ANNUAL REPORT **2014**

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Jiang Xiong, Chairman
Jiang Qing
Wang De Feng
Weng Xiu Xia
Hu Yong

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

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
Heng Ja Wei
Sun Guo Li

MEMBERS OF REMUNERATION COMMITTEE
Loke Yu
Heng Ja Wei
Jiang Qing

MEMBERS OF NOMINATION COMMITTEE
Heng Ja Wei
Loke Yu
Sun Guo Li

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Units A-B, 16/F
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC
No. 8 Section I, Xin Hua Road
Chengdu Cross Straits
Technological Industry Park
Wenjiang District
Chengdu City
Sichuan Province
PRC

WEBSITE
www.chinafire.com.cn

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
KY1-1107
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR
RSM Nelson Wheeler
Certified Public Accountants
29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

STOCK EXCHANGE LISTING
The Stock Exchange of Hong Kong Limited

STOCK CODE
445

CHAIRMAN'S STATEMENT

To describe the performance of the Group for 2014, I will say: "The darkest hour is just before the dawn". The installation and maintenance businesses, once the Group's major profit contributors, have become a burden in recent years. The over-aggressive expansion in previous years plus the change in the operating environment, especially the macro-economic control measures on the property market and credit tightening have finally led to the Group's consecutive years of losses since 2009. In addition to determine how to handle the two business operations, we have also been looking for ways to strengthen the other business units to compensate the losses brought by the installation and maintenance businesses.

Since we commenced our fire engines operations in Sichuan via an acquisition in 2004, it has been progressing steadily. From my point of view, our fire engines business could have performed hundred times better had it not been constrained by the resources available. I am glad that such limitation may very soon be overcome. On 27 February 2015, the Group have entered into an agreement with a subsidiary of China International Marine Containers (Group) Co., Ltd ("CIMC") to acquire from it 40% (out of 100%) equity interests in Albert Ziegler GmBH ("Ziegler"). If the acquisition is approved by our shareholders, we will settle the consideration by way of issuing new shares of the Company to CIMC and by then CIMC will become the Group's controlling shareholder holding 30% of the Company's enlarged issued share capital. Ziegler is one of the top five fire engines manufacturers in the world with which we have had business relationship for over 10 years. Its first-class craftsmanship and techniques in design, development and production of fire engines and equipment will definitely enrich our product portfolio and enhance our product quality to a great extent if applied on our product development and production. It is the quality that brings success after all. CIMC is a conglomerate that has lots of successful stories in different industries. Its next ambition is to become the largest fire engines manufacturer in China and even in the world. According to the acquisition agreement, CIMC undertakes to arrange banking facilities of not less than RMB180 million for the Group's working capital. We will have the first right of refusal to take up acquisition projects in the fire safety industry in China that CIMC identified and it will back us up financially in completing these acquisitions. Other than financial support, its far-reaching relationship network enables us to widen the market coverage and customer portfolio. I know the road ahead is not smooth even with all these supports, no matter what, the potential is there, and we will work hard to unleash it.

CHAIRMAN'S STATEMENT

As a precondition for the completion of the acquisition of Ziegler, we have to dispose of all the interests in the subsidiaries engaging in the installation and maintenance businesses. After years of review, it seems that it is highly unlikely we could turnaround the two businesses in a short period of time and therefore, selling the interests in the respective subsidiaries sounds to be the only plausible move. Nevertheless, under all circumstances, we have to ensure firstly that all the contracts must be completed according to the terms agreed; and secondly, all staff, workers and subcontractors must be properly arranged. After all, we do not want to risk the Group's reputation or involve in any disputes or litigations that might arise from the disposal. We finally reached consensus and entered into an agreement with a third party independent of the Company and its connected persons (as defined in the Listing Rules) who undertakes to bear all the responsibilities regarding the installation and maintenance contracts signed and in respect of the staff, workers and subcontractors. It further undertakes to indemnify the Group for all losses, fines and compensations and taxes arising from disputes in relation to the disposed subsidiaries if the Group held responsible. In other words, after the disposal, we can get rid of all the encumbrances in relation to the installation and maintenance business and give the Group a clear start for business development, although we have to bear a huge one-time loss due to the low consideration amount as we were put in an unfavourable bargaining position because of the need to close the deal in a short period of time. For the year ended 31 December 2014, the Group has made impairment losses of RMB501 million on the assets in relation to the installation and maintenance businesses and brought to us the largest amount of loss ever. In light of the benefits and potential returns from the strategic alliance with Ziegler and CIMC, I think it is justified to take the loss. CIMC is the leader in many industries in China and in the world, having such a strong backup, I believe the future is boundless to us.

I am looking forward to work hand in hand with all the staff, my fellow directors, partners and shareholders to overcome all difficulties ahead. It is the time we take wings to fly high.

Jiang Xiong
Chairman
20 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover and loss of the Group for the year ended 31 December 2014 is segregated into those from continuing operations and discontinued operations and are shown as follows:

	2014	2013
	RMB'000	RMB'000
Turnover		
From continuing operations	**449,249**	392,601
From discontinued operations	**397,579**	444,211
Turnover of the Group	**846,828**	836,812
Loss for the year		
From continuing operations	**14,232**	1,929
From discontinued operations	**487,807**	159,801
Loss for the year of the Group	**502,039**	161,730

Continuing operations

The continuing operations consist of two business segments: the production and sale of fire engines and the production and sale of fire prevention and fighting equipment. Revenue growth for the year was mainly attributable to increase in the units of fire engines sold. However, due to the costs inflation, change in sales mix, and the increase in inspection and testing expenses in relation to the tightening of vehicle emission standard from Euro 3 to Euro 4 in China at the end of the year, there was a drop in the gross profit margin for the fire engines segment. The Group's portfolio of fire equipment comprises mainly firefighting components equipped on fire engines such as fire monitors, water pumps, valves and other firefighting equipment and systems like sprinklers and the Intelligent Auto-aiming Fire Extinguishing System. Sales of these equipment have been kept stable in recent years and contributed to the Group a secured income stream.

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed last year, to save the Group from sequential years of losses, it has commenced a restructuring plan with an aim to discard the unprofitable business units such that resources of the Group could be focus on the operations it considered most promising, i.e. the production and sale of fire engines and fire prevention and fighting equipment. Since the Group started its involvement in the production and sale of fire engines via the acquisition of the predecessor of Sichuan Morita in 2004, the development of the business segment has been progress steadily with sustainable revenue and profits. Notwithstanding this, to maintain its leading position in the industry in China and even stepping forward to compete in the global market, the Group has been looking for ways and opportunities to strengthen itself for further advancement. As disclosed in note 43 to the financial statements, in February 2015, the Group entered into the Acquisition agreement to acquire from CIMC 40% equity interests in Ziegler, a wholly owned subsidiary of CIMC, by issuing new shares of the Company. Upon completion of the Acquisition, CIMC will hold 30% equity interests and become the controlling shareholder of the Company.

Ziegler is a world renowned manufacturer of fire engines, special purpose vehicles, water pumps and other firefighting components. It is known for its high quality craftsmanship as well as technological leadership in customized fire engines and firefighting equipment. Through the Acquisition, the Group expects to build up a strategic relationship with Ziegler and CIMC and to achieve numerous potential synergies including:

i. advancement in development of new models of fire engines and firefighting equipment and improvement in production techniques with Ziegler's technical input;

ii. expansion of product portfolio and enhancement of product quality;

iii. achieve potential economies of scale through production resources sharing;

iv. obtain direct access to the international market particularly the European market by taking advantage of the distribution network of Ziegler; and

v. expansion of market coverage by tapping into CIMC's established relationship network.

Besides, on the basis that the Acquisition completed, CIMC has undertaken to arrange for the Group banking facilities of not less than RMB180 million for its working capital and provide financial support for the Group's future acquisition projects. It is anticipated that the Group will grow in a fast pace in the coming years by means of endogenous growth and acquisitions as well.

Discontinued operations

The discontinued operations comprise the turnover and results of:

i. the installation of fire prevention and fighting systems;

ii. the maintenance of fire prevention and fighting systems;

iii. the trading of fire engines and firefighting and rescue equipment;

iv. the operation of a guest house; and

v. a subsidiary engaged in the production and sale of fire prevention and fighting equipment.

The Group has stopped or will stop operating the business units concerned and therefore, they have been classified as discontinued operations for reporting purpose in the current year as detailed in note 14 to the financial statements.

As disclosed in note 43 to the financial statements, in February 2015, the Group entered into the Disposal agreement with an independent party to dispose of the entire equity interests in a group of subsidiaries engaged mainly in the installation and maintenance of fire prevention and fighting systems. Included in the loss from discontinued operations for the year is the impairment loss made on the carrying value of the assets of the Disposal subsidiaries. The impairment loss of approximately RMB501 million was made with reference to the consideration of the Disposal. The Group have made losses for consecutive years since 2009 largely because of the large amount of allowances for doubtful debts made on long outstanding accounts receivables resulting from the over-aggressive take-ups of installation projects in prior years. The Group is not optimistic about the prospect of the installation business because:

i. there are far too many service providers in the market especially when the current state of the real estate market in China, which is still suffering from the adverse effect of macro-economic control measures caused, is taken into consideration; and

ii. it is difficult to recover outstanding accounts receivables as many property developers are facing credit and funding issues.

Since the buyer of the Disposal subsidiaries has undertaken to (1) carry on all the installation and maintenance projects according to the contract terms the Group has agreed with the customers at its own costs; and (2) indemnify the Group for all losses, liabilities, compensations, penalties, fees and taxes arising from disputes or liabilities in respect of the installation and maintenance businesses, the Group considered that the Disposal is a kind of corporate recovery action to release it from the burden of the installation and maintenance businesses and to remove the risks of non-recovery of the receivables. Moreover, it enables the Group to embark on a clear start of the business development. The completion of the Disposal is also for the fulfilment of a precondition of the Acquisition. The Group considered that the long term benefits and returns to be derived from the strategic alliance with Ziegler and CIMC justified to incur the one-time loss from the Disposal.

Financial resources, liquidity, contingent liabilities and pledge of assets

Taking into account of those included in the assets of disposal group held for sale, the Group's bank and cash balances at 31 December 2014 were approximately RMB211 million (2013: RMB171 million), of which RMB9 million (2013: RMB9 million) was pledged for bid bond guarantee issued, performance guarantee, and guarantee for letter of credit issued. Outstanding balances of the short term bank loans borrowed by two of the Group's subsidiaries in Sichuan as at the year-end date were RMB100 million (2013: RMB80 million).

As at 31 December 2014, the current assets and current liabilities of the Group were approximately RMB1,080 million (2013: RMB1,425 million) and RMB721 million (2013: RMB600 million) respectively. The current ratio was approximately 1.5 times (2013: 2.4 times). Gearing ratio (interest bearing debt/total equity) at end of the year was 16.6% (2013: 7.4%). Because of the significant amount of impairment losses made on the assets of the Disposal subsidiaries with reference to the consideration of Disposal, loss for the year increased and carrying value of the current assets decreased leading to the increase in gearing ratio and drop in current ratio for the year.

Renminbi is the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases are primarily denominated in Renminbi and Hong Kong dollars. The Group uses forward foreign currency exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than Renminbi and Hong Kong dollars. There was no forward foreign currency exchange contract outstanding at 31 December 2014.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2014.

Investments, disposals and capital commitments

Disposal

The Group sold all the equity interests it held in three subsidiaries during the year as detailed in note 14 and note 37 to the financial statements. They were engaged respectively in the trading of fire engines and firefighting and rescue equipment; operation of a guest house; and the production and sale of fire prevention and fighting equipment. The disposals were made pursuant to the Group's restructuring plan formulated last year such that unprofitable and non-core businesses would be chop-off and resources would be redirect to business units that have high development potential and promising prospective, such as the production and sale of fire engines. The total considerations for the disposals were RMB62 million and generated gain on disposal of RMB2.5 million for the year.

Capital commitments

As at 31 December 2014, the Group has capital commitment of approximately RMB18 million (2013: RMB19 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located.

Save as disclosed herein, the Group has no other material capital commitments, investments, acquisitions or disposals as at 31 December 2014.

Employees and remuneration policies

As at 31 December 2014, the Group had approximately 705 full-time employees (2013: 807). The decrease in number of staff was mainly due to the disposal of three subsidiaries during the year. Staff costs (with continuing and discontinued operations all inclusive), excluding directors' remuneration, for the year was RMB47.7 million (2013: RMB46.7 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 AND SENIOR MANAGEMENT

DIRECTORS

Executive directors

Mr. JIANG Xiong, aged 47, 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 20 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 50, is an executive director and the Chief Executive Officer of the Company. He joined the Group in April 1995 and has over 20 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 46, is 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.

DIRECTORS AND SENIOR MANAGEMENT

Ms. WENG Xiu Xia, aged 45, is 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 20 years experience in project design and management since she graduated from the Faculty of Civil Engineering of the university of Fuzhou in 1992. She was 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.

Mr. HU Yong, aged 46, is an executive director of the Company. He is the General Manager and Chief Engineer of Sichuan Morita Fire Safety Appliances Co., Ltd. ("Sichuan Morita"), the Company's fire engines and equipment manufacturing subsidiary. Mr. Hu graduated from the Xihua University (formerly known as Sichuan Institute of Technology), specializing in hydraulic mechanics. Upon graduation, he joined Sichuan Morita as a product designer. He has been working for Sichuan Morita for 21 years and was promoted to the Chief Engineer and then to the General Manager. He has extensive experience in product technology and design, production operations, and administration and management of the company.

Independent non-executive directors

Dr. Loke Yu alias Loke Hoi Lam, aged 65, was appointed an independent non-executive director of the Company on 1 August 2006. He is the Chairman of the audit committee and remuneration committee of the Company. Dr. Loke has over 39 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from University Teknology Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Hong Kong Institute of Chartered Secretaries.

Dr. Loke is currently the company secretary of Minth Group Limited. He also serves as an independent non-executive director of the following companies whose shares are listed on the stock Exchange of Hong Kong Limited: Chiho-Tiande Group Limited, China Household Holdings Limited, Matrix Holdings Limited, SCUD Group Limited, Sino Distillery Group Limited, Tianjin Development Holdings Limited, V1 Group Limited, Winfair Investment Company Limited, Zhong An Real Estate Limited, Tianhe Chemicals Group Limited and Wing Tai Investment Holdings Limited.

DIRECTORS AND SENIOR MANAGEMENT

Mr. HENG Ja Wei, aged 37, was appointed an independent non-executive director of the Company on 4 March 2009. He is the Chairman of the nomination committee of the Company. Mr. Heng is the Managing Partner of Morison Heng, Certified Public Accountants. Mr. Heng holds a Master of Science degree of the Imperial College, University of London. He is a member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Heng is also an independent non-executive director of the following companies whose shares are listed on the Stock Exchange of Hong Kong Limited: Lee & Man Chemical Company Limited, Lee & Man Handbags Holding Limited and Matrix Holdings Limited. He also serves as the company secretary and authorized representative of China Life Insurance Company Limited.

Ms. Sun Guo Li, aged 59, was appointed an independent non-executive director of the Company on 30 August 2011. She is the vice-president of the Sichuan Fire Protection Association. Ms. Sun is a graduate of the Communist Party School, specializing Economics and Management. She has over 20 years experience of working in and managing fire brigades and was the Deputy Commander of the Sichuan Fire Brigades at the time she retired.

SENIOR MANAGEMENT

Ms. ZHANG Yu Rong, aged 52, 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 working in the accounting unit for over 20 years. She was promoted to the Financial Controller in 2005. She has extensive experience in the finance, taxation, accounting, and management of the company.

Ms. LIAO Hong, aged 47, is the General Manager of Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd., a subsidiary of the Company. Ms Liao is a graduate of the Chongqing University, specializing in Mechanical Engineering. Ms Liao joined Sichuan Morita upon graduation in 1989 and had served the enterprise as a quality control officer and then sales manager, before she resigned in 2005. Ms. Liao has extensive experience in the sales and production of fire safety equipment. She joined the Group again in 2007.

Mr. REN Long, aged 52, 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 2014, 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 two board meetings were held during the year.

2. There were no fixed terms of appointment for the non-executive 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, as at the date of this report, is composed of five 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 two 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 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)*	2/2
Mr. Jiang Qing *(Chief Executive Officer)*	2/2
Mr. Wang De Feng	2/2
Ms. Weng Xiu Xia	1/2
Mr. Hu Yong	1/2
Independent non-executive directors	
Dr. Loke Yu	2/2
Mr. Heng Ja Wei	2/2
Ms. Sun Guo Li	2/2

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that their contributions to the board are informed and relevant, the directors have done the following to develop and refresh their knowledge and skill:

Executive directors	
Mr. Jiang Xiong *(Chairman)*	Study relevant materials
Mr. Jiang Qing *(Chief Executive Officer)*	Study relevant materials
Mr. Wang De Feng	Study relevant materials
Ms. Weng Xiu Xia	Study relevant materials
Mr. Hu Yong	Study relevant materials
Independent non-executive directors	
Dr. Loke Yu	Attend courses and trainings
Mr. Heng Ja Wei	Attend courses and trainings
Ms. Sun Guo Li	Study relevant materials

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 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 (Chairman) 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 remuneration packages of the executive directors and senior management.

NOMINATION OF DIRECTORS

The nomination committee comprises Mr. Heng Ja Wei (Chairman), Dr. Loke Yu and Ms. Sun Guo Li, all are independent non-executive director of the Company. The primary duties of the committee are review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members, and to make recommendation to the Board thereon. New director(s) is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company. Under the Company's articles of association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the articles of association. During the year, the nomination committee held one meeting in which all members were present.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li. 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. Heng Ja Wei	2/2
Ms. Sun Guo Li	1/2

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

CORPORATE GOVERNANCE FUNCTIONS

The full Board is responsible for the corporate governance functions, during the year, it has performed the following:

– develop and review the Company's policies and practices on corporate governance;

– review and monitor training and continuous professional development of directors and senior management;

– review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– develop, review and monitor the code of conduct to employees and directors; and

– review compliance with the Code of Corporate Governance and disclosure in the Corporate Governance Report.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system. During the year, the Board has reviewed its effectiveness.

AUDITOR'S REMUNERATION

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

It is the responsibilities of the directors of the Company to prepare the financial statements of the Group. The auditor is responsible for expressing an independent opinion on the consolidated financial statements of the Group based on their audit and to report the opinion to the shareholders of the Company.

GENERAL MEETING

The Company's annual general meeting was held in May 2014 in Hong Kong. Mr. Jiang Xiong (Chairman) and Dr. Loke Yu (an independent non-executive director) attended the meeting. Other directors were absent as they were occupied by other business matters.

SHAREHOLDERS' RIGHTS

Any one or more shareholders of the Company holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting general meetings of the Company shall have the right to require the Board to call extraordinary general meetings ("EGM"). The shareholder(s) requesting the convening of an EGM should deposit a written requisition to the Board or the Company Secretary, specifying the transaction of business to be dealt with in the EGM. The Board shall convene such meeting within twenty one days form the date the requisition deposited and the EGM shall be held within two months after the deposit of the requisition. The written requisition may be sent to the Board or the Company Secretary by post to the Company's head office or principal place of business in Hong Kong.

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

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2014.

1. PRINCIPAL ACTIVITIES

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

2. RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 25.

The state of affairs of the Group at 31 December 2014 are set out in the consolidated statement of financial position on page 27.

3. SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 34 to the financial statements.

4. RESERVES

The movements in the reserves of the Group during the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 25 and consolidated statement of changes in equity on page 30.

The Company's reserves available for distribution to shareholders as at 31 December 2014 were RMB681,295,000 (2013: RMB696,957,000).

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

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

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

5. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

6. 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 20 to the financial statements.

7. 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
Mr. Hu Yong

Independent Non-executive Directors
Dr. Loke Yu
Mr. Heng Ja Wei
Ms. Sun Guo Li

In accordance with the provisions of the Company's articles of association, Mr. Wang De Feng and Mr. Heng Ja Wei retire from office and, being eligible, offer themselves for re-election.

8. 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.

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

Save as disclosed below, as of 31 December 2014, 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.

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

Long positions in ordinary shares of the Company

Name of director	Capacity and types of interests	Number of issued shares of HK$0.01 each of the Company held	Percentage of issued capital of the Company
Mr. Jiang Xiong	Beneficial owner	981,600,000	34.38%
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	Exercisable period	Exercise price	Number of shares issuable under the options		
				Granted and outstanding at 1 January 2014	Expired during the year	Granted and outstanding at 31 December 2014
			HK$			
Mr. Jiang Qing	25 May 2004	25 May 2004 – 24 May 2014	0.44	20,000,000	20,000,000	–

All the options that the Company has granted were expired on 24 May 2014. Save as disclosed above, no options were granted to, or exercised by, the directors of the Company during the year.

10. 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.

11. 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.

12. INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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
EH Investment Management Ltd	Beneficial owner	618,750,000	21.67%
Mr. Ngan Lek	Interest of a controlled corporation	618,750,000	21.67%
Genius Earn Limited	Beneficial owner	200,000,000	7.01%
Mr. Liu Xiao Lin	Interest of a controlled corporation	200,000,000	7.01%

As disclosed in note 43 to the financial statements, pursuant to the Acquisition agreement dated 27 February 2015, subject to the completion of the Acquisition, the Company will issue to the Vendor 1,223,571,430 new shares of the Company as consideration for the Acquisition, representing 30% of the enlarged issued share capital of the Company.

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 2014.

13. SHARE OPTIONS

Particulars of the Company's share option scheme and details of the options are set out in note 35 to the financial statements.

14. 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.

15. CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Group had no connected transaction that are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

The related party transactions set out in note 41 to the financial statements do not constitute connected transactions under Chapter 14A of the Listing Rules.

16. PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2014, 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 prorata 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 2014, 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 2014.

22. AUDITOR

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

20 March 2015

INDEPENDENT AUDITOR'S REPORT

RSM
Audit • Tax • Advisory

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

We have audited the consolidated financial statements of China Fire Safety Enterprise Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 111, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(cont'd)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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

20 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Continuing operations			
Turnover	7	**449,249**	392,601
Cost of sales and services		**(374,390)**	(320,790)
Gross profit		**74,859**	71,811
Other income	8	**4,578**	13,053
Selling and distribution costs		**(19,444)**	(13,538)
Administrative expenses		**(62,454)**	(48,044)
Share of losses of associates		**(208)**	(12,515)
Other expenses	10	**(223)**	(782)
Share of profit of a joint venture		**–**	1,167
Finance costs	11	**(5,865)**	(5,260)
(Loss)/profit before tax		**(8,757)**	5,892
Income tax expense	12	**(5,475)**	(7,821)
Loss for the year from continuing operations	13	**(14,232)**	(1,929)
Discontinued operations			
Loss for the year from discontinued operations	14	**(487,807)**	(159,801)
Loss for the year		**(502,039)**	(161,730)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(325)**	(40)
Other comprehensive income for the year, net of tax		**(325)**	(40)
Total comprehensive income for the year		**(502,364)**	(161,770)
Loss for the year attributable to:			
Owners of the Company	17	**(503,854)**	(152,871)
Non-controlling interests		**1,815**	(8,859)
		(502,039)	(161,730)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(503,868)**	(153,138)
Non-controlling interests		**1,504**	(8,632)
		(502,364)	(161,770)
Loss per share (RMB cents)	19		
From continuing and discontinued operations			
Basic		**(17.65)**	(5.35)
Diluted		**(17.65)**	(5.35)
From continuing operations			
Basic		**(0.56)**	(0.26)
Diluted		**(0.56)**	(0.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	20	**202,316**	218,853
Prepaid land lease payments	21	**34,211**	33,046
Goodwill	22	**7,630**	7,630
Investments in associates	24	**99**	3,209
		244,256	262,738
Current assets			
Inventories	25	**168,702**	154,200
Trade and bills receivables	26	**210,106**	417,921
Amounts due from contract customers	27	**–**	547,310
Retention receivables		**–**	8,562
Prepayments, deposits and other receivables		**115,441**	71,018
Amounts due from associates	28	**1,083**	1,103
Prepaid land lease payments	21	**726**	726
Pledged bank deposits	29	**8,369**	9,325
Bank and cash balances	29	**164,002**	136,900
		668,429	1,347,065
Assets of disposal group held for sale	30	**411,573**	77,820
		1,080,002	1,424,885
Current liabilities			
Trade and other payables	31	**257,025**	466,392
Amounts due to contract customers	27	**–**	12,559
Bank borrowings	32	**100,000**	80,000
Current tax liabilities		**2,501**	6,780
		359,526	565,731
Liabilities directly associated with assets of disposal group held for sale	30	**361,573**	34,104
		721,099	599,835
Net current assets		**358,903**	825,050
Total assets less current liabilities		**603,159**	1,087,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Deferred tax liabilities	33	–	2,692
NET ASSETS		**603,159**	1,085,096
Capital and reserves			
Share capital	34	**30,168**	30,168
Reserves	36	**518,955**	1,027,296
Equity attributable to owners of the Company		**549,123**	1,057,464
Non-controlling interests		**54,036**	27,632
TOTAL EQUITY		**603,159**	1,085,096

Approved by the Board of Directors on 20 March 2015

Jiang Xiong
Director

Jiang Qing
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	23	**187,567**	187,567
Current assets			
Prepayments, deposits and other receivables		**38**	37
Amounts due from subsidiaries	23	**484,234**	512,794
Bank and cash balances	29	**28,637**	26,657
		512,909	539,488
Current liabilities			
Accrued charges	31	**3,356**	3,272
Net current assets		**509,553**	536,216
NET ASSETS		**697,120**	723,783
Capital and reserves			
Share capital	34	**30,168**	30,168
Reserves	36	**666,952**	693,615
TOTAL EQUITY		**697,120**	723,783

Approved by the Board of Directors on 20 March 2015

Jiang Xiong
Director

Jiang Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Statutory reserve fund	Exchange reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note 36(c)(i))	*(Note 36(c)(ii))*	*(Note 36(c)(iii))*	*(Note 36(c)(iv))*	*(Note 36(c)(v))*	*(Note 36(c)(vi))*				
At 1 January 2013	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,264)	337,645	1,210,602	36,264	1,246,866
Total comprehensive income and changes in equity for the year	–	–	–	–	–	–	–	(267)	(152,871)	(153,138)	(8,632)	(161,770)
At 31 December 2013	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,531)	184,774	1,057,464	27,632	1,085,096
At 1 January 2014	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,531)	184,774	1,057,464	27,632	1,085,096
Total comprehensive income for the year	–	–	–	–	–	–	–	(14)	(503,854)	(503,868)	1,504	(502,364)
Disposal of subsidiaries (note 37)	–	–	–	30,943	(5,250)	(6,338)	(82,427)	(4,473)	63,072	(4,473)	24,900	20,427
Total comprehensive income and changes in equity for the year	**–**	**–**	**–**	**30,943**	**(5,250)**	**(6,338)**	**(82,427)**	**(4,487)**	**(440,782)**	**(508,341)**	**26,404**	**(481,937)**
At 31 December 2014	**30,168**	**646,363**	**(6,692)**	**88,783**	**32,803**	**19,724**	**–**	**(6,018)**	**(256,008)**	**549,123**	**54,036**	**603,159**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax			
Continuing operations		**(8,757)**	5,892
Discontinued operations		**(482,102)**	(155,341)
		(490,859)	(149,449)
Adjustments for:			
Allowance for bad and doubtful debts		**163,440**	117,615
Allowance for obsolete and slow-moving inventories		**729**	1,745
Amortisation of prepaid land lease payments		**726**	739
Depreciation of property, plant and equipment		**16,681**	21,250
Gain on disposal of subsidiaries	37	**(2,461)**	–
Gain on disposal of associates	24	**(583)**	–
Loss on disposal of a joint venture		**–**	1,123
Impairment loss on goodwill		**–**	8,618
Impairment loss on investments in associates		**–**	782
Impairment loss on property, plant and equipment		**2,164**	24,624
Impairment loss on amounts due from contract customers		**312,322**	–
Impairment loss on prepayments, deposits and other receivables		**22,972**	–
Finance costs		**5,865**	5,466
Interest income		**(1,711)**	(11,366)
Loss on disposal of property, plant and equipment		**51**	66
Obsolete stock written off		**100**	249
Unrecoverable prepayments, deposits and other receivables written off		**2,000**	–
Share of losses of associates		**208**	12,515
Share of profit of a joint venture		**–**	(1,167)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating profit before working capital changes		**31,644**	32,810
Increase in inventories		**(15,331)**	(69,100)
Increase in trade and bills receivables		**(72,005)**	(6,118)
Increase in amounts due from contract customers		**(12,938)**	(58,710)
Decrease in retention receivables		**–**	94
(Increase)/decrease in prepayments, deposits and other receivables		**(36,598)**	18,374
Increase in trade and other payables		**123,867**	67,531
Increase in amounts due to contract customers		**8,683**	1,931
Cash generated from/(used in) operations		**27,322**	(13,188)
Interest paid		**(5,865)**	(5,466)
Income tax paid		**(11,813)**	(9,077)
Net cash generated from/(used in) operating activities		**9,644**	(27,731)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,539)**	(4,170)
Addition of prepaid land lease payments		**(1,891)**	(1,092)
Prepayment for a land lease		**–**	(5,848)
Decrease/(increase) in pledged bank deposits		**266**	(5,044)
Interest received		**1,711**	11,366
Repayment of advance to associates		**20**	526
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	37	**9,322**	–
Disposal of associates	24	**3,485**	–
Disposal of a joint venture		**–**	9,854
Proceeds from disposal of property, plant and equipment		**180**	10
Net cash generated from investing activities		**10,554**	5,602

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	**105,000**	80,000
Repayment of bank loans	**(85,000)**	(90,000)
Advance from non-controlling shareholders	**–**	201
Net cash generated from/(used in) financing activities	**20,000**	(9,799)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**40,198**	(31,928)
Effect of foreign exchange rate changes	**64**	(309)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**161,755**	193,992
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**202,017**	161,755
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**164,002**	136,900
Bank and cash balances included in disposal group held for sale	**38,015**	24,855
	202,017	161,755

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 in the People's Republic of China (the "PRC") is No. 8 Section I, Xin Hua Road, Chengdu Cross Straits Technological Industry Park, Wenjiang District, Chengdu City, Sichuan Province, the PRC.

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

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

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 (the 'HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's consolidated financial statements as the Company does not qualify to be an investment entity.

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

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

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on the Group's consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKAS 8.30 requires the entities analyse the impact of these new or revised HKFRSs on the consolidated financial statements based on their specific facts and circumstances and make appropriate disclosures, e.g. describe the potential impact of the application of the new and revised HKFRSs, if any.

List of New and revised HKFRSs in issue but not yet effective <u>for reference</u> (up to 30 November 2014)

HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

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

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

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

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

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

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

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

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

(a) Consolidation *(cont'd)*

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

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

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

(b) Business combination and goodwill

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

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

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

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

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

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

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

(c) Associates

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

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

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

(c) Associates *(cont'd)*

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

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

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

(d) Joint arrangements *(cont'd)*

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

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

The Group's share of a joint venture'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 a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture 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 a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated exchange reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

(d) Joint arrangements *(cont'd)*

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

(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 value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

(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 in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

(f) **Property, plant and equipment** *(cont'd)*

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

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

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

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

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

(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. 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** *(cont'd)*

(h) Leases

The Group as lessee

(i) Operating leases

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

The Group as lessor

(i) Operating leases

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

(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.

Development costs capitalised include tailor-made software for the provision of online advertising services and costs for developing new models of certain fire prevention and fighting equipment that 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.

(j) 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.

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

(k) Installation contracts

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

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

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(m) Trade, bills and other receivables

Trade, bills and other receivables (including retention receivables and amounts due from associates) 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.

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

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

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

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

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

(n) Non-current assets held for sale and discontinued operations *(cont'd)*

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

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

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

(o) Cash and cash equivalents

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

(p) Financial liabilities and equity instruments

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

(q) Borrowings

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

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

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

(r) Trade and other payables

Trade and other 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.

(s) Equity instruments

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

(t) Revenue recognition

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

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

Service income is recognised when the services are rendered.

Income from guest house and food and beverage services is recognised when the relevant services are provided.

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

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

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

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

(u) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(v) 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** *(cont'd)*

(w) **Taxation**

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

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

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

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

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

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

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

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

(w) **Taxation** *(cont'd)*

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

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

(x) **Related parties**

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(x) Related parties *(cont'd)*

(B) *(cont'd)*

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

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

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

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

(y) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets – except goodwill, investments in associates, investment properties, inventories and receivables, of which the impairment policies are set out in notes 3(b), 3(c), 3(g), 3(j) and 3(m) respectively, 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 of disposal 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.

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.

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

(y) Impairment of assets *(cont'd)*

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.

(z) 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.

(aa) 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 consolidated financial statements.

Legal titles of certain land and buildings

As stated in notes 20 and 21 to the consolidated financial statements, the Group is in the process of applying for the property rights certificates and the land use rights certificates in respect of certain leasehold land and buildings. Despite the fact that the Group has not obtained all the relevant legal titles, the directors determined to recognise those buildings and prepaid land lease payments as property, plant and equipment and prepaid land lease payments, respectively, on the grounds that 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 of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2014 was RMB202,316,000 (2013: RMB218,853,000).

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

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

(b) Profit recognition of installation contracts

The Group recognises revenue on installation contracts by reference to the stage of completion of the individual contract activity when the outcome of an installation contract can be estimated reliably.

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

For applying the percentage of completion method, the Group needs to estimate the gross profit margin of each installation contract, which is determined based on the estimated total installation contract costs and total installation contract sum. During the year, RMB390,081,000 (2013: RMB421,818,000) of revenue from installation contracts was recognised.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB7,630,000 after an impairment loss of RMB37,718,000 which was accumulated over the years. Details of the impairment loss assessment are disclosed in note 22 to the consolidated financial statements.

(d) Impairment loss for bad and doubtful debts

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

As at 31 December 2014, impairment loss for bad and doubtful debts amounted to RMB17,588,000 (2013: RMB289,046,000) have been made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

(e) Allowance for obsolete and slow-moving inventories

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

As at 31 December 2014, allowances for obsolete and slow-moving inventories amounted to RMB2,957,000 (2013: RMB4,221,000) have been made.

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, RMB5,475,000 (2013: RMB7,821,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2014 and 31 December 2013 are as follows:

Group

	Exposure to foreign currencies					
	2014			2013		
	United States dollars RMB'000	**Euro RMB'000**	**Hong Kong dollars RMB'000**	United States dollars RMB'000	Euro RMB'000	Hong Kong dollars RMB'000
Trade and other receivables	**–**	**18**	**–**	–	–	–
Pledged bank deposits and bank and cash balances	**8,773**	**8,732**	**8,501**	4,770	9,681	14,605
Trade and other payables	**–**	**–**	**–**	(6)	(219)	–
	8,773	**8,750**	**8,501**	4,764	9,462	14,605

Company

	Exposure to foreign currencies					
	2014			2013		
	United States dollars RMB'000	**Euro RMB'000**	**Hong Kong dollars RMB'000**	United States dollars RMB'000	Euro RMB'000	Hong Kong dollars RMB'000
Bank and cash balances	**2,014**	**8,730**	**7,145**	–	–	13,276

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

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

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

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

	2014	2013
	RMB'000	RMB'000
(Decrease)/increase in loss and other comprehensive income for the year		
– if RMB weakens against foreign currencies		
Hong Kong dollars ("HKD")	**(425)**	(730)
United States dollars ("USD")	**(439)**	(238)
Euro ("EUR")	**(437)**	(473)
– if RMB strengthens against foreign currencies		
HKD	**425**	730
USD	**439**	238
EUR	**437**	473

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.

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

(b) **Credit risk**

The carrying amount of the trade and bills receivables, retention receivables, deposits and other receivables, amounts due from associates, bank and cash balances and pledged bank deposits included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets. 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 review the recoverable amount of each individual trade debt regularly 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 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.

(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.

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

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

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

	Less than 1 year
	RMB'000
Group	
At 31 December 2014	
Trade payables	84,442
Accrued charges	43,665
Value added tax, sales tax and other levies	3,002
Bank borrowings	100,000
At 31 December 2013	
Trade payables	102,006
Accrued charges	292,694
Value added tax, sales tax and other levies	25,153
Bank borrowings	80,000
Company	
At 31 December 2014	
Accrued charges	3,356
At 31 December 2013	
Accrued charges	3,272

(d) Interest rate risk

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

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

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

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

	2014	2013
Reasonably possible change in interest rate	**50 basis points**	50 basis points
	RMB'000	RMB'000
Increase/(decrease) in loss and other comprehensive income for the year		
– as a result of increase in interest rate	**440**	385
– as a result of decrease in interest rate	**(440)**	(385)

(e) Categories of financial instruments

	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**422,724**	634,198
Financial liabilities		
Financial liabilities at amortised cost	**231,109**	499,853

(f) Fair values

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

6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy at 31 December 2014:

	Fair value measurements using:	
	2014	2013
	Level 3	Level 3
Description	**RMB'000**	RMB'000
Recurring fair value measurements:		
Investment properties		
Commercial – PRC	–	38,700

In accordance with HKFRS 5, investment properties with a fair value of RMB38,700,000 classified as assets of disposal group held for sale was stated at fair value. The directors estimated the costs of sale was immaterial.

The highest and best use of the Group's investment properties classified as assets of disposal group held for sale differed from its use at the time because it was part of the Group's restructure plan to dispose of certain assets of the Group.

6. FAIR VALUE MEASUREMENTS *(cont'd)*

(b) Reconciliation of assets measured at fair value based on level 3:

	2014 Investment properties under disposal group held for sale RMB'000
Description	
At 1 January	**38,700**
Disposal for the year	**(38,700)**
At 31 December	**–**

	2013 Investment properties RMB'000
Description	
At 1 January	38,700
Stated at fair value upon transfer to disposal group held for sale	(38,700)
At 31 December	–

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2013:

The Group's finance manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The finance manager reports directly to the Board of Directors for these fair value measurements. Discussions of valuation process and results are held between the finance manager and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	RMB	Effect on fair value for increase of inputs	Fair value 2013 RMB'000
Investment properties	Market comparable approach	Price per square metre	874	Increase	38,700

During the two years, there were no changes in the valuation techniques used.

7. TURNOVER

Turnover from continuing operations represents the aggregate of the sale proceeds of goods sold and the income from provision of online advertising services during the year less discounts and sales related tax. An analysis is as follows:

	2014	2013
	RMB'000	RMB'000
Sales of goods	**449,249**	392,591
Provision of online advertising services	**–**	10
	449,249	392,601

8. OTHER INCOME

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Interest income	**1,425**	11,029
Rental income	**490**	486
Gain on disposal of associates (note 24)	**583**	–
Sundry income	**2,080**	1,538
	4,578	13,053

9. SEGMENT INFORMATION

The Group has two operating segments as follows:

– production and sale of fire engines; and
– production and sale of fire prevention and fighting equipment.

The Group's operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different production techniques and marketing strategies.

The Group disposed of the entire equity interests it held in the subsidiaries engaged in trading of fire engines and firefighting and rescue equipment and operation of a guest house during the year. Besides, the Group will cease to engage in the provision of installation and maintenance of fire prevention and fighting systems services upon completion of the Disposal of a group of subsidiaries pursuant to the Disposal agreement entered into in February 2015. The operations concerned have been classified as discontinued operations (note 14) for presentation in the consolidated financial statements for the current year and did not constitute reportable segments.

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 a reportable segment. The information of this other business unit 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, unallocated corporate expenses, gain on disposal of associates, impairment loss on investments in associates, share of losses of associates, share of profit of a joint venture, income tax expense and finance costs. Segment assets do not include investments in associates, amounts due from associates, pledged bank deposits, bank and cash balances and unallocated other receivables. Segment liabilities do not include current tax liabilities, bank borrowings and unallocated other payables. Assets of the disposal group held for sale and the liabilities directly associated with assets of disposal group held for sale are also separately disclosed.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. SEGMENT INFORMATION *(cont'd)*

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

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2014					
TURNOVER					
External sales	341,055	108,194	–	–	449,249
Inter-segment sales	–	13,832	–	(13,832)	–
Total	341,055	122,026	–	(13,832)	449,249
RESULTS					
Segment profit/(loss)	10,629	4,655	(15)		15,269
Interest income					1,425
Gain on disposal of associates					583
Unallocated corporate expenses					(19,961)
Share of losses of associates					(208)
Finance costs					(5,865)
Loss before tax					(8,757)
Income tax expense					(5,475)
Loss for the year from continuing operations					(14,232)

9. SEGMENT INFORMATION *(cont'd)*

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

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
At 31 December 2014					
ASSETS					
Segment assets	578,809	119,014	–		697,823
Investments in associates					99
Amounts due from associates					1,083
Pledged bank deposits					8,369
Bank and cash balances					164,002
Unallocated other receivables					41,309
					912,685
Assets of disposal group held for sale					411,573
					1,324,258
LIABILITIES					
Segment liabilities	196,949	46,820	247		244,016
Current tax liabilities					2,501
Bank borrowings					100,000
Unallocated other payables					13,009
					359,526
Liabilities directly associated with assets of disposal group held for sale					361,573
					721,099

9. SEGMENT INFORMATION *(cont'd)*

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

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
OTHER INFORMATION					
Additions to non-current assets	931	2,589	–		3,520
Allowance/(reversal of allowance) for bad and doubtful debts	297	(83)	–		214
Allowance for obsolete and slow moving inventories	729	–	–		729
Depreciation and amortisation	12,853	4,174	17		17,044
Impairment loss on property, plant and equipment	–	128	–		128
Impairment loss on prepayments, deposits and other receivables	–	95	–		95
Loss on disposal of property, plant and equipment	6	5	–		11
Obsolete stock written off	–	100	–		100
Unrecoverable prepayments, deposits and other receivables written off	–	–	2,000		2,000

9. SEGMENT INFORMATION *(cont'd)*

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

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2013					
TURNOVER					
External sales	273,876	118,715	10	–	392,601
Inter-segment sales	–	8,671	–	(8,671)	–
Total	273,876	127,386	10	(8,671)	392,601
RESULTS					
Segment profit/(loss)	13,838	9,108	(154)		22,792
Interest income					11,029
Impairment loss on investments in associates					(782)
Unallocated corporate expenses					(10,539)
Share of losses of associates					(12,515)
Share of profit of a joint venture					1,167
Finance costs					(5,260)
Profit before tax					5,892
Income tax expense					(7,821)
Loss for the year from continuing operations					(1,929)

9. SEGMENT INFORMATION *(cont'd)*

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

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
At 31 December 2013					
ASSETS					
Segment assets	481,914	157,792	–		639,706
Investments in associates					3,209
Amounts due from associates					1,103
Pledged bank deposits					9,325
Bank and cash balances					116,993
Unallocated other receivables					10,378
					780,714
Assets of disposal group held for sale					77,820
Assets relating to discontinued operations					829,089
					1,687,623

9. SEGMENT INFORMATION *(cont'd)*

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

	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
LIABILITIES					
Segment liabilities	122,538	56,178	250		178,966
Current tax liabilities					5,156
Bank borrowings					80,000
Unallocated other payables					3,315
					267,437
Liabilities directly associated with assets of disposal group held for sale					34,104
Liabilities relating to discontinued operations					300,986
					602,527
OTHER INFORMATION					
Additions to non-current assets	599	3,994	–		4,593
(Reversal of allowance)/allowance for bad and doubtful debts	(1,439)	(2,708)	1		(4,146)
Depreciation and amortisation	11,806	5,166	21		16,993
Loss on disposal of property, plant and equipment	16	–	23		39

9. SEGMENT INFORMATION *(cont'd)*

Geographical information:

	Revenue		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**449,249**	392,601	**244,240**	262,706
Others	**–**	–	**16**	32
	449,249	392,601	**244,256**	262,738

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

Revenue from major customers:

None of the customers contributed more than 10% of the Group's total revenue for both 2014 and 2013.

10. OTHER EXPENSES

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Impairment loss on investments in associates	**–**	782
Impairment loss on property, plant and equipment	**128**	–
Impairment loss on prepayments, deposits and other receivables	**95**	–
	223	782

11. FINANCE COSTS

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**5,865**	5,260

12. INCOME TAX EXPENSE

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

	2014 **RMB'000**	2013 RMB'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	**5,518**	7,735
(Over)/under-provision in prior years	**(43)**	86
	5,475	7,821

No provision for Hong Kong Profits Tax has been made for 2014 and 2013 as the relevant group entities had no assessable profits for both years.

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

In accordance with the enterprise income tax laws in the PRC, the statutory tax rate for PRC operations is 25% from 1 January 2008. However, certain subsidiaries of the Group are qualified as High and New Technology Enterprises and are entitled to reduction in the PRC statutory income tax rate. The relevant tax rates for the subsidiaries of the Group in the PRC range from 15% to 25% (2013: 15% to 25%).

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

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

	2014 **RMB'000**	2013 RMB'000
(Loss)/profit before tax (from continuing operations)	**(8,757)**	5,892
Tax at the PRC Enterprise Income Tax rate of 25% (2013: 25%)	**(2,189)**	1,473
Tax effect of income that is not taxable	**(398)**	(276)
Tax effect of expenses that are not deductible	**281**	486
Tax effect of temporary differences not recognised	**6,480**	5,966
Tax effect of share of results of associates and a joint venture	**52**	2,837
Tax effect attributable to tax concessions	**(3,687)**	(5,165)
Tax effect of tax losses not recognised	**4,436**	1,921
Tax effect of utilisation of tax losses not previously recognised	**(101)**	–
(Over)/under-provision in prior years	**(43)**	86
Effect of different tax rates of subsidiaries	**644**	493
Income tax expense (relating to continuing operations)	**5,475**	7,821

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2014	2013
	RMB'000	RMB'000
Allowance/(reversal of allowance) for bad and doubtful debts	214	(4,146)
Allowance for obsolete and slow moving inventories	729	–
Amortisation of prepaid land lease payments	726	726
Auditor's remuneration	1,395	1,386
Cost of inventories sold (note (i))	374,390	320,790
Depreciation of property, plant and equipment	16,318	16,267
Gain on disposal of associates (note 24)	(583)	–
Impairment loss on investments in associates (included in other expenses)	–	782
Impairment loss on property, plant and equipment (included in other expenses)	128	–
Impairment loss on prepayments, deposits and other receivables (included in other expenses)	95	–
Loss on disposal of a joint venture	–	1,123
Loss on disposal of property, plant and equipment	11	39
Net foreign exchange loss	286	1,285
Obsolete stock written off	100	–
Operating lease charges in respect of rented premises	622	445
Research and development expenditure (note (ii))	16,606	17,922
Unrecoverable prepayments, deposits and other receivables written off	2,000	–
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	38,796	38,402
Retirement benefit scheme contributions	8,497	6,116
	47,293	44,518

Notes: (i) Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, amortisation of prepaid land lease payments and operating lease charges of approximately RMB34,016,000 (2013: RMB33,043,000) which are also included in the amounts disclosed separately above.

(ii) Research and development expenditure includes staff costs and depreciation of property, plant and equipment of approximately RMB5,234,000 (2013: RMB5,518,000) which are also included in the amounts disclosed separately above.

14. DISCONTINUED OPERATIONS

During the year, the Group has completed the disposal of the entire equity interests it held in the following three subsidiaries:

– Tung Shing Trade development Company Limited which was engaged in the trading of fire engines and firefighting and rescue equipment;
– Chengdu Allied Best Hotel Co., Ltd. which was engaged in the operation of a guest house; and
– Fujian Asean United Aquatic Products Investment Management Co., Ltd. which was engaged in the production and sale of fire prevention and fighting equipment.

On 27 February 2015, the Group entered into the Disposal agreement to dispose of a group of subsidiaries (as disclosed in note 43). Pursuant to the Disposal agreement, the Group has conditionally agreed to sell, and the purchaser has agreed to purchase, the entire equity interests in the following subsidiaries, which are mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services.

– Loyal Asset Investments Holdings Limited ("Loyal Asset");
– Fuzhou Wanyou Fire Equipment Co., Ltd. ("Fuzhou Wanyou");
– Wanyou Fire Engineering Company Limited ("Wanyou Engineering"); and
– Chuanxiao Fire Engineering Company Limited ("Chuanxiao Engineering")

The Group will cease to provide the installation and maintenance services upon completion of the Disposal. The assets and liabilities of the subsidiaries to be disposed of have been classified as held for disposal at end of the year (as disclosed in note 30).

14. DISCONTINUED OPERATIONS *(cont'd)*

As the disposal of the above subsidiaries, whether completed already or to be carried out, constitute a discontinuance of major lines of business, the profit or loss of the respective subsidiaries have been classified as discontinued operations and disclosed separately as follows:

	2014	2013
	RMB'000	RMB'000
Loss for the year from discontinued operations:		
Turnover	**397,579**	444,211
Cost of services	**(376,628)**	(424,392)
Gross profit	**20,951**	19,819
Other income	**5,854**	3,899
Selling and distribution costs	**–**	(2,102)
Administrative expenses	**(171,672)**	(143,509)
Other expenses	**(337,235)**	(33,242)
Finance costs	**–**	(206)
Loss before tax	**(482,102)**	(155,341)
Income tax expense	**(5,705)**	(4,460)
Loss for the year from discontinued operations	**(487,807)**	(159,801)
Loss for the year from discontinued operations attributable to:		
Owners of the Company	**(487,979)**	(145,363)
Non-controlling interests	**172**	(14,438)
	(487,807)	(159,801)

Included in the turnover and loss for the year from discontinued operations were turnover and loss generated by the installation and maintenance businesses amounted to RMB397,579,000 (2013: RMB426,212,000) and RMB492,024,000 (2013: RMB124,946,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. DISCONTINUED OPERATIONS *(cont'd)*

	2014	2013
	RMB'000	RMB'000
Loss for the year from discontinued operations include the following:		
Allowance for bad and doubtful debts	**163,226**	121,761
Allowance for obsolete and slow moving inventories	**–**	1,745
Amortisation of prepaid land lease payments	**–**	13
Costs of inventories sold	**–**	11,623
Depreciation for property, plant and equipment	**363**	4,983
Gain on disposal of subsidiaries (note 37)	**(2,461)**	–
Impairment loss on amounts due from contract customers	**312,322**	–
Impairment loss on prepayments, deposits and other receivables	**22,877**	–
Impairment loss on goodwill	**–**	8,618
Impairment loss on property, plant and equipment	**2,036**	24,624
Loss on disposal of property, plant and equipment	**40**	27
Net foreign exchange loss/(gain)	**24**	(1,172)
Obsolete stock written off	**–**	249
Operating lease charges in respect of rented premises	**103**	2,652
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**3,139**	4,864
Retirement benefit scheme contributions	**968**	1,160
	4,107	6,024
Cash flows from discontinued operations:		
Net cash outflows from operating activities	**(931)**	(11,493)
Net cash (outflows)/inflows from investing activities	**(9,114)**	23,421
Net cash inflows from financing activities	**–**	201
Net cash (outflows)/inflows	**(10,045)**	12,129

15. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

	2014					2013				
	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	–	1,119	–	–	1,119	–	1,110	–	–	1,110
Mr. Jiang Qing	–	995	–	–	995	–	987	–	–	987
Mr. Wang De Feng	143	297	–	30	470	143	279	–	30	452
Ms. Weng Xiu Xia	143	78	–	13	234	143	78	–	13	234
Mr. Hu Yong	143	309	–	27	479	143	287	–	26	456
Ms. Zhang Hai Yan *(note b)*	–	–	–	–	–	137	8	–	1	146
	429	2,798	–	70	3,297	566	2,749	–	70	3,385
Independent non-executive directors										
Dr. Loke Yu	143	–	–	–	143	143	–	–	–	143
Mr. Heng Ja Wei	143	–	–	–	143	143	–	–	–	143
Ms. Sun Guo Li	143	–	–	–	143	143	–	–	–	143
	429	–	–	–	429	429	–	–	–	429
	858	2,798	–	70	3,726	995	2,749	–	70	3,814

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 non-controlling interests.

(b) Ms. Zhang Hai Yan resigned on 17 December 2013.

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 (2013: Nil).

16. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group during the year included three (2013: three) directors, whose emoluments are included in the note 15 to the financial statements above. The emoluments of the remaining two (2013: two) individuals are set out below:

	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	**1,819**	1,806
Retirement benefit scheme contributions	**27**	29
	1,846	1,835

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Nil to HKD1,000,000 (equivalent to RMB801,300)	**1**	1
HKD1,000,001 to HKD1,500,000 (equivalent to RMB801,301 to RMB1,201,950)	**1**	1
	2	2

During the year, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

17. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately RMB26,663,000 (2013: RMB5,805,000) which has been dealt with in the financial statements of the Company.

18. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

19. LOSS PER SHARE

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

	From continuing and discontinued operations	
	2014	2013
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company	**503,854**	152,871
	'000	'000
Weighted average number of ordinary shares	**2,855,000**	2,855,000

There were no dilutive potential ordinary shares in relation to the share options for both years ended 31 December 2014 and 2013. All the share options issued have been expired during 2014. For 2013, the average market price of the shares of the Company was lower than the exercise price of the share options.

	From continuing operations		From discontinued operations	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss for the year attributable to owners of the Company	**15,875**	7,508	**487,979**	145,363

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same. The basic and diluted loss per share from discontinued operations for 2014 are RMB17.09 cents (2013: RMB5.09 cents).

20. PROPERTY, PLANT AND EQUIPMENT

	Group								
	Buildings	Plant and equipment	Tooling and moulds	Furniture and fixtures	Computers	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost									
At 1 January 2013	294,256	57,750	36,270	3,204	2,345	11,747	14,771	276	420,619
Additions	2,858	510	–	61	208	45	488	–	4,170
Transfer to disposal group held for sale	(29,837)	(36,562)	(36,270)	(526)	(285)	(1,782)	(14,150)	–	(119,412)
Disposals	–	(11)	–	(174)	(191)	(660)	–	–	(1,036)
At 31 December 2013 and 1 January 2014	267,277	21,687	–	2,565	2,077	9,350	1,109	276	304,341
Additions	–	204	–	444	27	1,864	–	–	2,539
Reclassification	–	–	–	276	–	–	–	(276)	–
Disposals	–	–	–	(7)	(4)	(733)	–	–	(744)
At 31 December 2014	267,277	21,891	–	3,278	2,100	10,481	1,109	–	306,136
Accumulated depreciation and impairment									
At 1 January 2013	59,416	37,304	36,270	1,453	1,288	7,009	3,494	–	146,234
Charge for the year	15,402	3,064	–	449	307	623	1,405	–	21,250
Impairment loss	11,874	3,134	–	297	73	32	9,214	–	24,624
Transfer to disposal group held for sale	(19,842)	(33,780)	(36,270)	(517)	(247)	(1,634)	(13,370)	–	(105,660)
Disposals	–	(11)	–	(164)	(171)	(614)	–	–	(960)
At 31 December 2013 and 1 January 2014	66,850	9,711	–	1,518	1,250	5,416	743	–	85,488
Charge for the year	13,368	1,932	–	359	213	714	95	–	16,681
Impairment loss	–	79	–	28	32	1,763	262	–	2,164
Disposals	–	–	–	(6)	(4)	(503)	–	–	(513)
At 31 December 2014	80,218	11,722	–	1,899	1,491	7,390	1,100	–	103,820
Carrying amount									
At 31 December 2014	187,059	10,169	–	1,379	609	3,091	9	–	202,316
At 31 December 2013	200,427	11,976	–	1,047	827	3,934	366	276	218,853

At 31 December 2014, the Group was in the process of applying for the property rights certificates in respect of buildings with carrying amount of RMB87,573,000 (2013: RMB93,839,000).

21. PREPAID LAND LEASE PAYMENTS

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

At 31 December 2014, the Group was in the process of applying for the land use rights certificates in respect of land leases with carrying amount of RMB21,381,000 (2013: RMB21,867,000).

22. GOODWILL

	Group
	RMB'000
Cost	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	45,348
Accumulated impairment losses	
At 1 January 2013	29,100
Impairment loss recognised in 2013	8,618
At 31 December 2013, 1 January 2014 and 31 December 2014	37,718
Carrying amount	
At 31 December 2014	7,630
At 31 December 2013	7,630

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating unit ("CGU"). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2014 and 2013 is allocated as follows:

	2014	2013
	RMB'000	RMB'000
Production and sale of fire engines	**7,630**	7,630

22. GOODWILL *(cont'd)*

The recoverable amount of the above CGU has been determined on the basis of its value in use calculations using discounted cash flow method. The cash flow projections was based on financial budgets approved by management covering a five-year period, and discount rates at 13% (2013: 13%). The cash flows beyond that five-year period have been extrapolated using a steady annual growth rate at 1% (2013: 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 CGU's historical performance and management's expectation of the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of CGU to fall below its carrying amounts.

During the year 2013, the Group reassessed the recoverable amount of the goodwill and determined that impairment on goodwill associated with the production and sale of fire prevention and fighting equipment were required. It was related to a subsidiary engaged in the production and sale of emergency lightings and fire alarm systems. The operation of the subsidiary had been stopped and was not expected to be resumed.

23. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted investments, at cost	**187,567**	187,567

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the amount due from a subsidiary with an outstanding balance of RMB22,717,000 at 31 December 2013 which was charged for an interest at 6.68% per annum. This subsidiary had been disposed of in 2014.

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

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Company	Principal activities
Wang Sing Technology Limited/limited liability company	British Virgin Islands	4,984,359 ordinary shares of USD1 each	100% (note (i))	Investment holding
Allied Best Holdings Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding
萃聯(中國)消防設備製造有限公司 Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd./wholly foreign-owned enterprise	PRC	Registered capital of HKD50,000,000	100%	Production and sale of fire prevention and fighting equipment
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
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
Loyal Asset Investment Holdings Limited/limited liability company	British Virgin Islands	1 ordinary share of USD1	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Particulars of the principal subsidiaries as at 31 December 2014 are as follows: *(cont'd)*

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Company	Principal activities
四川森田消防裝備製造有限公司 Sichuan Morita Fire Safety Appliances Co., Ltd. ("Sichuan Morita")/ 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
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
四川萬山福特種消防裝備制造有限公司 Sichuan Wan Shan Fu Special Fire Equipment Manufacturing Co., Ltd./ limited liability enterprise	PRC	Registered capital of RMB5,000,000	100%	Production and sale of fire prevention and fighting equipment

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

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.

The following table shows information of a subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

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

Name	Sichuan Morita	
	2014	2013
Principal place of business/Country of incorporation	**PRC**	PRC
% of ownership interest held by NCI	**25%**	25%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	**13,452**	14,836
Current assets	**491,928**	396,905
Current liabilities	**(285,572)**	(198,505)
Net assets	**219,808**	213,236
Accumulated NCI	**54,723**	53,079
Year ended 31 December:		
Revenue	**341,055**	273,876
Profit	**6,573**	22,319
Total comprehensive income	**6,573**	22,319
Profit allocated to NCI	**1,644**	5,580
Net cash used in operating activities	**(7,502)**	(6,970)
Net cash generated from/(used in) investing activities	**10,566**	(12,335)
Net cash generated from/(used in) financing activities	**15,000**	(5,000)
Net increase/(decrease) in cash and cash equivalents	**18,064**	(24,305)

At 31 December 2014, the bank and cash balances of the Group's subsidiaries in the PRC denominated in Renminbi ("RMB") amounted to RMB170,688,000 (2013: RMB128,375,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. INVESTMENTS IN ASSOCIATES

	Group	
	2014	2013
	RMB'000	RMB'000
Unlisted investments:		
Share of net assets	**42,732**	56,350
Goodwill	**1,231**	6,540
	43,963	62,890
Impairment losses (note)	**(43,864)**	(59,681)
	99	3,209

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

Details of the Group's associates at 31 December 2014 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./limited liability enterprise	PRC	RMB5,000,000	45%	Production and sale of fire suppression foam
四川神劍消防科技有限公司 Sichuan Shenjian Fire Technology Co., Ltd., ("Sichuan Shenjian")/limited liability enterprise	PRC	RMB5,000,000	40%	Production and sale of fire prevention and fighting equipment

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

The following table shows information of the associate that was material to the Group for 2013. The associate was accounted for in the consolidated financial statements using the equity method. The summarised financial information presented was based on the HKFRS financial statements of the associate. The associate was disposed of in 2014. The directors do not consider the remaining associates are material to the Group for 2014 and 2013.

Name of the associate	:	福州華安消防工程技術有限公司
	:	Fuzhou Huaan Fire Engineering Co., Ltd ("Fuzhou Huaan")
Principal place of business/ Place of incorporation	:	PRC
Principal activities	:	Provision of the fire prevention and fighting system installation services and maintenance service
Percentage of ownership interests	:	40%

	Fuzhou Huaan 2013 RMB'000
At 31 December:	
Non-current assets	288
Current assets	11,339
Current liabilities	(15,084)
Net liabilities	(3,457)
Group's share of net assets	–
Goodwill	2,997
Impairment loss	(2,997)
Group's share of carrying amount of interests	–
Year ended 31 December:	
Revenue	(29,418)
Loss from continuing operations and total comprehensive income	32,592
Loss not recognised by the Group	1,383

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

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

	2014 **RMB'000**	2013 RMB'000
At 31 December:		
Carrying amounts of interests	**99**	3,209
Year ended 31 December:		
Loss from continuing operations	**208**	861
Total comprehensive income	**208**	861

The Group has not recognised loss for the year amounting to RMB84,000 (2013: Nil) for Sichuan Shenjian. The accumulated losses not recognised were RMB84,000 (2013: Nil).

At 31 December 2014, the bank and cash balances of the Group's associates in the PRC denominated in Renminbi amounted to RMB1,078,000 (2013: RMB7,540,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

During the year, the Group disposed of all the equity interests held in the following associates:

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

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

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

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

25. INVENTORIES

Inventories represent fire engines and fire prevention and fighting equipment.

	Group 2014 RMB'000	2013 RMB'000
Raw materials	32,635	53,763
Work in progress	38,700	44,271
Finished goods	97,367	56,166
	168,702	154,200

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

26. TRADE AND BILLS RECEIVABLES

	Group 2014 RMB'000	2013 RMB'000
Trade and bills receivables	227,694	706,967
Less: Allowance for bad and doubtful debts	(17,588)	(289,046)
	210,106	417,921

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

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

The aging analysis of trade and bills receivables, including those classified as part of the disposal group held for sale, based on the invoice date, net of allowance for bad and doubtful debts, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
0 – 90 days	**92,479**	160,797
91 – 180 days	**103,551**	55,133
181 – 360 days	**87,120**	57,279
Over 360 days	**51,569**	144,712
	334,719	417,921

Apart from trade and bills receivables amounted to RMB18,000 (2013: Nil) that was denominated in EUR, the carrying amount of the Group's trade and bills receivables at 31 December 2014 and 2013, including those classified as part of the disposal group held for sale were all denominated in Renminbi.

As at 31 December 2014, trade and bills receivables, including those classified as part of the disposal group held for sale, of RMB174,663,000 (2013: RMB191,333,000) 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:

	Group	
	2014	2013
	RMB'000	RMB'000
91 – 180 days	**35,974**	17,176
181 – 360 days	**87,120**	57,279
Over 360 days	**51,569**	116,878
	174,663	191,333

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

Reconciliation of allowance for bad and doubtful debts:

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**289,046**	171,776
Allowance for the year	**163,440**	117,615
Amounts written off	**(270)**	–
Disposal of subsidiaries (note 37)	**(30,943)**	–
Classified as disposal group held for sale (note 30)	**(404,155)**	–
Exchange differences	**470**	(345)
At 31 December	**17,588**	289,046

The management closely monitors the credit quality of the trade and bills receivables and considers the trade and bills receivables that were neither past due nor impaired to be recoverable. Based on the payment pattern of the customers of the Group, trade and bills receivables that were past due but not impaired were generally collectable as there has not been a significant change in credit quality and loss event of these customers. Allowance for bad and doubtful debts recognised for 2014 and 2013 were on trade and bills receivables which were either aged over two years or customers which had either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

27. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	Group
	2013
	RMB'000
Contract costs incurred plus profits recognised less recognised losses	1,640,327
Less: Progress billings	(1,105,576)
	534,751
Comprising:	
Amounts due from contract customers	547,310
Amounts due to contract customers	(12,559)
	534,751

The carrying value of the amounts due from/(to) contract customers at 31 December 2014 have been classified to assets of disposal group held for sale and liabilities directly associated with assets of disposal group held for sale respectively (note 30).

28. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and are due for settlement within 12 months.

29. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank balances carry interest ranging from Nil to 1.35% (2013: Nil to 1.35%) per annum.

The pledged bank deposits are mainly to secure banking facilities granted to the Group and carry interest at 0.35% (2013: 0.35%) per annum.

Conversion of RMB into foreign currencies in the PRC is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. DISPOSAL GROUP HELD FOR SALE

As disclosed in note 14, the Group entered into the Disposal agreement on 27 February 2015 to dispose of a group of subsidiaries: Loyal Asset, Fuzhou Wanyou, Wanyou Engineering and Chuanxiao Engineering. Loyal Asset is the holding company of the other three subsidiaries to be disposed of. Fuzhou Wanyou is engaged in the production and sale of fire prevention and fighting equipment. The production line of which, however, has ceased to operate at the end of 2012 and since then, it generated minimal amount of revenue only from clearance sale. Both Wanyou Engineering and Chuanxiao Engineering are engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The Group will cease to provide such services upon completion of the Disposal. Subject to the satisfaction of certain conditions precedent, the Disposal is expected to be completed in the first half of 2015.

The consideration for the Disposal is expected to be RMB50,000,000. The net assets value of the four subsidiaries to be disposed of have been impaired with reference to the consideration and accordingly, impairment losses of RMB500,746,000 have been recognised for the year. The assets and liabilities of the subsidiaries to be disposed of have been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2014 are as follows:

	2014 RMB'000
Retention receivables	329
Trade and bills receivables	528,768
Allowance for bad and doubtful debts	(404,155)
Amounts due from contract customers	247,926
Pledged bank deposits	690
Bank and cash balances	38,015
Assets of disposal group held for sale	411,573
Trade and other payables	(333,993)
Amounts due to contract customers	(21,242)
Current tax liabilities	(2,105)
Deferred tax liabilities (note 33)	(4,233)
Liabilities directly associated with assets of disposal group held for sale	(361,573)
Net assets of disposal group held for sale	50,000

30. DISPOSAL GROUP HELD FOR SALE *(cont'd)*

The disposal group held for sale at 31 December 2013 was in respect of the disposals of certain subsidiaries and associates pursuant to the resolution of the Board of Directors of the Company on 30 December 2013. The disposals of all the subsidiaries and associates concerned have been completed during 2014. The calculation of the gain on disposal have been disclosed in note 37.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2013 are as follows:

	2013 RMB'000
Property, plant and equipment	13,752
Investment properties	38,700
Prepaid land lease payments	513
Bank and cash balances	24,855
Investments in associates	–
Assets of disposal group held for sale	77,820
Trade and other payables	(28,020)
Amounts due to non-controlling interests	(6,084)
Liabilities directly associated with assets of disposal group held for sale	(34,104)
Net assets of disposal group held for sale	43,716

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**84,442**	102,006	**–**	–
Accrued charges	**43,665**	292,694	**3,356**	3,272
Receipts in advance	**125,916**	46,539	**–**	–
Value added tax, sales tax and other levies	**3,002**	25,153	**–**	–
	257,025	466,392	**3,356**	3,272

The aging analysis of trade payables, including those classified as part of the disposal group held for sale, based on the date of receipt of goods, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
0 – 30 days	**37,678**	53,752
31 – 60 days	**13,754**	13,042
61 – 90 days	**14,239**	7,473
Over 90 days	**35,826**	30,268
	101,497	104,535

The carrying amount of the Group's trade payables, including those classified as part of the disposal group held for sale, are denominated in the following currencies:

	Group	
	2014	2013
	RMB'000	RMB'000
USD	**–**	6
EUR	**–**	219
RMB	**101,497**	104,310
	101,497	104,535

32. BANK BORROWINGS

	Group	
	2014	2013
	RMB'000	RMB'000
Bank loans, unsecured	**100,000**	80,000

At 31 December 2014 and 2013, the Group's bank borrowings were all denominated in Renminbi and were due for settlement within 12 months (shown under current liabilities).

The bank loans were guaranteed by certain subsidiaries of the Company.

The average interest rates at 31 December are as follows:

	2014	2013
Bank loans	**6.67%**	6.79%

The interest rates for the bank loans outstanding at 31 December 2014 were arranged at 110% to 116% (2013: 110% to 116%) of the benchmark interest rate as stipulated by the People's Bank of China and expose the Group to cash flow interest rate risk.

33. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised, and movements thereon:

	Profit recognition of installation contracts RMB'000 (note)
At 1 January 2013	2,381
Charge to the profit or loss for the year	311
At 31 December 2013 and 1 January 2014	2,692
Charge to the profit or loss for the year	1,541
Classified as liabilities directly associated with assets of disposal group held for sale (note 30)	(4,233)
At 31 December 2014	–

Note: The amount represents the temporary differences arising on the profit recognition of installation contracts between HKFRSs, in which revenue and costs of installation contracts are recognised in the consolidated statement of profit or loss and other 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.

At 31 December 2014, the Group has unused tax losses of RMB84,853,000 (2013: RMB101,700,000) 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 RMB5,743,000 that will expire from 2015 to 2019 (2013: RMB31,699,000 expire from 2014 to 2018). Other tax losses may be carried forward indefinitely.

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 RMB290,048,000 (2013: RMB252,716,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

34. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Authorised:		
Shares of HKD0.01 (2013: HKD0.01) each		
At 1 January 2013, 31 December 2013,		
1 January 2014 and 31 December 2014	**10,000,000,000**	100,000
Issued and fully paid:		
Shares of HKD0.01 (2013: HKD0.01) each		
At 1 January 2013, 31 December 2013,		
1 January 2014 and 31 December 2014	**2,855,000,000**	28,550

	2014	2013
	RMB'000	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 are mainly the bank borrowings disclosed in note 32 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 take into consideration 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 externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of its issued shares throughout the year. The Company was not informed of any change in its shareholdings that would lead to its non-compliance with the 25% limit throughout the year.

35. SHARE OPTION SCHEME

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

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

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

35. SHARE OPTION SCHEME *(cont'd)*

Details of the options granted are as follows:

					Number of shares issuable under the options		
Grantee	Capacity	Date of grant	Exercisable period	Exercise price	Granted and outstanding at 1 January 2013, 31 December 2013 and 1 January 2014	Expired during the year	Granted and outstanding at 31 December 2014
				HKD			
Mr. Jiang Qing	Director	25 May 2004	25 May 2004 to 24 May 2014	0.44	20,000,000	20,000,000	–

All outstanding options granted by the Company have been expired during 2014.

Save as disclosed above, there were no options granted, exercised, cancelled or lapsed during the year ended 31 December 2014 (2013: Nil).

36. RESERVES

(a) Group

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

(b) Company

	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (ii))	(Note (vi))		
At 1 January 2013	646,363	170,607	(3,342)	(114,208)	699,420
Total comprehensive income for the year	–	–	–	(5,805)	(5,805)
At 31 December 2013 and 1 January 2014	646,363	170,607	(3,342)	(120,013)	693,615
Total comprehensive income for the year	–	–	–	(26,663)	(26,663)
At 31 December 2014	646,363	170,607	(3,342)	(146,676)	666,952

36. RESERVES *(cont'd)*

(c) Nature and purpose of reserves

(i) Special reserve

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

(ii) Capital reserve

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

(iii) Statutory surplus reserve

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

(iv) Statutory public welfare fund

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

(v) Statutory reserve fund

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

36. RESERVES *(cont'd)*

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

(vi) Exchange reserve

Group

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(e) to the financial statements.

Company

Exchange reserve of the Company arose from the change of the functional currency of the Company from HKD to RMB in prior years.

37. DISPOSAL OF SUBSIDIARIES

The Group entered into three agreements in March 2014 to dispose of all the equity interests held in the following three subsidiaries:

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

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

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

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

38. CAPITAL COMMITMENTS

At 31 December 2014, the Group's capital commitments are as follows:

	2014 RMB'000	2013 RMB'000
Property, plant and equipment		
Contracted for but not provided for	**17,677**	19,306

The Company had no capital commitment at 31 December 2014 (2013: Nil).

39. OPERATING LEASE COMMITMENTS

As lessee

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Within one year	**451**	4,789	**442**	739
In the second to fifth year inclusive	**–**	20,816	**–**	431
After five years	**–**	13,505	**–**	–
	451	39,110	**442**	1,170

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

39. OPERATING LEASE COMMITMENTS *(cont'd)*

As lessor

At 31 December 2014, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**282**	8,345	**–**	–
In the second to fifth year inclusive	**–**	29,949	**–**	–
After five years	**–**	17,105	**–**	–
	282	55,399	**–**	–

40. 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 22% (2013: 18% to 22%) of the basic salary of its eligible PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions incurred for the year ended 31 December 2014 amounted to RMB9,388,000 (2013: RMB7,204,000).

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme. During the year ended 31 December 2014, the Group made to the MPF Scheme contributions amounting to RMB77,000 (2013: RMB72,000).

41. RELATED PARTY TRANSACTIONS

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

	2014	2013
	RMB'000	RMB'000
Finished goods purchased from associates	**5,539**	3,946
Finished goods purchased from a joint venture	**–**	2,576
Finished goods sold to associates	**86**	82
Interest expenses on amount due to a non-controlling shareholder	**–**	201
Rental income received from associates	**336**	336

(b) The key management personnel are the directors. The details of the remuneration paid to them are set out in note 15 to the financial statements.

42. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at 31 December 2014 (2013: Nil).

43. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into the following agreements:

(a) Acquisition

On 27 February 2015, the Group entered into a sales and purchase agreement with a subsidiary of China International Marine Containers (Group) Co., Ltd., ("CIMC") (the "Vendor") to acquire 40% equity interests in Albert Ziegler GmBH ("Ziegler") (the "Acquisition") from CIMC at a consideration of HKD489,428,572. Ziegler is a company incorporated in Germany, it and its subsidiaries are principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting equipment. To settle the consideration, the Company will issue to the Vendor 1,223,571,430 new shares of the Company, which represents 30% of the enlarged issued share capital of the Company. Upon completion of the Acquisition, Zielger will be accounted for as an associate of the Company. Subject to certain conditions precedent, the Acquisition is expected to be completed in the first half of 2015.

(b) Disposal

Also on 27 February 2015, the Group entered into a sales and purchase agreement with a third party independent of the Company and its connected persons (as defined in the Listing Rules) to dispose of a group of subsidiaries (the "Disposal") at a cash consideration of RMB50,000,000. The subsidiaries concerned are mainly engaged in the provision of installation and maintenance of fire prevention and fighting system services. Subject to certain conditions precedent, the Disposal is expected to be completed in the first half of 2015.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2015.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2010 RMB'000 (Restated)	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	2013 RMB'000	**2014** **RMB'000**
RESULTS					
Turnover	876,944	1,080,349	969,273	836,812	**846,828**
Loss before tax	(29,878)	(28,931)	(11,501)	(149,449)	**(490,859)**
Income tax expense	(9,028)	(9,557)	(10,635)	(12,281)	**(11,180)**
Loss for the year	(38,906)	(38,488)	(22,136)	(161,730)	**(502,039)**
Attributable to:					
Owners of the Company	(39,381)	(41,245)	(21,414)	(152,871)	**(503,854)**
Non-controlling interests	475	2,757	(722)	(8,859)	**1,815**
	(38,906)	(38,488)	(22,136)	(161,730)	**(502,039)**
Loss per share (RMB cents)					
Basic	(1.38)	(1.44)	(0.75)	(5.35)	**(17.65)**
Diluted	(1.38)	(1.44)	(0.75)	(5.35)	**(17.65)**

	At 31 December				
	2010 RMB'000 (Restated)	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	2013 RMB'000	**2014** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,687,762	1,751,890	1,789,889	1,687,623	**1,324,258**
Total liabilities	(387,308)	(479,286)	(543,023)	(602,527)	**(721,099)**
	1,300,454	1,272,604	1,246,866	1,085,096	**603,159**
Equity attributable to owners of the Company	1,273,805	1,232,158	1,210,602	1,057,464	**549,123**
Non-controlling interests	26,649	40,446	36,264	27,632	**54,036**
Total equity	1,300,454	1,272,604	1,246,866	1,085,096	**603,159**