareholders of the Company held on 21 December 2009, a resolution was passed to appoint RSM Nelson Wheeler as auditor of the Company in place of the resigned auditor, Deloitte Touche Tomatsu, to hold office until the conclusion of the next annual general meeting of the Company.

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

On behalf of the Board

Jiang Xiong
CHAIRMAN

22 April 2010

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED
(FORMERLY KNOWN AS CHINA FIRE SAFETY ENTERPRISE GROUP HOLDINGS 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 29 to 99, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 state of affairs of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

22 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	6	**1,002,585**	1,216,448
Cost of sales and services		**(883,062)**	(986,547)
Gross profit		**119,523**	229,901
Other income	7	**36,624**	12,048
Selling and distribution costs		**(30,310)**	(28,410)
Administrative expenses		**(179,572)**	(80,031)
Share of profits of associates		**3,372**	3,836
Other expenses	9	**(47,108)**	(17,782)
Finance costs	10	**(3,478)**	(4,828)
(Loss)/profit before tax		**(100,949)**	114,734
Income tax expense	11	**(6,353)**	(38,083)
(Loss)/profit for the year	12	**(107,302)**	76,651
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**(22)**	321
Other comprehensive income for the year, net of tax		**(22)**	321
Total comprehensive income for the year		**(107,324)**	76,972
(Loss)/profit for the year attributable to:			
Owners of the Company		**(105,530)**	80,433
Minority interests		**(1,772)**	(3,782)
		(107,302)	76,651
Total comprehensive income for the year attributable to:			
Owners of the Company		**(105,573)**	80,596
Minority interests		**(1,751)**	(3,624)
		(107,324)	76,972
(Loss)/earnings per share (RMB cents)	16		
Basic		**(3.70)**	2.82
Diluted		**(3.70)**	2.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	17	**314,244**	243,710
Prepaid land lease payments	18	**37,574**	41,225
Investment properties	19	**23,658**	–
Goodwill	20	**32,748**	45,411
Investments in associates	21	**39,099**	70,173
Other intangible assets	23	**1,218**	1,523
Deferred tax assets	24	**–**	502
		448,541	402,544
Current assets			
Inventories	25	**70,655**	102,443
Trade and bills receivables	26	**317,573**	391,322
Amounts due from contract customers	27	**386,778**	129,946
Retention receivables	28	**21,835**	20,316
Prepayments, deposits and other receivables	29	**277,135**	31,994
Amount due from a jointly controlled entity	30	**6,040**	6,040
Amount due from an associate	31	**480**	431
Prepaid land lease payments	18	**789**	855
Derivative financial instruments	32	**642**	214
Pledged bank deposits	33	**5,932**	8,422
Bank and cash balances	33	**159,601**	777,634
		1,247,460	1,469,617
Assets classified as held for sale	34	**–**	25,751
		1,247,460	1,495,368
Current liabilities			
Trade and other payables	35	**251,493**	337,736
Amounts due to contract customers	27	**4,372**	12,370
Amounts due to minority shareholders	36	**4,860**	4,676
Current tax liabilities		**15,882**	26,274
Bank borrowings	37	**80,000**	63,471
Finance lease payables	38	**48**	46
		356,655	444,573

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Net current assets		**890,805**	1,050,795
Total assets less current liabilities		**1,339,346**	1,453,339
Non-current liabilities			
Deferred tax liabilities	24	**–**	6,620
Finance lease payables	38	**89**	138
		89	6,758
NET ASSETS		**1,339,257**	1,446,581
Capital and reserves			
Share capital	39	**30,168**	30,168
Reserves	41	**1,283,226**	1,388,799
Equity attributable to owners of the Company		**1,313,394**	1,418,967
Minority interests		**25,863**	27,614
TOTAL EQUITY		**1,339,257**	1,446,581

Approved by the Board of Directors on 22 April 2010

Jiang Xiong
Director

Jiang Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(Note 41(a))*	Capital reserve RMB'000 *(Note 41(b))*	Property revaluation reserve RMB'000	Statutory surplus reserve RMB'000 *(Note 41(c))*	Statutory public welfare fund RMB'000 *(Note 41(d))*	Statutory reserve fund RMB'000 *(Note 41(e))*	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	30,168	646,363	(6,692)	57,840	2,985	30,738	20,365	80,643	(632)	476,593	1,338,371	27,086	1,365,457
Total comprehensive income for the year	–	–	–	–	–	–	–	–	163	80,433	80,596	(3,624)	76,972
Realisation of property revaluation reserve upon disposal of the relevant investment properties that were classified as held for sale	–	–	–	–	(2,985)	–	–	–	–	2,985	–	–	–
Transfer	–	–	–	–	–	5,156	2,578	1,784	–	(9,518)	–	–	–
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	3,602	3,602
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	259	259
Changes in minority interests	–	–	–	–	–	–	–	–	–	–	–	291	291
Changes in equity for the year	–	–	–	–	(2,985)	5,156	2,578	1,784	163	73,900	80,596	528	81,124
At 31 December 2008 and 1 January 2009	30,168	646,363	(6,692)	57,840	–	35,894	22,943	82,427	(469)	550,493	1,418,967	27,614	1,446,581
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(43)	(105,530)	(105,573)	(1,751)	(107,324)
Transfer	–	–	–	–	–	2,159	1,079	–	–	(3,238)	–	–	–
Changes in equity for the year	–	–	–	–	–	2,159	1,079	–	(43)	(108,768)	(105,573)	(1,751)	(107,324)
At 31 December 2009	30,168	646,363	(6,692)	57,840	–	38,053	24,022	82,427	(512)	441,725	1,313,394	25,863	1,339,257

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(100,949)**	114,734
Adjustments for:		
Depreciation of property, plant and equipment	**21,336**	11,822
Amortisation of prepaid land lease payments	**810**	381
Amortisation of other intangible assets	**305**	277
Impairment loss on goodwill	**12,663**	15,283
Impairment loss on investments in associates	**34,445**	–
Allowance for bad and doubtful debts	**89,210**	3,511
Allowance for obsolete and slow-moving inventories	**5,971**	–
Interest income	**(4,760)**	(7,747)
Interest expense	**3,478**	4,828
Loss on disposal of property, plant and equipment	**8,719**	1,732
Gain on disposal of assets classified as held for sale	**(26,975)**	–
Gain on disposal of a subsidiary	**–**	(170)
Loss on partial disposal of subsidiaries	**–**	228
Fair value gains on derivative financial instruments	**(432)**	(214)
Share of profits of associates	**(3,372)**	(3,836)
Operating profit before working capital changes	**40,449**	140,829
Decrease in inventories	**25,797**	23,223
Increase in trade and bills receivables	**(15,574)**	(20,690)
(Increase)/decrease in amounts due from contract customers	**(256,832)**	110,564
Increase in retention receivables	**(1,519)**	(14,642)
Increase in prepayments, deposits and other receivables	**(208,504)**	(1,098)
Decrease in trade and other payables	**(41,445)**	(15,247)
Decrease in amounts due to contract customers	**(7,998)**	(17,558)
Cash (used in)/generated from operations	**(465,626)**	205,381
Interest paid	**(3,478)**	(4,828)
PRC Enterprise Income Tax paid	**(22,863)**	(33,721)
Hong Kong Profits Tax refunded	**–**	181
Net cash (used in)/generated from operating activities	**(491,967)**	167,013

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(121,088)**	(100,560)
Payment for accrued construction costs		**(29,000)**	–
Proceeds from disposal of investment properties		**–**	19,800
Deposits received on assets classified as held for sale		**–**	15,098
Decrease in pledged bank deposits		**2,490**	14,137
Interest received		**4,760**	7,747
Acquisition of an associate		**–**	(3,484)
Advance to an associate		**(49)**	–
Advance to a jointly controlled entity		**–**	(1,279)
Partial disposal of subsidiaries		**–**	181
Disposal of a subsidiary (net of cash and cash equivalent disposed of)	42	**–**	(23)
Proceeds from disposal of property, plant and equipment		**123**	15
Net cash used in investing activities		**(142,764)**	(48,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in trust receipt loans		**–**	(14,945)
New bank loans raised		**80,000**	62,502
Repayment of bank loans		**(63,454)**	(54,084)
Capital contribution from minority shareholders of subsidiaries		**–**	3,602
Advance from minority shareholders		**208**	180
Advance from an associate		**–**	49
Repayment of finance lease payables		**(46)**	(44)
Net cash generated from/(used in) financing activities		**16,708**	(2,740)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(618,023)**	115,905
Effect of foreign exchange rate changes		**(10)**	(205)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**777,634**	661,934
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**159,601**	777,634
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**159,601**	777,634

1. GENERAL INFORMATION

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 is No. 8 Section I, Xin Hua Road, Chengdu Cross Straits Technological Industry Park, Wenjiang District, Chengdu City, Sichuan Province, PRC.

The Company is an investment holding company. The principal activities of its principal subsidiaries, associates and a jointly controlled entity are set out in note 45, 21 and 22.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

2. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS** *(continued)*

b. **Operating Segments**

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. HKFRS 8 results in a redesignation of the Group's reportable segments, but has had no impact on the reported results or financial position of the Group. Except for segregation of the provision of network monitoring system services from the provision of maintenance services segment, the operating segments reported under HKFRS 8 are the same as the primary segments previously reported under HKAS 14. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 8 to the financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivatives which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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 represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated exchange reserve.

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.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (aa) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies 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 are considered when assessing whether the Group has significant influence.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent 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, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, 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 represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the associate and also any related accumulated exchange reserve.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(d) **Jointly controlled entity**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group reports its interest in jointly controlled entity using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entity is combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

The gain or loss on the disposal of a jointly controlled entity represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the jointly controlled entity and also any related accumulated exchange reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) 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 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 values 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.

(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 for each statement of comprehensive income are translated at average exchange rates (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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency translation *(continued)*

(iii) Translation on consolidation (continued)

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in 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.

(f) 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 at cost less accumulated depreciation and impairment losses.

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 annual rates are as follows:

Buildings	Over the shorter of the term of the lease or 50 years
Plant and equipment	10% – 20%
Tooling and moulds	10% – 20%
Furniture and fixtures	10% – 20%
Computers	20%
Motor vehicles	10% – 20%
Leasehold improvements	Over the shorter of the term of the lease or 20%

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(f) **Property, plant and equipment** *(continued)*

Construction in progress represents buildings under construction and plant and machinery 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.

(g) **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 based on valuation by an external independent valuer. 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.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(h) **Leases**

(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.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(i) **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:

– An asset is created that can be identified;
– It is probable that the asset created will generate future economic benefits; and
– The development cost of the asset can be measured reliably.

Capitalised development costs which include tailor-made software for the provision of online advertising services and costs for developing new models of certain fire prevention and fighting equipment are internally generated intangible assets and are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Technical know-how

Technical know-how which represents techniques acquired for the production of certain fire prevention and fighting equipment is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of nine years.

(k) 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 overhead expenditure, 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.

(l) 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.

Installation contracts in progress at the end of the reporting period are recorded in the statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the 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 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 receivables”. Amounts received before the related work is performed are included in the statement of financial position under “Receipts in advance”.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the 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.

(n) Trade, bills and other receivables

Trade, bills and other receivables (including retention receivables, amount due from a jointly controlled entity, amount due from an associate, pledged bank deposits and bank and cash balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade, bills and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(o) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value. Changes in the fair value of derivatives are recognised in profit or loss as they arise.

(p) 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.

(q) 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.

(r) 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.

(s) Trade and other payables

Trade and other payables (including amounts due to minority shareholders, bank borrowings and finance lease payables) are stated 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.

(t) Equity instruments

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(u) **Non-current assets held for sale**

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their 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 group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

(v) **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.

Revenue from individual installation contracts is recognised under the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for each 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.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(w) 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.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(x) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 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 investment in a jointly controlled entity, 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(aa) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, deferred tax assets, inventories, receivables and derivative assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Impairment of assets *(continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, 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.

(ab) 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.

(ac) 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 financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. 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 financial statements apart from those involving estimations, which are dealt with below.

Legal titles of certain land and buildings

As stated in notes 17 and 18 to the financial statements, the Group is in the process of applying for the land use rights and the property rights certificates in respect of leasehold land and buildings. Despite the fact that the Group has not obtained the relevant land use rights and property rights certificates, the directors determine to recognise those buildings and prepaid land lease payments as property, plant and equipment and prepaid land lease payments on the grounds that they do not expect any major difficulties in obtaining the certificates and the Group is in substance controlling those land and 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. 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 or sold.

(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.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Profit recognition of installation contracts *(continued)*

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 bear 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. If the actual gross profit margin of an installation contract differs from the management's estimate, the installation contract revenue and the corresponding contract cost to be recognised within the next year will be adjusted accordingly.

(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 RMB32,748,000 after an impairment loss of RMB12,663,000 was recognised during 2009. Details of the impairment loss calculation are provided in note 20 to the financial statements.

(d) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(e) Impairment loss for bad and doubtful debts

In making estimates for the allowance for irrecoverable amounts recognised in profit or loss, the management considers detailed procedures that are in place to monitor the risk as significant proportion of the Group's working capital is devoted to trade and bills receivables. Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise. The allowance for impairment of receivables of the Group is based on the likelihood of collection and the aging analysis of trade and bills receivables and estimation of future cash flows. As at 31 December 2009, the carrying amount of trade and bills receivables is RMB317,573,000 (net of allowance for doubtful debts of RMB118,007,000). In this regard, the management are satisfied that the risk is properly managed and adequate allowance for bad and doubtful debts has been made in the consolidated financial statements.

(f) Allowance for obsolete and slow-moving inventories

Allowance for obsolete and slow-moving inventories is made based on the ageing 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.

5. 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

A subsidiary of the Company has foreign currency sales and purchases. Foreign currencies are also used to pay certain expenses. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2009 and 31 December 2008 are as follows:

	Assets		Liabilities	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
United States dollars ("USD")	**5,923**	12,238	**7**	843
Euro dollars ("EUR")	**2,485**	4,136	**1,353**	3,773
Hong Kong dollars ("HKD")	**44,994**	73,611	**–**	–
	53,402	89,985	**1,360**	4,616

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

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 including both derivatives and non derivatives instruments 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.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Foreign currency risk *(continued)*

	2009	2008
	RMB'000	RMB'000
(Decrease)/increase in (loss)/profit for the year		
– if RMB weakens against foreign currencies		
HKD	**(2,250)**	3,680
USD	**(296)**	570
EUR	**(57)**	18
– if RMB strengthens against foreign currencies		
HKD	**2,250**	(3,680)
USD	**296**	(570)
EUR	**57**	(18)

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.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2009 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and bills receivables. In order to minimise credit risk, credit limits and credit terms granted to customers should be approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the directors have reviewed the recoverable amount of each individual trade debt at each end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

The Group has no significant concentrations of credit risk on trade and bills receivables, retention receivables and other receivables with exposure spread over a number of counterparties and customers.

5. **FINANCIAL RISK MANAGEMENT** *(continued)*

(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.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	RMB'000	RMB'000	RMB'000
At 31 December 2009			
Trade and other payables	**206,752**	–	–
Amounts due to contract customers	**4,372**	–	–
Amounts due to minority shareholders	**4,860**	–	–
Bank borrowings	**82,712**	–	–
Finance lease payables	**53**	**53**	**39**
At 31 December 2008			
Trade and other payables	312,580	–	–
Amounts due to contract customers	12,370	–	–
Amounts due to minority shareholders	4,676	–	–
Bank borrowings	65,984	–	–
Finance lease payables	53	53	94

(d) **Interest rate risk**

Certain bank borrowings of the Group bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

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, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk *(continued)*

The Group's sensitivity to cash flow 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.

	2009	2008
Reasonably possible change in interest rate	**50 basis point**	50 basis point
	RMB'000	RMB'000
Increase/(decrease) in (loss)/profit for the year		
– as a result of increase in interest rate	**339**	(302)
– as a result of decrease in interest rate	**(339)**	302

(e) Categories of financial instruments at 31 December 2009

	2009	2008
	RMB'000	RMB'000
Financial assets:		
Financial assets at fair value through profit or loss held for trading	**642**	214
Loan and receivables (including cash and cash equivalents)	**774,327**	1,222,685
Financial liabilities:		
Financial liabilities at amortised cost	**225,850**	293,388

5. **FINANCIAL RISK MANAGEMENT** *(continued)*

(f) **Fair value**

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.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2009:

Description	**Fair value measurement using: Level 2**
	RMB'000
Financial assets at fair value through profit or loss	
Derivatives	642

6. TURNOVER

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

	2009 RMB'000	2008 RMB'000
Revenue from installation contracts	530,833	469,969
Sales of goods	459,935	654,719
Provision of maintenance services	11,772	91,266
Provision of online advertising services	45	494
	1,002,585	1,216,448

7. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Interest income	4,760	7,747
Rental income	1,693	987
Gain on disposal of a subsidiary	–	170
Gain on disposal of assets classified as held for sale	26,975	–
Fair value gains on derivative financial instruments	354	–
Sundry income	2,842	3,144
	36,624	12,048

8. SEGMENT INFORMATION

The Group has six reportable segments as follows:

- installation of fire prevention and fighting systems;
- production and sale of fire engines;
- production and sale of fire prevention and fighting equipment;
- trading of fire engines, fire prevention and fighting and rescue equipment;
- provision of maintenance services; and
- provision of network monitoring system services.

Each reportable segment is a strategic business unit which offers different products and services that require different production techniques and marketing strategies.

The Group's other operating segment refers to the provision of online advertising services, which does not meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segment is included in the "Others" column.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include interest income, gain on disposal of assets classified as held for sale, fair value gains on derivative financial instruments, unallocated sundry income, unallocated corporate expenses, share of profits/losses of associates and finance costs. Segment assets do not include deferred tax assets, consideration receivable for disposal of assets classified as held for sale, amount due from an associate, pledged bank deposits, bank and cash balances, assets classified as held for sale and unallocated other receivables. Segment liabilities do not include amounts due to minority shareholders, current and deferred tax liabilities, bank borrowings and finance lease payables and unallocated other payables.

The Group accounts for intersegment sales and transfers on cost-plus basis.

8. SEGMENT INFORMATION *(continued)*

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

	Installation of fire prevention and fighting systems RMB'000	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Provision of maintenance services RMB'000	Provision of network monitoring system services RMB'000	Others RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2009										
TURNOVER										
External sales	530,833	283,951	156,959	19,025	5,191	6,581	45	–	–	1,002,585
Inter-segment sales	–	–	7,043	8,042	–	–	–	–	(15,085)	–
Total	530,833	283,951	164,002	27,067	5,191	6,581	45	–	(15,085)	1,002,585
RESULTS										
Segment (loss)/profit	(24,766)	7,396	(86,031)	(1,129)	(2,440)	(14,611)	(2,126)			(123,707)
Interest income										4,760
Gain on disposal of assets classified as held for sales										26,975
Fair value gains on derivative financial instruments										354
Unallocated corporate expenses										(9,225)
Share of profits/(losses) of associates	3,796	–	(405)	–	–	(19)	–			3,372
Finance costs										(3,478)
Loss before tax										(100,949)
Income tax expense										(6,353)
Loss for the year										(107,302)
At 31 December 2009										
ASSETS										
Segment assets	753,349	361,783	303,377	23,069	6,286	5,805	418			1,454,087
Investments in associates	25,967	–	13,414	–	–	(282)	–			39,099
Amount due from an associate										480
Consideration receivable for disposal of assets classified as held for sale										36,644
Pledged bank deposits										5,932
Bank and cash balances										159,601
Unallocated other receivables										158
										1,696,001
LIABILITIES										
Segment liabilities	102,231	73,892	64,281	7,092	693	3,369	83			251,641
Amounts due to minority shareholders										4,860
Current tax liabilities										15,882
Bank borrowings										80,000
Finance lease payables										137
Unallocated other payables										4,224
										356,744
OTHER INFORMATION										
Capital expenditure	299	90,288	30,410	–	–	85	–	6		121,088
Depreciation and amortisation	389	12,139	7,865	116	191	1,508	189	54		22,451
(Gain)/loss on disposal of property, plant and equipment	(74)	1,419	7,210	–	–	165	–	(1)		8,719
Gain on disposal of assets classified as held for sale	–	–	–	–	–	–	–	(26,975)		(26,975)
Impairment loss on goodwill	–	–	–	–	–	10,973	1,690	–		12,663
Impairment loss on investments in associates	–	–	33,576	–	–	869	–	–		34,445
Allowance/(reversal of allowance) for obsolete and slow-moving inventories	–	1,770	4,330	(129)	–	–	–	–		5,971
Allowance for bad and doubtful debts	44,443	1,552	36,514	2,671	3,958	72	–	–		89,210

8. SEGMENT INFORMATION *(continued)*

	Installation of fire prevention and fighting systems RMB'000	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Provision of maintenance services RMB'000	Provision of network monitoring system services RMB'000	Others RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2008										
TURNOVER										
External sales	469,969	247,670	265,581	141,468	85,549	5,717	494	–	–	1,216,448
Inter-segment sales	–	–	24,949	–	–	–	–	–	(24,949)	–
Total	469,969	247,670	290,530	141,468	85,549	5,717	494	–	(24,949)	1,216,448
RESULTS										
Segment profit/(loss)	49,880	18,543	34,457	(20,340)	48,229	(5,173)	(26)			125,570
Interest income										7,747
Unallocated sundry income										624
Unallocated corporate expenses										(18,215)
Share of profits/(losses) of associates	4,047	–	(189)	–	–	(22)	–			3,836
Finance costs										(4,828)
Profit before tax										114,734
Income tax expense										(38,083)
Profit for the year										76,651
At 31 December 2008										
ASSETS										
Segment assets	300,967	313,444	323,427	32,751	22,446	19,773	2,309			1,015,117
Investments in associates	22,172	–	47,395	–	–	606	–			70,173
Deferred tax assets										502
Pledged bank deposits										8,422
Bank and cash balances										777,634
Assets classified as held for sale										25,751
Unallocated other receivables										313
										1,897,912
LIABILITIES										
Segment liabilities	131,066	106,475	72,251	12,975	2,819	3,913	103			329,602
Amounts due to minority shareholders										4,676
Current tax liabilities										26,274
Bank borrowings										63,471
Finance lease payables										184
Deferred tax liabilities										6,620
Unallocated other payables										20,504
										451,331
OTHER INFORMATION										
Capital expenditure	54	89,080	38,001	17	6	2,396	6	–		129,560
Depreciation and amortisation	451	1,286	9,045	154	291	990	187	76		12,480
Loss on disposal of property, plant and equipment	22	959	729	–	2	20	–	–		1,732
Impairment loss on goodwill	–	–	–	15,283	–	–	–	–		15,283
Allowance for bad and doubtful debts	670	874	1,788	179	–	–	–	–		3,511

8. SEGMENT INFORMATION *(continued)*

Geographical information:

	Revenue		Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
People's Republic of China ("PRC")	**999,583**	1,213,409	**436,330**	389,713
Others	**3,002**	3,039	**12,211**	12,329
	1,002,585	1,216,448	**448,541**	402,042

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

There was one customer (2008: Nil) the revenues from which exceeds 10% of the Group's total revenue for the year. Revenue from that customer for the year was approximately RMB153,000,000 (2008: RMBNil) and was generated by the installation of fire prevention and fighting systems segment.

9. OTHER EXPENSES

	2009	2008
	RMB'000	RMB'000
Impairment loss on goodwill	**12,663**	15,283
Impairment loss on investments in associates	**34,445**	–
Fair value losses on derivative financial instruments	**–**	2,499
	47,108	17,782

10. FINANCE COSTS

	2009	2008
	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within five years	**3,299**	4,565
Interest on amount due to a minority shareholder	**172**	252
Finance lease charges	**7**	11
	3,478	4,828

11. INCOME TAX EXPENSE

	2009 RMB'000	2008 RMB'000
Current tax		
PRC Enterprise Income Tax	**12,368**	39,516
Under/(over)-provision in prior years		
PRC Enterprise Income Tax	**103**	2,870
Hong Kong Profits Tax	**–**	(181)
	103	2,689
Deferred tax *(note 24)*		
Current year	**(6,118)**	(4,122)
	6,353	38,083

No provision for Hong Kong Profits Tax has been made in the current year as the relevant group entities incurred a loss 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.

The following subsidiaries and a jointly controlled entity of the Company were granted tax concessions which entitled them to income tax exemption for two years followed by three years of 50% tax reduction.

	Tax privileges started from
Fuzhou Wanyou Fire Equipment Co., Ltd.	2004
Shenzhen Hocen Emergency Lightings Technology Co., Ltd.	2004
Sichuan Morita Fire Safety Appliances Co., Ltd.	2006
Shanghai Pudong Special Fire Equipment Co., Ltd.	2007
Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd.	2008

11. INCOME TAX EXPENSE *(continued)*

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. Certain of the Group's subsidiaries that are currently entitled to exemption and reduction from the PRC statutory income tax rate will continue to enjoy such privileges until the exemption and reduction periods expire, but not beyond 2012. The relevant tax rates for the Group's subsidiaries in the PRC range from 12.5% to 25% (2008: 12.5% to 25%).

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2009	2008
	RMB'000	RMB'000
(Loss)/profit before tax	**(100,949)**	114,734
Tax at the PRC domestic income tax rate of 25% (2008: 25%)	**(25,237)**	28,682
Tax effect of income that is not taxable	**(4,025)**	(1,086)
Tax effect of expenses that are not deductible	**11,374**	8,776
Tax effect of temporary differences not recognised	**22,077**	–
Tax effect of share of profits of associates	**(843)**	(959)
Tax effect attributable to tax concessions	**(4,080)**	(4,904)
Tax effect of tax losses not recognised	**3,508**	4,264
Utilisation of tax losses not previously recognised	**–**	(484)
Under-provision in prior years	**103**	2,689
Effect of different tax rates of subsidiaries	**3,274**	–
Others	**202**	1,105
Income tax expense	**6,353**	38,083

12. (LOSS)/PROFIT FOR THE YEAR

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

	2009	2008
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**21,336**	11,822
Amortisation of prepaid land lease payments	**810**	381
Allowance for obsolete and slow-moving inventories (included in administrative expenses)	**5,971**	–
Allowance for bad and doubtful debts	**89,210**	3,511
Loss on disposal of property, plant and equipment	**8,719**	1,732
Auditor's remuneration	**1,426**	2,523
Amortisation of other intangible assets (included in administrative expenses)	**305**	277
Net foreign exchange loss	**996**	3,916
Other operating lease charges in respect of rented premises	**4,965**	4,413
Research and development expenditure *(note (i))*	**2,294**	1,602
Cost of inventories sold *(note (ii))*	**378,891**	535,070
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**39,855**	40,607
Retirement benefit scheme contributions	**5,344**	4,954
	45,199	45,561

Notes: (i) Research and development expenditure includes staff costs and depreciation of property, plant and equipment of approximately RMB1,507,000 (2008: RMB915,000) which are included in the amounts disclosed separately above.

(ii) 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 RMB31,102,000 (2008: RMB26,382,000) which are included in the amounts disclosed separately above.

13. DIRECTORS' EMOLUMENTS

	2009					2008				
	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (Note (a))	Retirement benefit scheme contributions RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (Note (a))	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors										
Mr. Jiang Xiong	–	1,238	–	–	1,238	–	1,250	–	–	1,250
Mr. Jiang Qing	–	1,100	–	–	1,100	–	1,111	–	–	1,111
Mr. Shi Jia Hao	159	70	–	–	229	160	66	–	–	226
Mr. Wang De Feng	159	153	–	19	331	160	172	–	6	338
Ms. Weng Xiu Xia	159	52	–	11	222	160	49	–	7	216
Ms. Zhang Hai Yan	159	52	–	11	222	160	49	–	7	216
	636	2,665	–	41	3,342	640	2,697	–	20	3,357
Non-executive directors										
Ms. Xi Zheng Zheng	–	–	–	–	–	–	–	–	–	–
Mr. Harinath Krishnamurthy	–	–	–	–	–	–	–	–	–	–
Mr. Doug Wright *(note (b))*	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
Independent non-executive directors										
Dr. Loke Yu	132	–	–	–	132	134	–	–	–	134
Mr. Sun Jian Guo	132	–	–	–	132	134	–	–	–	134
Mr. Heng Ja Wei	110	–	–	–	110	–	–	–	–	–
Mr. Heng Kwoo Seng *(note (b))*	22	–	–	–	22	134	–	–	–	134
	396	–	–	–	396	402	–	–	–	402
	1,032	2,665	–	41	3,738	1,042	2,697	–	20	3,759

Notes: (a) The discretionary bonus is determined on the basis of performance of the Group but in any event the discretionary bonus for all executive directors shall not exceed 10% of the audited consolidated net profit after tax and minority interests but before extraordinary and exceptional items of the Group for that financial year.

(b) Mr. Heng Kwoo Seng and Mr. Doug Wright resigned on 28 February 2009 and 17 November 2009 respectively.

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.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group during the year included, two (2008: two) directors whose emoluments are included in the note 13 to the financial statements above. The emoluments of the remaining three (2008: three) individuals are set out below:

	2009	2008
	RMB'000	RMB'000
Salaries and other benefits	**1,299**	1,309
Retirement benefit scheme contributions	**32**	32
	1,331	1,341

During the years ended 31 December 2009 and 2008, the emoluments of each of the highest paid individual, other than the directors, fell within the band of HKDNil to HKD1,000,000 (equivalent to RMB882,000 (2008: RMB890,400)).

15. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: RMBNil).

16. (LOSS)/EARNINGS PER SHARE

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

	2009	2008
	RMB'000	RMB'000
(Loss)/profit for the year attributable to owners of the Company	**(105,530)**	80,433
	'000	'000
Weighted average number of ordinary shares	**2,855,000**	2,855,000

There was no dilutive effect of the share options to the (loss)/earnings per share as the average market price of the shares for the years ended 31 December 2009 and 2008 was lower than the exercise price of the share options.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and equipment RMB'000	Tooling and moulds RMB'000	Furniture and fixtures RMB'000	Computers RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost									
At 1 January 2008	74,954	60,414	36,627	8,360	5,530	12,248	4,182	39,711	242,026
Additions	–	13,566	–	1,897	1,221	2,102	1,273	109,501	129,560
Reclassification	146,097	–	–	–	–	–	–	(146,097)	–
Reclassified to assets classified as held for sale	(13,506)	–	–	–	–	–	–	–	(13,506)
Disposals	(224)	(4,618)	(90)	(154)	(658)	(1,379)	–	–	(7,123)
Disposal of a subsidiary	–	(61)	–	(15)	(115)	–	–	–	(191)
Exchange differences	–	(20)	–	(1)	–	–	(5)	–	(26)
At 31 December 2008 and 1 January 2009	207,321	69,281	36,537	10,087	5,978	12,971	5,450	3,115	350,740
Additions	116,345	2,786	–	163	251	578	201	764	121,088
Reclassification	377	3,115	–	–	–	–	–	(3,115)	377
Reclassified to investment properties	(25,410)	–	–	–	–	–	–	–	(25,410)
Disposals	–	(18,966)	(102)	(7,238)	(216)	(440)	–	–	(26,962)
Exchange differences	–	(4)	–	–	–	–	(1)	–	(5)
At 31 December 2009	298,633	56,212	36,435	3,012	6,013	13,109	5,650	764	419,828
Accumulated depreciation and impairment									
At 1 January 2008	10,814	42,613	36,411	2,670	2,235	6,156	2,166	–	103,065
Charge for the year	3,190	5,102	39	686	922	1,143	740	–	11,822
Reclassified to assets classified as held for sale	(2,434)	–	–	–	–	–	–	–	(2,434)
Disposals	(75)	(3,403)	(81)	(135)	(448)	(1,234)	–	–	(5,376)
Disposal of a subsidiary	–	(12)	–	(3)	(22)	–	–	–	(37)
Exchange differences	–	(7)	–	(1)	–	–	(2)	–	(10)
At 31 December 2008 and 1 January 2009	11,495	44,293	36,369	3,217	2,687	6,065	2,904	–	107,030
Charge for the year	14,634	2,843	34	653	1,003	1,375	794	–	21,336
Reclassified to investment properties	(4,659)	–	–	–	–	–	–	–	(4,659)
Disposals	–	(14,860)	(23)	(2,678)	(162)	(397)	–	–	(18,120)
Exchange differences	–	(2)	–	–	–	–	(1)	–	(3)
At 31 December 2009	21,470	32,274	36,380	1,192	3,528	7,043	3,697	–	105,584
Carrying amount									
At 31 December 2009	277,163	23,938	55	1,820	2,485	6,066	1,953	764	314,244
At 31 December 2008	195,826	24,988	168	6,870	3,291	6,906	2,546	3,115	243,710

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 December 2008 the carrying amount of plant and equipment pledged as security for bank loans granted to a subsidiary of the Company amounted to RMB14,794,000 (note 37).

At 31 December 2009 the carrying amount of furniture and fixtures held by the Group under a finance lease amounted to RMB69,000 (2008: RMB136,000).

The Group is in the process of applying for the property rights certificates in respect of buildings with carrying amount of RMB249,632,000 (2008: RMBNil).

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent payments for land use rights in the PRC under medium-term leases.

During the year ended 31 December 2008, the Group entered into a sale and purchase agreement to dispose of certain prepaid land lease payments. The carrying amount of the prepaid land lease payments of RMB14,679,000 was therefore reclassified to assets classified as held for sales (note 34).

The Group is in the process of applying for the land use rights certificates in respect of land leases with carrying amount of RMB23,724,000 (2008: RMB36,312,000).

19. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2008, 31 December 2008 and 1 January 2009	–
Reclassified from property, plant and equipment	20,751
Reclassified from prepaid land lease payments	2,907
At 31 December 2009	23,658

The Group's investment properties were revalued at 31 December 2009 on the open market value basis by reference to market evidence of transaction prices for similar properties by Vigers Appraisal & Consulting Limited, an independent firm of qualified professional valuers.

The Group's investment properties are located in the PRC under medium-term leases.

20. GOODWILL

	RMB'000
Cost	
At 1 January 2008	61,879
Eliminated on partial disposal of a subsidiary	(118)
Eliminated on disposal of a subsidiary *(note 42)*	(1,067)
At 31 December 2008, 1 January 2009 and 31 December 2009	60,694
Accumulated impairment losses	
At 1 January 2008	–
Impairment loss recognised in the year	15,283
At 31 December 2008 and 1 January 2009	15,283
Impairment loss recognised in the year	12,663
At 31 December 2009	27,946
Carrying amount	
At 31 December 2009	32,748
At 31 December 2008	45,411

During the year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's provision of network monitoring system services and provision of online advertising services was fully impaired.

Although the national standards for the remote network monitoring system were promulgated at the beginning of 2008, customers' level of acceptance is far below expected. Unless the installation of the system is made mandatory, the Group does not expect a significant growth in the sales of the services and therefore has provided for an impairment loss of RMB10,973,000 (2008: RMBNil) for the goodwill associated during the year.

20. GOODWILL *(continued)*

For the online advertising business, the development was also not as good as expected. This is because the market practitioners mostly stick to the traditional ways of promoting and locating fire protection equipment such as exhibitions and face-to-face presentations. The Group recorded a significant negative growth in turnover for this business during the year and does not expect a rebound soon. Therefore an impairment loss of RMB1,690,000 (2008: RMBNil) was recognised during the year.

No write-down of the carrying amounts of other assets in both the above cash-generating units was necessary. The goodwill is included in the "provision of network monitoring system services" and "others" reportable segments disclosed in note 8 to the financial statements.

In 2008, the goodwill associated with the Group's trading of fire engines, fire prevention and fighting and rescue equipment business was impaired by RMB15,283,000 due to anticipated decrease in demand for imported fire engines in the PRC.

For the purposes of impairment testing, goodwill has been allocated to the following cash-generating units ("CGUs"). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2009 and 2008 is allocated as follows:

	2009	2008
	RMB'000	RMB'000
Installation of fire prevention and fighting systems	**8,442**	8,442
Production and sale of fire engines	**7,630**	7,630
Production and sale of fire prevention and fighting equipment	**4,549**	4,549
Trading of fire engines, fire prevention and fighting and rescue equipment	**12,127**	12,127
Provision of network monitoring system services	**–**	10,973
Provision of online advertising services	**–**	1,690
	32,748	45,411

20. GOODWILL *(continued)*

The recoverable amounts of the above CGUs were determined based on value in use calculations, which use cash flow projections based on financial budgets approved by management covering a five-year period, and discount rates ranging from 13% to 14% (2008: 11% to 16%). The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate ranging from zero to 1% (2008: zero to 1%). This growth rate is based on the forecasts of the relevant industries and does not exceed their average long-term growth rate. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the CGUs' 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 amounts of CGUs to fall below their respective carrying amounts.

21. INVESTMENTS IN ASSOCIATES

	2009	2008
	RMB'000	RMB'000
Unlisted investments:		
Share of net assets	**67,367**	63,996
Goodwill	**6,177**	6,177
	73,544	70,173
Impairment losses *(note)*	**(34,445)**	–
	39,099	70,173

21. INVESTMENTS IN ASSOCIATES *(continued)*

Details of the Group's associates at 31 December 2009 are as follows:

Name/ type of legal entity	Place of incorporation	Paid up registered capital	Percentage of ownership interest	Principal activities
北京特威特國際環保科技有限公司 Beijing TWT International Technical Co., Ltd. ("Beijing TWT")/ limited liability enterprise	PRC	RMB5,000,000	45%	Production and sale of fire suppression foam
福州華安消防工程技術有限公司 Fuzhou Huaan Fire Engineering Co., Ltd./ limited liability enterprise	PRC	RMB10,300,000	40%	Provision of fire prevention and fighting system installation services and maintenance services
江西永安消防工程有限公司 Jiangxi Yongan Fire Engineering Co., Ltd./ limited liability enterprise	PRC	RMB5,000,000	40%	Provision of fire prevention and fighting system installation services and maintenance services
泉州市盛安消防服務有限公司 Quanzhou Shengan Fire Services Co., Ltd. ("Quanzhou Shengan")/ limited liability enterprise	PRC	RMB3,050,000	22%	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./sino-foreign equity joint venture	PRC	USD1,200,000	30%	Production and sale of fire prevention and fighting equipment

21. INVESTMENTS IN ASSOCIATES *(continued)*

Note: Impairment losses were primarily made in respect of the investment in Beijing TWT. The fire suppression foam produced by Beijing TWT is a patented invention which has numerous advantages over the traditional foam. However, the exponential growth in sales anticipated did not realise since the launch of the product a few years ago. The Group considered that it would take far more time for the new product to become the prime fire suppression foam in the market. Impairment loss on investment in Beijing TWT was, therefore, made at the end of the reporting period.

Summarised financial information in respect of the Group's associates is set out below:

	2009	2008
	RMB'000	RMB'000
At 31 December		
Total assets	**219,672**	185,712
Total liabilities	**(60,760)**	(35,666)
Net assets	**158,912**	150,046
Group's share of associates' net assets	**32,922**	63,996
Year ended 31 December		
Total revenue	**142,368**	134,377
Total profit for the year	**8,867**	9,591
Group's share of associates' profits for the year	**3,372**	3,836

22. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

Details of the jointly controlled entity at 31 December 2009 are as follows:

Name/ type of legal entity	Place of incorporation	Paid up registered capital	Percentage of ownership interest	Principal activities
上海普東特種消防裝備有限公司 Shanghai Pudong Special Fire Equipment Co., Ltd./ limited liability enterprise	PRC	RMB10,000,000	51%	Production and sale of fire prevention and fighting equipment

22. INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(continued)*

Although the Group holds 51% of the registered capital of Shanghai Pudong Special Fire Equipment Co., Ltd., the Group and the other significant shareholder jointly control over Shanghai Pudong Special Fire Equipment Co., Ltd. under a shareholders' agreement.

The following amounts, are included in the consolidated financial statements using the line-by-line reporting format for proportionate consolidation of the jointly controlled entity.

	2009	2008
	RMB'000	RMB'000
At 31 December		
Non-current assets	**2,661**	3,299
Current assets	**28,424**	33,367
Current liabilities	**(14,856)**	(18,922)
Net assets	**16,229**	17,744
Year ended 31 December		
Income	**24,820**	48,782
Expenses	**26,335**	42,222

23. OTHER INTANGIBLE ASSETS

	Capitalised development costs RMB'000	Technical know-how RMB'000	Total RMB'000
Cost			
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	620	1,377	1,997
Accumulated amortisation			
At 1 January 2008	44	153	197
Charge for the year	124	153	277
At 31 December 2008 and 1 January 2009	168	306	474
Charge for the year	152	153	305
At 31 December 2009	320	459	779
Carrying amount			
At 31 December 2009	300	918	1,218
At 31 December 2008	452	1,071	1,523

24. DEFERRED TAX

The following are the major deferred tax (assets)/liabilities recognised, and movements thereon:

	Profit recognition of installation contracts	**Revaluation of properties**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
	(note (i))		(note (ii))	
At 1 January 2008	10,268	474	(502)	10,240
Credit to the profit or loss for the year	(3,648)	(474)	–	(4,122)
At 31 December 2008 and 1 January 2009	6,620	–	(502)	6,118
(Credit)/charge to the profit or loss for the year	(6,620)	–	502	(6,118)
At 31 December 2009	–	–	–	–

The following is an analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2009	2008
	RMB'000	RMB'000
Deferred tax assets	–	(502)
Deferred tax liabilities	–	6,620
	–	6,118

At 31 December 2009, the Group has unused tax losses of RMB72,657,000 (2008: RMB39,271,000) 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. Included in unrecognised tax losses are losses of RMB35,515,000 (2008: RMB26,698,000) that will expire from 2010 to 2014 (2008: 2010 to 2012). Other tax losses may be carried forward indefinitely.

24. DEFERRED TAX *(continued)*

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 RMB112,785,000 (2008: RMB79,686,000). 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 reverse in the foreseeable future.

Notes: (i) The amount represents the temporary differences arising on the profit recognition of installation contracts between Hong Kong generally accepted accounting principles in which revenue and costs of installation contracts are recognised in the consolidated statement of comprehensive income by reference to the stage of completion of the contract activities and the taxable income of the PRC subsidiaries which recognise revenue of installation contracts upon completion.

(ii) The amount mainly represents temporary differences arising on allowance for bad and doubtful debts.

25. INVENTORIES

Inventories represent fire engines and fire prevention and fighting equipment.

	2009	2008
	RMB'000	RMB'000
Raw materials	**21,609**	34,217
Work in progress	**23,949**	32,177
Finished goods	**25,097**	36,049
	70,655	102,443

26. TRADE AND BILLS RECEIVABLES

	2009	2008
	RMB'000	RMB'000
Trade and bills receivables	**435,580**	420,207
Less: Allowance for bad and doubtful debts	**(118,007)**	(28,885)
	317,573	391,322

26. TRADE AND BILLS RECEIVABLES *(continued)*

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, net of allowance for bad and doubtful debts, is as follows:

	2009	2008
	RMB'000	RMB'000
0 – 90 days	**155,746**	182,697
91 – 180 days	**43,159**	96,135
181 – 360 days	**40,061**	93,102
Over 360 days	**78,607**	19,388
	317,573	391,322

As of 31 December 2009, trade and bills receivables of RMB133,478,000 (2008: RMB133,924,000) 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:

	2009	2008
	RMB'000	RMB'000
0 – 90 days	**41**	48
91 – 180 days	**14,769**	21,386
181 – 360 days	**40,061**	93,102
Over 360 days	**78,607**	19,388
	133,478	133,924

26. TRADE AND BILLS RECEIVABLES *(continued)*

Reconciliation of allowance for bad and doubtful debts:

	2009 RMB'000	2008 RMB'000
At 1 January	**28,885**	26,117
Allowance for the year	**89,210**	3,511
Amounts written off	**(28)**	(478)
Exchange differences	**(60)**	(265)
At 31 December	**118,007**	28,885

The management closely monitors the credit quality of trade and bills receivables and considers the trade and bills receivables that are neither past due nor impaired to be of a good credit quality. Based on the payment pattern of the customers of the Group, trade and bills receivables that are past due but not impaired are generally collectable. Allowance for bad and doubtful debts recognised for 2009 and 2008 are on trade and bills receivables which are either aged over two years because historical experience is that such receivables past due beyond 2 years are generally not recoverable, or individually impaired trade and bills receivables of customers which has either been placed under liquidation or in severe financial difficulties.

Included in trade and bills receivables are the following amounts denominated in currencies other than functional currencies of the respective group entities.

	2009 RMB'000	2008 RMB'000
EUR	**2,112**	3,259
USD	**5,084**	11,839

27. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	2009 RMB'000	2008 RMB'000
Contract costs incurred plus profits recognised less recognised losses	**649,528**	334,011
Less: Progress billings	**(267,122)**	(216,435)
	382,406	117,576
Comprising:		
Amounts due from contract customers	**386,778**	129,946
Amounts due to contract customers	**(4,372)**	(12,370)
	382,406	117,576

28. RETENTION RECEIVABLES

Included in the retention receivables is an aggregate amount of RMB6,759,000 (2008: RMB16,508,000) which was due after one year.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the prepayments, deposits and other receivables is a performance guarantee of RMB216,000,000 (2008: RMBNil) paid for an installation project secured in the fourth quarter of 2009. The project is scheduled to be commenced in 2010.

30. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from a jointly controlled entity is unsecured, carries fixed interest rate at 6% (2008: 6%) per annum and is due for settlement within 12 months.

31. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and is due for settlement within 12 months.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2009	2008
	RMB'000	RMB'000
Foreign currency forward contracts	**642**	214

During the year, the Group has used foreign currency forward contracts in the management of its foreign exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. The major terms of the outstanding forward foreign exchange contracts to which the Group is committed at the end of the reporting period are as follows:

Notional amount	**Maturity**	**Exchange rate**
2009		
Buy EUR1,200,000 (equivalent to RMB11,800,000) and sell USD1,668,720 (equivalent to RMB11,367,000)	30 June 2010	EUR/USD 1.3906
Buy EUR600,000 (equivalent to RMB5,900,000) and sell USD838,200 (equivalent to RMB5,709,000)	30 June 2010	EUR/USD 1.3970
Buy EUR500,000 (equivalent to RMB4,917,000) and sell USD706,750 (equivalent to RMB4,814,000)	30 June 2010	EUR/USD 1.4135
2008		
Buy EUR218,093 (equivalent to RMB2,113,000) and sell USD276,389 (equivalent to RMB1,898,000)	31 March 2009	EUR/USD 1.2673

At 31 December 2009, the fair value of the Group's currency derivatives is estimated to be RMB642,000 (2008: RMB214,000). The amount is based on market prices quoted from the counterparty bank.

The Group does not currently designate any hedging relationship on the foreign currency forward contracts for the purpose of hedge accounting.

33. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank balances carry interest ranging from Nil to 2.70% (2008: Nil to 4.15%) per annum.

The pledged bank deposits are mainly for bid bond guarantee and carry interest at range from Nil to 0.36% (2008: ranging from 0.36% to 0.72%) per annum. Included in the pledged bank deposits at 31 December 2008 were deposits pledged to banks amounting to RMB4,432,000 for securing banking facilities granted to a subsidiary of the Company, which carry interest ranging from 0.15% to 2.68% per annum. The banking facilities have expired during the year and have not been renewed.

Included in the pledged bank deposits and bank and cash balances are the following amounts denominated in currencies other than functional currencies of the respective group entities.

	2009	2008
	RMB'000	RMB'000
EUR	**373**	877
HKD	**44,994**	73,611
USD	**839**	399

34. ASSETS CLASSIFIED AS HELD FOR SALE

	2009	2008
	RMB'000	RMB'000
Prepaid land lease payments	**–**	14,679
Buildings	**–**	11,072
	–	25,751

In 2008, the Group entered into an agreement with an independent third party for the disposal of certain prepaid land lease payments and buildings (collectively the "Properties") situated in the PRC. The transaction was expected to be completed within twelve months and thus the Properties were classified as held for sale at 31 December 2008. The net proceeds from disposal of the Properties were expected to exceed the carrying amount of the Properties and accordingly, no impairment loss was recognised.

The Properties with a carrying amount of RMB18,580,000 at 31 December 2008 previously pledged to secure bank loans granted to a subsidiary have been released during the year. Gain on disposal of the assets classified as held for sale amounting to RMB26,975,000 has been credited to the consolidated statement of comprehensive income for the year. The outstanding proceeds amounting to RMB36,644,000 was included in the other receivables at 31 December 2009.

35. TRADE AND OTHER PAYABLES

	2009 RMB'000	2008 RMB'000
Trade payables	**80,257**	138,917
Accrued costs and charges *(note)*	**99,298**	135,655
Receipts in advance	**44,741**	25,156
Value added tax, sales tax and other levies	**24,125**	19,838
Amount payable for acquisition of leasehold land	**3,072**	3,072
Deposits received from disposal of leasehold land and buildings	**–**	15,098
	251,493	337,736

Note: The accrued construction cost for buildings of RMB29,000,000 at 31 December 2008 has been paid for during the year.

The aging analysis of trade payables is as follows:

	2009 RMB'000	2008 RMB'000
0 – 30 days	**30,247**	48,847
31 – 60 days	**22,679**	32,450
61 – 90 days	**5,045**	12,430
Over 90 days	**22,286**	45,190
	80,257	138,917

Included in trade and other payables are the following amounts denominated in currencies other than functional currencies of the respective group entities.

	2009 RMB'000	2008 RMB'000
EUR	**1,353**	3,773
USD	**7**	843

36. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders are unsecured and repayable on demand. An aggregate amount of RMB2,675,000 (2008: RMB2,503,000) bears interest at a fixed rate of 6.68% (2008: 6.68%) per annum, the remaining amounts are interest-free.

37. BANK BORROWINGS

	2009	2008
	RMB'000	RMB'000
Bank loans	**80,000**	60,000
Bank overdrafts	**–**	3,471
	80,000	63,471
Analysed as:		
Secured	**–**	61,761
Unsecured	**80,000**	1,710
	80,000	63,471

At 31 December 2009 and 2008 the Group's bank borrowings are denominated in functional currencies of the respective group entities and are due for settlement within 12 months (shown under current liabilities).

The average interest rates at 31 December were as follows:

	2009	2008
Bank loans	**6.25%**	6.19%
Bank overdrafts	**N/A**	6.00%

The bank loans at 31 December 2008 were secured by certain buildings, prepaid land lease payments and plant and equipment of the Group with carrying amounts of RMB8,389,000, RMB10,191,000 and RMB14,794,000 respectively. The relevant buildings and prepaid land lease payments under pledge were classified as assets held for sale at 31 December 2008 and were subsequently disposed of in 2009.

The bank overdrafts at 31 December 2008 were secured by the Group's pledged bank deposits and/or personal assets and/or guarantee of a minority shareholder of a subsidiary. The bank overdrafts have been repaid during the year.

37. BANK BORROWINGS *(continued)*

Certain amount of the bank loans at 31 December 2009 and 2008 are arranged at the benchmark interest rate as stipulated by the People's Bank of China plus 1% and expose the Group to cash flow interest rate risk. The remaining bank loans are arranged at a fixed interest rate of 5.841% per annum and expose the Group to fair value interest rate risk.

38. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**53**	53	**48**	46
In the second to fifth years, inclusive	**92**	147	**89**	138
	145	200	**137**	184
Less: Future finance charges	**(8)**	(16)	**N/A**	N/A
Present value of lease obligations	**137**	184	**137**	184
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(48)**	(46)
Amount due for settlement after 12 months			**89**	138

It is the Group's policy to lease certain of its furniture and fixtures under a finance lease. The lease term is 5 years. At 31 December 2009, the effective borrowing rate was 5% (2008: 5%) per annum. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of lease term, the Group has the option to purchase the furniture and fixtures at nominal prices.

The Group's finance lease payables are denominated in HKD and are secured by the lessor's title to the leased assets.

39. SHARE CAPITAL

	Number of shares	Amount HKD'000
Authorised:		
Shares of HKD0.01 (2008: HKD0.01) each		
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	10,000,000,000	100,000
Issued and fully paid:		
Shares of HKD0.01 (2008: HKD0.01) each		
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	2,855,000,000	28,550

	2009 RMB'000	2008 RMB'000
Shown in the consolidated financial statements as	**30,168**	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 capital structure of the Group consists of debt, which mainly include the bank borrowings disclosed in note 37 to the financial statements, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the raising of new debts or the repayment of existing debts.

The only 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.

40. SHARE OPTION SCHEME

At the general meeting of the shareholders of the Company held on 29 May 2009, an ordinary resolution was passed to terminate the original share option scheme of the Company adopted on 20 September 2002 (the "GEM Share Option Scheme") and to adopt a new share option scheme (the "New Share Option Scheme"). The adoption of the New Share Option Scheme was proposed because of the transfer of listing of the Company's shares from GEM to Main Board of the Stock Exchange since 6 October 2008. The directors considered it appropriate to terminate the GEM Share Option Scheme and adopt the New Share Option Scheme which complies with the Listing Rules. Options granted but unexercised under the GEM Share Option Scheme remained valid and exercisable with their terms of issue.

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 New Share Option 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 New Share Option 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 New Share Option 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 option. 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.

40. SHARE OPTION SCHEME *(continued)*

Details of the options granted are as follows:

Grantee	Capacity	Date of grant	No. of shares issuable under the options granted	Exercisable period	Exercise price	Outstanding at 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009
					HKD	
Mr. Jiang Qing	Director	25 May 2004	20,000,000	25 May 2004 to 24 May 2014	0.44	20,000,000

Save as disclosed above, there were no options granted, exercised, cancelled or lapsed during the years ended 31 December 2009 and 2008.

41. RESERVES

Nature and purpose of reserves

(a) *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.

(b) *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.

(c) *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.

(d) *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.

(e) *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.

42. DISPOSAL OF A SUBSIDIARY

Quanzhou Shengan was previously a subsidiary indirectly held by the Company through a non-wholly owned subsidiary. The non-wholly owned subsidiary sold 6% and 10% of the equity interests of Quanzhou Shengan to two independent third parties in March 2008 and September 2008 respectively, thus resulted in a reduction in the equity interest held from 60% to 44%. Accordingly, Quanzhou Shengan became an associate of the Group. The new assets of Quanzhou Shengan at the date of becoming an associate of the Group were as follows:

	2008 RMB'000
Property, plant and equipment	154
Inventories	107
Trade and bills receivables	39
Prepayments, deposits and other receivables	23
Bank and cash balances	23
Trade and other payables	(338)
Amount due to holding company	(480)
Amount due to minority shareholders	(90)
Net assets disposed of	(562)
Minority interests	259
Attributable goodwill	1,067
	764
Transferred to investments in associates	(629)
	135
Gain on disposal of a subsidiary	170
Total consideration receivable included under prepayments, deposits and other receivables	305
Net cash outflow arising on disposal:	
Bank and cash balances disposed of	(23)

43. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2009	2008
	RMB'000	RMB'000
Property, plant and equipment		
Contracted for but not provided for	**28,159**	148,526

44. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2009 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	**4,492**	3,893
In the second to fifth year inclusive	**5,127**	7,628
After five years	**–**	3,187
	9,619	14,708

Operating lease payments represent rentals payable by the Group for certain of its offices and sales offices. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

At 31 December 2009 the total minimum lease payments under non-cancellable operating leases are receivable as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	**1,688**	86
In the second to fifth year inclusive	**1,318**	–
	3,006	86

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2009 are as follows:

Name/ type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Group	Principal activities
Wang Sing Technology Limited/ limited liability company	British Virgin Islands	4,984,359 ordinary shares of USD1 each	100%	Investment holding
Allied Best Holdings Limited/ limited liability company	British Virgin Islands	1 ordinary share of USD1 each	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
北京市崇正華盛應急設備系統有限公司 Beijing City Chongzheng Huasheng Emergency Appliances System Co., Ltd./limited liability enterprise	PRC	Registered capital of RMB4,870,000	55.44%	Production and sale of fire prevention and fighting equipment
福建中消城市網絡技術有限公司 China Fire (Fujian) City Network Tech. Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of RMB22,500,000	51%	Investment holding
川消消防工程有限公司 Chuanxiao Fire Engineering Company Limited/limited liability enterprise	PRC	Registered capital of RMB51,000,000	100%	Provision of fire prevention and fighting system installation services and maintenance services
集保控制設備有限公司 Clusafe Control Equipment Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD50,500,000	100%	Production and sale of fire prevention and fighting equipment

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name/ type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Group	Principal activities
福建省盛安城市安全信息發展有限公司 Fujian Shengan City Safety Communications Development Company Limited/limited liability enterprise	PRC	Registered capital of RMB7,000,000	51%	Development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre
福州市萬友消防設備有限公司 Fuzhou Wanyou Fire Equipment Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD20,000,000	100%	Production and sale of fire prevention and fighting equipment
福州盛安消防安全服務有限公司 Fuzhou Shengan Fire Safety Services Co., Ltd./limited liability enterprise	PRC	Registered capital of RMB1,010,000	26.52% *(note (i))*	Development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre
江門市盛安消防安全遠程監控有限公司 Jiangmen Shengan Fire Safety Monitoring Co., Ltd./limited liability enterprise	PRC	Registered capital of RMB1,580,000	30.60% *(note (i))*	Development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre
江西省盛安城市安全信息發展有限公司 Jiangxi Shengan City Safety Communications Development Company Limited/limited liability enterprise	PRC	Registered capital of RMB15,500,000	51%	Development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name/ type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Group	Principal activities
Loyal Asset Investment Holdings Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1 each	100%	Investment holding
南昌市盛安消防安全遠程監控有限公司 Nanchang Shengan Fire Safety Monitoring Co., Ltd./limited liability enterprise	PRC	Registered capital of RMB1,000,000	43.35% *(note (i))*	Development of network based monitoring system for fire prevention and fighting system and operation of remote automatic monitoring centre
深圳市恒生照明科技有限公司 Shenzhen Hocen Emergency Lightings Technology Co., Ltd./ limited liability enterprise	PRC	Registered capital of RMB1,500,000	51%	Production and sale of fire prevention and fighting equipment
四川森田消防裝備製造有限公司 Sichuan Morita Fire Safety Appliances Co., Ltd./sino-foreign equity joint venture	PRC	Registered capital of RMB80,640,000	75%	Production and sale of fire engines and fire prevention and fighting equipment
Tung Shing Trade Development Company Limited/limited liability company	Hong Kong	10,000 ordinary shares of HKD10 each and 10,000 non-voting deferred shares of HKD10 each	51%	Trading of fire engines and fire fighting and rescue equipment
萬友消防工程集團有限公司 Wanyou Fire Engineering Group Company Limited/limited liability enterprise	PRC	Registered capital of RMB50,000,000	100%	Provision of fire prevention and fighting system installation services and maintenance services

Note: (i) These subsidiaries are held through non-wholly-owned subsidiaries and therefore, the Company's effective interest in these subsidiaries are less than 50%.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

46. 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 20% (2008: 18% to 20%) 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 2009 amounted to RMB5,256,000 (2008: RMB4,865,000).

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 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 2009, the Group made to the MPF Scheme contributions amounting to RMB88,000 (2008: RMB89,000).

47. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group purchased finished goods from an associate with an amount of RMB981,000 (2008: RMB830,000).

(b) The key management personnel are the directors. The details of the remuneration paid to them are set out in note 13 to the financial statements.

48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2010.

	For the year ended 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
RESULTS					
Turnover	829,627	969,705	1,146,124	1,216,448	**1,002,585**
Profit/(loss) before tax	219,271	152,665	226,820	114,734	**(100,949)**
Income tax expense	(44,655)	(44,468)	(52,752)	(38,083)	**(6,353)**
Profit/(loss) for the year	174,616	108,197	174,068	76,651	**(107,302)**
Attributable to:					
Owners of the Company	172,929	115,815	175,350	80,433	**(105,530)**
Minority interests	1,687	(7,618)	(1,282)	(3,782)	**(1,772)**
	174,616	108,197	174,068	76,651	**(107,302)**
Earnings/(loss) per share (RMB cents)					
Basic	7.59	4.24	6.14	2.82	**(3.70)**
Diluted	7.44	4.17	6.13	2.82	**(3.70)**

	At 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,094,066	1,473,182	1,812,070	1,897,912	**1,696,001**
Total liabilities	(260,422)	(284,350)	(446,613)	(451,331)	**(356,744)**
	833,644	1,188,832	1,365,457	1,446,581	**1,339,257**
Equity attributable to owners of the Company	805,642	1,162,598	1,338,371	1,418,967	**1,313,394**
Minority interests	28,002	26,234	27,086	27,614	**25,863**
Total equity	833,644	1,188,832	1,365,457	1,446,581	**1,339,257**