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If you have sold or transferred all your shares in China Fire Safety Enterprise Group Limited, you should at once hand this circular to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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China Fire Safety Enterprise Group Limited

中國消防企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 40% EQUITY INTEREST IN ALBERT ZIEGLER GMBH
INVOLVING THE ISSUE OF CONSIDERATION SHARES
AND
APPLICATION FOR WHITEWASH WAIVER BY
CIMC TOP GEAR B.V. (A WHOLLY-OWNED SUBSIDIARY OF
CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.)**

Financial adviser to China Fire Safety Enterprise Group Limited



**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 49 of this circular.

A notice convening the EGM to be held immediately after the conclusion of the annual general meeting of the Company which is scheduled to be held at 3:00 p.m. on 22 May 2015 (Friday) at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

28 April 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions bear the following meanings:

“2013 Acquisition”	has the meaning ascribed to it in the section headed “Information on the Ziegler Group” in the letter from the Board contained in this circular
“Acquired Entity Assets”	has the meaning ascribed to it in the section headed “Information on the Ziegler Group” in the letter from the Board contained in this circular
“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 27 February 2015 and entered into among the Vendor, the Purchaser, the Company and CIMC (HK) in respect of the Acquisition
“Acquisition Completion”	completion of the Acquisition
“Acquisition Consideration”	HK\$489,428,572, being the consideration for the Acquisition
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for general business throughout their normal business hours
“BVI”	the British Virgin Islands
“Chuanxiao Fire”	Chuanxiao Fire Engineering Company Limited, a limited liability enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“CIMC”	China International Marine Containers (Group) Co., Ltd., a joint stock limited company incorporated in the PRC in January 1980 under the PRC Company Law, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange

DEFINITIONS

“CIMC Group”	CIMC and its subsidiaries
“CIMC (HK)”	China International Marine Containers (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of CIMC
“Company”	China Fire Safety Enterprise Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Company Articles”	has the meaning ascribed to it in the subsection headed “Specific Warranties by the Purchaser” under the section headed “The Acquisition Agreement” in the letter from the Board contained in this circular
“Consideration Shares”	1,223,571,430 new Shares to be allotted and issued by the Company to the Vendor as payment of the Acquisition Consideration
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the entire equity interest in Loyal Asset by Wang Sing to the LA Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 27 February 2015 and entered into between Wang Sing and the LA Purchaser in respect of the Disposal
“Disposal Completion”	completion of the Disposal
“Disposal Group”	together, Loyal Asset, Fuzhou Wanyou, Wanyou Fire and Chuanxiao Fire
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares and the Whitewash Waiver
“Entity”	has the meaning ascribed to it in the section headed “Information on the Ziegler Group” in the letter from the Board contained in this circular

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“Fuzhou Wanyou”	Fuzhou Wanyou Fire Equipment Co., Ltd, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Headquarter Assets”	has the meaning ascribed to it in the section headed “Information on the Ziegler Group” in the letter from the Board contained in this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li, established to give a recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver
“Independent Financial Adviser” or “Platinum Securities”	Platinum Securities Company Limited, a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Acquisition involving the issue of Consideration Shares and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Vendor, Mr. Jiang, Mr. Jiang Qing, their respective associates and parties acting in concert with any of them; and (ii) other Shareholders who are interested or involved in the Acquisition or the Whitewash Waiver
“Issue Price”	the issue price of HK\$0.4 per Consideration Share
“Joint Announcement”	the joint announcement of the Company and CIMC dated 27 February 2015 in relation to, among other things, the Acquisition, the Whitewash Waiver and the Disposal
“LA Purchaser”	吉祥(福建)投資集團有限公司 (Jixiang (Fujian) Investment Group Limited)*, a company incorporated in the PRC with limited liability

* For identification purpose only

DEFINITIONS

“Last Trading Day”	27 February 2015, being the last trading day of the Shares before the release of the Joint Announcement
“Latest Practicable Date”	24 April 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loyal Asset”	Loyal Asset Investments Holdings Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Mr. Jiang”	Mr. Jiang Xiong, an executive Director, the Chairman, and the existing controlling Shareholder
“Operating Subsidiaries”	has the meaning ascribed to it in the section headed “Information on the Ziegler Group” in the letter from the Board contained in this circular
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Profit Asia International Trading Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Relevant Period”	the period from 27 August 2014, being the date falling six months preceding the date of the Joint Announcement, up to the Latest Practicable Date
“Sale Loan”	40% of all the amounts owed by Ziegler to the Vendor as at the date of Acquisition Completion
“Sale Shares”	such number of issued shares in Ziegler representing 40% equity interest in Ziegler as at the date of Acquisition Completion
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor”	CIMC Top Gear B.V., a company incorporated in the Netherlands with limited liability and an indirect wholly-owned subsidiary of CIMC
“Wang Sing”	Wang Sing Technology Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Wanyou Fire”	Wanyou Fire Engineering Group Company Limited, a limited liability enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Whitewash Waiver”	the whitewash waiver as may be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Vendor to make a mandatory general offer for all the issued Shares not already owned (or agreed to be acquired) by the Vendor and parties acting in concert with it which might otherwise arise as a result of the allotment and issue of the Consideration Shares to the Vendor (or its nominee) pursuant to the Acquisition Agreement
“Ziegler”	Albert Ziegler GmbH, a limited liability company incorporated in Germany
“Ziegler Group”	Ziegler and its subsidiaries
“EUR”	Euro, the lawful currency of the European Zone
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this circular, amounts in EUR are translated into HK\$ on the basis of EUR1 = HK\$8.80 and RMB are translated into HK\$ on the basis of RMB1 = HK\$1.25. The conversion rates are for illustration purpose only and should not be taken as a representation that EUR and RMB could actually be converted into HK\$ at the respective rates or at all.

LETTER FROM THE BOARD



China Fire Safety Enterprise Group Limited

中國消防企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

Executive Directors:

Mr. Jiang Xiong
Mr. Jiang Qing
Mr. Wang De Feng
Ms. Weng Xiu Xia
Mr. Hu Yong

Registered Office:

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

Independent non-executive Directors:

Dr. Loke Yu
Mr. Heng Ja Wei
Ms. Sun Guo Li

*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

28 April 2015

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 40% EQUITY INTEREST IN ALBERT ZIEGLER GMBH
INVOLVING THE ISSUE OF CONSIDERATION SHARES
AND
APPLICATION FOR WHITEWASH WAIVER BY
CIMC TOP GEAR B.V. (A WHOLLY-OWNED SUBSIDIARY OF
CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.)**

INTRODUCTION

Reference is made to the Joint Announcement. On 27 February 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor (an indirect wholly-owned subsidiary of CIMC), the Company and CIMC (HK) (a direct wholly-owned subsidiary of CIMC) entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan at a consideration of HK\$489,428,572, which shall be satisfied by the Company by way of allotment and issuance of 1,223,571,430 Consideration Shares at the Issue Price of HK\$0.4 per Consideration Share to the Vendor (or its nominee).

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition and the Whitewash Waiver; (ii) financial information of the Group and the Ziegler Group;

LETTER FROM THE BOARD

(iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; and (v) the notice of the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issuance of the Consideration Shares and the Whitewash Waiver.

THE ACQUISITION AGREEMENT

Date

27 February 2015

Parties

- (i) Profit Asia International Trading Limited, as the Purchaser;
- (ii) CIMC Top Gear B.V., as the Vendor;
- (iii) the Company, as guarantor of the Purchaser's obligations under the Acquisition Agreement;
and
- (iv) CIMC (HK), as guarantor of the Vendor's obligations under the Acquisition Agreement.

Both CIMC (HK) and the Vendor are wholly-owned subsidiaries of CIMC, whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Shenzhen Stock Exchange. CIMC is principally engaged in container manufacturing and service business, road transportation vehicle business, energy, chemical and food equipment business, offshore engineering business, airport facilities equipment business and logistics services business. CIMC (HK) and the Vendor are principally engaged in investment holding. The Vendor, CIMC (HK) and CIMC and their respective associates are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan. The Sale Shares represent 40% equity interest in Ziegler as at the date of Acquisition Completion and the Sale Loan represents 40% of all the amounts owed by Ziegler to the Vendor as at the date of Acquisition Completion. As at the date of the Acquisition Agreement, the amount owed by Ziegler to the Vendor was approximately EUR25.9 million and therefore 40% of such amount was approximately EUR10.4 million. Details of the Ziegler Group are set out in the section headed "Information on the Ziegler Group" below.

Consideration

The Acquisition Consideration is HK\$489,428,572, which shall be satisfied by the Company by way of allotment and issuance of 1,223,571,430 Consideration Shares, credited as fully paid, at the Issue Price of HK\$0.4 per Consideration Share to the Vendor (or its nominee) at Acquisition Completion.

LETTER FROM THE BOARD

Basis of determination of the Acquisition Consideration

The Acquisition Consideration is primarily determined based on the latest financial position of the Ziegler Group, the amounts owed by Ziegler to the Vendor, and the future prospects of the business of the Ziegler Group under the management and control of the Vendor. Reference to the previous acquisition cost of the assets and liabilities comprising the Ziegler Group paid by the Vendor of approximately EUR58.89 million (equivalent to approximately HK\$518.2 million) plus costs incurred incidental thereto is also taken into consideration.

The Company has considered other settlement methods (including cash and promissory note) to settle the Acquisition Consideration. Having considered that the Group has been loss making since the financial year ended 31 December 2009, the Directors consider that it is in the interest of the Group and the Shareholders to retain more cash for general working capital and future business expansion of the Group after the Acquisition. The allotment and issuance of the Consideration Shares to settle the Acquisition Consideration is proposed as it would not affect the liquidity position or financial leverage of the Group and allow the Company to complete the Acquisition without any cash outlay. Furthermore, the issue of the Consideration Shares to the Vendor would lead to better alignment of interests between the Company and CIMC, which would facilitate the realisation of the intended synergies and commercial benefits and is to the benefit of the Company and the Shareholders as a whole. The willingness to accept Consideration Shares (as opposed to cash or other form of consideration) also demonstrates the Vendor's conviction in the prospects of the Acquisition and the potential cooperation. Based on the above, the Directors consider that the allotment and issuance of Consideration Shares to settle the Acquisition Consideration is in the best interest of the Company and the Shareholders as a whole.

Consideration Shares

As at the Latest Practicable Date, the Company had 2,855,000,000 Shares in issue. The 1,223,571,430 Consideration Shares represent approximately 42.86% of the existing issued share capital of the Company and approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date up to the date of Acquisition Completion).

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Consideration Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issuance of the Consideration Shares.

The Consideration Shares will be issued under a specific mandate to be sought for approval by the Independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Vendor has applied to the Executive for a waiver from the obligation to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it which obligation would otherwise arise as a result of the allotment and issue of the Consideration Shares to the Vendor (or its nominee) pursuant to the Acquisition Agreement. The Whitewash Waiver is more particularly described in the section headed "Regulatory implications" below.

LETTER FROM THE BOARD

The Issue Price

The Issue Price of HK\$0.4 per Consideration Share represents:

- (i) a discount of approximately 34.43% to the closing price of HK\$0.61 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 40.30% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 39.39% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.66 per Share;
- (iv) a discount of approximately 38.46% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.65 per Share;
- (v) a discount of approximately 31.03% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.58 per Share; and
- (vi) a premium of approximately 66.67% over the audited consolidated net assets attributable to the Shareholders of approximately HK\$0.24 per Share (based on the audited consolidated net assets attributable to the Shareholders of approximately RMB549.1 million (equivalent to approximately HK\$686.4 million) as at 31 December 2014 and 2,855,000,000 Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to, among other things, (i) prevailing market prices of the Shares; (ii) the financial performance of the Group; and (iii) the current market conditions.

Conditions precedent

Acquisition Completion is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions:

- (i) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Ziegler Group;
- (ii) the Vendor being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Group;
- (iii) all necessary consents and approvals required to be obtained on the respective part of the Vendor, Ziegler and CIMC (HK) in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;
- (iv) all necessary consents and approvals required to be obtained on the respective part of the Purchaser and the Company in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;

LETTER FROM THE BOARD

- (v) the Purchaser having received a legal opinion issued by legal adviser(s) appointed by the Purchaser (including but not limited to the German legal adviser) in such form and substance to the satisfaction of the Purchaser, confirming the valid subsistence of the members of the Ziegler Group;
- (vi) the passing of the resolution by the Independent Shareholders at the EGM approving the Acquisition Agreement and transactions contemplated thereunder, including but not limited to the allotment and issuance of the Consideration Shares and the Whitewash Waiver, in compliance with the requirements of the Listing Rules and the Takeovers Code;
- (vii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares;
- (viii) the Executive having granted the Whitewash Waiver;
- (ix) the Acquisition Agreement and the transactions contemplated thereunder not being treated as a reverse takeover under Rule 14.06(6) of the Listing Rules;
- (x) the Disposal Agreement becoming unconditional and Disposal Completion having taken place;
- (xi) the warranties given by the Purchaser under the Acquisition Agreement remaining true, accurate and not misleading;
- (xii) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading;
- (xiii) there being no material adverse changes on any member of the Ziegler Group since the date of the Acquisition Agreement; and
- (xiv) save for the disclosures in the Acquisition Agreement, there being no material adverse changes on any member of the Group since the date of the Acquisition Agreement.

The Purchaser may at any time exercise its discretions to waive the conditions set out in (i), (xii) and (xiii) above by notice in writing to the Vendor. The Vendor may at any time exercise its discretions to waive the conditions set out in (ii), (xi) and (xiv) above by notice in writing to the Purchaser. The circumstances under which conditions (i), (xii) and (xiii) can be waived by the Purchaser and/or that conditions (ii), (xi) and (xiv) can be waived by the Vendor include in the event that some minor defects have been detected in the results of the due diligence review or there exists some minor breaches of the Vendor's warranties and/or the Purchaser's warranties or there occur a material adverse change on an insignificant member of the Group and/or the Ziegler Group. The Company considers that such provisions allow flexibility for each of the Purchaser and the Vendor and enable the parties to proceed with the Acquisition Completion in circumstances where only minor defects in the due diligence review have been detected and/or minor breaches of the parties' warranties exist while all other conditions precedent which are incapable of being waived have been fulfilled. Save for the aforementioned, none of the conditions set out above can be waived by any party under the Acquisition Agreement. As at the Latest Practicable Date, the Purchaser had no intention to waive conditions (i), (xii) and/or (xiii) and the Vendor had no intention to waive conditions (ii), (xi) and/or (xiv). As at the Latest Practicable Date, none of the above conditions had been fulfilled.

LETTER FROM THE BOARD

If any of the above conditions is not fulfilled or waived (as the case may be) by 12:00 noon on 30 June 2015 (or such later date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall terminate and neither party to the Acquisition Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any).

Completion

Acquisition Completion shall take place on the 10th Business Day after all the conditions precedent under the Acquisition Agreement have been fulfilled (or waived, as the case may be) or such other date as may be agreed by the Purchaser and the Vendor.

Specific warranties by the Vendor

The Vendor represents and warrants to the Purchaser and the Company that:

- (i) the net assets of the Ziegler Group shall be not less than EUR29 million as at the date of Acquisition Completion. In order to determine the net assets of the Ziegler Group, the Purchaser is entitled to request the Vendor to provide relevant supporting documents. In the event that the Purchaser is not satisfied with the Vendor's supporting documents for determination of the net assets of the Ziegler Group and the parties cannot reach consensus within 30 days after the date of Acquisition Completion, the Purchaser shall nominate an independent German accountant to determine the net assets of the Ziegler Group as at the date of Acquisition Completion in accordance with generally accepted accounting principles in Germany or relevant jurisdictions of the members of the Ziegler Group. The Vendor shall pay to the Purchaser an amount in cash equivalent to 40% of any shortfall of the net assets of the Ziegler Group within 5 Business Days after the determination of the net assets of the Ziegler Group as at the date of Acquisition Completion;
- (ii) subject to the relevant rules and regulations, articles of association of CIMC and relevant internal procedures, the Vendor shall, after Acquisition Completion and according to the Company's working capital requirement, arrange banking facilities of not less than RMB180 million to support the business development of the Company; and
- (iii) after Acquisition Completion, the Company shall have the right of first refusal to take up all proposed investments or acquisitions in the fire engine industry in the PRC by CIMC. CIMC shall provide financial support to the Company, at prevailing market rate, for the completion of the proposed investments or acquisitions

Specific warranties by the Purchaser

The Purchaser represents and warrants to the Vendor and CIMC (HK) that the net assets of the Group (after Disposal Completion and distribution of dividend, if any) shall be not less than RMB450 million as at the date of Acquisition Completion. In order to determine the net assets of the Group, the Vendor is entitled to request the Purchaser to provide relevant supporting documents. In the event that the Vendor is not satisfied with the Purchaser's supporting documents for determination of the net assets of the Group and the parties cannot reach consensus within 30 days after the date of Acquisition Completion, the Vendor shall nominate an independent Hong Kong accountant to determine the net assets of the Group as at the date of Acquisition Completion in accordance with generally accepted accounting principles in Hong Kong or relevant jurisdictions of the members of the Group. The Purchaser shall pay to the Vendor an amount in cash equivalent to 42.86% of any shortfall of the net assets of the Group within 5 Business Days after the determination of the net assets of the Group as at the date of Acquisition Completion.

LETTER FROM THE BOARD

The Purchaser further warrants to the Vendor that (i) the Board shall comprise five executive Directors and three independent non-executive Directors; and (ii) the Purchaser shall procure the Board to convene a Board meeting immediately after Acquisition Completion to consider whether the candidates as nominated by the Vendor are fit and proper to act as new Directors and, if thought fit, to approve the appointment of three new Directors to be nominated by the Vendor, one of whom shall be nominated as the chairman of the Company. For the avoidance of doubt, the right to nomination is a contractual term under the Acquisition Agreement and is one-off in nature. Any change to the Board will only be made in compliance with the Takeovers Code and the Listing Rules. The biographical details of the three potential candidates identified by the Vendor for nomination as new Directors are set out below:

(i) Zuhua Zheng

Mr. Zuhua Zheng (“**Mr. Zheng**”), aged 52, has been the chief executive officer of Pteris Global Limited since November 2013. Prior to this, Mr. Zheng had been the general manager of Shenzhen CIMC-Tianda Airport Support Ltd. (which is one of the biggest manufacturers of passenger board bridge in the world) from July 2000 to November 2013. Mr. Zheng has extensive experience in machinery manufacturing business and has over 30 years of experience in engineering field. Mr. Zheng obtained a bachelor degree of engineering from Huazhong University of Science and Technology in 1983, a master degree of mechanical engineering from Southwest Jiaotong University in 1987 and a master degree of business administration from Peking University, Guanghua School of Management in 2002.

(ii) Yinhui Li

Mr. Yinhui Li (“**Mr. Li**”), aged 47, has been (a) vice president of CIMC since March 2004, (b) the chairman of C&C Trucks Co., Ltd. since April 2011, and (c) the chairman of the supervisory board of Ziegler since December 2013. Mr. Li has relevant experience in management of an enterprise in vehicle manufacturing business for over 10 years. Mr. Li obtained a bachelor degree of arts (History) and a doctorate degree in world economy from Jilin University in 1991 and 2001 respectively, and a master degree of business administration from Nanjing University in 1997.

(iii) Youjun Luan

Mr. Youjun Luan (“**Mr. Luan**”), aged 51, is currently the chairman and chief executive officer of Ziegler, the chairman of Xinfu Airport Equipment Ltd. and the vice chairman of Shenzhen CIMC-Tianda Airport Support Ltd. Mr. Luan joined Shenzhen CIMC-Tianda Airport Support Ltd. since 1993 and is currently responsible for the day to day management of Ziegler and overseeing the operation of Xinfu Airport Equipment Ltd. and Shenzhen CIMC-Tianda Airport Support Ltd. Mr. Luan has extensive experience in management of machinery manufacturing business. Mr. Luan obtained a bachelor degree of mechanical engineering from Dalian University of Technology in 1986, a master degree of mechanical engineering from Dalian University of Technology in 1989 and an executive master degree of business administration from Tsinghua University in 2006.

None of the above three potential candidates identified by the Vendor for nomination as new Directors had any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date. The Vendor believes that based on the knowledge and experience of the aforesaid three potential candidates, they can contribute to the businesses of the Group and the Ziegler Group and the future development of the Company.

LETTER FROM THE BOARD

Pursuant to article 58 of the articles of association of the Company (the “**Company Articles**”), the Shareholders holding not less than one-tenth of the voting rights of the Company shall at all times have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition including but not limited to the requisition to nominate any new Director(s). The Board would like to emphasise that the right to nomination shall be distinguished from the right to appointment, of which the former will be subject to further scrutiny and examination by the nomination committee of the Company and compliance with the relevant Listing Rules and code on corporate governance practices. In other words, the “right to nomination” does not mean an automatic “right to appointment”. Any nominated candidates shall in any event undergo two examination processes, namely (i) the endorsement by the nomination committee and remuneration committee of the Company for recommendation to the Board; and (ii) the approval by the Board.

Taking into consideration (i) that the Vendor would in any event be entitled to exercise its members’ requisition right to nominate any Director(s) when it becomes interested in 10% or more of the voting rights of the Company after Acquisition Completion; (ii) the safeguards of the nomination committee of the Company; and (iii) that any Director(s) appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall only hold office until the next following annual general meeting of the Company and be subject to re-election at such meeting in accordance with article 86(3) of the Company Articles, the Board considers that the grant of such nomination right to the Vendor would not be more favourable than what is generally available to other Shareholder(s) in case such Shareholder(s) holds one-tenth or more of the voting rights of the Company.

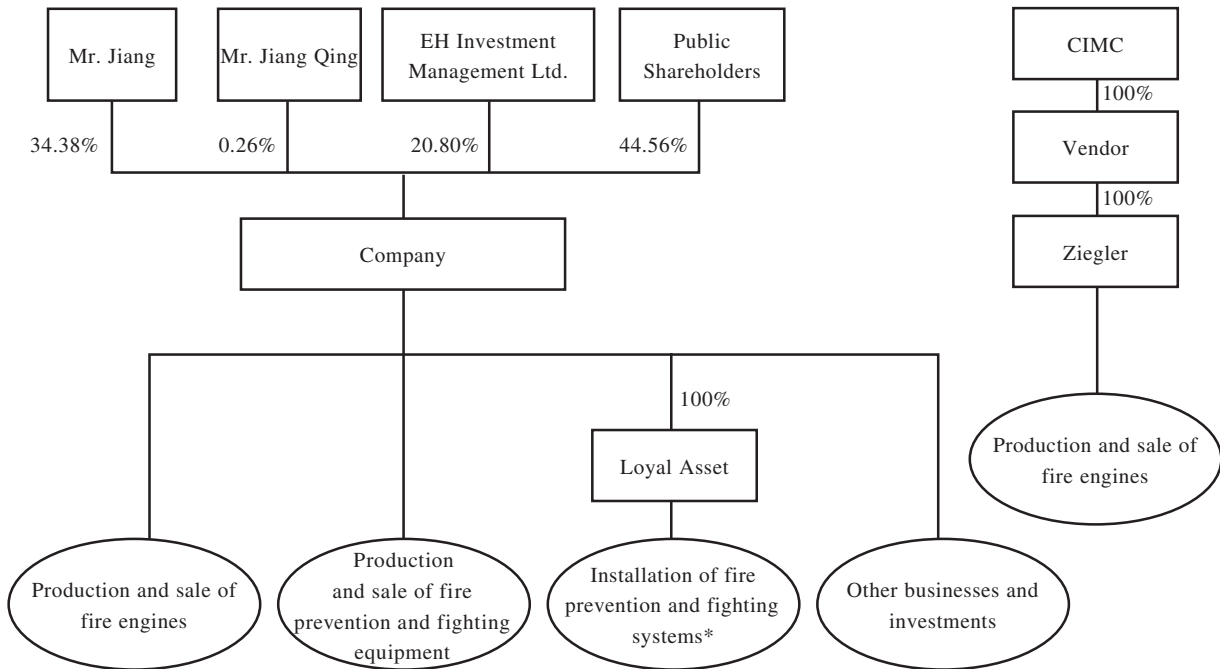
INFORMATION ON THE GROUP

The Group is principally engaged in (i) the production and sale of fire engines; (ii) the production and sale of fire prevention and fighting equipment; (iii) the installation of fire prevention and fighting systems; and (iv) other businesses and investments.

LETTER FROM THE BOARD

Simplified group structure immediately before and after Acquisition Completion and Disposal Completion

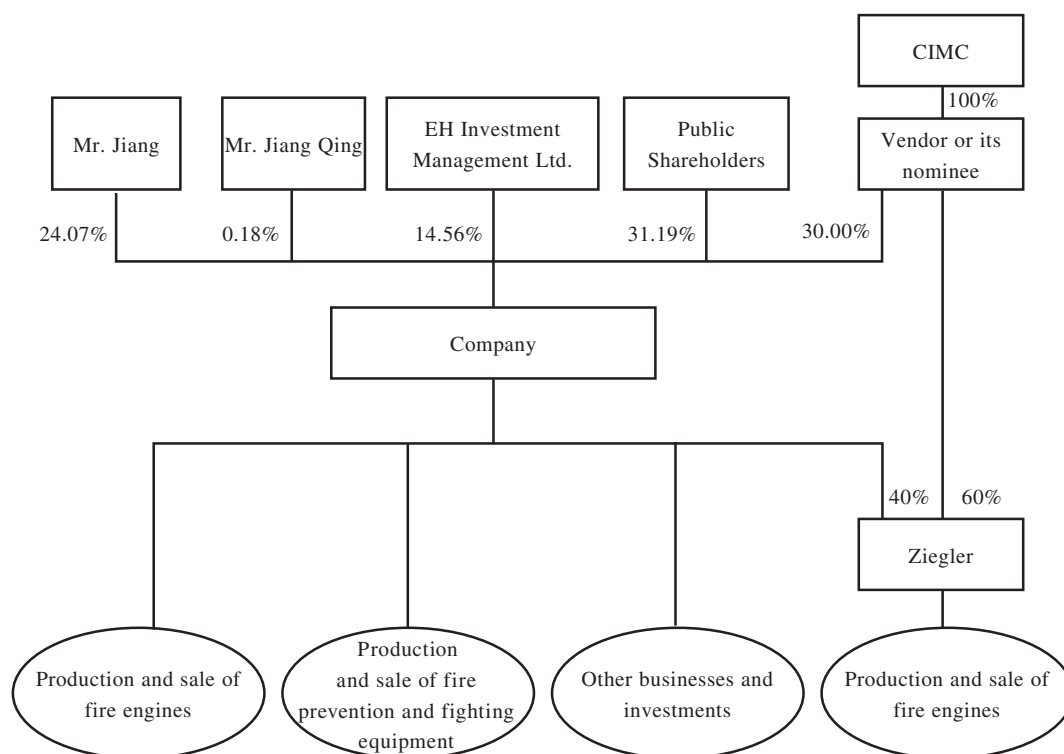
The simplified charts below show in summary the group structure of the Company and Ziegler as at the Latest Practicable Date:



* Apart from installation of fire prevention and fighting systems, the Disposal Group maintained a minimal operation in the production and sale of fire prevention and fighting equipment.

LETTER FROM THE BOARD

The simplified chart below shows in summary the group structure of the Company immediately after Acquisition Completion and Disposal Completion:



Shareholding structure of the Company

The following table illustrates the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Acquisition Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the date of the Acquisition Agreement and up to the date of Acquisition Completion):

	(i) As at the Latest Practicable Date		(ii) Immediately after Acquisition Completion	
	Shares	Approximate %	Shares	Approximate %
Mr. Jiang <i>(note i)</i>	981,600,000	34.38	981,600,000	24.07
Mr. Jiang Qing <i>(note i)</i>	7,500,000	0.26	7,500,000	0.18
EH Investment Management Ltd. <i>(note ii)</i>	593,750,000	20.80	593,750,000	14.56
The Vendor or its nominee <i>(note iii)</i>	0	0	1,223,571,430	30.00
	1,582,850,000	55.44	2,806,421,430	68.81
Public Shareholders	1,272,150,000	44.56	1,272,150,000	31.19
Total	2,855,000,000	100.00	4,078,571,430	100.00

LETTER FROM THE BOARD

Notes:

- (i) Mr. Jiang and Mr. Jiang Qing are executive Directors. Mr. Jiang is the brother of Mr. Jiang Qing.
- (ii) The entire share capital of EH Investment Management Ltd. is beneficially owned by Mr. Ngan Lek.
- (iii) The Vendor is an indirect wholly-owned subsidiary of CIMC.
- (iv) The Vendor does not consider itself or any parties acting in concert with it as a party acting in concert or to be acting in concert with Mr. Jiang and Mr. Jiang Qing as at the Latest Practicable Date and after Acquisition Completion. Immediately after Acquisition Completion, Mr. Jiang and Mr. Jiang Qing will be interested in approximately 24.07% and approximately 0.18% of the issued share capital of the Company respectively whilst the Vendor or its nominee will be interested in approximately 30% of the issued share capital of the Company. Accordingly, the Vendor will be presumed to be acting in concert with Mr. Jiang and Mr. Jiang Qing immediately after Acquisition Completion under class (1) of the definition of acting in concert pursuant to the Takeovers Code. The Vendor, Mr. Jiang and Mr. Jiang Qing have made an application to the Executive for a rebuttal of the presumption of acting in concert between the Vendor, Mr. Jiang and Mr. Jiang Qing.

INFORMATION ON THE ZIEGLER GROUP

Background

Ziegler is a limited liability company incorporated in Germany. It was incorporated by VRB Vorratsgesellschaften GmbH, being an independent third party of CIMC, on 14 August 2013 and transferred to the CIMC Group in November 2013 solely for the purpose of effecting a transaction (the “**2013 Acquisition**”) to acquire certain assets (such as fixed assets, other receivables and intangible assets) and liabilities relating to employees and product warranty (the “**Headquarter Assets**”), and equity interests in certain operating subsidiaries (the “**Operating Subsidiaries**”) of another limited liability company in Germany (the “**Entity**”) relating to the business of development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components (collectively, the “**Acquired Entity Assets**”) from the insolvency administrator on behalf of the Entity. The 2013 Acquisition was completed on 13 December 2013. The Ziegler Group is one of the leading producers of fire trucks globally and is principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components, which are in the same lines of businesses as the existing businesses of the Group.

The business of the Entity was founded in 1891 and was ultimately owned by and operated by its founding family (with historical commercial register record which can be traced back for over 50 years) prior to the appointment of the insolvency administrator in 2011 and the subsequent acquisition by Ziegler in 2013 (as elaborated below). As one of the top five producers of fire trucks globally, the Ziegler Group manufactures more than 500 vehicles annually and is known for its high quality craftsmanship as well as its technology leadership in customized fire trucks and water pumps for firefighting worldwide. At present, the Ziegler Group owns and operates six manufacturing plants in Europe.

In 2009, certain legal proceedings were initiated by the German anti-trust authority against the Entity. After settlement of the aforesaid legal proceedings which involved payment of substantial penalties, the Entity filed for insolvency in August 2011. Since the filing of insolvency, the business operations of the Entity and its subsidiaries were maintained by the insolvency administrator, who is a third party independent of the Company and the Vendor. On 13 December 2013, Ziegler acquired the Acquired Entity Assets from the Entity through a public auction process conducted by the insolvency administrator for a consideration of EUR58.89 million (equivalent to approximately HK\$518.2 million). As advised by the Vendor, the consideration of the 2013 Acquisition was arrived at after arm’s length negotiations among relevant parties and by making reference to, inter alia, the underlying business prospects and development potential of the business of the Entity. The Entity has not conducted any business operation since the 2013 Acquisition and is still in existence.

LETTER FROM THE BOARD

Financial information

Based on the accountant's report of the Ziegler Group prepared in accordance with Hong Kong Financial Reporting Standards as set out in Appendix IIA to this circular, the audited consolidated net assets of the Ziegler Group was approximately EUR31.3 million as at 31 October 2014. Set out below are the audited consolidated financial information of the Ziegler Group for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and the ten months ended 31 October 2014 extracted from the accountant's report of the Ziegler Group set out in Appendix IIA to this circular:

	For the period from 14 August 2013 to 31 December 2013	For the ten months ended 31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Profit/(Loss) before taxation	6,217	(11,112)
Profit/(Loss) after taxation	6,402	(8,556)

For the period from 14 August 2013 to 31 December 2013, the Ziegler Group recorded a profit before taxation of approximately EUR6.2 million and a profit after taxation of approximately EUR6.4 million. Such result reflected the business operation of the Ziegler Group during the period and was mainly attributable to a gain from a bargain of purchase of the Ziegler Group which resulted in a negative goodwill of approximately EUR7.5 million. For the ten months ended 31 October 2014, the Ziegler Group recorded a loss before taxation of approximately EUR11.1 million and a loss after taxation of approximately EUR8.6 million. As advised by the management of the Ziegler Group, the firefighting business of the Ziegler Group and the overall European market exhibit a seasonal pattern and a large proportion of revenue is usually recognised at the end of a calendar year. The result of the Ziegler Group for the ten months ended 31 October 2014 was mainly affected by such seasonal pattern.

Waiver from strict compliance with Rule 14.67(6) of the Listing Rules

Although the Acquisition involves the Company acquiring an equity interest in Ziegler, the Company acknowledges that it is in substance acquiring the businesses conducted by the Acquired Entity Assets which have been held by the Vendor through Ziegler since 13 December 2013, and the Company considers it appropriate to include the three-year historical financial information of the Headquarter Assets, the Operating Subsidiaries and P.T. Ziegler Indonesia (which was acquired by Ziegler in December 2014) in addition to the accountant's report of the Ziegler Group as set out in Appendix IIA to this circular. Nevertheless, the Company considers that it is not technically practicable to include such three-year historical financial information for the reasons as follows:

- (i) as the Acquired Entity Assets were acquired by the Vendor from the insolvency administrator of the Entity via an asset transaction, the insolvency administrator, which is a third party independent of the Vendor and the Company, did not provide the Vendor with full sets of accounting books and records of the Entity. The Vendor had genuine difficulties in obtaining sufficient historical underlying financial data from the independent insolvency administrator. Staff and management changes during the administration period also make it impossible for the Vendor to retrace these records. As such, the Vendor does not possess the necessary records for compiling the full historical financial information of the Headquarter Assets prior to completion of the 2013 Acquisition and it is therefore not technically practicable to prepare a complete set of 2011, 2012 and 2013 financial statements retrospectively on the Acquired Entity Assets. Neither is the reporting accountant allowed to perform any review or audit of such financial information; and

LETTER FROM THE BOARD

- (ii) similarly, there is a lack of reliable underlying accounting records for the Operating Subsidiaries prior to completion of the 2013 Acquisition that can be relied upon for auditing purpose.

The Company considers that the information included in the accountant's report of the Ziegler Group as set out in Appendix IIA to this circular would provide sufficient information to enable the Shareholders to make a properly informed assessment of the Acquisition for the following reasons:

- (i) the accountant's report will include the audited financials of all the Acquired Entity Assets from the date of completion of the 2013 Acquisition. Such financials reflect the latest financial performance and financial position of the Acquired Entity Assets comprising the Ziegler Group. The Company believes that the financial information post-completion of the 2013 Acquisition is reflective of the performance and potential of the business of the Ziegler Group which is under the management and control of the Vendor;
- (ii) the business of the Entity suffered from the anti-trust litigations in previous years and had for a period been managed by the insolvency administrator. The Vendor understands that the then key objective of the insolvency administrator was to preserve the asset value of the Entity and to find a new owner, rather than to grow the business. Therefore, the historical financial performance of the Entity cannot accurately reflect the true and fair state of the business of the Entity. These information thus has little value to the Shareholders in their assessment of the merits of the Acquisition; and
- (iii) the Acquisition Consideration is principally determined based on the latest financial position and future prospects of the business of the Ziegler Group under the management and control of the Vendor. The historical financial information of the Acquired Entity Assets which were managed by the insolvency administrator has no or little bearing on the Acquisition Consideration.

In addition to the information contained in the accountant's report, an alternative disclosure on certain key financial figures of the Headquarters Assets and the Operating Subsidiaries and P.T. Ziegler Indonesia (which was acquired by Ziegler in December 2014) for the three years ended 31 December 2011, 2012 and 2013, namely historical revenue, various cost of sale items, gross profit, selling and distribution expenses, other income, general and administrative expenses (with recurring items and one-off items separately shown) are set out in Appendix IIB to this circular. The Company has engaged PricewaterhouseCoopers Hong Kong to perform agreed-upon procedures on the aforesaid alternative disclosure.

The Company considers that the aforesaid financial information, despite not including audited financial information of the Headquarter Assets, the Operating Subsidiaries and P.T. Ziegler Indonesia (which was acquired by Ziegler in December 2014) for the past three financial years, would provide sufficient information to enable the Shareholders to make a properly informed assessment of the Acquisition. As such, the Company has applied to the Stock Exchange and was granted a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountant's report on the three-year historical financial information of the Headquarter Assets or the Operating Subsidiaries in this circular.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

As the Group has been loss making since the financial year ended 31 December 2009, the management of the Company has been conducting a detailed review of each of the Group's business segments and investments with a view to formulating a corporate strategy to enhance the value of the Company. Among the various business segments of the Group, the production and sale of fire engine segment has built up a strong reputation and solid customer base since it was acquired in 2004 and contributed a significant portion of the Group's revenue and profits in recent financial years. In light of this, the Company intends to dedicate more resources to this business segment and maintain its leading position as one of the top fire engines and equipment manufacturers in the PRC.

Although the business of the Entity was adversely affected by the legal proceedings mentioned in the section headed "Information on the Ziegler Group" above, it was still able to maintain a substantial scale of operation on the back of its long and successful history of operations and product quality. As advised by Ziegler, the legal proceedings arising from the German anti-trust authority were settled in February 2011 with payment of substantial penalty, leading to the Entity filing for insolvency subsequently in August 2011. As at the Latest Practicable Date, neither Ziegler nor any of its subsidiaries is engaged in any material litigation or claims, and so far as the Vendor is aware, no material litigation or claim is pending or threatened by or against any member of the Ziegler Group.

The Company has dealt with the Entity and purchased certain fire trucks and firefighting products from it in the Group's ordinary course of business for almost 10 years and during the period when the Entity was under the administration of the insolvency administrator. As a result, the Company has in the past obtained certain knowledge on the Ziegler Group's products, businesses and know-how and is keen to deepen the commercial relationship with the Ziegler Group to reinforce its fire engine production capabilities. To foster such commercial relationship, the Company is eager on the opportunity to acquire certain stakes of the Ziegler Group from the Vendor. The Directors consider that the Acquisition would allow the Group to realise potential synergies through (i) sharing of the technical know-how between the Group and the Ziegler Group in the development of new models of fire engines, fire equipment and other firefighting products, particularly with respect to the advanced technology and production best-practices possessed by the Ziegler Group, in order to enhance the quality of products of the Company and consolidate its leading position in the PRC; (ii) expansion of the product portfolio offered by the Group; (iii) internal cost savings from the sharing of management resources; (iv) potential economies of scale by maximising the utilisation and output of available resources from both the Group and the Ziegler Group; (v) obtaining direct access to international market particularly the European market; (vi) taking advantage of the existing distribution network of the Ziegler Group; and (vii) tapping into the Vendor's expertise and established relationships with potential new customers (as further elaborated below). Given the size of the Ziegler Group relative to the Group, the Directors consider that the Group shall acquire a minority interest in Ziegler and form a strategic alliance with the Ziegler Group.

Upon Acquisition Completion, Ziegler is expected to be accounted for as an associated company of the Group and the Vendor will become a controlling shareholder of the Company. The Vendor has a strong asset base and substantial size of operations. The Directors consider that the introduction of the Vendor as a controlling shareholder of the Company through the Acquisition is beneficial to the Company taking into account the following factors: (i) the Vendor is involved in the road transportation vehicle business which is relevant to the special purpose vehicle business of the Group and the Ziegler Group; (ii) the Vendor has abundant manufacturing capacity and experiences in terms of the development, production and distribution of a broad range of special purpose vehicles; (iii) the Vendor is involved in the airport facilities equipment business and its close relationships with global airport operators will provide strong support in marketing and selling the Group's advanced firefighting vehicles in new geographical regions;

LETTER FROM THE BOARD

(iv) the Vendor has extensive marketing and sales networks in the PRC and overseas markets which will help the Group in expanding its market coverage after the Acquisition; and (v) with the support of CIMC (by arranging banking facilities for working capital of not less than RMB180 million and providing financial back-up for investments in particular), the Company could speed up its development by both organic growth and acquisitions so as to advance towards the goal of becoming the top fire engines manufacturer in the world.

Apart from the acquisition of the assets of the Ziegler Group, the focal points of the Acquisition are to build up strategic relationship between the Group, CIMC and the Ziegler Group, including but not limited to (i) the Group could improve its product portfolio with the Ziegler Group's technical input; and (ii) in view of no dominant player leading the national market in the production and sale of fire engines (as contrast to regional market) in the PRC, the Group is able to implement its plan to consolidate and lead the market with the working capital support (by arranging banking facilities for working capital of not less than RMB180 million), financial back-up for future merger and acquisition projects, and the sales and relationship network of CIMC. The Company views the Acquisition as the commencement of a long-term strategic cooperation between the Group, CIMC and the Ziegler Group. Save for the Acquisition and the trading transactions, the Group does not have any relationship with CIMC and the Ziegler Group. In the future, the Group, CIMC and the Ziegler Group may or may not decide to strengthen the strategic alliance, depending on the degree of commercial success of the initial cooperation. While the parties have every intention to achieve the expected synergies and to create value for the Company and its Shareholders, the result will depend on many factors, such as macro environment, management style, execution efficiency, and cultural fit between the Chinese and German management members and employees, etc. As at the Latest Practicable Date, the Company had no plan to acquire further interests in Ziegler.

Based on the above, the Directors consider that the Acquisition is consistent with and beneficial to the development strategy of the Group to focus on the core businesses of production and sale of fire engines given the similarity of the Ziegler Group's business with that of the production and sale of fire engines segment of the Group. Leveraging on the reputation and strength of the Ziegler Group and CIMC, the Group is looking forward to a breakthrough in different aspects including technical advancement, sales and marketing, financial attributes and geographical coverage.

Upon Acquisition Completion, it is the intention of the Vendor to continue the existing business (other than installation of fire prevention and fighting systems business) of the Group. The Vendor has no intention to introduce any major changes to the business (including any redeployment of the fixed assets of the Group) or terminate the employment of the existing employees of the Group. Nevertheless, the Vendor may from time to time review the business, operation and/or direction of the Group and may implement such changes with regard to such review.

As at the Latest Practicable Date, save for the Disposal and the issue of the Consideration Shares upon Acquisition Completion, each of the Company and the Vendor had no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) (i) on any material disposal/termination/scaling-down of the existing businesses of the Group; (ii) to inject any other new business to the Group; and (iii) to change the shareholding structure of the Company.

FINANCIAL EFFECTS OF THE ACQUISITION

Assets and liabilities

Based on the unaudited pro forma financial information in Appendix III to this circular, the total assets of the Group as at 31 December 2014 would increase from approximately RMB1,324 million to approximately RMB1,491 million; and its total liabilities as at 31 December 2014 would decrease from approximately RMB721 million to approximately RMB360 million, as a result of the Acquisition.

LETTER FROM THE BOARD

Earnings

Upon Acquisition Completion, Ziegler is expected to be accounted for as an associated company of the Group and its results will be equity accounted for in the consolidated financial statements of the Company. In light of the potential future prospects offered by the Acquisition as stated in the section headed “Reasons for and benefits of the Acquisition” above, the Directors are of the view that the Acquisition will likely contribute positively to the Group. However, the actual effect on earnings will depend on the future financial performance of the Ziegler Group.

REGULATORY IMPLICATIONS

Takeovers Code implications

As at the Latest Practicable Date, each of CIMC, the Vendor and parties acting in concert with any of them did not hold any Shares. Immediately after Acquisition Completion, the Vendor and parties acting in concert with it will be interested in 1,223,571,430 Shares, representing approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date and up to Acquisition Completion). Under Rule 26.1 of the Takeovers Code, the Vendor would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it as a result of the allotment and issuance of the Consideration Shares to the Vendor (or its nominee) pursuant to the Acquisition Agreement, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The granting of the Whitewash Waiver is a condition precedent for Acquisition Completion which is not capable of being waived. If the Whitewash Waiver is not obtained, the Acquisition will not proceed.

Listing Rules implications

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As at the date of the Acquisition Agreement, Ziegler was wholly-owned by the Vendor. As the Vendor will become a controlling Shareholder upon Acquisition Completion, the Acquisition also constitutes a connected transaction for the Company under Rule 14A.28(1) of the Listing Rules and is subject to the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Mr. Jiang and Mr. Jiang Qing, both being executive Directors, have abstained from voting at the Board meeting which approved the Acquisition Agreement.

GENERAL

The Independent Board Committee comprising Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li, being all the independent non-executive Directors, has been established to give a recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. Platinum Securities has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

The voting in respect of the Acquisition and the Whitewash Waiver at the EGM will be conducted by way of a poll. The Vendor, Mr. Jiang, Mr. Jiang Qing, their respective associates and parties acting in concert with any of them and those who are involved in or interested in the Acquisition and the Whitewash Waiver shall abstain from voting on the resolution approving the Acquisition and the Whitewash Waiver at the EGM. As at the Latest Practicable Date, (i) the Vendor and parties acting in concert with it did not hold any Shares; and (ii) Mr. Jiang and Mr. Jiang Qing are interested in 981,600,000 Shares and 7,500,000 Shares, representing approximately 34.38% and 0.26% of the existing issued share capital of the Company respectively.

EGM

The notice convening the EGM to be held immediately after the conduction of the annual general meeting of the Company which is scheduled to be held at 3:00 p.m. on 22 May 2015 (Friday) at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Directors consider that (i) the terms of the Acquisition Agreement are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned although the Acquisition is not in the ordinary and usual course of business of the Group; and (ii) the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

The Independent Board Committee, having considered the advice of Platinum Securities, is of the opinion that (i) the terms of the Acquisition Agreement are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver. You are advised to read carefully the letter from the Independent Board Committee set out on pages 23 to 24 of this circular. You are also advised to read carefully the letter from Independent Financial Adviser on pages 25 to 49 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
On behalf of the Board of
China Fire Safety Enterprise Group Limited
Li Ching Wah
Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver.



China Fire Safety Enterprise Group Limited

中國消防企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

28 April 2015

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 40% EQUITY INTEREST IN ALBERT ZIEGLER GMBH
INVOLVING THE ISSUE OF CONSIDERATION SHARES
AND
APPLICATION FOR WHITEWASH WAIVER BY
CIMC TOP GEAR B.V. (A WHOLLY-OWNED SUBSIDIARY OF
CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.)**

We refer to the circular of the Company dated 28 April 2015 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, (i) the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the ordinary and usual course of business of the Group; and (ii) the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Platinum Securities has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 25 to 49 of the Circular.

Having considered the terms of the Acquisition Agreement and the advice of Platinum Securities, we are of the opinion that (i) the terms of the Acquisition Agreement are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned although the Acquisition is not in the ordinary and usual course of business of the Group; and (ii) the Acquisition and the Whitewash

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Waiver are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee

Dr. Loke Yu
*Independent non-executive
Director*

Mr. Heng Ja Wei
*Independent non-executive
Director*

Ms. Sun Guo Li
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000

Facsimile (852) 2522 2700

Website www.platinum-asia.com

28 April 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 40% EQUITY INTEREST IN ALBERT ZIEGLER GMBH
INVOLVING THE ISSUE OF CONSIDERATION SHARES
AND
(2) APPLICATION FOR WHITEWASH WAIVER BY CIMC TOP GEAR B.V.**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition contemplated under the Acquisition Agreement and the Whitewash Waiver (collectively, the "Transaction"). Details of the Transaction are contained in the Letter from the Board as set out in the circular of the Company dated 28 April 2015 (the "Circular"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that on 27 February 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor (an indirect wholly-owned subsidiary of CIMC), the Company and CIMC (HK) (a direct wholly-owned subsidiary of CIMC) entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan at a consideration of HK\$489,428,572, which shall be satisfied by the Company by way of allotment and issuance of 1,223,571,430 Consideration Shares at the Issue Price of HK\$0.4 per Consideration Share to the Vendor (or its nominee).

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As at the Latest Practicable Date, each of CIMC, the Vendor and parties acting in concert with them does not hold any Shares. Immediately after Acquisition Completion, the Vendor and parties acting in concert with it will be interested in 1,223,571,430 Shares, representing approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date and up to Acquisition Completion). Under Rule 26.1 of the Takeovers Code, the Vendor would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it as a result of the allotment and issue of the Consideration Shares to the Vendor (or its nominee) pursuant to the Acquisition Agreement, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The granting of the Whitewash Waiver is a condition precedent for Acquisition Completion which is not capable of being waived. If the Whitewash Waiver is not obtained, the Acquisition will not proceed.

BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Transaction is in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: (i) the Acquisition Agreement; (ii) the audited annual report of the Group for the financial year ended 31 December 2012 (the “2012 Annual Report”); (iii) the audited annual report of the Group for the financial year ended 31 December 2013 (the “2013 Annual Report”); (iv) the audited annual report of the Group for the financial year ended 31 December 2014 (the “2014 Annual Report”).

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, which we have relied on the same, are true, complete and accurate in all material respects as of the date hereof and we have relied on the same. Up to the time of the Acquisition Completion, if there are any material changes on the information, facts, opinions and representations contained in the Circular and information, statements and representations provided to us by the Directors and/or the management of the Company, the Independent Shareholders will be notified as soon as practicable. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

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The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular (other than those relating to the Ziegler Group and the Vendor and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement in the Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Ziegler Group and the Vendor and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The directors of the Vendor jointly and severally accept full responsibility for the accuracy of the information (other than those relating to the Group) contained in the Circular relating to the Ziegler Group and the Vendor and parties acting in concert with it, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors, directors of the Vendor, management of the Company and/or management of the Vendor. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors, directors of the Vendor, management of the Company and/or management of the Vendor, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group or Ziegler Group. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion, and we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

During the past two years, Platinum Securities Company Limited had no past engagement with the Company. As at the Latest Practicable Date, we are independent from the Company or any other party to the Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transaction. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

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The managing director of Platinum Securities Company Limited, Mr. Liu Chee Ming (“Mr. Liu”), in his personal capacity was a non-executive director of CIMC Raffles Offshore (Singapore) Limited (now known as CIMC Raffles Offshore (Singapore) Pte. Ltd., “CIMC Raffles”) from 3 June 2012 to 4 May 2013. CIMC Raffles is currently a wholly-owned subsidiary of CIMC. We do not consider Mr. Liu’s directorship mentioned above would affect the objectivity of our advice, given the fact that (i) Mr. Liu was a non-executive director of CIMC Raffles and his resignation was effective on 4 May 2013, which was more than 23 months from the Latest Practicable Date; (ii) CIMC Raffles is a wholly-owned subsidiary of CIMC, however, it represents an insignificant portion of the whole business of CIMC (for the year ended 31 December 2012, CIMC Raffles’ revenue only represented approximately 3.4% of CIMC’s consolidated total and its net assets only represented approximately 6.3% of CIMC’s consolidated total). CIMC Raffles was making loss from the financial year ended 31 December 2010 to the financial year ended 31 December 2013 and therefore did not contributed any profit to CIMC during the period; (iii) from a business perspective, CIMC Raffles is not in a business relating to the Acquisition. CIMC Raffles is a deep-water offshore equipment manufacturer, which is unrelated to the business of Ziegler (i.e. business of development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components); and (iv) Mr. Liu, as a non-executive director of CIMC Raffles, did not involve in management, operation or business decision making of CIMC Raffles. Furthermore, Mr. Liu is not related to any directors or management of CIMC and he has not received any type of compensation from CIMC Raffles except a nominal director fee in the amount of Singapore Dollar 4,084 per month until December 2012, which was more than 2 years before the Latest Practicable Date.

As at the Latest Practicable Date, certain non-discretionary client accounts of Platinum Broking Company Limited, a broking company which is under the same control as Platinum Securities Company Limited, held in aggregate of 250,000 Shares, which represents approximately 0.00876% of the Company’s total issued share capital. We do not consider these shareholding interests mentioned above would affect the objectivity of our advice, given the fact that (i) the interests so held are immaterial; (ii) neither our group nor our relevant employees directly or indirectly hold any shares, option, warrants or other equity related interests in any party related to the Transaction.

Accordingly, we consider ourselves suitable to give independent financial advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the ordinary and usual course of business of the Group and that the entering into the Transaction is in the interests of the Company and the Shareholders as a whole.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

A. THE ACQUISITION

1. Background of the Acquisition

On 27 February 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor (an indirect wholly-owned subsidiary of CIMC), the Company and CIMC (HK) (a direct wholly-owned subsidiary of CIMC) entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan at a consideration of HK\$489,428,572, which shall be satisfied by the Company by way of allotment and issuance of 1,223,571,430 Consideration Shares at the Issue Price of HK\$0.4 per Consideration Share to the Vendor (or its nominee).

1.1 Information on the Group

The Group is principally engaged in (i) the production and sale of fire engines; (ii) the production and sale of fire prevention and fighting equipment; (iii) the installation of fire prevention and fighting systems; and (iv) other businesses and investments. Tabularised below is a summary of the financial performance of the Group as extracted from the 2013 Annual Report and the 2014 Annual Report.

Table 1: Financial information of the Group

Consolidated Income Statement	For the financial year ended 31 December 2012	For the financial year ended 31 December 2013	For the financial year ended 31 December 2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Turnover	969,273	836,812	846,828
Gross profit	102,170	91,630	95,810
Loss for the year	(22,136)	(161,730)	(502,039)

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From table 1 above, we noted that turnover of the Group decreased by approximately 12.6% from RMB969.3 million for the financial year ended 31 December 2012 (“FY2012”) to RMB846.8 million for the financial year ended 31 December 2014 (“FY2014”). Loss widened from RMB22.1 million for FY2012 to RMB502.0 million for FY2014. According to the 2013 Annual Report and the 2014 Annual Report, losses were mainly due to allowance for doubtful debts arising from the old age trade receivables from the installation business, impairment loss on goodwill associated with the installation business, and impairment loss on the assets of the guest house. 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 fact, the Group did not pay any dividend to the Shareholders during the time.

With reference to the 2014 Annual Report, we also noted that during FY2014, the Group has completed the disposal of three subsidiaries which were engaged in the trading of fire engines and firefighting and rescue equipment, the operation of a guest house and the production and sale of fire prevention and fighting equipment. In February 2015, the Group entered into the Disposal Agreement to dispose of the Disposal Group, which was mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The abovementioned discontinued operations recorded loss of approximately RMB487.8 million for FY2014 as compared to loss of approximately RMB159.8 million for the financial year ended 31 December 2013 (“FY2013”). The loss for FY2014 from discontinued operations accounted for 97.2% of the total loss of the Group for FY2014. We are of the view that the Group’s loss for FY2014 was mainly attributable to the discontinued operations.

1.2 Information on the Ziegler Group

Ziegler is a limited liability company incorporated in Germany. It was incorporated by VRB Vorratsgesellschaften GmbH, being an independent third party of CIMC, on 14 August 2013 and transferred to the CIMC Group in November 2013 solely for the purpose of effecting a transaction (the “2013 Acquisition”) to acquire certain assets (such as fixed assets, other receivables and intangible assets) and liabilities relating to employees and product warranty (the “Headquarter Assets”), and equity interests in certain operating subsidiaries (the “Operating Subsidiaries”) of another limited liability company in Germany (the “Entity”) relating to the business of development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components (collectively, the “Acquired Entity Assets”) from the insolvency administrator on behalf of the Entity. The 2013 Acquisition was completed on 13 December 2013. The Ziegler Group is one of the leading producers of fire trucks globally and is principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components, which are in the same lines of businesses as the existing businesses of the Group.

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The business of the Entity was founded in 1891 and was ultimately owned by and operated by its founding family (with historical commercial register record which can be traced back for over 50 years) prior to the appointment of the insolvency administrator in 2011 and the subsequent acquisition by Ziegler in 2013. As one of the top five producers of fire trucks globally, the Ziegler Group manufactures more than 500 vehicles annually and is known for its high quality craftsmanship as well as its technology leadership in customized fire trucks and water pumps for firefighting worldwide. At present, the Ziegler Group owns and operates six manufacturing plants in Europe.

In 2009, certain legal proceedings were initiated by the German anti-trust authority against the Entity. After settlement of the aforesaid legal proceedings which involved payment of substantial penalties, the Entity filed for insolvency in August 2011. Since the filing of insolvency, the business operations of the Entity and its subsidiaries were maintained by the insolvency administrator, who is a third party independent of the Company and the Vendor. On 13 December 2013, Ziegler acquired the Acquired Entity Assets from the Entity through a public auction process conducted by the insolvency administrator for a consideration of EUR58.89 million (equivalent to approximately HK\$518.2 million). As advised by the Vendor, the consideration of the 2013 Acquisition was arrived at after arm's length negotiations among relevant parties and by making reference to, inter alia, the underlying business prospects and development potential of the business of the Entity. The Entity has not commenced any business operation since the 2013 Acquisition and is still in existence.

1.3 Information on the Vendor and CIMC

The Vendor, CIMC Top Gear B.V., a company incorporated in the Netherlands with limited liability, an indirect wholly-owned subsidiary of CIMC. CIMC Top Gear B.V. is principally engaged in investment holding and directly holds 100% of Ziegler Group.

CIMC is a world leading equipment and solution provider in the logistics and energy industries and are principally engaged in the manufacture of containers, energy, chemical and liquid food equipment, offshore engineering equipment and airport facilities as well as the provision of relevant services, including the design and manufacture of international standard dry containers, reefer containers, regional special containers, tank containers, wooden container floorboards, road tank trucks, gas equipment and static tanks, road transportation vehicles, jack-up drilling platforms, semisubmersible drilling platforms, special vessels and passenger boarding bridges, air cargo handling systems, ground vehicles with specific purpose and automatic parking system and the provision of relevant services. In addition, CIMC Group is also engaged in logistics equipment manufacturing and service, real estate development, finance and other businesses.

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2. Reasons for and benefits of entering into of the Acquisition Agreement

2.1 *The Group has been making losses since the financial year ended 31 December 2009. The Acquisition may enhance the value of the Group*

Based on our review of 2012 Annual Report, 2013 Annual Report and 2014 Annual Report, the Group has been making losses since the financial year ended 31 December 2009, the management of the Company has been conducting a detailed review of each of the Group's business segments and investments with a view to formulating a corporate strategy to enhance the value of the Group. Among the various business segments of the Group, the production and sale of fire engine segment has built up a strong reputation and solid customer base since it was acquired in 2004 and contributed a significant portion of the Group's revenue and profits in recent financial years. In light of this, the Company intends to dedicate more resources to this business segment and maintain its leading position as one of the top fire engines and equipment manufacturers in the PRC.

As discussed in the section headed "Information on the Ziegler Group" above, the Ziegler Group is one of the leading producers of fire trucks globally, which are in the same lines of businesses as the existing production and sale of fire engine businesses of the Group and will enhance the existing businesses of the Group after the Acquisition.

Although the business of the Entity was adversely affected by the legal proceedings mentioned in the section headed "Information on the Ziegler Group" above, it was still able to maintain a substantial scale of operation on the back of its long and successful history of operations and product quality. As advised by Ziegler, the legal proceedings arising from the German anti-trust authority were settled in February 2011. As at the Latest Practicable Date, neither Ziegler nor any of its subsidiaries is engaged in any material litigation or claims, and so far as the Vendor is aware, no material litigation or claim is pending or threatened by or against any member of the Ziegler Group. In order to confirm this, we have reviewed the relevant audited financial information of Ziegler Group for the ten months ended 31 October 2014.

2.2 *Ziegler Group was backed by a long and successful history of operations and product quality*

The business of the Entity was founded in 1891 and was ultimately owned by and operated by its founding family (with historical commercial register record which can be traced back for over 50 years) prior to the appointment of the insolvency administrator in 2011 and subsequent acquisition by Ziegler in 2013. As one of the top five producers of fire trucks globally, the Ziegler Group manufactures more than 500 vehicles annually and is known for its high quality craftsmanship as well as its technology leadership in customized fire trucks and water pumps for fire fighting worldwide. At present, the Ziegler Group owns and operates six manufacturing plants in Europe.

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As advised by the management of Ziegler, in terms of revenue, Ziegler ranks number five among global fire truck producers. In 2014, Ziegler owned a market share of approximately 30% in Germany and approximately 3.5% globally. Moreover, Ziegler currently holds various patents for fire fighting equipments, such as TS heat exchanger, high pressure washer with rotating jets, rack for ladder, fire hose with temperature insulation, cavitations warning and etc.

2.3 *There was almost 10 years of business cooperation between the Company and Ziegler Group. The Acquisition will realise potential synergies between the Company and Ziegler Group.*

The Company has dealt with the Entity and purchased certain fire trucks and firefighting products from it in the Group's ordinary course of business for almost 10 years. As a result, the Company has in the past obtained certain knowledge on the Ziegler Group's products, businesses and its know-how and is keen to deepen the commercial relationship with the Ziegler Group to reinforce its fire engine production capabilities.

The Directors consider that the Acquisition would allow the Group to realise potential synergies through:

- (i) sharing of the technical know-how between the Group and the Ziegler Group in the development of new models of fire engines, fire equipment and other firefighting products, particularly with respect to the advanced technology and production best-practices possessed by the Ziegler Group, in order to enhance the quality of products of the Company and consolidate its leading position in China. As mentioned above in the section headed "Ziegler Group was backed by a long and successful history of operations and product quality", in terms of product technology and market share, Ziegler Group is the number five in the global fire truck market;
- (ii) expansion of the product portfolio offered by the Group. As at the Latest Practicable Date, the Group produced approximately 102 models of fire engines. As discussed with the management of the Company, after the Acquisition, the management of the Company expects they can offer a broader range of fire trucks and add Ziegler pumps, components, alpas, and potentially other product ranges such as hose maintenance units to the Company's product portfolio, after sharing the product technology from Ziegler Group;
- (iii) internal cost savings from the sharing of management resources. As discussed with the management of the Company, the Company and Ziegler will share management resources and information after the Acquisition and management from both companies will join the potential joint ventures to be established by both companies;

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- (iv) potential economies of scale by maximising the utilisation and output of available resources from both the Group and the Ziegler Group;
- (v) obtaining direct access to international market particularly the European market;
- (vi) taking advantage of the existing distribution network of the Ziegler Group. As at the Latest Practicable Date, Ziegler Group's products are distributing to about 40 countries in Europe and Asia. After the Acquisition, the Company may share the distribution network of Ziegler Group and distribute its products to these countries; and
- (vii) tapping into the Vendor's expertise and established relationships with potential new customers (as further elaborated in the section headed "Introduction of the Vendor/CIMC as a controlling shareholder of the Company through the Acquisition is beneficial to the Company"). Given the size of the Ziegler Group relative to the Group, the Directors consider that the Group shall acquire a minority interest in Ziegler and form a strategic alliance with the Ziegler Group.

We have enquired the management of Company whether there is any business competition between the Ziegler Group and the Company. Given that the Ziegler Group primarily focuses on the European market while the Company's major target market is in the PRC, it is expected that the direct business competition between the Ziegler Group and the Company is limited in terms of geographical location.

Besides, the Vendor represents and warrants the Company that after Acquisition Completion, the Company shall have the right of first refusal to take up all proposed investments or acquisitions in the fire engine industry in the PRC by CIMC. It further minimizes the potential business competition between the Ziegler Group and the Company.

2.4 Introduction of the Vendor/CIMC as a controlling shareholder of the Company through the Acquisition is beneficial to the Company

Upon Acquisition Completion, Ziegler is expected to be accounted for as an associated company of the Group and the Vendor/CIMC will become a controlling shareholder of the Company. The Vendor/CIMC has a strong asset base and substantial size of operations. The Directors consider that the introduction of the Vendor/CIMC as a controlling shareholder of the Company through the Acquisition is beneficial to the Company taking into account the following factors:

- (i) the Vendor/CIMC is involved in the road transportation vehicle business which is relevant to the special purpose vehicle business of the Group and the Ziegler Group;

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- (ii) the Vendor/CIMC has abundant manufacturing capacity and experiences in terms of the development, production and distribution of a broad range of special purpose vehicles;
- (iii) the Vendor/CIMC is involved in the airport facilities equipment business and its close relationships with global airport operators will provide strong support in marketing and selling the Group's advanced firefighting vehicles in new geographical regions;
- (iv) the Vendor/CIMC has extensive marketing and sales networks in the PRC and overseas markets which will help the Group in expanding its market coverage after the Acquisition; and
- (v) with the support of CIMC (by arranging banking facilities for working capital of not less than RMB180 million and providing financial back-up for investments in particular), the Company could speed up its development by both organic growth and acquisitions so as to advance towards the goal of becoming the top fire engines manufacturer in the world.

CIMC has a business segment of airport facilities equipment which includes manufacturing of fire trucks. The Company, as a manufacturer and also distributor of fire trucks, though not in the same geographical location, is running a business in the similar industry as CIMC's fire trucks manufacturing business. As such, we are of the view that the Company's fire truck business would be benefited from CIMC's experience in development, production and distribution of the special purpose vehicles. Moreover, CIMC is also involved in the road transportation vehicle business and heavy truck business which are similar to the fire truck business of the Company to a certain extent. We consider that the Company can leverage on CIMC's management experience in the road transportation vehicle business and heavy truck business, which would also help the Company improve its operational efficiency.

Therefore, we consider that the Company could benefit from introducing the Vendor/CIMC as a controlling shareholder both operationally and financially, which is in the interests of the Company and the Shareholders as a whole.

2.5 The Acquisition as the commencement of long-term strategic cooperation between the Group and Ziegler Group

Apart from the acquisition of the assets of the Ziegler Group, the focal points of the Acquisition are to build up strategic relationship between the Group, CIMC and the Ziegler Group, including but not limited to (i) the Group could improve its product portfolio with the Ziegler Group's technical input; and (ii) in view of no dominant player leading the PRC market in production and sale of fire engines (as contrast to regional market), the Group is able to implement its plan to consolidate and lead the market with the working capital support (by arranging banking facilities for working capital of not less than RMB180 million), financial back-up for future merger and acquisition projects, and the sales and

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relationship network of CIMC. The Company views the Acquisition as the commencement of a long-term strategic cooperation between the Group, CIMC and the Ziegler Group.

In the future, the Group, CIMC and the Ziegler Group may or may not decide to strengthen the strategic alliance, depending on the degree of commercial success of the initial cooperation. While the parties have every intention to achieve the expected synergies and to create value for the Company and the Shareholders, the result will depend on many factors, such as macro environment, management style, execution efficiency, and cultural fit between the Chinese and German management members and employees, etc. As at the Latest Practicable Date, the Company has no plan to acquire further interests in Ziegler.

As one of the specific warranties by the Vendor, after Acquisition Completion, the Company shall have the right of first refusal to take up all proposed investments or acquisitions in the fire engine industry in the PRC by CIMC. CIMC shall provide financial support to the Company, at prevailing market rate, for the completion of the proposed investments or acquisitions. We are of the view that the specific warranty would ensure the long-term cooperation between the Group and Ziegler Group and the Group could obtain favourable business and financial support from CIMC, which is in the interests of the Company and the Shareholders.

In view of the reasons as elaborated in the sections 2.1 to 2.5 above, we consider that the entering into of the Acquisition Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Acquisition Agreement

Detailed terms of the Acquisition Agreement have been contained in the letter from the Board as set out in the Circular.

4. Acquisition Consideration

The Acquisition Consideration is primarily determined based on the latest financial position of the Ziegler Group, the amounts owed by Ziegler to the Vendor, and the future prospects of the business of the Ziegler Group under the management and control of the Vendor. Reference to the previous acquisition cost of the assets and liabilities comprising the Ziegler Group paid by the Vendor of approximately EUR58.89 million (equivalent to approximately HK\$518.2 million) plus costs incurred incidental thereto is also taken into consideration. In our independent attempt to ascertain the fairness and reasonableness of the Acquisition Consideration, we have reviewed the financial performance of Ziegler Group, the basis of determination of consideration for the Sale Loan and the comparable companies of Ziegler Group, which are analysed in detail in the following sections.

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4.1 Financial information of Ziegler Group

Set out below are the audited consolidated financial information of Ziegler Group as set out in the Appendix IIA to the Circular, which has been prepared in accordance with the Hong Kong Financial Reporting Standards:

Table 2: financial information of Ziegler Group

	For the period from 14 August 2013 to 31 December 2013	For the ten months ended 31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
	(audited)	(audited)
Profit/(loss) before taxation	6,217	(11,112)
Profit/(loss) after taxation	6,402	(8,556)
	As at	As at
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
	(audited)	(audited)
Net assets	36,506	31,329

We noted that Ziegler Group recorded a loss of approximately EUR8.6 million for the ten months ended 31 October 2014, and understood from the management of the Ziegler that due to the high degree of dependency on public-sector clients, the usual pattern in the fire equipment sector is for a very high proportion of its shipments to be made in the second half of the year, and especially in the last quarter. This may give rise to very considerable differences – in terms of revenues and results – between the first three quarters and the last quarter. Companies in the fire equipment industry usually have better earnings in the fourth quarter of each calendar year. Since the 2013 Acquisition was completed on 13 December 2013, it is not practicable to review the seasonal effect on Ziegler Group. As an alternative, we have look into the financial statements of Rosenbauer International Ag and Shw Ag which are the comparable companies of Ziegler in the European fire equipment market. We noticed that both Rosenbauer International Ag and Shw Ag recorded substantially higher revenue and profit in the fourth quarter as compared to the first, the second and the third quarters, for each of FY2013, FY2012, the financial year ended 31 December 2011 and the financial year ended 31 December 2010.

We noted that both Rosenbauer International Ag and Shw Ag made profits in the first 9 months of each of the last four financial years while Ziegler Group made loss for the ten months ended 31 October 2014. We consider that each of Rosenbauer International Ag, Shw Ag and Ziegler is in the fire equipment industry focusing on the European market, thus they are facing similar market conditions. The seasonal effects on Rosenbauer International Ag and Shw Ag will also be reflected on Ziegler Group, despite of the different profit/loss positions of Rosenbauer International Ag/Shw Ag and Ziegler Group. Therefore, we concur with the management of Ziegler that companies in fire equipment industry of Europe shares similar seasonal effects and the seasonal effects might have an impact on Ziegler Group's earnings.

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4.2 *Consideration for Sale Loan*

The Sale Loan represents 40% of all the amounts owed by Ziegler to the Vendor as at the date of Acquisition Completion. As at the date of the Acquisition Agreement, the amount owed by Ziegler to the Vendor was approximately EUR25.9 million and therefore 40% of such amount was approximately EUR10.4 million. We understand from the management of the Company that the consideration for the Sale Loan is based on dollar-to-dollar basis, therefore, we consider it is fair and reasonable to the Company and the Shareholders as a whole.

4.3 *Consideration for Sale Shares – Comparable companies analysis of Ziegler Group*

The Acquisition Consideration includes considerations for the Sale Loan and the Sale Share. Given that the consideration for the Sale Loan is on dollar-to-dollar basis which we consider fair and reasonable, we are of the view that it is fair and reasonable to arrive the consideration for the Sale Share (i.e. the remaining part of the Acquisition Consideration) by deducting the consideration for the Sale Loan (i.e. approximately EUR10.4 million) from the Acquisition Consideration (i.e. HK\$489,428,572). Therefore, we use HK\$397.9 million as the consideration for the Sale Share in conducting our comparable companies analysis.

Since every company has its unique characteristics and business strategies, it is improbable to find a comparable company that has the exact same business as the Ziegler Group. The Ziegler Group operates its principal business in Germany and is principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components.

To the best of our endeavours, we could not identify a company listed in Hong Kong that principally operates in Germany or nearby countries and is engaged in similar businesses as Ziegler Group. Instead, we have selected comparable companies (the “Comparable Companies”) based on the criteria of (i) derive more than 50% of total revenue from firefighting components or heavy truck or pump business; (ii) have their principal businesses based in Central Europe (i.e. Germany, Switzerland, Austria, Liechtenstein, Czech Republic, Slovakia, Hungary and Poland according to The World Factbook by the Central Intelligence Agency) where the Ziegler Group principally operates; (iii) listed in Europe for more than one year; and (iv) market capitalisation of approximately HK\$500 million to approximately HK\$5,000 million, based on the valuation of the equity of the Ziegler Group of approximately HK\$994.8 million in the Transaction (i.e. the consideration for the Sale Shares of approximately HK\$397.9 million divided by 40%). Although Ziegler is not a listed company, due to the lack of detailed information of other private companies engaging in similar business, we used the share prices of the Comparable Companies to analyse the fairness and reasonableness of the consideration of Sale Shares. We consider the share prices of the Comparable Companies represent the market perception and a relatively fair and reasonable valuation on the companies engaged in the fire equipment business and analysis on share prices of the Comparable Companies may support us to give a fairness and reasonableness opinion regarding the valuation of the Ziegler Group.

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The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

In our assessment, we have considered the price-to-earnings ratio (“P/E”) and the price-to-book ratio (“P/B”), which are commonly used to assess the financial valuation of a company engaged in the firefighting or heavy truck or pump business. Given that Ziegler Group recorded loss for the ten months ended 31 October 2014, we consider that P/E is not applicable for our analysis. The P/B of Ziegler Group is calculated by dividing the valuation of the equity of Ziegler Group in the Transaction of approximately HK\$994.8 million by the audited consolidated net asset of Ziegler Group as at 31 October 2014 of EUR31,329,000 (equivalent to approximately HK\$275,695,200).

The P/B analysis on the Comparable Companies is shown in Table 3 below.

Table 3: P/B analysis on the Comparable Companies

Company name	Ticker	Market capitalisation <i>(HK\$ million)</i> <i>(Note 1)</i>	P/B <i>(times)</i> <i>(Note 2)</i>
Rosenbauer International Ag	ROS AV	5,056	3.3
Shw Ag	SW1 GR	2,481	3.3
Ziegler Group			3.6

Source: Bloomberg and Comparable Companies’ respective latest financial statement

Note:

1. The respective market capitalisation of Comparable Companies are translated using the exchange rate as stated under the “Definitions” section of the Circular.
2. P/B of Comparable Companies is calculated by the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the net asset value attributable to the shareholders of the Comparable Companies according to their respective latest financial statement.

As shown in the Table 3, the P/B of both Rosenbauer International Ag and Shw Ag are approximately 3.3 times. We note that the P/B of Ziegler Group is slightly higher than the P/B of Comparable Companies. We are of the view that since the Acquisition will realise potential synergies between the Company and Ziegler Group as discussed above, despite the fact that the P/B of Ziegler Group is slightly higher than P/B of Comparable Companies, the consideration for the Sale Shares is fair and reasonable to the Company and the Shareholders as a whole.

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Given that (1) the consideration for the Sale Loan is fair and reasonable; (2) the consideration for the Sale Shares is fair and reasonable, we are of the view that the Acquisition Consideration is fair and reasonable to the Company and the Shareholders as a whole.

5. Consideration Shares

5.1 *The Consideration Shares*

As at the Latest Practicable Date, the Company has 2,855,000,000 Shares in issue. The 1,223,571,430 Consideration Shares represent approximately 42.86% of the existing issued share capital of the Company and approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date up to the date of Acquisition Completion).

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Consideration Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issuance of the Consideration Shares.

5.2 *The Issue Price*

The Issue Price of HK\$0.4 per Share represents:

- (i) a discount of approximately 34.43% to the closing price of HK\$0.61 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 40.30% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 39.39% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.66 per Share;
- (iv) a discount of approximately 38.46% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.65 per Share;
- (v) a discount of approximately 31.03% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.58 per Share; and

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- (vi) a premium of approximately 66.67% to the audited consolidated net assets attributable to the Shareholders of approximately HK\$0.24 per Share (based on the audited consolidated net assets attributable to the Shareholders of approximately RMB549.1 million (equivalent to approximately HK\$686.4 million) as at 31 December 2014 and 2,855,000,000 Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to, among other things, (i) prevailing market prices of the Shares; (ii) the financial performance of the Group; and (iii) the current market conditions.

We have enquired the management of the Company and noted that the Acquisition Consideration is primarily determined based on the latest financial position of the Ziegler Group, the amounts owed by Ziegler to the Vendor, and the future prospects of the business of the Ziegler Group under the management and control of the Vendor. Reference to the previous acquisition cost of the assets and liabilities comprising the Ziegler Group paid by the Vendor of approximately EUR58.89 million (equivalent to approximately HK\$518.2 million) plus costs incurred incidental thereto is also taken into consideration.

5.3 Comparison of the Issue Price with net asset value ("NAV") of Group

According to the 2014 Annual Report, NAV attributable to the Shareholders was RMB549.1 million (equivalent to approximately HK\$686.4 million) and NAV per Share was approximately HK\$0.24 as at 31 December 2014. The Issue Price of HK\$0.4 per Share represents a premium of approximately 66.7% to the NAV per Share as at 31 December 2014.

Since the Issue Price represents a substantial premium over the NAV per Share, we are of the view that the Issue Price is fair and reasonable to the Company and the Shareholders as a whole in this regard.

5.4 Review on historical price of the Shares

The Board announced that after the Stock Exchange trading hours on 18 November 2014, the Company, CIMC and Mr. Jiang Xiong entered into a memorandum of understanding (the "MOU") in relation to the possible Acquisition. The following table sets out the highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from (i) 1 November 2013 (being approximately one year before the announcement of the MOU) to 18 November 2014 (being the date of the announcement of the MOU) (the "Review Period I"); and (ii) from 19 November 2014 up to the Latest Practicable Date (the "Review Period II"):

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Table 4: historical price of the Shares

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
2013				
November	0.315	0.199	0.238	21
December	0.315	0.219	0.262	20
2014				
On or before 18 November 2014				
<i>(Note (1))</i>				
January	0.295	0.221	0.253	21
February	0.290	0.265	0.277	19
March	0.345	0.265	0.292	21
April	0.335	0.275	0.315	20
May	0.325	0.285	0.306	20
June	0.335	0.310	0.321	20
July	0.415	0.320	0.357	22
August	0.400	0.340	0.376	21
September	0.680	0.420	0.601	21
October	0.580	0.360	0.450	21
November (1 November to 18 November)	0.750	0.560	0.624	12
After 18 November 2014				
<i>(Note (1))</i>				
November (19 November to 30 November)	0.670	0.590	0.624	8
December	0.620	0.520	0.562	21
2015				
January	0.600	0.450	0.528	21
February	0.680	0.580	0.623	18
March	0.660	0.550	0.611	22
April (1 April to the Latest Practicable Date)	0.660	0.560	0.605	15

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

- (1) On 18 November 2014 after trading hours, an announcement in respect of the possible Acquisition was made by the Company.

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Source: Bloomberg

As indicated in the table 4 above, the daily closing price of the Shares ranged from HK\$0.199 to HK\$0.750 during the Review Period I with an average of HK\$0.352. Therefore, the Issue Price of HK\$0.4 per Consideration Share represents a discount of approximately 46.7%, a premium of approximately 101.0% and a premium of approximately 13.6% over/ to the maximum, minimum and average daily closing price of the Shares during the Review Period I, respectively. By comparing the maximum closing price of the Shares of HK\$0.750 and the minimum closing price of the Shares of HK\$0.199 during the Review Period I, it represents a variance of HK\$0.551 and the fluctuation might be due to the speculation of the prospects of the Company.

During the Review Period II, the Shares were traded consistently higher than the Issue Price. The lowest closing price of the Shares was HK\$0.450 and the average daily closing price of the Shares was HK\$0.587. The generally higher trading price of the Shares during the Review Period II was, in our opinion, primarily due to the market expectation that the Company would enter into the Acquisition Agreement to acquire 40% equity interest in Ziegler and the Company may expand its current business and have a better business prospect following cooperation with Ziegler.

5.5 Comparable transactions

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed transactions, including connected transactions, announced by companies listed on the Main Board of the Stock Exchange which involved the issuance of consideration shares (the "Comparable Transactions") during approximately six months immediately prior to the date of the Acquisition Agreement. We note that the companies involved in the Comparable Transactions are not engaged in the similar businesses as the principal business of the Company. However, since the Comparable Transactions were transacted at the time

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close to date of the Acquisition Agreement under similar market conditions and investment sentiments, we are of the view that the Comparable Transactions, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, nevertheless can provide a general reference to the Independent Shareholders as they can reflect recent market trends of the terms involved in issuing shares as full or partial settlement of consideration for acquisitions.

The Comparable Transactions have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

Table 5: Comparable Transactions analysis

Date of announcement	Company name	Ticker	Premium/(discount) of the issue price over/(to) the average closing price of		
			Last trading day	Last 90 trading days	Last 180 trading days
11-Aug-14	Sino Credit Holdings Limited	628 HK	(10.7%)	(6.6%)	4.5%
12-Aug-14	China Investment Development Limited	204 HK	0.0%	(21.2%)	(14.3%)
20-Aug-14	Town Health International Medical Group Limited	3886 HK	(2.5%)	(6.1%)	18.4%
29-Aug-14	Ping Shan Tea Group Limited	364 HK	20.0%	22.7%	1.9%
08-Sep-14	New Times Energy Corporation Limited	166 HK	38.9%	26.2%	8.9%
11-Sep-14	Sheng Yuan Holdings Limited	851 HK	(2.0%)	1.7%	11.2%
17-Sep-14	Sino Resources Group Limited	223 HK	0.0%	3.3%	22.8%
10-Oct-14	Changfeng Axle (China) Company Limited	1039 HK	(29.0%)	(16.7%)	(19.7%)
26-Nov-14	China Gas Holdings Limited	384 HK	(1.0%)	(1.5%)	2.1%
05-Dec-14	Loudong General Nice Resources (China) Holdings Limited	988 HK	(9.1%)	(3.4%)	(4.2%)
10-Dec-14	SinoCom Software Group Limited	299 HK	(37.0%)	2.6%	1.3%
12-Dec-14	Trigiant Group Limited	1300 HK	2.8%	(30.2%)	(33.2%)
19-Dec-14	China Agroforestry Low-Carbon Holdings Limited	1069 HK	17.3%	(2.4%)	13.6%
05-Jan-15	Xiwang Special Steel Company Limited	1266 HK	0.0%	8.6%	14.6%
03-Feb-15	Kiu Hung International Holdings Limited	381 HK	(18.5%)	(36.7%)	(37.4%)
16-Feb-15	Enterprise Development Holdings Limited	1808 HK	(15.0%)	(47.4%)	(59.8%)
		Maximum	38.9%	26.2%	22.8%
		Minimum	(37.0%)	(47.4%)	(59.8%)
		Average	(2.9%)	(6.7%)	(4.3%)
		Issue Price	(40.3%)	(30.0%)	(19.3%)

Source: Stock Exchange and respective announcements

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As illustrated in Table 5, the issue prices of the Comparable Transactions ranged from a discount of approximately 37.0% to a premium of approximately 38.9% to/over the closing price of the last trading day (the “Market Range I”) with an average discount of approximately 2.9% (the “Market Average I”), from a discount of approximately 47.4% to a premium of approximately 26.2% to/over the average closing price of the last 90 trading days (the “Market Range II”) with an average discount of approximately 6.7% (the “Market Average II”) and from a discount of approximately 59.8% to a premium of approximately 22.8% to/over the average closing price of the last 180 trading days (the “Market Range III”) with an average discount of approximately 4.3% (the “Market Average III”).

We note that the Issue Price represents a discount of approximately 40.3% to the closing price of the Shares on the Last Trading Date (the “Issue Price Discount I”), a discount of approximately 30.0% to the average closing price of the Shares on last 90 consecutive trading days (the “Issue Price Discount II”) and a discount of approximately 19.3% to the average closing price of the Shares on last 180 consecutive trading days (the “Issue Price Discount III”).

The Issue Price Discount I, the Issue Price Discount II and the Issue Price Discount III are lower than the Market Average I, the Market Average II and the Market Average III, respectively. The Issue Price Discount I is slightly deeper than the low-end of the Market Range I while the Issue Price Discount II and the Issue Price Discount III are within the Market Range II and Market Range III, respectively. We note that the Issue Price is generally at a deeper discount to the price of the Shares as compared to the Comparable Transactions. We consider that this is mainly due to the fact that the Company announced the MOU on 18 November 2014 and the market had responded positively to the possibility of the Acquisition, resulting an increase of 35.1% of the Share price to HK\$0.67 as at the Last Trading Day as compared to the average closing price of the Shares on last 180 consecutive trading days of HK\$0.496. Reference is made to the 2013 Annual Report published on 24 April 2014, according to the Chairman’s statement, the Group has started a reorganization plan and assessing potential acquisition opportunity on a company also engaged in the manufacturing and sale of fire trucks, special vehicles, pumps and other fire fighting equipment. At that point in time, the share price of the Company has started an upward trend and we consider it was mainly due to market speculation on crystallizing the abovementioned developments of the Group. Upon the announcement of the MOU on 18 November 2014, the price of the Shares reached to a peak and we consider through the general upward trend before, the market has already digested most of the potential impact of the MOU and a drop after that might simply reflect the profit-taking behaviour of investors. In addition, during the period from the last 180 trading days up to and including the Last Trading Day, Hang Seng Index rose from 23,316 to 24,823, representing an increase of approximately 6.46%. We consider that the rise of Hang Seng Index indicates a general upward trend of the stock market which may be one of the factors to explain the price movement of the Shares. However, despite of that, we consider the price of the Shares is mostly driven by the news or speculation of the Company’s reorganization and potential acquisition opportunity, rather than following the general trend of the stock market as analysed above.

Given that the Issue Price of HK\$0.4 represents (i) a premium over the NAV per Share as at 31 December 2014; (ii) a premium over the average closing price of the Shares during the Review Period I; and (iii) deeper discounts to the closing price/average closing price of the Shares on the Lasting Trading Date, last 90 trading days and last 180 trading days as compared to the Comparable Transactions but mainly due to the announcement of the MOU and the general upward trend of the stock market, we are of the view that the Issue Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

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6. Financial effects of the Acquisition

6.1 *Effect on NAV*

As disclosed in the 2014 Annual Report, the NAV attributable to Shareholders as at 31 December 2014 was approximately RMB549.1 million. The Issue Price of HK\$0.4 per Share represents a premium of approximately 66.7% to the NAV per Share of approximately HK\$0.24 as at 31 December 2014.

Based on the unaudited pro forma financial information in Appendix III to the Circular, the NAV attributable to Shareholders would increase to approximately RMB1,077.7 million and the NAV per Share would increase to approximately HK\$0.33 as a result of the Acquisition.

Therefore, we consider the NAV per Share will be increased after the Acquisition Completion and the Acquisition will have a positive impact on NAV of the Group.

6.2 *Effect on earnings*

As disclosed in the 2014 Annual Report, loss for FY2014 attributable to Shareholders amounted to approximately RMB503.9 million.

We concur with the management of the Company that the Acquisition will allow the Group to realise potential synergies as discussed in the section headed “2.3 There was almost 10 years of business cooperation between the Company and Ziegler Group. The Acquisition will realise potential synergies between the Company and Ziegler Group”, which will improve the profitability of the Group.

As a result, we are of the view that the Acquisition will have a potential positive impact on the earnings of the Group.

6.3 *Effect on cash/working capital*

As disclosed in the 2014 Annual Report, the Group had current assets of RMB668.4 million including bank balances and cash of RMB172.4 million and current liabilities of RMB359.5 million, but excluding assets and liabilities of disposal group held for sale. Given the Acquisition Consideration will be fully settled by allotting and issuing Consideration Shares to the Vendor, we consider that there will be no impact on the cash/working capital of the Group.

In light of:

- (i) the positive impact on the NAV of the Group;
- (ii) the potential positive impact on the earnings of the Group; and
- (iii) no impact on the cash/working capital of the Group,

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we are of the view that the Acquisition will have a positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

7. Dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Acquisition Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the date of the Acquisition Agreement and up to the date of Acquisition Completion):

Table 6: Potential shareholding dilution effect of the Acquisition

	As at the Latest Practicable Date		Immediately after Acquisition Completion	
	Shares	App. %	Shares	App. %
Mr. Jiang (<i>note i</i>)	981,600,000	34.38	981,600,000	24.07
Mr. Jiang Qing (<i>note i</i>)	7,500,000	0.26	7,500,000	0.18
EH Investment Management Ltd. (<i>note ii</i>)	593,750,000	20.80	593,750,000	14.56
The Vendor or its nominee (<i>note iii</i>)	–	–	1,223,571,430	30.00
	1,582,850,000	55.44	2,806,421,430	68.81
Public Shareholders	1,272,150,000	44.56	1,272,150,000	31.19
Total	2,855,000,000	100.00	4,078,571,430	100.00

Notes:

- (i) Mr. Jiang and Mr. Jiang Qing are executive Directors. Mr. Jiang is the brother of Mr. Jiang Qing.
- (ii) The entire share capital of EH Investment Management Ltd. is beneficially owned by Mr. Ngan Lek.
- (iii) The Vendor is an indirect wholly-owned subsidiary of CIMC.
- (iv) The Vendor does not consider itself or any parties acting in concert with it as a party acting in concert or to be acting in concert with Mr. Jiang and Mr. Jiang Qing as at the Latest Practicable Date and after Acquisition Completion. Immediately after Acquisition Completion, Mr. Jiang and Mr. Jiang Qing will be interested in approximately 24.07% and approximately 0.18% of the issued share capital of the Company respectively whilst the Vendor or its nominee will be interested in approximately 30% of the issued share capital of the Company. Accordingly, the Vendor will be presumed to be acting in concert with Mr. Jiang and Mr. Jiang Qing immediately after Acquisition Completion under class (1) of the definition of acting in concert pursuant to the Takeovers Code. The Vendor, Mr. Jiang and Mr. Jiang Qing have made an application to the Executive for a rebuttal of the presumption of acting in concert between the Vendor, Mr. Jiang and Mr. Jiang Qing after Acquisition Completion.

As indicated in Table 6, the shareholding of public Shareholders will decrease from approximately 44.56% to approximately 31.19% immediately after Acquisition Completion. Such potential dilution to the shareholdings of public Shareholders represents a dilution by absolute percentage amount of approximately 13.37% and a dilution by relative percentage of approximately 30.00%.

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Taking into account that:

- (i) the loss making position of the Group since financial year ended 31 December 2009;
- (ii) the Transaction will realise potential synergies between the Company and Ziegler Group;
- (iii) the Acquisition Consideration is fair and reasonable; and
- (iv) the Issue Price is fair and reasonable,

we consider the possible dilution effect on the shareholding interests of the public Shareholders to be justifiable.

B. THE WHITEWASH WAIVER

As at the Latest Practicable Date, each of CIMC, the Vendor and parties acting in concert with them does not hold any Shares. Immediately after Acquisition Completion, the Vendor and parties acting in concert with it will be interested in 1,223,571,430 Shares, representing approximately 30.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date and up to Acquisition Completion). Under Rule 26.1 of the Takeovers Code, the Vendor would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it as a result of the Acquisition, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the EGM by way of poll. The granting of the Whitewash Waiver is a condition precedent for Acquisition Completion which is not capable of being waived. If the Whitewash Waiver is not obtained, the Acquisition will not proceed.

Given the possible benefits of the Acquisition contemplated thereunder to the Company mentioned in section A of our letter and the terms of the Acquisition Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the Acquisition Completion, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Acquisition Agreement and the transactions contemplated thereunder.

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RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, taken into account the following in arriving at our opinion:

- (i) although the Acquisition is not in the ordinary and usual course of business of the Group, it is in line with the Group's business strategy and the reasons and benefits of the Acquisition are in the interests of the Company and the Shareholders as a whole;
- (ii) the Acquisition Consideration, according to our analysis, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- (iii) in respect of the historical share price movement of Shares, the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- (iv) the Issue Price is at approximately 66.7% premium over the NAV;
- (v) in respect of the Comparable Transactions analysis, the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- (vi) the Acquisition, on an overall basis, will have a positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole;
- (vii) the potential dilution of shareholding to other public Shareholders immediately after the Acquisition Completion is justifiable;
- (viii) the Whitewash Waiver is a prerequisite for the Acquisition Completion,

we are of the view that the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Transaction to be proposed at the EGM.

Yours faithfully,
For and on behalf of

Platinum Securities Company Limited

Lenny Li

Director and Co-Head of Corporate Finance

Mr. Lenny Li is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over eight years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 31 December 2012, 2013 and 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinafire.com.cn>):

- annual report of the Company for the year ended 31 December 2012 published on 19 April 2013 (pages 28 to 103);
- annual report of the Company for the year ended 31 December 2013 published on 24 April 2014 (pages 26 to 109); and
- annual report of the Company for the year ended 31 December 2014 published on 20 April 2015 (pages 25 to 111);

2. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2012, 2013 and 2014, as extracted from the annual reports of the Company for the years ended 31 December 2013 and 2014.

	For the year ended 31 December		
	2014	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Turnover	846,828	836,812	969,273
Loss before tax	(490,859)	(149,449)	(11,501)
Income tax expense	(11,180)	(12,281)	(10,635)
Loss for the year	<u>(502,039)</u>	<u>(161,730)</u>	<u>(22,136)</u>
Attributable to:			
Owners of the Company	(503,854)	(152,871)	(21,414)
Non-controlling interests	1,815	(8,859)	(722)
	<u>(502,039)</u>	<u>(161,730)</u>	<u>(22,136)</u>
Dividends	–	–	–
Loss per Share (RMB cents)			
Basic and diluted	(17.65)	(5.35)	(0.75)
Dividends per Share (RMB cents)	–	–	–

Notes:

1. No qualified opinion in respect of the financial statements of the Group for each of the three years ended 31 December 2012, 2013 and 2014 has been issued by the auditors of the Company, RSM Nelson Wheeler.
2. No exceptional items because of their size, nature or incidences were recognised in the above accounts for each of the three years ended 31 December 2012, 2013 and 2014.

3. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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 (CON'T)

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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
		<hr/>	<hr/>
		244,256	262,738
		<hr/>	<hr/>
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
		<hr/>	<hr/>
		668,429	1,347,065
Assets of disposal group held for sale	30	411,573	77,820
		<hr/>	<hr/>
		1,080,002	1,424,885
		<hr/>	<hr/>
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
		<hr/>	<hr/>
		359,526	565,731
Liabilities directly associated with assets of disposal group held for sale	30	361,573	34,104
		<hr/>	<hr/>
		721,099	599,835
		<hr/>	<hr/>
Net current assets		358,903	825,050
		<hr/>	<hr/>
Total assets less current liabilities		603,159	1,087,788
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

At 31 December 2014

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities	33	—	2,692
NET ASSETS		<u>603,159</u>	<u>1,085,096</u>
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		<u>603,159</u>	<u>1,085,096</u>

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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

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

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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 (CON'T)

For the year ended 31 December 2014

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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
		<hr/>	<hr/>
Cash generated from/(used in) operations		27,322	(13,188)
Interest paid		(5,865)	(5,466)
Income tax paid		(11,813)	(9,077)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		9,644	(27,731)
		<hr/>	<hr/>
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
		<hr/>	<hr/>
Net cash generated from investing activities		10,554	5,602
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS (CON'T)*For the year ended 31 December 2014*

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	20,000	(9,799)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	202,017	161,755
	<hr/> <hr/>	<hr/> <hr/>
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
	<hr/>	<hr/>
	202,017	161,755
	<hr/> <hr/>	<hr/> <hr/>

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.

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.

(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 for reference (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.

(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.

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.

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.

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.

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.

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.

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.

(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.

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.

(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.

(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.

(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.

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.

(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.

(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.

(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.

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.
 - (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.

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).

(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.

(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)	-
	<u>8,773</u>	<u>8,750</u>	<u>8,501</u>	<u>4,764</u>	<u>9,462</u>	<u>14,605</u>
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	<u>2,014</u>	<u>8,730</u>	<u>7,145</u>	<u>-</u>	<u>-</u>	<u>13,276</u>

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 RMB'000	2013 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.

(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.

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.

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
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>
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:

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

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.

(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)
	<u> </u>
At 31 December	–
	<u> </u>
	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)
	<u> </u>
At 31 December	–
	<u> </u>

(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	Effect		Fair value 2013 RMB'000
			RMB	on fair value for increase of inputs	
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 RMB'000	2013 RMB'000
Sales of goods	449,249	392,591
Provision of online advertising services	–	10
	449,249	392,601
	449,249	392,601

8. OTHER INCOME

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

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

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2014					
TURNOVER					
External sales	341,055	108,194	–	–	449,249
Inter-segment sales	–	13,832	–	(13,832)	–
Total	<u>341,055</u>	<u>122,026</u>	<u>–</u>	<u>(13,832)</u>	<u>449,249</u>
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					<u>(5,865)</u>
Loss before tax					(8,757)
Income tax expense					<u>(5,475)</u>
Loss for the year from continuing operations					<u><u>(14,232)</u></u>

	Production and sale of fire engines <i>RMB'000</i>	Production and sale of fire prevention and fighting equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
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
					<u>1,324,258</u>
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
					<u>721,099</u>
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

	Production and sale of fire engines	Production and sale of fire prevention and fighting equipment	Others	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>273,876</u>	<u>127,386</u>	<u>10</u>	<u>(8,671)</u>	<u>392,601</u>
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					<u>(1,929)</u>
At 31 December 2013					
ASSETS					
Segment assets	<u>481,914</u>	<u>157,792</u>	<u>–</u>		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
					<u>780,714</u>
Assets of disposal group held for sale					77,820
Assets relating to discontinued operations					829,089
					<u>1,687,623</u>

	Production and sale of fire engines <i>RMB'000</i>	Production and sale of fire prevention and fighting equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
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
					<u>602,527</u>
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

Geographical information:

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

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 <i>RMB'000</i>	2013 <i>RMB'000</i>
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	–
	<u>223</u>	<u>782</u>

11. FINANCE COSTS

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

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%).

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)	<u>5,475</u>	<u>7,821</u>

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 RMB'000	2013 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 (<i>note (i)</i>)	374,390	320,790
Depreciation of property, plant and equipment	16,318	16,267
Gain on disposal of associates (<i>note 24</i>)	(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 (<i>note (ii)</i>)	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
	<u>47,293</u>	<u>44,518</u>

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).

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 <i>RMB'000</i>	2013 <i>RMB'000</i>
Loss for the year from discontinued operations:		
Turnover	397,579	444,211
Cost of services	(376,628)	(424,392)
	<hr/>	<hr/>
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)
	<hr/>	<hr/>
Loss before tax	(482,102)	(155,341)
Income tax expense	(5,705)	(4,460)
	<hr/>	<hr/>
Loss for the year from discontinued operations	(487,807)	(159,801)
	<hr/>	<hr/>
Loss for the year from discontinued operations attributable to:		
Owners of the Company	(487,979)	(145,363)
Non-controlling interests	172	(14,438)
	<hr/>	<hr/>
	(487,807)	(159,801)
	<hr/>	<hr/>

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.

	2014 RMB'000	2013 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 (<i>note 37</i>)	(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
	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>
Net cash (outflows)/inflows	(10,045)	12,129
	<u> </u>	<u> </u>

15. DIRECTORS' EMOLUMENTS

The emoluments of each director were as follows:

	2014					2013				
	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total	Fees	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note (a))					(Note (a))		
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								Total RMB'000
	Buildings RMB'000	Plant and equipment RMB'000	Tooling and moulds RMB'000	Furniture and fixtures RMB'000	Computers RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	
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 <i>RMB'000</i>
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 <i>RMB'000</i>	2013 <i>RMB'000</i>
Production and sale of fire engines	7,630	7,630

The recoverable amount of the above CGU has been determined on the basis of its value in use 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
	<i>RMB'000</i>	<i>RMB'000</i>
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.

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% <i>(note (i))</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
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

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Name/type of legal entity	Place of incorporation	Issued and paid up capital	Percentage of ownership interest attributable to the Company	Principal activities
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製造有限公司 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.

Name	Sichuan Morita	
	2014	2013
Principal place of business/Country of incorporation	PRC	PRC
% of ownership interest held by NCI	25%	25%
	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December:		
Non-current assets	13,452	14,836
Current assets	491,928	396,905
Current liabilities	(285,572)	(198,505)
Net assets	<u>219,808</u>	<u>213,236</u>
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	<u>18,064</u>	<u>(24,305)</u>

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

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

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 Huanan Fire Engineering Co., Ltd ("Fuzhou Huanan")
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
	<i>RMB'000</i>
At 31 December:	
Non-current assets	288
Current assets	11,339
Current liabilities	(15,084)
Net liabilities	<u>(3,457)</u>
Group's share of net assets	–
Goodwill	2,997
Impairment loss	(2,997)
Group's share of carrying amount of interests	<u>–</u>
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

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	2013
	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December:		
Carrying amounts of interests	<u>99</u>	<u>3,209</u>
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

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)
	<hr/>
Gain on disposal of associates	583
	<hr/> <hr/>

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
	<hr/>	<hr/>
	168,702	154,200
	<hr/> <hr/>	<hr/> <hr/>

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

26. TRADE AND BILLS RECEIVABLES

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

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

The aging analysis of trade and bills receivables, 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
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>334,719</u>	<u>417,921</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>
91 – 180 days	35,974	17,176
181 – 360 days	87,120	57,279
Over 360 days	51,569	116,878
	<u>174,663</u>	<u>191,333</u>

Reconciliation of allowance for bad and doubtful debts:

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

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

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
	<i>RMB'000</i>
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
	<hr/>
Assets of disposal group held for sale	411,573
	<hr/>
Trade and other payables	(333,993)
Amounts due to contract customers	(21,242)
Current tax liabilities	(2,105)
Deferred tax liabilities (<i>note 33</i>)	(4,233)
	<hr/>
Liabilities directly associated with assets of disposal group held for sale	(361,573)
	<hr/>
Net assets of disposal group held for sale	50,000
	<hr/> <hr/>

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

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	257,025	466,392	3,356	3,272
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>101,497</u>	<u>104,535</u>
	<u><u>101,497</u></u>	<u><u>104,535</u></u>

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
	<i>RMB'000</i>	<i>RMB'000</i>
USD	–	6
EUR	–	219
RMB	101,497	104,310
	<u>101,497</u>	<u>104,535</u>
	<u><u>101,497</u></u>	<u><u>104,535</u></u>

32. BANK BORROWINGS

	Group	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans, unsecured	<u>100,000</u>	<u>80,000</u>
	<u><u>100,000</u></u>	<u><u>80,000</u></u>

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	<u>6.67%</u>	<u>6.79%</u>
	<u><u>6.67%</u></u>	<u><u>6.79%</u></u>

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 <i>RMB'000</i> <i>(note)</i>
At 1 January 2013	2,381
Charge to the profit or loss for the year	311
	<hr/>
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 (<i>note 30</i>)	(4,233)
	<hr/>
At 31 December 2014	—
	<hr/> <hr/>

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 <i>HKD'000</i>
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
	<hr/> <hr/>	<hr/> <hr/>
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
	<hr/> <hr/>	<hr/> <hr/>

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Shown in the consolidated financial statements as	<u>30,168</u>	<u>30,168</u>

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.

Details of the options granted are as follows:

Grantee	Capacity	Date of grant	Exercisable period	Exercise price HKD	Number of shares issuable under the options		
					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
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 RMB'000	Capital reserve RMB'000 (Note (ii))	Exchange reserve RMB'000 (Note (vi))	Accumulated losses RMB'000	Total RMB'000
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	<u>646,363</u>	<u>170,607</u>	<u>(3,342)</u>	<u>(146,676)</u>	<u>666,952</u>

(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.

(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

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

	2014 <i>RMB'000</i>
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)
	<hr/>
Net assets disposed of	39,422
Non-controlling interests	24,900
Release of exchange reserve	(4,473)
	<hr/>
Gain on disposal of subsidiaries	59,849
	<hr/>
Total consideration	62,310
	<hr/> <hr/>
Satisfied by:	
Cash consideration received	21,436
Cash consideration receivable	40,874
	<hr/>
	62,310
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	21,436
Bank and cash balances disposed of	(12,114)
	<hr/>
	9,322
	<hr/> <hr/>

38. CAPITAL COMMITMENTS

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

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

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

As lessor

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

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

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
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>336</u>	<u>336</u>

- (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, Ziegler 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.

4. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of RMB82 million, which were all unsecured short term bank loans.

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 31 March 2015, any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or accepted credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, the existing available credit facilities of the Group and the net proceeds from the Disposal, the Group has sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

6. MATERIAL CHANGE

On 27 February 2015, Wang Sing (a direct wholly-owned subsidiary of the Company) and the LA Purchaser entered into the Disposal Agreement, pursuant to which Wang Sing conditionally agreed to sell, and the LA Purchaser conditionally agreed to purchase, the entire equity interest in Loyal Asset at a cash consideration of RMB50 million (equivalent to approximately HK\$62.5 million). Details of the Disposal were set out in the circular of the Company dated 27 March 2015.

On 27 February 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor (an indirect wholly-owned subsidiary of CIMC), the Company and CIMC (HK) (a direct wholly-owned subsidiary of CIMC) entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares and the Sale Loan at a consideration of HK\$489,428,572, which shall be satisfied by the Company by way of allotment and issuance of 1,223,571,430 Consideration Shares at the Issue Price of HK\$0.4 per Consideration Share to the Vendor (or its nominee).

The Directors confirm that, save as disclosed above, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Acquisition Completion, the Group will focus on the production and sale of fire engines and fire prevention and fighting equipment.

Based on the foundation that the Group's fire engines business has built in the past 50 years (include the predecessor of the subsidiary that the Group acquired in 2004 through which it stepped into the industry) and the strategic alliances established among the Group, Ziegler and CIMC, the Group will strengthen its fire engines and firefighting equipment businesses through:

- (i) enrichment of the product portfolio by strengthening the research and development function;
- (ii) improvement of the product quality and enhancement of its production efficiency and after-sale services by introducing new and advance production technologies through cooperation with Ziegler;
- (iii) expansion of the market coverage by tapping into the sales and relationship network of Ziegler and CIMC; and
- (iv) potential acquisition of enterprises that will create synergies with the Group's operations.

Demand for advance and high performance fire engines in the PRC has been increasing. However, domestically produced fire engines are lagged far behind their foreign counterparts for the time being. To capture the high-end market which is largely occupied by foreign imports, the Group plans to develop and produce series of fire engines that are comparable with the imported trucks in terms of quality and functions but at relatively low costs and have scarce domestic supply. The Directors expect that such move would help to expand the Group's market share and raise its overall sales volume and profit margin level. The fire engines manufacturing industry in the PRC is quite fragmented with no dominate national leader. With all these inputs, the Group hopefully would lead the national market and ultimately to compete in the global market.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

28 April 2015

The Directors
China Fire Safety Enterprise Group Limited

Dear Sirs,

We report on the financial information of Albert Ziegler GmbH (“Ziegler”) and its subsidiaries (together, the “Ziegler Group”), which comprises the consolidated and company statements of financial position of Ziegler as at 31 December 2013 and 31 October 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Ziegler for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and the ten months ended 31 October 2014 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of China Fire Safety Enterprise Group Limited (the “Company”) and is set out in Sections I to IV below for inclusion in Appendix IIA to the circular of the Company dated 28 April 2015 (the “Circular”) in connection with the proposed acquisition of Ziegler by the Company.

Ziegler was incorporated in Germany on 14 August 2013 as a limited liability company. As at the date of this report, Ziegler has direct and indirect interests in the subsidiaries as set out in Note 1 of Section I below.

No audited statutory financial statements have been prepared by Ziegler as it is newly incorporated. The audited financial statements of the other companies now comprising the Ziegler Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section I.

The directors of Ziegler have prepared the consolidated financial statements of Ziegler for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement.

The directors of Ziegler during the Relevant Periods are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the “Group”) as set out in the annual report of the Company for the year ended 31 December 2014.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of Ziegler and of the Ziegler Group as at 31 December 2013 and 31 October 2014 and of the Ziegler Group’s results and cash flows for the Relevant Periods then ended.

APPENDIX IIA ACCOUNTANT’S REPORT OF THE ZIEGLER GROUP

I. Financial information of the Ziegler Group

The following is the financial information of the Ziegler Group as at 31 December 2013 and 31 October 2014, and for the Relevant Periods (the “Financial Information”).

(a) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Revenue	6	12,811	111,057
Cost of sales	12	(12,524)	(104,690)
Gross profit		<u>287</u>	<u>6,367</u>
Other income	7	29	760
Selling and distribution costs	12	(601)	(9,496)
General and administrative expenses	12	(554)	(7,327)
Other gain/(losses), net	9	7,149	(340)
Finance costs	10	(93)	(1,076)
Profit/(loss) before tax		<u>6,217</u>	<u>(11,112)</u>
Income tax credit	11	185	2,556
Profit/(loss) for the period		<u><u>6,402</u></u>	<u><u>(8,556)</u></u>
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations, net of tax		–	(143)
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		<u>1</u>	<u>4</u>
Other comprehensive income/(loss) for the period, net of tax		<u>1</u>	<u>(139)</u>
Total comprehensive income/(loss) for the period		<u><u>6,403</u></u>	<u><u>(8,695)</u></u>

	From 14 August 2013 (date of incorporation) to 31 December 2013 <i>EUR'000</i>	Ten months ended 31 October 2014 <i>EUR'000</i>
Profit/(loss) for the period attributable to:		
– Owners of Ziegler	6,402	(8,576)
– Non-controlling interests	–	20
	<u>6,402</u>	<u>(8,556)</u>
Other comprehensive income/(loss) for the period attributable to:		
– Owners of Ziegler	1	(139)
– Non-controlling interests	–	–
	<u>1</u>	<u>(139)</u>
Total comprehensive income/(loss) for the period attributable to:		
– Owners of Ziegler	6,403	(8,715)
– Non-controlling interests	–	20
	<u>6,403</u>	<u>(8,695)</u>

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at	
	<i>Note</i>	31 December 2013	31 October 2014
		<i>EUR'000</i>	<i>EUR'000</i>
Assets			
Non-current assets			
Property, plant and equipment	16	20,978	20,462
Intangible assets	17	8,346	7,945
Deferred income tax assets	26	549	3,334
		<u>29,873</u>	<u>31,741</u>
Current assets			
Inventories	19	39,383	62,500
Trade receivables, net	20	18,257	23,081
Other receivables and other assets	20	1,926	4,153
Pledged bank deposits	21	1,338	1,498
Cash and cash equivalents	21	9,508	2,747
		<u>70,412</u>	<u>93,979</u>
Total assets		<u>100,285</u>	<u>125,720</u>
Current liabilities			
Trade and other payables	22	20,036	19,228
Current tax liabilities		72	168
Advance from customers		4,237	5,568
Bank borrowings	24	5,915	18,125
Amounts due to related parties	23	28,797	45,178
Provisions for other liabilities and charges	25	2,041	2,643
		<u>61,098</u>	<u>90,910</u>
Net currents assets		<u>9,314</u>	<u>3,069</u>
Total assets less current liabilities		<u>39,187</u>	<u>34,810</u>

		As at	
	<i>Note</i>	31 December 2013 <i>EUR'000</i>	31 October 2014 <i>EUR'000</i>
Non-current liabilities			
Trade and other payables	22	–	375
Bank borrowings	24	–	26
Retirement benefit obligations		416	778
Deferred income tax liabilities	26	1,977	2,033
Provisions for other liabilities and charges	25	288	269
		<hr/>	<hr/>
		2,681	3,481
		<hr/>	<hr/>
Net Assets		36,506	31,329
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserve			
Share capital	27	10,025	13,543
Other reserves	27	20,000	20,000
Retained earnings/(accumulated losses)	28	6,403	(2,312)
		<hr/>	<hr/>
Equity attributable to the owner of Ziegler		36,428	31,231
Non-controlling interests		78	98
		<hr/>	<hr/>
Total Equity		36,506	31,329
		<hr/> <hr/>	<hr/> <hr/>

APPENDIX IIA ACCOUNTANT'S REPORT OF THE ZIEGLER GROUP

(c) STATEMENTS OF FINANCIAL POSITION

		As at	
	<i>Note</i>	31 December 2013	31 October 2014
		<i>EUR'000</i>	<i>EUR'000</i>
Assets			
Non-current assets			
Property, plant and equipment	16	14,616	14,345
Intangible assets	17	8,096	7,846
Investments in subsidiaries	18	10,238	10,463
Deferred tax assets	26	276	2,586
		<hr/>	<hr/>
		33,226	35,240
		<hr/>	<hr/>
Current assets			
Inventories	19	24,300	40,755
Trade receivables, net	20	7,074	13,725
Other receivables and other assets	20	2,209	10,208
Prepayments to subsidiaries	20	–	2,002
Loans to subsidiaries	20	–	3,712
Pledged bank deposits	21	–	680
Cash and cash equivalents	21	4,596	1,634
		<hr/>	<hr/>
		38,179	72,716
		<hr/>	<hr/>
Total assets		<hr/> 71,405 <hr/>	<hr/> 107,956 <hr/>
Current Liabilities			
Trade and other payables	22	8,118	10,471
Bank borrowings	24	–	12,220
Amount due to related parties	23	28,797	44,228
Amounts due to subsidiaries	22	255	7,250
Advance from customers		35	2,485
Prepayments from subsidiaries		–	326
Provisions for other liabilities and charges	25	1,363	1,786
		<hr/>	<hr/>
		38,568	78,766
		<hr/>	<hr/>
Net current liabilities		<hr/> (389) <hr/>	<hr/> (6,050) <hr/>
Total assets less current liabilities		<hr/> 32,837 <hr/>	<hr/> 29,190 <hr/>

		As at	
	<i>Note</i>	31 December 2013 <i>EUR'000</i>	31 October 2014 <i>EUR'000</i>
Liabilities			
Non-current liabilities			
Trade and other payables	22	–	181
Retirement benefit obligations		416	778
Deferred income tax liabilities	26	1,011	1,227
Provisions for other liabilities and charges	25	224	233
		<u>1,651</u>	<u>2,419</u>
Net Assets		<u><u>31,186</u></u>	<u><u>26,771</u></u>
Capital and reserves			
Share capital	27	10,025	13,543
Other reserves	27	20,000	20,000
Retained earnings/(accumulated losses)	28	1,161	(6,772)
Total Equity		<u><u>31,186</u></u>	<u><u>26,771</u></u>

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Ziegler			Total EUR'000	Non- controlling Interests EUR'000	Total equity EUR'000
	Share capital EUR'000	Reserves EUR'000	Retained Earnings EUR'000			
At 14 August 2013 (date of incorporation)	13	–	–	13	–	13
Profit for the period	–	–	6,402	6,402	–	6,402
Other comprehensive income						
Currency translation differences	–	–	1	1	–	1
Total comprehensive income	–	–	6,403	6,403	–	6,403
Proceeds from shares issued	10,012	–	–	10,012	–	10,012
Contribution from the shareholder	–	20,000	–	20,000	–	20,000
Non-controlling interests arising from business combinations	–	–	–	–	78	78
Total transactions with owners recognized directly in equity	10,012	20,000	–	30,012	78	30,090
Balance at 31 December 2013	10,025	20,000	6,403	36,428	78	36,506

	Attributable to owner of Ziegler					
	Share capital <i>EUR'000</i>	Reserves <i>EUR'000</i>	Retained Earnings/ (accumulated losses) <i>EUR'000</i>	Total <i>EUR'000</i>	Non- controlling Interests <i>EUR'000</i>	Total equity <i>EUR'000</i>
At 1 January, 2014	10,025	20,000	6,403	36,428	78	36,506
(Loss)/profit for the period	–	–	(8,576)	(8,576)	20	(8,556)
Other comprehensive income						
Remeasurements of post- employment benefit obligations	–	–	(143)	(143)	–	(143)
Currency translations differences	–	–	4	4	–	4
Total other comprehensive loss, net of tax	–	–	(139)	(139)	–	(139)
Total comprehensive (loss)/income	–	–	(8,715)	(8,715)	20	(8,695)
Proceeds from paid in capital	3,518	–	–	3,518	–	3,518
Total transactions with owners recognized directly in equity	3,518	–	–	3,518	–	3,518
At 31 October 2014	13,543	20,000	(2,312)	31,231	98	31,329

(e) CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Cash flows from operating activities			
Profit/(loss) before taxation		6,217	(11,112)
Adjustments for:			
Allowance for bad and doubtful debts	9	212	42
Allowance for obsolete and slow-moving inventories	9	–	125
Amortisation of intangible assets	17	62	638
Depreciation of property, plant and equipment	16	129	1,570
Gain from bargain purchase in a business combination	33	(7,465)	–
Finance costs	10	93	1,076
		<hr/>	<hr/>
Operating loss before working capital changes		(752)	(7,661)
		<hr/>	<hr/>
Decrease/(increase) in inventories		11,276	(23,117)
Increase in trade receivables, other receivables and other assets		(4,227)	(7,051)
(Decrease)/increase in provisions for other liabilities and charges		(2,329)	583
(Decrease)/Increase in advance from customers		(1,163)	1,331
Decrease/(increase) in trade and other payables		5,193	(1,500)
Increase in retirement benefit obligations		416	362
Increase in pledged bank deposits		(1,338)	(160)
		<hr/>	<hr/>
Net Cash generated from/(used in) operations		7,076	(37,213)
		<hr/>	<hr/>
Interest paid		(46)	(316)
Income tax paid		(518)	(77)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		6,512	(37,606)
		<hr/>	<hr/>

	<i>Note</i>	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Cash flows from investing activities			
Purchase of property, plant and equipment		–	(1,167)
Proceeds from disposal of property, plant and equipment		–	110
Payment for purchase of intangible assets		–	(237)
Payment for business combination, net acquired cash and cash equivalents	33	(54,175)	–
Net cash flows used in investing activities		<u>(54,175)</u>	<u>(1,294)</u>
Cash flows from financing activities			
Proceeds from issuance of shares		10,012	3,518
Contributions from shareholder		20,000	–
Proceeds from new bank loans		–	12,236
Repayment of bank loans		(1,639)	–
Increase in amounts due to related parties		28,797	16,381
Net cash generated from financing activities		<u>57,170</u>	<u>32,135</u>
Net increase/(decrease) in cash and cash equivalents		9,507	(6,765)
Exchange gains on cash and cash equivalents		1	4
Cash and cash equivalents at beginning of the period		<u>–</u>	<u>9,508</u>
Cash and cash equivalents at end of the period		<u><u>9,508</u></u>	<u><u>2,747</u></u>
Represented by:			
Cash and bank balances		<u><u>9,508</u></u>	<u><u>2,747</u></u>

II. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(All amounts in Euro unless otherwise stated)

1. GENERAL INFORMATION

Ziegler was incorporated on 14 August 2013 in Frankfurt am Main (Germany) as Platin 959. GmbH, renamed to CIMC Ziegler GmbH, then renamed to Albert Ziegler GmbH. The address of its registered office and principal place of business is Memminger Straße 28, 89537 Giengen an der Brenz (Germany).

In November 2013, Ziegler was acquired by CIMC Top Gear B.V., a wholly owned subsidiary of China International Marine Containers (Group) Co., Ltd (“CIMC”), as a holding company solely for the purpose of effecting a transaction (the “2013 Acquisition”) in acquiring certain assets (such as property, plant and equipment, other receivables and intangible assets), liabilities relating to employees and product warranty, and equity interests in certain operating subsidiaries of another limited liability company relating to the business of development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components (collectively, the “Acquired Entity Assets”) from the insolvency administrator on behalf of the original owner, Albert Ziegler GmbH & Co. KG (the “Entity”). The 2013 Acquisition was completed on 13 December 2013 and the details were set out in Note 33.

After the 2013 Acquisition, Ziegler and its subsidiaries (together the “Ziegler Group”) are principally engaged in the development, production and distribution of a broad range of firefighting and special purpose vehicles, pumps and other firefighting components.

Taking into account the effect of the 2013 Acquisition, as at the end of each reporting period, Ziegler has equity interest in the following subsidiaries:

Name	Place of incorporation	Principal activities	Issued/Paid up capital as at 31 December 2013 and 31 October 2014	Interests held as at 31 December 2013 and 31 October 2014
Ziegler Safety GmbH & Co. KG (f)	Giengen/Brenz, Germany	Trading of fire vehicles and freighting equipment	Limited liability capital EUR1,000,000	100%
Ziegler Feuerwehrgerätetechnik GmbH & Co. KG (a)	Mühlau, Germany	Manufacturing and sales of fire vehicles	Limited liability capital EUR950,000	100%
Albert Ziegler Feuerschutz GmbH (b)	Rendsburg, Germany	Manufacturing and sales of fire vehicles	Registered capital EUR76,693.78, issued and paid-up	100%
Ziegler Brandweertechnik B.V. (c)	Winschoten, Netherlands	Manufacturing and sales of fire vehicles	Registered capital EUR465,124.73, issued and paid-up	100%
Ziegler d.o.o. (d)	Zagreb, Croatia	Manufacturing and sales of fire vehicles	Registered capital HRK410,800, issued and paid-up	100%
Visser B.V. (c)	Leeuwarden, Netherlands	Manufacturing and sales of fire vehicles	Total share capital is EUR90,000, of which EUR18,151 is issued and paid-up	95.01%

Name	Place of incorporation	Principal activities	Issued/Paid up capital as at 31 December 2013 and 31 October 2014	Interests held as at 31 December 2013 and 31 October 2014
Ziegler Italiana S.r.l.(g)	Lana, Italy	Manufacturing and sales of fire vehicles	Registered capital EUR10,400, issued and paid-up	100%
Ziegler S Gasilska tehnika d.o.o. (e)	Vrhnika, Slovenia	Trading of fire vehicles and freighting equipment	Registered capital EUR62,593.98, issued and paid-up	100%
Ziegler Hasicska Technika s.r.o. (g)	Brno, Czech Republic	Trading of fire vehicles and freighting equipment	Registered Capital CZK2,000,000 (EUR72,926.16), issued and paid-up	100%
Ziegler Verwaltungsgesellschaft mbH (g)	Mühlau, Germany	Management company	Registered capital EUR30,000, issued and paid-up.	100%
Ziegler GmbH (g)	Giengen an der Brenz, Germany	Management company	Registered capital, EUR25,000, issued and paid-up	100%
Ziegler Auslandsholding GmbH (g)	Giengen an der Brenz, Germany	Management company	Registered capital is EUR30,000, of which EUR17,500 is issued and paid-up	100%
Ziegler Deelnemingen B.V. (g)	Winschoten, Netherlands	Management company	Total share capital is EUR90,000, of which EUR45,000 is issued and paid-up	100%
Signalis B.V. (g)	Winschoten, Netherlands	Management company	Total share capital is EUR90,000, of which EUR45,000 is issued and paid-up	100%
Autoschade Winschoten B.V. (g)	Winschoten, Netherlands	Management company	Total share capital is EUR90,000, of which EUR18,200 is issued and paid-up	100%
Ziegler Fire and Rescue Vehicles Sales and Service (Beijing) Co., Ltd. (h)	Beijing, China	Wholesale and after-sales service of fire vehicles	Registered capital EUR 1,500,000, of which EUR225,000 is issued and paid up	100%

- (a) The statutory financial statements of Ziegler Feuerwehrgertetechnik GmbH & Co. KG for each of the years ended 31 December 2011, 2012 and 2013 were audited Keussen Kühmich Furkart GmbH Chemnitz Germany.
- (b) The statutory financial statements of Albert Ziegler Feuerschutz GmbH for each of the years ended 31 December 2011, 2012 and 2013 were audited by Clauß GmbH Stuttgart Germany.
- (c) The statutory financial statements of Ziegler Brandweertechnik B.V. and Visser B.V. for each of the years ended 31 December 2011, 2012 and 2013 were audited by Ernst & Young Groningen Netherlands.
- (d) The statutory financial statements of Ziegler d.o.o. for each of the years ended 31 December 2011, 2012 and 2013 were audited by Kulic i Sperk Revizija d.o.o. Zagreb Croatia.

- (e) The statutory financial statements of Ziegler S Gasilska Tehnika d.o.o. for each of the years ended 31 December 2011, 2012 and 2013 were audited by Dianamic d.o.o. Ljubljansk Slovenia.
- (f) No audited financial statements have been prepared for Ziegler Safety GmbH & Co. KG for each of the years ended 31 December 2011, 2012 and 2013 as it was in the process of bankruptcy liquidation.
- (g) No audited financial statements have been prepared for those subsidiaries as these companies are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (h) No audited financial statements have been prepared for Ziegler Fire and Rescue Vehicles Sales and Service (Beijing) Co., Ltd. as it is newly set up in 2014.

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

Ziegler has adopted all of new and revised standards, amendments and interpretations (hereinafter collectively referred to as "2014 Effective HKFRSs") issued by the HKICPA, which are effective for the accounting periods beginning on or after 1 January, 2014 in the preparation of Financial Information. These 2014 Effective HKFRSs were consistently applied throughout the Relevant Periods.

Ziegler has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective, in the Financial Information.

		Effective date
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	Accounting periods beginning on or after 1 July 2014
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	Accounting periods beginning on or after 1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	Accounting periods beginning on or after 1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	Accounting periods beginning on or after 1 January 2016
HKFRS 14	Regulatory Deferral Accounts	Accounting periods beginning on or after 1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or contribution of assets between an investor and its associate or joint venture	Accounting periods beginning on or after 1 January 2016
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	Accounting periods beginning on or after 1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	Accounting periods beginning on or after 1 January 2016
HKFRS 15	Revenue from Contracts with Customers	Accounting periods beginning on or after 1 January 2017

The Ziegler Group is in the process of making an assessment of the potential impact of the above new and revised standards, amendments and interpretations but is not yet in a position to state whether they would have a material impact on the results and the financial position of the Ziegler Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information of the Ziegler Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The Financial Information has been prepared under the historical cost convention and presented in Euro in thousand units, unless otherwise stated.

The consolidated financial information is prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Ziegler Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

The significant accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern

Ziegler is at net current liability position of Euro389,000 and Euro6,050,000 as of 31 December, 2013 and 31 October, 2014, respectively. The directors of Ziegler have prepared cash flow projections that support the ability of Ziegler to continue as a going concern. These cash flow projections assume that Ziegler is able to obtain sufficient additional funding from its shareholder. The shareholder of Ziegler has confirmed that they will provide financial support for the continuing operations of Ziegler so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 October, 2014. The directors of Ziegler thus believe that Ziegler and Ziegler Group has sufficient cash flows to meet its liabilities and financial obligations as and when they fall due in the coming twelve months from the date of these financial statements. Accordingly, the directors consider it is appropriate to prepare these financial statements on a going concern basis.

(a) Consolidation

The consolidated financial information includes the financial information of Ziegler and its subsidiaries. Subsidiaries are entities over which the Ziegler Group has control. The Ziegler 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 Ziegler Group has power over an entity when the Ziegler 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 Ziegler 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 Ziegler Group. They are de-consolidated from the date the control ceases.

If the Ziegler Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between the aggregate of the fair value of the relevant consideration and the fair value of any retained interests and the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

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 Ziegler Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to Ziegler. 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 period between the non-controlling shareholders and owners of Ziegler.

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

In Ziegler'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 Ziegler on the basis of dividends received and receivable.

(b) Business combinations

The acquisition method is used to account for business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and 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 in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over Ziegler's share of the net fair value of the identifiable assets and liabilities is recorded as goodwill. Any excess of Ziegler'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 as a gain on bargain purchase which is attributed to Ziegler.

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.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial information of each of the Ziegler Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial information is presented in Euro, which is Ziegler's presentation and functional currency.

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

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

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

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

(iii) Translation on consolidation.

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates 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 the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are reversed to consolidated profit or loss as part of the gain or loss on disposal.

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.

(d) Property, plant and equipment

Property, plant and equipment include freehold lands and buildings, machinery and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Ziegler 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.

Freehold Land is not depreciated. Depreciation on other property, plant and equipment is calculated at rates appropriate to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

- | | |
|-------------|-------------|
| – Buildings | 20-50 years |
| – Machinery | 1-15 years |
| – Equipment | 1-15 years |

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 machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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

(e) Intangible assets**(i) Trademarks, technologies and order backlogs**

Separately acquired trademarks, technologies and order backlogs are shown at historical cost. Trademark, technologies and order backlogs acquired in a business combination are recognised at fair value at the acquisition date.

The trademark has an indefinite useful life and is carried by the impairment-only-approach. An impairment test is done yearly regarding the trademark.

Technologies and order backlogs have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of one to three years.

(ii) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of one to three years.

Software is reviewed for impairment whenever events or changes in circumstances indicate that the book value may no longer be recoverable. An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. Impairments are reversed if and to the extent that the impairment no longer exists. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(f) Leases*The Ziegler Group as lessee***(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. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Financial Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortized using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(g) 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.

Amortisation is calculated on a straight-line basis over the estimated useful lives of three years.

(h) 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.

(i) Financial assets

The Ziegler Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Ziegler Group's loans and receivables comprise 'trade receivables', 'other receivables', 'pledged bank deposits' and 'cash and cash equivalents' in the balance sheet. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Ziegler 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 Ziegler Group transfers substantially all the risks and rewards of ownership of the assets; or the Ziegler 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.

(k) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and reported on a net basis on the Ziegler Group's consolidated statement of financial position only when there currently is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(l) Trade and other receivables

Trade and other receivables 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 and other receivables is established when there is objective evidence that the Ziegler 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.

(m) 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.

(n) 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 Ziegler Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Trade and other payables

Trade and other payables (including amounts due to related parties) 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. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(p) Equity instruments

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

(q) 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 Ziegler Group and the amount of revenue can be measured reliably. Revenue excludes value added tax or other sales tax and any trade discounts.

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

Service income is recognised when the services are rendered.

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

(r) Employee benefits**(i) Pension obligations**

A defined contribution plan is a pension plan under which the Ziegler Group pays fixed contributions into a separate entity. The Ziegler Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Ziegler Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Ziegler Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(ii) Anniversary bonuses to employees

Some group companies provide anniversary bonuses due to long service to employees. A provision is made for the estimated liability subject to seniority of each employee. The present value of the bonuses are determined by discounting the estimated future cash outflows using average interest rates of bonds during the past seven years that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related bonuses.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Ziegler Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Ziegler Group recognises termination benefits at the earlier of the following dates: (a) when the Ziegler Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

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

(v) Employee flexible working hours

Employee entitlements to flexible working hours are recognised when the actual obligation exists. A provision is made for the estimated liability as a result of services rendered by employees.

(s) **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 capitalization 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 Ziegler 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.

(t) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible, and it further includes items from previous years that were not deductible or taxable. The Ziegler 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, except where the Ziegler 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 Ziegler Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Ziegler Group intends to settle its current tax assets and liabilities on a net basis.

(u) Impairment of assets

At the end of each reporting period, the Ziegler Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables 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 Ziegler 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Related parties

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

- (a) A person or a close member of that person's family is related to the Ziegler Group if that person:
- (i) has control or joint control over the Ziegler Group;
 - (ii) has significant influence over the Ziegler Group; or
 - (iii) is a member of the key management personnel of Ziegler or of a parent of Ziegler.
- (b) An entity is related to the Ziegler Group if any of the following conditions applies:
- (i) The entity and Ziegler are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Ziegler Group or an entity related to the Ziegler Group. If the Ziegler Group is itself such a plan, the sponsoring employers are also related to the Ziegler 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).

(w) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Ziegler 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.

(x) **Events after the reporting period**

Events after the reporting period that provide additional information about the Ziegler 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 JUDGMENTS AND KEY ESTIMATES**

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial information apart from those involving estimations, which are dealt with below.

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) **Depreciation for property, plant and equipment and amortisation for intangible assets**

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

(b) **Fair value measurement and valuation processes**

The Ziegler Group's assets and liabilities have been measured at fair value for financial reporting purposes because of business combination. In estimating the fair value of an asset or a liability, management used market-observable data to the extent it is available. Where those inputs are not available, management engaged third party qualified valuers to perform the valuation.

(c) Impairment loss for bad and doubtful debts

The Ziegler Group makes impairment loss for bad and doubtful debts based on assessment performed on 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 judgment 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.

(d) Allowance for obsolete and slow-moving inventories

Allowance for obsolete and slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgment 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.

(e) Income taxes and deferred tax

The Ziegler 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.

In addition, deferred tax assets relating to tax losses are recognised when management considers to be probable that future taxable profit will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different. Where the actual utilisation of the tax loss is different from original estimate, such difference will impact the carrying amount of relevant deferred tax assets.

(f) Other provision

The estimation of warranty provision is based on the past experience. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of provision.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Ziegler 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 Ziegler Group's monetary assets and monetary liabilities denominated in the currencies other than Euro at 31 December 2013 and 31 October 2014 are as follows:

The Ziegler Group	United	Danish	Hrvatska	Czech	Chinese	Total
	States	Kroner	Kuna	Republic	Renminbi	
	dollars			Koruna		
	("USD")	("DKK")	("HRK")	("CZK")	("RMB")	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
31 December 2013						
Cash and cash equivalents	-	-	29	490	-	519
Trade and other receivables	-	-	550	46	-	596
Trade and other payables	(16)	-	(349)	(103)	-	(468)
Bank borrowings	-	-	(1,320)	-	-	(1,320)
	(16)	-	(1,090)	433	-	(673)
	<u>USD</u>	<u>DKK</u>	<u>HRK</u>	<u>CZK</u>	<u>RMB</u>	<u>Total</u>
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
31 October 2014						
Cash and cash equivalents	-	-	133	553	12	698
Trade and other receivables	-	2	765	90	-	857
Trade and other payables	(65)	-	(317)	(23)	-	(405)
Bank borrowings	-	-	(67)	-	-	(67)
	(65)	2	514	620	12	1,083

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

The foreign currency risk that the Ziegler Group and Ziegler are exposed to was assessed to be immaterial.

(b) Credit risk

The Ziegler Group's credit risk is primarily attributable to its trade receivables, deposits and other receivables, bank and cash balances and pledged bank deposits. The Ziegler Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2013 and 31 October 2014 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. 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 recoverable amount of each individual trade debt at the end of each reporting period is reviewed to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Ziegler Group's credit risk exposure 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 Ziegler Group has, regarding the domestic business, no significant concentrations of credit risk on trade receivables. Furthermore, the domestic customers are almost exclusively communities, public institutions and government agencies for which the risk of default is very low.

Regarding foreign business there are often large orders from single customers. To minimize the default risk, trade receivables are secured by letter of credits.

(c) Liquidity risk

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

The following table details the remaining contractual maturities at the balance sheet date of the Ziegler Group's and Ziegler's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Ziegler Group can be required to pay:

The Ziegler Group	Contractual undiscounted cash flow				
	Within 1 year of on demand	1 to 5 years	5 years above	Total	Carrying amount
At 31 December 2013	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Trade and other payables	20,036	–	–	20,036	20,036
Bank borrowings	6,024	–	–	6,024	5,915
Amounts due to related parties	29,703	–	–	29,703	28,797
	55,763	–	–	55,763	54,748
At 31 October 2014					
Trade and other payables	19,228	393	–	19,621	19,603
Bank borrowings	18,552	26	–	18,578	18,151
Amounts due to related parties	45,376	–	–	45,376	45,178
	83,156	419	–	83,575	82,932

Ziegler	Contractual undiscounted cash flow				
	Within 1		5 years	Total	Carrying
	year of on	1 to 5 years			
	demand	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2013					
Trade and other payables	8,118	–	–	8,118	8,118
Amounts due to related parties	29,703	–	–	29,703	28,797
Amounts due to subsidiaries	255	–	–	255	255
	<u>38,076</u>	<u>–</u>	<u>–</u>	<u>38,076</u>	<u>37,170</u>
At 31 October 2014					
Trade and other payables	10,471	199	–	10,670	10,652
Bank borrowings	12,526	–	–	12,526	12,220
Amounts due to related parties	44,408	–	–	44,408	44,228
Amounts due to subsidiaries	7,250	–	–	7,250	7,250
	<u>74,655</u>	<u>199</u>	<u>–</u>	<u>74,854</u>	<u>74,350</u>

(d) Interest rate risk

The Ziegler Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings, due from related parties and cash and cash equivalents. The Ziegler 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.

The Ziegler 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 period and held constant throughout the respective periods.

The Ziegler Group	From 14 August 2013 (date of incorporation) to 31 December 2013		Ten months ended 31 October 2014
	50 basis points	50 basis points	
Reasonably possible change in interest rate			
		EUR'000	EUR'000
(Decrease)/increase in profit for the period			
– as a result of increase in interest rate		(51)	(187)
– as a result of decrease in interest rate		51	187

	From 14 August 2013 (date of incorporation) to 31 December 2013	Ten months ended 31 October 2014
Ziegler		
Reasonably possible change in interest rate	50 basis points <i>EUR'000</i>	50 basis points <i>EUR'000</i>
(Decrease)/Increase in profit for the period		
– as a result of increase in interest rate	(43)	(167)
– as a result of decrease in interest rate	43	167
(e) Categories of financial instruments		
	31 December 2013	31 October 2014
The Ziegler Group	<i>EUR'000</i>	<i>EUR'000</i>
Financial assets:		
Loan and receivables (including pledged bank deposits and cash and cash equivalents)	<u>30,745</u>	<u>30,803</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>52,616</u>	<u>83,402</u>
	31 December 2013	31 October 2014
Ziegler	<i>EUR'000</i>	<i>EUR'000</i>
Financial assets:		
Loan and receivables (including pledged bank deposits and cash and cash equivalents)	<u>13,879</u>	<u>29,446</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>30,825</u>	<u>72,025</u>

(f) Fair value

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

(g) Capital management

The Ziegler Group's objectives when managing capital are to safeguard the Ziegler Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Ziegler Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Ziegler Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings") and amount due from related parties (for financing purpose) as shown in the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position plus net debt.

The Ziegler Group's strategy, which was unchanged since set up, was to maintain the gearing ratio below 70%. The gearing ratios at 31 December 2013 and 31 October 2014 were as follows:

	31 December 2013 <i>EUR'000</i>	31 October 2014 <i>EUR'000</i>
Total borrowings	34,712	63,181
Less: cash and cash equivalents	9,508	2,747
	<hr/>	<hr/>
Net debt	25,204	60,434
Total equity	36,506	31,329
	<hr/>	<hr/>
Total capital	61,710	91,763
	<hr/>	<hr/>
Gearing ratio	41%	66%
	<hr/> <hr/>	<hr/> <hr/>

6. REVENUE

Revenue represents the aggregate of the sale proceeds of goods sold and the income derived from maintenance services rendered during the period less discounts and sales related tax. All service and products generated in Germany by a business entity are subject to value-added tax, which is collected for the customers. An analysis of revenue, net of discounts and value-added tax, is as follows:

	From 14 August 2013 (date of incorporation) to 31 December 2013 <i>EUR'000</i>	Ten months ended 31 October 2014 <i>EUR'000</i>
Revenue from the provision of mechanical engineering and vehicle construction contracts	11,406	67,011
Trading of products	921	27,168
Income from maintenance and sales of spare parts	278	8,933
Revenue from the sales of fire hoses	139	2,345
Income from other services	67	5,600
	<hr/>	<hr/>
Total	12,811	111,057
	<hr/> <hr/>	<hr/> <hr/>

7. OTHER INCOME

	From 14 August 2013 (date of incorporation) to 31 December 2013 <i>EUR'000</i>	Ten months ended 31 October 2014 <i>EUR'000</i>
Interest income	3	4
Income from damage compensation	–	241
Income from sales of materials and valuable scrap	2	115
Rental income from machinery	1	41
Others	23	359
	<hr/>	<hr/>
Total	29	760
	<hr/> <hr/>	<hr/> <hr/>

8. SEGMENT INFORMATION

(a) Reportable segments

The Ziegler Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Ziegler Group principally operates in one business segment, which is the manufacture and sales of fire trucks and firefighting components.

(b) Geographical information

	Revenue		Non-current assets	
	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000	31 December 2013 EUR'000	31 October 2014 EUR'000
Germany	9,077	64,087	25,719	27,628
The Netherlands	1,219	16,271	3,279	3,193
Croatia	64	1,398	836	868
Italy	299	6,607	19	2
Turkey	–	4,942	–	–
China	–	2,336	–	33
Hong Kong	–	2,017	–	–
Malaysia	–	3,197	–	–
Others	2,152	10,202	20	17
Total	<u>12,811</u>	<u>111,057</u>	<u>29,873</u>	<u>31,741</u>

(c) Revenue from major customers:

None of the customers contributed more than 10% of the Ziegler Group's total revenue for the ten months ended 31 October 2014. In the period from 14 August 2013 to 31 December 2013, one governmental customer contributed 34% of the Ziegler Group's total revenue.

9. OTHER GAIN/(LOSSES), NET

	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Gain from bargain purchase in a business combination (<i>note 33</i>)	7,465	–
Allowance for bad and doubtful debts	(212)	(42)
Impairment provision for inventories	–	(125)
Others	(104)	(173)
	<u>7,149</u>	<u>(340)</u>

10. FINANCE COSTS

	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Interests on bank borrowings	13	240
Interests on borrowings from related parties	47	732
Others	33	104
	<u>93</u>	<u>1,076</u>
Total finance costs	<u><u>93</u></u>	<u><u>1,076</u></u>

11. INCOME TAX CREDIT

The Hong Kong profits tax rate is 16.5% for the periods from 14 August 2014 (date of incorporation) to 31 December 2013 and for ten months ended 31 October 2014. The Ziegler Group is not subject to any Hong Kong profits tax as it had no assessable income arising in or derived from Hong Kong during the period reported.

Taxation in the consolidated statements of comprehensive income represents:

	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Current tax	69	173
Deferred income tax		
– Origination and reversal of temporary differences	(254)	(2,729)
	<u>(185)</u>	<u>(2,556)</u>
Income tax credit	<u><u>(185)</u></u>	<u><u>(2,556)</u></u>

The reconciliation between the income tax credit and accounting profit or loss at applicable tax rates is as follows:

	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Profit/(loss) before taxation	6,217	(11,112)
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,784	(3,126)
Tax effects of:		
Expenses not deductible for tax purpose	–	10
Income not subject to tax	(1,630)	(14)
Deductible temporary differences for which no deferred income tax assets was recognised	(219)	–
Others	(120)	574
	<u>(185)</u>	<u>(2,556)</u>

The weighted average applicable tax rate was 29% and 28% for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and for ten months ended 31 October 2014, respectively. The decrease is mainly caused by a change in profitability of the Ziegler Group's subsidiaries in the respective countries.

12. EXPENSE BY NATURE

The Ziegler Group's profit/loss for the Relevant Periods is stated after charging/(crediting) the following:

	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Changes in inventories of finished goods and work in progress	5,195	(2,687)
Raw material and consumables used	5,500	74,238
Depreciation, amortisation and impairment charges	191	2,208
Auditors' remuneration		
– Audit services	151	136
– Non-audit services	–	112
Rental expenses	98	1,521
Repairs and maintenance	142	1,283
Commissions	153	890
Transportation expenses	26	866
Advertising costs	14	570
Staff costs (including director's emoluments)	1,158	36,626
Other expenses	481	5,606
Other taxes	570	144
Total cost of sales, selling and distribution costs and administrative expenses	<u>13,679</u>	<u>121,513</u>

13. DIRECTORS' EMOLUMENTS

No director's emoluments occurred in the period from 14 August 2013 (date of incorporation) to 31 December 2013.

Name of director	For the ten months ended 31 October 2014				Total EUR'000
	Fees EUR'000	Salaries and other benefits EUR'000	Discretionary bonus EUR'000	Retirement benefit scheme contributions EUR'000	
Dr. Yinhui Li (i)	-	19	-	2	21
Julia Vieth (ii)	-	-	-	-	-
Sanqiang Wu (iii)	-	-	-	-	-
Mr. Luan (i)	-	-	-	-	-
	-	19	-	2	21

Dr. Yinhui Li was appointed as executive director on 16 December 2013.

- (i) Subsequent to 31 October 2014, Dr. Yinhui Li resigned as an executive director on 4 November 2014. On the same day, Mr. Luan was appointed as an executive director of Ziegler.
- (ii) Julia Vieth was appointed as an executive director of Ziegler on 14 August 2013 and resigned on 5 November 2013.
- (iii) Sanqiang Wu was appointed as an executive director on 5 November 2013 and resigned on 3 March 2014.

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

14. FIVE HIGHEST PAID INDIVIDUALS

The emoluments payable to the five individuals during the Relevant Periods are as follows:

	From 14 August 2013 (date of incorporation) to 31 December 2013 EUR'000	Ten months ended 31 October 2014 EUR'000
Fees	30	791
Discretionary bonus	-	10
Salaries and other benefits	23	535
Retirement benefit scheme contributions	1	28
	54	1,364

The emoluments fell within the following bands:

	Number of Individuals From 14 August 2013 (date of incorporation) to 31 December 2013	Ten months ended 31 October 2014
Nil to HKD 500,000 (Euro 51,051)	5	–
HKD 1,000,001 (Euro 102,103) to HKD 1,500,000 (Euro 153,153)	–	1
HKD 1,500,001 (Euro 153,154) to HKD 2,000,000 (Euro 204,205)	–	1
HKD 2,500,001 (Euro 255,257) to HKD 3,000,000 (Euro 306,307)	–	1
HKD 3,000,001 (Euro 306,308) to HKD 3,500,000 (Euro 307,358)	–	1
HKD 4,500,001 (Euro 459,461) to HKD 5,000,000 (Euro 510,511)	–	1
	<u>5</u>	<u>5</u>

During the Relevant Periods, no emoluments were paid by the Ziegler Group to the five highest paid individuals as an inducement to join or upon joining the Ziegler Group or as compensation for loss of offices.

15. DIVIDENDS

No dividends were declared during the Relevant Periods.

16. PROPERTY, PLANT AND EQUIPMENT

The Ziegler Group

	Freehold lands and buildings <i>EUR'000</i>	Machinery <i>EUR'000</i>	Equipment <i>EUR'000</i>	Total <i>EUR'000</i>
Cost:				
At 14 August 2013	–	–	–	–
Business combination	21,108	2,920	4,376	28,404
At 31 December 2013	21,108	2,920	4,376	28,404
Additions	41	722	404	1,167
Disposals	–	–	(132)	(132)
Currency translation differences	(2)	(2)	(1)	(5)
At 31 October 2014	21,147	3,640	4,647	29,434
Accumulated depreciation:				
At 14 August 2013	–	–	–	–
Business combination	(3,324)	(1,649)	(2,324)	(7,297)
Charge for the period	(50)	(36)	(43)	(129)
At 31 December 2013	(3,374)	(1,685)	(2,367)	(7,426)
Charge for the period	(584)	(513)	(473)	(1,570)
Disposals	–	–	22	22
Currency translation differences	–	1	1	2
At 31 October 2014	(3,958)	(2,197)	(2,817)	(8,972)
Net book value:				
At 31 October 2014	17,189	1,443	1,830	20,462
At 31 December 2013	17,734	1,235	2,009	20,978

All freehold lands are located in Europe.

Freehold lands and buildings with a carrying amount of Euro4,491,000 and Euro4,277,000 had been pledged for banks for borrowings as of 31 December 2013 and 31 October 2014, respectively.

The Ziegler Group charged depreciation expense of Euro86,000 and Euro924,000 in 'cost of sales', Euro15,000 and Euro143,000 in 'selling and distribution costs', Euro28,000 and Euro503,000 in 'administrative expenses' for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and for the ten months ended 31 October 2014, respectively.

Ziegler	Freehold lands and buildings <i>EUR'000</i>	Machinery <i>EUR'000</i>	Equipment <i>EUR'000</i>	Total <i>EUR'000</i>
Cost:				
At 14 August 2013	–	–	–	–
Business combination	12,500	866	1,344	14,710
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	12,500	866	1,344	14,710
Additions	–	485	249	734
Disposals	–	–	(15)	(15)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2014	12,500	1,351	1,578	15,429
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:				
At 14 August 2013	–	–	–	–
Charge for the period	(35)	(34)	(25)	(94)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	(35)	(34)	(25)	(94)
Charge for the period	(350)	(368)	(286)	(1,004)
Disposals	–	–	14	14
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 2014	(385)	(402)	(297)	(1,084)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 October 2014	12,115	949	1,281	14,345
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2013	12,465	832	1,319	14,616
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All freehold lands are located in Europe.

Ziegler charged depreciation expense of Euro62,000 and Euro665,000 in 'cost of sales', Euro11,000 and Euro119,000 in 'selling and distribution costs', Euro21,000 and Euro220,000 in 'administrative expenses' for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and for the ten months ended 31 October 2014, respectively.

17. INTANGIBLE ASSETS

The Ziegler Group

	Trademark	Technology	Order backlogs	Software	Development Costs	Total
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Cost:						
At 14 August 2013	–	–	–	–	–	–
Business combination	6,062	1,844	343	114	45	8,408
At 31 December 2013	6,062	1,844	343	114	45	8,408
Additions	–	–	–	191	46	237
At 31 October 2014	6,062	1,844	343	305	91	8,645
Accumulated amortisation:						
At 14 August 2013	–	–	–	–	–	–
Charge for the period	–	(26)	(29)	(7)	–	(62)
At 31 December 2013	–	(26)	(29)	(7)	–	(62)
Charge for the period	–	(256)	(285)	(68)	(29)	(638)
At 31 October 2014	–	(282)	(314)	(75)	(29)	(700)
Net book value:						
At 31 October 2014	6,062	1,562	29	230	62	7,945
At 31 December 2013	6,062	1,818	314	107	45	8,346

The Ziegler Group has charged amortisation expense of Euro41,000 and Euro324,000 in 'cost of sales', Euro7,000 and Euro64,000 in 'selling and distribution costs', Euro14,000 and Euro250,000 in 'administrative expenses' for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and for the ten months ended 31 October 2014, respectively.

Ziegler

	Trademark <i>EUR'000</i>	Technology <i>EUR'000</i>	Order backlogs <i>EUR'000</i>	Software <i>EUR'000</i>	Total <i>EUR'000</i>
Cost:					
At 14 August 2013	–	–	–	–	–
Business combination	6,062	1,844	194	38	8,138
At 31 December 2013	6,062	1,844	194	38	8,138
Additions	–	–	–	191	191
At 31 October 2014	6,062	1,844	194	229	8,329
Accumulated amortisation:					
At 14 August 2013	–	–	–	–	–
Charge for the period	–	(26)	(15)	(1)	(42)
At 31 December 2013	–	(26)	(15)	(1)	(42)
Charge for the period	–	(256)	(162)	(23)	(441)
At 31 October 2014	–	(282)	(177)	(24)	(483)
Net book value:					
At 31 October 2014	6,062	1,562	17	205	7,846
At 31 December 2013	6,062	1,818	179	37	8,096

Ziegler has charged amortisation expenses of Euro28,000 and Euro292,000 in 'cost of sales', Euro5,000 and Euro 52,000 in 'selling and distribution costs', Euro9,000 and Euro97,000 in 'administrative expenses' for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and for the ten months ended 31 October 2014, respectively.

18. INVESTMENTS IN SUBSIDIARIES – ZIEGLER

The amount represents investments in equity interests in subsidiaries of Ziegler.

Details are as follows:

	31 December 2013 <i>EUR'000</i>	31 October 2014 <i>EUR'000</i>
Investments in subsidiaries:		
– Unlisted investments, at cost	10,238	10,463

Please refer to Note 1 for the principal subsidiaries of Ziegler as at 31 October 2014.

The Ziegler Group has no subsidiary that has material non-controlling interests ("NCI") to the Ziegler Group.

19. INVENTORIES

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Raw materials	16,487	19,706
Work in progress	11,853	24,115
Finished goods and merchandise	11,043	18,679
	<hr/>	<hr/>
Total inventories	<u>39,383</u>	<u>62,500</u>
	<hr/> <hr/>	<hr/> <hr/>
	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Raw materials	11,000	12,954
Work in progress	7,392	15,116
Finished goods and merchandise	5,908	12,685
	<hr/>	<hr/>
Total inventories	<u>24,300</u>	<u>40,755</u>
	<hr/> <hr/>	<hr/> <hr/>

The inventories are valued at the lower of cost and estimated net realizable value

As of 31 December 2013 and 31 October 2014, inventory amounting to of EUR12,017,000 and EUR12,705,000, respectively, had been pledged for the bank borrowings.

20. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER ASSETS

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Trade receivables	18,469	23,275
Less: Allowance for bad and doubtful debts	(212)	(194)
	<hr/>	<hr/>
Trade receivables- net	18,257	23,081
	<hr/>	<hr/>
Prepayments	284	676
Other receivables	1,642	3,477
	<hr/>	<hr/>
	<u>20,183</u>	<u>27,234</u>
	<hr/> <hr/>	<hr/> <hr/>

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Trade receivables	7,284	13,935
Less: Allowance for bad and doubtful debts	(210)	(210)
	<u>7,074</u>	<u>13,725</u>
Trade receivables- net		
	<u>7,074</u>	<u>13,725</u>
Trade receivables due from subsidiaries	1,827	6,959
Loan to subsidiaries	–	3,712
Prepayments to subsidiaries	–	2,002
Prepayments	–	513
Other receivables	382	2,736
	<u>9,283</u>	<u>29,647</u>
	<u><u>9,283</u></u>	<u><u>29,647</u></u>

(a) Trade receivables

Trade receivables of Euro6,783,000 and Euro3,582,000 of the Ziegler Group have been assigned to banks as security for bank borrowings as at 31 December 2013 and 31 October 2014, respectively.

The trade and other receivables denominated in the foreign currencies in addition to Euro of the Ziegler Group were disclosed in Note 5(a).

The credit period granted to customers is ranging from 30 days to 120 days. Before accepting any new customer, the Ziegler Group will assess the credit quality of the potential customer and define appropriate credit limits.

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

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
0 – 90 days	18,249	17,956
91 – 180 days	8	5,044
181 – 360 days	–	2
Over 360 days	–	79
	<u>18,257</u>	<u>23,081</u>

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
0 – 90 days	7,074	8,706
91 – 180 days	–	5,019
	<u>7,074</u>	<u>13,725</u>

As of 31 December 2013 and 31 October 2014, trade receivables of Euro9,944,000 and Euro9,710,000, respectively, 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 receivables is as follows:

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Less than 90 days	9,944	7,042
91 – 180 days	–	2,668
	<u>9,944</u>	<u>9,710</u>

As of 31 December 2013 and 31 October 2014, Ziegler has trade receivables at the amount of Euro1,440,000 and Euro7,118,000 were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Less than 90 days	1,440	4,450
91 – 180 days	–	2,668
181 – 360 days	–	–
	<u>1,440</u>	<u>7,118</u>

As of 31 December 2013 and 31 October 2014, trade receivables in the amount of Euro472,000 and Euro752,000 were past due and impaired.

The following table provides the movement of allowance for bad and doubtful debts:

	The Ziegler Group <i>EUR'000</i>
At 14 August 2013	–
Allowance for the period	212
At 31 December 2013	212
Allowance for the period	42
Amounts written off	(60)
At 31 October 2014	194
	Ziegler
At 14 August 2013	–
Allowance for the period	210
At 31 December 2013 and 31 October 2014	210

Management closely monitors the credit quality of the trade and other receivables and considers the trade and other receivables that were neither past due nor impaired to be recoverable. Based on the payment pattern of the customers of the Ziegler Group, trade and other receivables that were past due but not impaired were generally collectable as there has not been a significant change in credit quality of these customers. Allowance for bad and doubtful debts recognised for the relevant periods were set up against trade receivables for customers who had either been placed under liquidation or they were in severe financial difficulties. Thereby the allowance recognised by Ziegler was for one customer only. The Ziegler Group did not hold any collateral over these balances.

(b) Trade receivables from subsidiaries

The aging analysis of Ziegler's trade receivables due from subsidiaries is as follows:

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Less than 90 days	1,827	5,003
91 – 180 days	–	1,461
181 – 360 days	–	495
	1,827	6,959

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment.

(c) Loans to subsidiaries

All loans to subsidiaries as of 31 October 2014 bear interest at a variable rate of 3-month Euro Interbank Offered Rate ("Euribor") plus 2.5% per annum. The loan agreements are cancellable and can be terminated with three months notice.

21. PLEDGED BANK DEPOSIT, CASH AND CASH EQUIVALENTS

(a) Pledged bank deposits

Pledged bank deposits were deposited with banks as a security for bank guarantees granted as at 31 December 2013 and 31 October 2014.

(b) Cash and cash equivalents

As at 31 December 2013 and 31 October 2014, there were certain cash and cash equivalents denominated in foreign currencies other than to Euro, details refer to Note 5(a).

22. TRADE AND OTHER PAYABLES

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Trade payables	9,528	12,917
Accruals	2,580	3,762
Other payables	4,128	1,550
Value added tax, sales tax and other levies	3,789	1,142
Deferred income	11	38
	<u>20,036</u>	<u>19,409</u>
Less: non-current payables	–	(181)
	<u>20,036</u>	<u>19,228</u>
	<u><u>20,036</u></u>	<u><u>19,228</u></u>
	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Trade payables	1,046	6,480
Accruals	1,704	2,946
Value added tax, sales tax and other levies	1,790	648
Other payables	3,578	578
	<u>8,118</u>	<u>10,652</u>
Less: trade and other payable – non-current part	–	(181)
	<u>8,118</u>	<u>10,471</u>
	<u><u>8,118</u></u>	<u><u>10,471</u></u>

Certain trade and other payables of the Ziegler Group were denominated in foreign currencies other than Euro, details were disclosed in Note 5(a).

APPENDIX IIA ACCOUNTANT’S REPORT OF THE ZIEGLER GROUP

(a) Trade payables

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

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
0 – 30 days	5,413	7,638
31 – 60 days	206	1,370
61 – 90 days	199	666
Over 90 days	3,710	3,243
	<hr/>	<hr/>
	9,528	12,917
	<hr/> <hr/>	<hr/> <hr/>

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
0 – 30 days	1,046	4,571
31 – 60 days	–	998
61 – 90 days	–	453
Over 90 days	–	458
	<hr/>	<hr/>
	1,046	6,480
	<hr/> <hr/>	<hr/> <hr/>

(b) Trade payables to subsidiaries

The aging analysis of amount due to subsidiaries is as follows:

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
0 – 30 days	255	3,413
31 – 60 days	–	3,837
	<hr/>	<hr/>
	255	7,250
	<hr/> <hr/>	<hr/> <hr/>

23. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties are unsecured and repayable on demand. A following table provides an overview of the aggregate amount with the corresponding variable interest rates per annum.

The Ziegler Group	Interest bearing amount		Variable interest, repricing period
	31 December 2013 EUR'000	31 October 2014 EUR'000	
CIMC Top Gear B.V. ("Top Gear")	24,400	24,400	3-month Euribor +2.5% per annum, quarterly floating
China International Marine Containers (Hong Kong) Ltd("CIMC HK") (Note (a))	4,350	19,870	The interest rate is between 2.327% per annum and 2.55% per annum, and the repricing period is between 3 months to 9 months
Xinfa Airport Equipment Ltd. ("Xinfa")	–	148	Advanced payment
	28,750	44,418	
Accrued interests on loans	47	760	
	28,797	45,178	

Note (a):

Interest rates for the loans from CIMC HK are determined based on the lenders actual finance cost. CIMC HK has the rights to adjust the interest rates in accordance with its actual finance cost according to the respective agreements.

Ziegler	Interest bearing amount		Variable interest, repricing period
	31 December 2013 EUR'000	31 October 2014 EUR'000	
CIMC Top Gear B.V., ("Top Gear")	24,400	24,400	3-month Euribor +2.5% per annum, quarterly floating
China International Marine Containers (Hong Kong) Ltd ("CIMC HK") – loan to Ziegler	4,350	19,070	The interest rate is between 2.327% per annum and 2.55% per annum and the repricing period is between 3 months to 9 months
	28,750	43,470	
Accrued interests on loans	47	758	
	28,797	44,228	

24. BANK BORROWINGS

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Bank loans, unsecured	–	12,241
Bank loans, secured	5,915	5,910
	<u>5,915</u>	<u>5,910</u>
Total bank borrowings	<u><u>5,915</u></u>	<u><u>18,151</u></u>
– Current	5,915	18,125
– Non-current	–	26

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Bank loans, unsecured	–	11,131
Bank loans, secured	–	1,089
	<u>–</u>	<u>1,089</u>
Total bank borrowings	<u><u>–</u></u>	<u><u>12,220</u></u>

At 31 December 2013 and 31 October 2014, the Ziegler Group's bank borrowings were denominated in functional currencies of the respective group entities. The bank borrowings were denominated in foreign currencies other than Euro, details were disclosed in Note 5(a).

The bank loans were secured by pledge of inventories, trade receivables and freehold lands owned by the Ziegler Group.

The weighted average interest rates for the Relevant Periods are as follows:

	The Ziegler Group	
	From 14 August	Ten months
	2013 (date of	ended
	incorporation)	ended
	to 31 December	31 October
	2013	2014
Bank loans	2.42%	2.26%
	<u>2.42%</u>	<u>2.26%</u>

	Ziegler	
	From 14 August	Ten months
	2013 (date of	ended
	incorporation)	ended
	to 31 December	31 October
	2013	2014
Bank loans	–	2.73%
	<u>–</u>	<u>2.73%</u>

The interest rates for the bank loans outstanding at 31 December 2013 and 31 October 2014, respectively, were arranged at variable interest rate and expose the Ziegler Group to cash flow interest rate risk.

25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	The Ziegler Group			
	Warranty provision <i>EUR'000</i> <i>(Note (a))</i>	Employee provisions <i>EUR'000</i>	Other provisions <i>EUR'000</i>	Total <i>EUR'000</i>
Balance 14 August 2013	–	–	–	–
Business combination	954	1,109	266	2,329
Provisions utilised	–	–	–	–
Balance at 31 December 2013	954	1,109	266	2,329
Provision made during the period	685	796	166	1,647
Provisions utilised	(650)	(187)	(227)	(1,064)
Balance at 31 October 2014	<u>989</u>	<u>1,718</u>	<u>205</u>	<u>2,912</u>
	Ziegler			
	Warranty provision <i>EUR'000</i>	Employee provisions <i>EUR'000</i>	Other provisions <i>EUR'000</i>	Total <i>EUR'000</i>
Balance 14 August 2013	–	–	–	–
Business combination	607	796	184	1,587
Provisions utilised	–	–	–	–
Balance at 31 December 2013	607	796	184	1,587
Provision made during the period	211	565	102	878
Provisions utilised	(261)	(48)	(137)	(446)
Balance at 31 October 2014	<u>557</u>	<u>1,313</u>	<u>149</u>	<u>2,019</u>

Note (a):

Under the usual terms of the Ziegler Group's sales agreements, the Ziegler Group has undertaken to rectify any product defects arising within two years from the date of free sale of the products. Provision is therefore made based on the best estimate of the expected costs to be incurred to honour such obligations under these agreements in respect of the sales made within the warranty period prior to the balance sheet date.

26. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Ziegler Group		Ziegler	
	31 December 2013 EUR'000	31 October 2014 EUR'000	31 December 2013 EUR'000	31 October 2014 EUR'000
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	488	1,541	276	1,147
– Deferred tax asset to be recovered within 12 months	61	1,793	–	1,439
	<u>549</u>	<u>3,334</u>	<u>276</u>	<u>2,586</u>
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	1,937	1,894	996	1,108
– Deferred tax liability to be recovered within 12 months	40	139	15	119
	<u>1,977</u>	<u>2,033</u>	<u>1,011</u>	<u>1,227</u>
Deferred tax assets/(liabilities), net	<u><u>(1,428)</u></u>	<u><u>1,301</u></u>	<u><u>(735)</u></u>	<u><u>1,359</u></u>

The Ziegler Group

The components of deferred tax (assets)/liabilities recognised in the consolidated statements of financial position and the movements during the period are as follows:

	Tax loss <i>EUR'000</i>	Fair value adjustments arising from business combinations <i>EUR'000</i>	Others <i>EUR'000</i>	Total <i>EUR'000</i>
Deferred tax assets				
At 14 August 2013 (date of incorporation)	–	–	–	–
Credited to profit or loss	383	–	60	443
Additions arising from business combination	–	106	–	106
At 31 December 2013	<u>383</u>	<u>106</u>	<u>60</u>	<u>549</u>
At 1 January 2014	383	106	60	549
Credited to profit or loss	2,348	46	391	2,785
At 31 October 2014	<u>2,731</u>	<u>152</u>	<u>451</u>	<u>3,334</u>
		Fair value adjustments arising from business combinations <i>EUR'000</i>	Others <i>EUR'000</i>	Total <i>EUR'000</i>
Deferred tax liabilities				
At 14 August 2013 (date of incorporation)		–	–	–
Charged to profit or loss		–	189	189
Additions arising from business combination		1,788	–	1,788
At 31 December 2013		<u>1,788</u>	<u>189</u>	<u>1,977</u>
At 1 January 2014		1,788	189	1,977
(Credited)/charged to profit or loss		(92)	148	56
Charged to reserves		–	–	–
At 31 October 2014		<u>1,696</u>	<u>337</u>	<u>2,033</u>

Ziegler

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the period are as follows:

	Tax loss <i>EUR'000</i>	Fair value adjustments arising from business combinations <i>EUR'000</i>	Others <i>EUR'000</i>	Total <i>EUR'000</i>
Deferred tax assets				
At 14 August 2013 (date of incorporation)	–	–	–	–
Credited to profit or loss	170	–	–	170
Additions arising from business combination	–	106	–	106
At 31 December 2013	<u>170</u>	<u>106</u>	<u>–</u>	<u>276</u>
At 1 January 2014	170	106	–	276
Credited to profit or loss	2,166	46	98	2,310
At 31 October 2014	<u>2,336</u>	<u>152</u>	<u>98</u>	<u>2,586</u>
		Fair value adjustments arising from business combinations <i>EUR'000</i>	Others <i>EUR'000</i>	Total <i>EUR'000</i>
Deferred tax liabilities				
At 14 August 2013 (date of incorporation)		–	–	–
Charged to profit or loss		–	15	15
Additions arising from business combination		996	–	996
At 31 December 2013		<u>996</u>	<u>15</u>	<u>1,011</u>
At 1 January 2014		996	15	1,011
Charged to profit or loss		42	174	216
At 31 October 2014		<u>1,038</u>	<u>189</u>	<u>1,227</u>

Tax losses carried forward

At 31 December 2013 and 31 October 2014, the Ziegler Group had unused tax losses in the amounts of Euro 1,146,000 and Euro 11,619,000, which were available for offsetting future taxable profits, respectively.

Deferred income tax assets had been recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Ziegler Group did not recognise deferred income tax assets of Euro 3,000 and Euro 656,000 in respect of losses amounting to Euro 12,000 and Euro 2,278,000 as at 31 December 2013 and 31 October 2014, respectively, as it is not probable that such tax losses could be utilised.

The tax rates applicable to the Ziegler Group were 29% and 28% for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and for the ten months ended 31 October 2014, respectively.

27. SHARE CAPITAL AND RESERVES

	Ziegler	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Ordinary share capital, issued and paid up	10,025	13,543
Capital reserves	20,000	20,000

The reserves represent additional contributions made by the shareholders at the same time of additional share issuance during the period from 14 August 2013 to 31 December 2013.

28. RETAINED EARNINGS

	The Ziegler Group	Ziegler
	<i>EUR'000</i>	<i>EUR'000</i>
At 14 August 2013 (date of incorporation)	–	–
Total comprehensive income for the period	6,403	1,161
At 31 December 2013	6,403	1,161
Total comprehensive loss for the period	(8,715)	(7,933)
At 31 October 2014	(2,312)	(6,772)

29. CAPITAL COMMITMENTS

At 31 December 2013 and 31 October 2014, the Ziegler Group's capital commitments on property, plant and equipment are as follows:

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Contracted for but not provided for	14	85
Authorised but not contracted for	–	134

30. OPERATING LEASE COMMITMENTS

	The Ziegler Group	
	31 December 2013	31 October 2014
	<i>EUR'000</i>	<i>EUR'000</i>
Within one year	968	541
In the second to fifth year inclusive	478	744
	1,446	1,285
	1,446	1,285

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

31. RELATED PARTY TRANSACTIONS

The Ziegler Group was controlled by CIMC, which owned 100% of the Ziegler Group's equity interest, as at 31 December 2013 and 31 October 2014. CIMC is also the ultimate parent company of Ziegler.

The following companies are related parties of the Ziegler Group that had balance and/or transactions with the Ziegler Group during the Relevant Periods.

Name	Relationship	Transaction type
Top Gear	Immediate parent company of Ziegler	Loan
CIMC HK	Under same control of the ultimate parent company	Loan
Xinfa	Under same control of the ultimate parent company	Sales

The related parties transactions and balance between the Ziegler Group and the above related parties were disclosed in Note 23.

The key management personnel are the directors. The details of remuneration paid and payable to them are set out in note 13.

32. CONTINGENT LIABILITIES

The Ziegler Group and Ziegler did not have any significant contingent liabilities at 31 December 2013 and 31 October 2014.

33. BUSINESS COMBINATION

As disclosed in Note 1, the Ziegler Group acquired the Acquired Entity Assets from the Entity in the 2013 Acquisition for a cash consideration of Euro 57,404,000 and assumption of liabilities of Euro 3,737,000 on 14 December 2013.

In 2009, certain legal proceedings were initiated by the German anti-trust authority against the Entity. After settlement of the aforesaid legal proceedings which involved payment of substantial penalties the Entity filed for insolvency in 2011, and since then, its business operations and its subsidiaries were maintained by the insolvency administrator. Ziegler acquired the main business of the Entity in the 2013 Acquisition from the administrator.

The 2013 Acquisition was accounted for as business combination.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration:	
On 14 December, 2013	<i>EUR'000</i>
– Cash	57,404
– Liabilities acquired	3,737
	<hr/>
Total consideration	61,141
	<hr/> <hr/>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash at bank and on hand	3,229
Trade receivable	14,411
Other receivables	1,545
Inventories	50,659
Property, plant and equipment	21,107
Intangible assets	8,408
Deferred tax assets	106
Bank borrowings	(7,554)
Accounts payable	(8,810)
Advances from customers	(5,400)
Current tax liabilities	(521)
Other payables and provision	(6,708)
Deferred tax liabilities	(1,788)
	<hr/>
Total identifiable net assets	68,684
	<hr/> <hr/>
Non-controlling interest	78
Gain from bargain purchase in a business combination	7,465

Due to the fact that the Ziegler Group started its business operations with the acquisition of the main assets from the Entity on 14 December 2013, the consolidated financial statements for the period from 14 August 2013 to 31 December 2013 represented the revenue, net profit and cash flow of the acquired business after the acquisition.

Acquisition-related costs of Euro137,000 had been charged to administrative expenses in the Financial Information.

34. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2013 and 31 October 2014, the immediate parent of Ziegler is Top Gear, which was incorporated in Pijnacker, the Netherlands. This entity does not produce financial statements available for public use.

As at 31 December 2013 and 31 October 2014, the ultimate controlling party of Ziegler is CIMC, which was incorporated in the People’s Republic of China. CIMC produces financial statements in accordance with China Accounting Standards available for public use.

35. SUBSEQUENT EVENTS

(a) Acquisition of shares in P.T. Ziegler Indonesia

In December 2014, Ziegler completed an acquisition of 92.25% of the shares of P.T. Ziegler Indonesia (“Ziegler Indonesia”) for a consideration of Euro 1,490,000 pursuant to an asset purchase agreement between the Ziegler Group and the insolvency administrator of the Entity dated 7 November 2013.

The Ziegler Group has not yet completed the purchase price allocation for this subsequent business combination as at the date of this report because of time constraints.

III. ADDITIONAL FINANCIAL INFORMATION OF ZIEGLER INDONESIA

The statement of financial position of Ziegler Indonesia as at 31 October 2014, and the statements of comprehensive income, changes in equity and cash flow of Ziegler Indonesia for the ten months ended 31 October 2014 were as below:

(a) STATEMENT OF FINANCIAL POSITION

	31 October 2014 <i>EUR '000</i>
Non-current assets	
Property, plant and equipment	131
Total non-current assets	131
Current assets	
Inventories	2651
Prepaid taxes	446
Advances and prepayments	940
Trade receivables, net	851
Other receivables and other assets	10
Cash and cash equivalents	294
Total current assets	<u>5,192</u>

31 October 2014

EUR '000

Current liabilities	
Trade and other payables	421
Current tax liabilities	57
Prepayments from customers	511
Bank borrowings	1,584
Amounts due to related parties	408
Accrued expenses	763
Loan from shareholders	650
Loan from customers	333
	<hr/>
Total current liabilities	4,727
	<hr/>
Net currents assets	465
	<hr/>
Total assets less current liabilities	596
	<hr/>
Net Assets	596
	<hr/> <hr/>
Capital and reserve	
Share capital	1,299
Reserve	4
Retained earnings	(707)
	<hr/>
Equity attributable to the owner of the Company	596
	<hr/> <hr/>

(b) STATEMENT OF COMPREHENSIVE INCOME

	Ten months ended 31 October 2014 EUR '000
Revenue	3,817
Cost of sales	(3,131)
	<hr/>
Gross profit	686
Selling and distribution costs	(156)
General and administrative expenses	(420)
Other expenses	(289)
	<hr/>
Loss before tax	(179)
	<hr/>
Income tax credit	-
	<hr/>
Loss for the period	(179)
	<hr/> <hr/>

(c) STATEMENT OF CHANGES IN EQUITY

	Share capital <i>EUR'000</i>	Reserves <i>EUR'000</i>	Accumulated losses <i>EUR'000</i>	Total <i>EUR'000</i>
At 1 January 2014	1,299	4	(528)	775
Profit for the period	—	—	(179)	(179)
At 31 October 2014	<u>1,299</u>	<u>4</u>	<u>(707)</u>	<u>596</u>

Statement of cash flow

(d) STATEMENT OF CASH FLOWS

	Ten months ended 31 October 2014 <i>EUR'000</i>
Cash flows from operating activities	
Loss before taxation	(179)
Adjustments for:	
Depreciation of property, plant and equipment	54
Profit on sales of fixed assets	(109)
Increase in inventories	(165)
Decrease in trade and other receivables	1,669
Decrease in provisions for other liabilities and charges	(335)
Decrease in prepayments from customers	(2)
Increase in current tax liabilities	48
Increase in loan from customer	12
Increase in loan from related parties	3
Decrease in trade and other payables	(422)
Cash generated from operations	<u>574</u>
Net cash flows generated from operating activities	<u>574</u>
Cash flows from investing activities	
Purchase of property, plant and equipment	(31)
Sales of fixed asset	112
Net cash flows generated from investing activities	<u>81</u>
Cash flows from financing activities	
Proceeds from new bank loans	193
Repayment of bank loans	(615)
Increase in amount due to related parties	(57)
Net cash flows used in financing activities	<u>(479)</u>
Net increase in cash and cash equivalents	176
Exchange gains on cash and cash equivalents	18
Cash and cash equivalents at beginning of the period	<u>100</u>
Cash and cash equivalents at end of the period	<u><u>294</u></u>

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Ziegler or any of its subsidiaries in respect of any period subsequent to 31 October 2014 up to the date of this report. No dividend or distribution has been declared or made by Ziegler or any of its subsidiaries in respect of any period subsequent to 31 October 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Unaudited Aggregated Selected Financial Information

The following is the unaudited aggregated selected financial information of the Headquarter Assets, the Operating Subsidiaries and P.T. Ziegler Indonesia (“Ziegler Indonesia”) for the years ended 31 December 2011 and 2012 and for the period from 1 January 2013 to 13 December 2013 and the unaudited aggregated selected financial information of the Ziegler Group and Ziegler Indonesia for the period from 14 December 2013 to 31 December 2013 (together, the “Unaudited Aggregated Selected Financial Information”) which has been prepared by the management of Ziegler. The Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, has performed agreed-upon procedures to verify whether the Unaudited Aggregated Selected Financial Information is properly extracted from the accounting ledger of the relevant entities.

	<i>Note</i>	2013 <i>EUR</i>	2012 <i>EUR</i>	2011 <i>EUR</i>
Revenue	3	168,094,483	152,669,293	154,608,850
Cost of sales	4	(151,429,881)	(136,295,237)	(132,877,168)
Gross profit		16,664,602	16,374,056	21,731,682
Other income	5	1,889,626	1,843,810	2,022,017
Selling and distribution expenses		(14,469,501)	(11,139,061)	(12,679,717)
General and administrative expenses		(11,278,621)	(11,277,879)	(23,699,403)
including: one-off items as a result of the insolvency		(2,684,343)	(4,081,061)	(10,323,530)
recurring items		(8,594,278)	(7,196,818)	(13,375,873)
Loss before tax and interest expense (EBIT)		(7,193,894)	(4,199,074)	(12,625,421)
Loss before tax and interest expense (EBIT) without deducting one-off items of administrative expenses		(4,509,551)	(118,013)	(2,301,891)

Notes:

- (1) The above Unaudited Aggregated Selected Financial Information of the Headquarter Assets, Ziegler, the Operating Subsidiaries and Ziegler Indonesia (collectively, the “Relevant Business”) has been prepared by aggregating income or expenses of the Headquarter Assets, Ziegler, the Operating Subsidiaries and Ziegler Indonesia for relevant periods. Inter-company transactions and recognised gains/losses on transactions between the companies comprising the Relevant Business are eliminated on aggregation. No assumption is used in preparing the Unaudited Aggregated Selected Financial Information as such financial information is prepared based on the historical financial information of Relevant Business during the relevant periods.
- (2) The financial information of the Relevant Business is prepared on a basis consistent with the accounting policies normally adopted by the Group as set out in the Company’s audited consolidated financial statements for the year ended 31 December 2014.

(3) Revenue	2013 EUR	2012 EUR	2011 EUR
Revenue from the provision of mechanical engineering and vehicle construction contracts	137,159,246	115,161,000	110,347,000
Trading of products	28,208,484	30,438,000	36,408,000
Revenue from the sales of fire hoses	2,002,758	3,608,000	3,598,000
Income from other services	723,995	3,462,293	4,255,850
Total	168,094,483	152,669,293	154,608,850
(4) Cost of sales	2013 EUR	2012 EUR	2011 EUR
Direct material costs	112,723,766	102,767,966	99,742,526
Direct labour costs	29,391,135	25,359,615	26,815,058
Direct depreciation and amortisation expenses	1,334,042	1,365,878	1,155,330
Manufacturing overheads	7,980,938	6,801,778	5,164,254
Total	151,429,881	136,295,237	132,877,168
(5) Other income	2013 EUR	2012 EUR	2011 EUR
Rental income	85,019	39,687	58,508
Others	1,804,607	1,804,123	1,963,509
Total	1,889,626	1,843,810	2,022,017

Set out below is the management discussion and analysis on the Ziegler Group provided by the Vendor for the period from 14 August 2013 (date of incorporation) to 31 December 2013 and the ten months ended 31 October 2014.

Introduction

The Ziegler Group is principally engaged in the development, manufacture and sales of a broad range of fire trucks and firefighting components. The product range includes fire trucks, special vehicles, pumps, fire hoses and firefighting equipment of all kinds. In this framework, the Ziegler Group markets a comprehensive range of equipment for firefighting operations, as well as spare-parts and services. The core competencies are manufacturing and sales of vehicles, pumps and hoses for firefighting and emergency response. A wide range of fire fighting vehicles is covered, ranging from standard vehicles and vehicles especially for the needs of industry and government institutions, to large airport crash tenders. The range of products is supplemented by traded firefighting equipment of all kinds. The Ziegler Group operates manufacturing sites located in Europe and sells the products internationally.

The Ziegler Group is one of the world’s leading firefighting equipment manufacturers. It’s headquarter is located in Giengen, Germany. The Ziegler Group owns six production bases, located in Germany (including one located at the headquarter in Giengen), the Netherlands and Croatia. Also it has five sales and service subsidiaries located in Germany, Italy, Slovenia, the Czech Republic and the PRC.

Ziegler was incorporated on 14 August 2013 in Frankfurt am Main (Germany) as Platin 959 GmbH, renamed to CIMC Ziegler GmbH, then renamed to Albert Ziegler GmbH. The address of its registered office and principal place of business is Memminger Straße 28, 89537 Giengen an der Brenz (Germany).

On 14 August 2013, Ziegler was founded and afterwards on 5 November 2013 acquired by the Vendor. On 7 November 2013, Ziegler acquired the main assets (including shares/investments in subsidiaries) other than cash and receivables of Albert Ziegler GmbH & Co. KG, by entering into an assets purchase agreement with the administrators in bankruptcy of Albert Ziegler GmbH & Co. KG with effect from 14 December 2013.

Liquidity and financial resources

	As at 31 December 2013	As at 31 October 2014
	<i>EUR' 000</i>	<i>EUR' 000</i>
Current assets	70,412	93,979
Current liabilities	61,098	90,910
Total assets	100,285	125,720
Total liabilities	63,779	94,391
Capital and reserves attributable to the owner of Ziegler	36,428	31,231

As of 31 October 2014, total assets, total liabilities and capital and reserves attributable to the owner of Ziegler amounted to EUR125,720,000, EUR94,391,000 and EUR31,231,000 respectively. In relation to the liquidity and capital structure of the Ziegler Group, the debt ratio (ratio of total liabilities to total assets) and the current ratio (ratio of current assets to current liabilities) were 75.1% and 103.4% respectively.

As of 31 December 2013, total assets, total liabilities and capital and reserves attributable to the owner of Ziegler amounted to EUR100,285,000, EUR63,779,000 and EUR36,428,000 respectively. In relation to the liquidity and capital structure of the Ziegler Group, the debt ratio (ratio of total liabilities to total assets) and the current ratio (ratio of current assets to current liabilities) were 63.6% and 115.2% respectively.

Cash flows

	For the period from 14 August to 31 December 2013	For the ten months ended 31 October 2014
	<i>EUR' 000</i>	<i>EUR' 000</i>
Net cash flows from operating activities	6,512	(37,606)
Net cash flows from investment activities	(54,175)	(1,294)
Net cash flows from financing activities	57,170	32,135

Cash flow from operating activities

The net operating cash flow for the ten months ended 31 October 2014 was highly influenced by the seasonal development of the Ziegler Group which amounted to (EUR37,606,000). The following items mainly caused this result. Inventories were built to a high level in order to make scheduled shipments at year end. This resulted in an increase in inventories of EUR23,117,000. Also, the loss before taxation was EUR11,112,000 for the ten months ended 31 October 2014.

The net operating cash flow for the period from 14 August 2013 to 31 December 2013 was EUR6,512,000. This was mainly attributable to a profit before taxation of EUR6,217,000, reduced by (EUR7,465,000) gain from bargain purchase from business combinations and a positive impact through reduction of inventories of EUR11,276,000.

Cash flows from investment activities

Net cash flow used in investment activities for the ten months ended 31 October 2014 amounted to (EUR1,294,000) mainly consisted of investment in property, plant and equipment of (EUR1,167,000).

For the period from 14 August 2013 to 31 December 2013, the net cash flow used in investing activities was at (EUR54,175,000) which was related to payments concerning business combinations.

Cash flows from financing activities

Net cash flows from financing activities for the ten months ended 31 October 2014 amounted to EUR32,135,000. This was mainly related to new bank loans of EUR12,236,000 and increase in amounts due to related parties of EUR16,381,000 which were used to finance the operational business requirements of the Ziegler Group.

For the period from 14 August 2013 to 31 December 2013, the net cash flow from financing activities amounted to EUR57,170,000 which were mainly from contributions from shareholders of EUR20,000,000, proceeds from issuance of shares of EUR10,012,000 and an increase in amounts due to related parties of EUR28,797,000. The net cash generated from financing activities was mainly used for acquiring the assets of Albert Ziegler GmbH & Co KG.

Capital structure

Borrowings

	As at 31 December 2013 <i>EUR' 000</i>	As at 31 October 2014 <i>EUR' 000</i>
Borrowings from related parties	28,797	45,030
Bank loans, unsecured	–	12,241
Bank loans, secured	5,915	5,910
	<hr/>	<hr/>
Total Borrowings	<u>34,712</u>	<u>63,181</u>

As at 31 October 2014, the Ziegler Group had borrowings of EUR63,181,000 including interest from loans. This mainly consisted of loans from related parties of EUR45,030,000 at variable interest rates. Bank loans amounted to EUR18,151,000 whereof EUR5,910,000 were secured.

At 31 December 2013, the Ziegler Group's borrowings amounted to EUR34,712,000 whereof EUR28,797,000 were due to related parties loans and EUR5,915,000 were secured bank loans. Interest rates were mainly linked to 3-month-Euribor with an average mark-up of 2.5%, except for one loan of EUR4,350,000 which was at a fixed rate of 2.33%.

Funding was principally made by loans from CIMC Group and external bank loans secured by CIMC Group. A financing budget was made on a yearly basis which was approved by CIMC headquarter treasury department including seasonal financing requirements and credit lines. The Ziegler Group controls its treasury activities on a weekly basis (for short term liquidity planning) and on a monthly basis (for mid term liquidity planning). Borrowings were denominated in EUR.

As at 31 October 2014, some bank and cash accounts denominated in foreign currencies (Czech Koruna, Croatian Kuna and Chinese Renmimbi) amounting to EUR698,000.

At 31 December 2013, bank and cash accounts denominated in foreign currencies (Czech Koruna and Croatian Kuna) amounting to EUR519,000.

Capital expenditures

For the period from 14 August to 31 December 2013 and the ten months ended 31 October 2014, the capital expenditure of the Ziegler Group principally comprised expenditures for the replacement and upgrading of machinery, tools and equipments well as investments in software licenses and other IT infrastructure.

There were no significant investments held in respective periods.

A material acquisition was made on 14 December 2013 when the main assets of Albert Ziegler GmbH & Co KG were acquired. Additionally, in December 2014, the majority shares of Ziegler Indonesia were acquired.

No other material investments or acquisitions are planned for the future periods.

Contingent liabilities

The Ziegler Group did not have any significant contingent liabilities as at 31 October 2014 and 31 December 2013 respectively.

Charges on group assets

Save as disclosed in the accountant's report of the Ziegler Group as set out in Appendix IIA to this circular, the Ziegler Group did not have any other charges on its assets as at 31 December 2013 and 31 October 2014.

Segmental information, order book status, material acquisitions and disposals

The Ziegler Group principally operates in one business segment, which is the manufacture and sale of fire trucks and firefighting equipment. Revenues are recognised from sale of fire trucks, special firefighting vehicles, pumps, fire hoses and firefighting and emergency response equipment of all kinds.

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 Ziegler Group and the amount of revenue can be measured reliably. Revenue excludes value added tax or other sales taxes and is after returns and deduction of any trade discounts.

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.

As the revenue of the Ziegler Group is largely related to municipals, government, industry and infrastructure customers, its revenue shows a continuous development with some minor ups and downs year-on-year. The main factors affecting the Ziegler Group's revenue include the following:

- (i) general industry development especially in gas and oil industry,
- (ii) governmental budgets and available funds, and
- (iii) growth in Asian and Middle East markets.

As of 31 October 2014, order backlog was at EUR120,095,000.

Comparative analysis for the period from 14 August 2013 to 31 December 2013 and the ten months ended 31 October 2014

For the ten months ended 31 October 2014, revenue amounted to EUR111,057,000, comprising mainly sales to Germany EUR64,087,000, the Netherlands EUR16,271,000, Italy EUR6,607,000 and Turkey EUR4,942,000. For the period from 14 August to 31 December 2013, revenue amounted to EUR12,811,000, comprising mainly sales to Germany EUR9,077,000 and the Netherlands EUR1,219,000. Gross profit for the ten months ended 31 October 2014 was at EUR6,367,000. For the period from 14 August 2013 to 31 December 2013, the gross profit was at EUR287,000.

Total assets as of 31 October 2014 were at EUR125,720,000 which means an increase of 25.36% versus 31 December 2013. This was mainly due to an increase in inventories prepared for scheduled projects which were finalised in November 2014 and December 2014 and an increase in receivables from higher sales in October 2014.

Employees and remuneration policies

With increasing sales and implementation of group structures in order to gain synergies throughout the Ziegler Group, the number of employees increased. For the period from 14 August 2013 to 31 December 2013, employee benefit expenses amounted to EUR1,158,000. For the period from 1 January 2014 to 31 October 2014, the employee benefit expenses amounted to EUR36,626,000. As of 31 December 2013 and 31 October 2014, the number of employees were 964 and 1,088 respectively. For the period ended 31 December 2013, the Ziegler Group operated only half a month as its operations started on 14 December 2013.

Employee benefit expenses include salaries, pension obligations and other benefit plans. The Ziegler Group is executing different remuneration standards in respect of performance, qualifications, experience and job responsibilities of employees in accordance with relevant laws and regulations of the respective countries where the companies are located.

The Ziegler Group has adopted a salary system that is mainly linked to agreements with the works councils. This system takes into consideration job responsibilities, personal technicality standards and work performance of employees.

Gearing

The Ziegler Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) and the amount due to related parties (for financing purpose) as shown in the consolidated statements of financial position less cash and cash equivalents. The total capital is calculated as total equity plus net debt. The gearing ratios as at 31 October 2014 and 31 December 2013 were 66% and 41% respectively.

Risk factors*Foreign exchange risk*

The Ziegler Group is exposed to currency risk primarily through entities operating in foreign countries and through international sales and purchases. These facts give rise to receivables, payables and cash balances that are denominated in foreign currencies other than Euro.

Foreign currency risk is related to transactions in Czech Koruna, Croatian Kuna, Danish Kroner, Chinese Renminbi and United States dollars.

Interest rate risk

The Ziegler Group's interest rate risk relates primarily to bank borrowings at variable interest rates and amounts due to related parties. The Ziegler Group currently controls interest rate risk quarterly and monitors interest rate exposure. Hedging will be considered if a significant interest rate risk arises.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma consolidated statement of financial position of the Group (the “Unaudited Pro Forma Financial Statement”) as if the Acquisition had been completed on 31 December 2014. Details of the Acquisition are set out in the letter from the Board contained in this circular.

The Unaudited Pro Forma Financial Statement has been prepared for the purpose of illustrating the effect of Acquisition on the financial position of the Group as if it had been completed on 31 December 2014. Since the completion of the Disposal is a precondition for the Acquisition Completion, the effect of the Disposal has also been taken into account in preparing the Unaudited Pro Forma Financial Statement. Details of the Disposal are set out in the circular of the Company dated 27 March 2015. Because of its hypothetical nature, the Unaudited Pro Forma Financial Statement may not give a true picture of the financial position or results of the Group had the Disposal and Acquisition been completed as of the specified date or any future date.

The Unaudited Pro Forma Financial Statement is based upon the audited consolidated statement of financial position of the Group as at 31 December 2014, which is extracted from the Company’s published annual report for the year ended 31 December 2014, and adjusted on a pro forma basis to reflect the effect of the Acquisition and the Disposal. These pro forma adjustments are (i) directly attributable to the Acquisition and the Disposal and not relating to other future events and decisions and (ii) factually supportable based on the terms of the Acquisition Agreement and Disposal Agreement.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	(Audited)	Proforma adjustments		Pro forma
	The Group			Group
	at 31 December 2014	1	2	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	202,316			202,316
Prepaid land lease payments	34,211			34,211
Goodwill	7,630			7,630
Investments in associates	99		528,583	528,682
	<u>244,256</u>			<u>772,839</u>
Current assets				
Inventories	168,702			168,702
Trade and bills receivables	210,106			210,106
Prepayments, deposits and other receivables	115,441	50,000		165,441
Amounts due from associates	1,083			1,083
prepaid land lease payments	726			726
Pledged bank deposits	8,369			8,369
Bank and cash balances	164,002			164,002
	<u>668,429</u>			<u>718,429</u>
Assets of disposal group held for sale	411,573	(411,573)		–
	<u>1,080,002</u>			<u>718,429</u>
Current liabilities				
Trade and other payables	257,025			257,025
Bank borrowings	100,000			100,000
Current tax liabilities	2,501			2,501
	<u>359,526</u>			<u>359,526</u>

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(con't)

As at 31 December 2014

	(Audited)	Proforma adjustments		Pro forma
	The Group			Group
	at 31 December 2014	1	2	RMB'000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities directly associated with assets of disposal group held for sale	361,573	(361,573)		–
	<u>721,099</u>			<u>359,526</u>
Net current assets	<u>358,903</u>			<u>358,903</u>
Net assets	<u><u>603,159</u></u>			<u><u>1,131,742</u></u>
Capital and reserves				
Share capital	30,168		9,789	39,957
Reserves	518,955		518,794	1,037,749
	<u>549,123</u>			<u>1,077,706</u>
Non-controlling interests	<u>54,036</u>			<u>54,036</u>
Total equity	<u><u>603,159</u></u>			<u><u>1,131,742</u></u>

Pro forma adjustments:

1. The adjustment represents the disposal of the Disposal Group and the related consideration receivable as if the Disposal had been completed at 31 December 2014.
2. The adjustment represents the Acquisition of 40% equity interests of Ziegler by the issuance of 1,223,571,430 Consideration Shares as if the Acquisition had been completed at 31 December 2014. Investment in an associate is initially recognised at cost in accordance with HKAS 28 "Investments in Associates and Joint Ventures". For the purpose of this Unaudited Pro Forma Consolidated Statement of Financial Position, the cost of the investment in Ziegler is the closing price of the Shares on 31 December 2014 (HK\$0.54 or equivalent to RMB0.432 per Share) times 1,223,571,430 Consideration Shares to be issued.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from RSM Nelson Wheeler.



29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

28 April 2015

The Directors
China Fire Safety Enterprise Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Fire Safety Enterprise Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2014 (the “Statement”) as set out on pages III-2 to III-3 of the Appendix III to the circular of the Company dated 28 April 2015 (the “Circular”) issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described on page III-1.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of 40% equity interest in Albert Ziegler GmbH on the Group’s financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s consolidated statement of financial position as included in the annual report for the year ended 31 December 2014.

Directors’ Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

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

Opinion

In our opinion:

- (a) the Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED**

We have performed our work on the principal accounting policies adopted and the calculations used in the preparation of unaudited aggregated selected financial information of the Headquarter Assets, the Operating Subsidiaries and P.T. Ziegler Indonesia (“Ziegler Indonesia”) for the years ended 31 December 2011 and 2012 and for the period from 1 January 2013 to 13 December 2013 and the unaudited aggregated financial information of the Ziegler Group and Ziegler Indonesia for the period from 14 December 2013 to 31 December 2013 (the “Unaudited Aggregated Selected Financial Information”) as set out in the section headed “Unaudited Aggregated Selected Financial Information” in the circular in connection with an acquisition of 40% equity interest in the Ziegler involving the issue of consideration shares and Whitewash Waiver dated 28 April 2015 (the “Circular”) of China Fire Safety Enterprise Group Limited (the “Company”). We understand it is required to be reported on under Rule 10 of the Code on Takeovers and Mergers. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

Respective responsibilities of directors and ourselves

The directors of the Company are solely responsible for preparing the Unaudited Aggregated Selected Financial Information on a basis consistent with the accounting policies adopted by the Company and its subsidiaries (the “Group”) as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2014 and in accordance with the basis of preparation set out in Note 1 in the section headed “Unaudited Aggregated Selected Financial Information” in the Circular. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Aggregated Selected Financial Information that is free from material misstatement; applying an appropriate basis of preparation as detailed in the Circular and applying appropriate accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2014; and making estimates that are reasonable in the circumstances.

It is our responsibility to report, as required by Rule 10 of the Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Aggregated Selected Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2014 and the Unaudited Aggregate Financial Information have been properly compiled on the basis of preparation set out in Note 1 in the section

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headed “Unaudited Aggregated Selected Financial Information” in the Circular, based on our reasonable assurance engagement, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of conclusion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“HKSAE 3000”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our work consisted primarily of procedures such as a) obtaining an understanding of the basis of preparation and the principal accounting policies adopted for compiling the Unaudited Aggregated Selected Financial Information through inquires primarily of persons responsible for financial and accounting matters, b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Aggregated Selected Financial Information, c) comparing the principal accounting policies adopted in the preparation of the Unaudited Aggregated Selected Financial Information with those set out in the audited consolidated financial statements of the Group for the year ended 31 December 2014, d) checking solely the arithmetical calculations and the compilation of the Unaudited Aggregated Selected Financial Information, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE 3000. Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to preparation of the Unaudited Aggregated Selected Financial Information.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Aggregated Selected Financial Information or the underlying financial information comprising the Headquarter Assets, Ziegler, the Operating Subsidiaries and Ziegler Indonesia.

Conclusion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Aggregated Selected Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2014 and the Unaudited Aggregated Selected Financial Information has been properly compiled on the basis of preparation set out in Note 1 on the section headed “Unaudited Aggregated Selected Financial Information” in the Circular.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2015

The following is the text of a report from Optima Capital Limited, the financial adviser to the Company, on the Unaudited Aggregated Selected Financial Information which has been prepared for the purpose of inclusion in this circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

28 April 2015

The Board of Directors
China Fire Safety Enterprise Group Limited
Units A-B, 16/F
China Overseas Building
139 Hennessy Road
Wan Chai
Hong Kong

Dear Sirs,

UNAUDITED AGGREGATED SELECTED FINANCIAL INFORMATION

We refer to the circular issued by the Company dated 28 April 2015 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

We refer to the unaudited aggregated selected financial information of the Headquarter Assets, the Operating Subsidiaries and Ziegler Indonesia for the years ended 31 December 2011 and 2012 and for the period from 1 January 2013 to 13 December 2013 and the unaudited aggregated selected financial information of the Ziegler Group and Ziegler Indonesia for the period from 14 December 2013 to 31 December 2013 (together, the “Unaudited Aggregated Selected Financial Information”) as set out in Appendix IIB of the Circular. We note that the Unaudited Aggregated Selected Financial Information is regarded as a profit forecast under Rule 10 of the Takeovers Code and is required to be reported on by us, the financial adviser to the Company, pursuant to Rule 10 of the Takeovers Code.

We have discussed with the Directors the bases of preparation of the Unaudited Aggregated Selected Financial Information. We have also considered the report of PricewaterhouseCoopers (“PwC”), the reporting accountant of the Company, as set out in Appendix IV of the Circular. PwC is of the opinion that, so far as the accounting policies and calculations are concerned, the Unaudited Aggregated Selected Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2014, and the Unaudited Aggregated Selected Financial Information has been properly compiled on the basis of preparation as set out in note 1 of the section headed “Unaudited Aggregated Selected Financial Information” in Appendix IIB of the Circular.

Based on the above, we are of the opinion that the Unaudited Aggregated Selected Financial Information, for which the Directors are solely responsible, has been made after due and careful consideration.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Beatrice Lung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular (other than those relating to the Ziegler Group and the Vendor and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Ziegler Group and the Vendor and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Vendor and the directors of CIMC jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the Latest Practicable Date up to the date of Acquisition Completion):

(a) *as at the Latest Practicable Date:*

<i>Authorised</i>	<i>HK\$</i>
<u>10,000,000,000 Shares</u>	<u>100,000,000.00</u>
 <i>Issued and fully paid</i>	
<u>2,855,000,000 Shares</u>	<u>28,550,000.00</u>

(b) *immediately after allotment and issuance of the Consideration Shares:*

<i>Authorised</i>	<i>HK\$</i>
10,000,000,000 Shares	100,000,000.00
<i>Issued and fully paid</i>	
2,855,000,000 Shares in issue as at the Latest Practicable Date	28,550,000.00
1,223,571,430 Consideration Shares to be allotted and issued upon Acquisition Completion	12,235,714.30
<u>4,078,571,430 Shares</u>	<u>40,785,714.30</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

The Company had not issued any Shares since 31 December 2014, being the end of the last financial year of the Company, up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not have any outstanding warrants, options or securities convertible into Shares.

3. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 27 February 2015, the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period:

Date	Closing price per Share <i>HK\$</i>
29 August 2014	0.38
30 September 2014	0.62
31 October 2014	0.54
28 November 2014	0.61
31 December 2014	0.54
30 January 2015	0.60
26 February 2015, being the last business day immediately preceding the date of the Joint Announcement	0.68
27 February 2015, the Last Trading Day	0.67
31 March 2015	0.56
24 April 2015, being the Latest Practicable Date	0.61

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK\$0.75 per Share on 18 November 2014 and HK\$0.36 per Share on 16 October 2014 respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have interests 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 SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Jiang Xiong	Beneficial owner	981,600,000	34.38%
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests 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 SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions to be notified to the Company and the Stock Exchange.

(b) **Substantial Shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company**

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (if any) or had any options in respect of such capital:

Long positions in the Shares

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding	Note
EH Investment Management Ltd.	Beneficial owner	593,750,000	20.80%	1
Mr. Ngan Lek	Interest of a controlled corporation	593,750,000	20.80%	1
Genius Earn Ltd.	Beneficial owner	200,000,000	7.01%	2
Mr. Liu Xiao Lin	Interest of a controlled corporation	200,000,000	7.01%	2

Notes:

1. Mr. Ngan Lek is beneficially interested in the entire share capital of EH Investment Management Ltd. and is deemed or taken to be interested in the 593,750,000 Shares in which EH Investment Management Ltd. has declared an interest for the purpose of the SFO.
2. Mr. Liu Xiao Lin is beneficially interested in the entire share capital of Genius Earn Ltd. and is deemed or taken to be interested in the 200,000,000 Shares in which Genius Earn Ltd. has declared an interest for the purpose of the SFO.

Pursuant to the Acquisition Agreement dated 27 February 2015, subject to the Acquisition Completion, the Company will allot and issue to the Vendor (or its nominee) 1,223,571,430 Consideration Shares, representing approximately 30% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the aforementioned Consideration Shares since the Latest Practicable Date up to the date of the Acquisition Completion).

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

5. ADDITIONAL DISCLOSURE

- (i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which the Consideration Shares to be issued to the Vendor under the Acquisition Agreement would be transferred, charged or pledged to any other persons.
- (ii) As at the Latest Practicable Date, save as disclosed in the section headed “Shareholding structure of the Company” in the letter from the Board contained in this circular and the paragraph “Disclosure of interests” above in this appendix, none of the Directors, directors of the Vendor, the Vendor and parties acting in concert with it owned or controlled or were interested in any other Shares, convertible securities, warrants, options or derivatives of the Company.
- (iii) Save for the entering into of the Acquisition Agreement, none of the Directors, directors of the Vendor, and the Vendor and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (iv) As at the Latest Practicable Date, none of the Independent Shareholders had irrevocably committed themselves to vote for or against the proposed resolution approving the Acquisition (including the issue of the Consideration Shares) and the Whitewash Waiver.
- (v) As at the Latest Practicable Date, none of the Vendor and parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.
- (vi) None of the Vendor and parties acting in concert with it had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (vii) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Vendor or parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Acquisition (including the issue of the Consideration Shares), and/or the Whitewash Waiver.
- (viii) None of the Company and the Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of the Vendor as at the Latest Practicable Date nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Vendor during the Relevant Period.
- (ix) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company and any advisers to the Company (as specified in class (2) of the definition of associate in the Takeovers Code but excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company or had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

- (x) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (xi) As at the Latest Practicable Date, there was no Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis by fund managers connected with the Company.
- (xii) Mr. Jiang and Mr. Jiang Qing shall abstain from voting on the resolution approving the Acquisition and the Whitewash Waiver at the EGM and other Directors did not hold any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.
- (xiii) As at the Latest Practicable Date, neither the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.
- (xiv) As at the Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Acquisition (including the issue of the Consideration Shares) and/or the Whitewash Waiver.
- (xv) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Acquisition (including the issue of the Consideration shares) and/or the Whitewash Waiver or otherwise connected with the Acquisition (including the issue of the Consideration shares) and/or the Whitewash Waiver.
- (xvi) As at the Latest Practicable Date, there was no material contract entered into by the Vendor in which any Director had a material personal interest.

6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Joint

Announcement; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

9. MATERIAL CONTRACTS

Save for (i) the Acquisition Agreement; and (ii) the Disposal Agreement (entered into between the Company, as vendor, and the LA Purchaser, as purchaser, in relation to the disposal of entire equity interest in Loyal Asset at a cash consideration of RMB50 million), there were no material contracts (not being contracts entered into in the ordinary course of business of the Group) which have been entered into by any member of the Group within the two years immediately preceding the date of the Joint Announcement and up to and including the Latest Practicable Date.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

11. EXPERTS AND CONSENTS

Set out below are the qualification of the experts who have given opinions or advices contained in this circular:

Name	Qualification
Optima Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Platinum Securities	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
RSM Nelson Wheeler	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the above experts was interested in any securities in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which they respectively appear.

12. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Li Ching Wah. She is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The head office and principal place of business in Hong Kong of the Company is situated at Units A-B, 16/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong.
- (d) The registered office of the Vendor is Katwijkerlaan 75, 2641 PD Pijnacker, Netherlands. Mr. Li Yinhui, Mr. Qin Gang and Mr. Jin Jianlong are the directors of the Vendor.
- (e) The ultimate parent company of the Vendor is CIMC. The board of directors of CIMC comprises Mr. LI Jianhong, Mr. ZHANG Liang, Mr. WANG Hong and Mr. WU Shuxiong as non-executive directors; Mr. MAI Boliang as executive director; and Mr. LI Kejun, Mr. PAN Chengwei and Mr. WONG Kwai Huen, Albert as independent non-executive directors.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) In the event of inconsistency, the English text of this circular and the accompanying forms of proxies shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong and on the websites of the Company (www.chinafire.com.cn) and the Securities and Futures Commission (www.sfc.hk) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Vendor;
- (c) the annual reports of the Company for the years ended 31 December 2013 and 2014;
- (d) the letter from the Board as set out in this circular;
- (e) the letter from the Independent Board Committee as set out in this circular;
- (f) the letter from the Independent Financial Adviser as set out in this circular;
- (g) the accountant's report from PricewaterhouseCoopers in respect of the historical financial information of the Ziegler Group, the text of which is set out in Appendix IIA to this circular;
- (h) the accountant's report on the unaudited pro forma financial information of the Group from RSM Nelson Wheeler, the text of which is set out in Appendix III to this circular;
- (i) the Unaudited Aggregated Selected Financial Information of the Headquarter Assets, the Operating Subsidiaries and Ziegler Indonesia, the text of which is set out in Appendix IIB to this circular;
- (j) the independent assurance report from PricewaterhouseCoopers on the Unaudited Aggregated Selected Financial Information, the text of which is set out in Appendix IV to this circular;
- (k) the report from Optima Capital Limited, the financial adviser of the Company, on the Unaudited Aggregated Selected Financial Information, the text of which is set out in Appendix V to this circular;
- (l) the written consents referred to under the paragraph headed "Experts and consents" in this appendix;
- (m) the material contracts referred to in the section headed "Material Contracts" in this appendix; and
- (n) this circular and a separate circular of the Company dated 27 March 2015 in relation to the Disposal.

NOTICE OF EGM



China Fire Safety Enterprise Group Limited

中國消防企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 445)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of China Fire Safety Enterprise Group Limited (the “**Company**”) will be held immediately after the conclusion of the annual general meeting of the Company which is scheduled to be held at 3:00 p.m. on 22 May 2015 (Friday) at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional sale and purchase agreement dated 27 February 2015 (the “**Acquisition Agreement**”) and entered into among Profit Asia International Trading Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company, as purchaser, CIMC Top Gear B.V. (the “**Vendor**”), as vendor, the Company, as guarantor of the Purchaser’s obligations under the Acquisition Agreement, and China International Marine Containers (Hong Kong) Limited, as guarantor of the Vendor’s obligations under the Acquisition Agreement, in respect of the sale and purchase of 40% equity interests in Albert Ziegler GmbH (“**Ziegler**”) and 40% of all the amounts owed by Ziegler to the Vendor as at the date of completion of the Acquisition Agreement for the consideration of HK\$489,428,572, (a copy of the Acquisition Agreement has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of 1,223,571,430 new shares (the “**Consideration Shares**”) of HK\$0.01 each in the share capital of the Company, credited as fully paid, at the issue price of HK\$0.4 per Consideration Share to the Vendor (or its nominee) pursuant to the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder be and is hereby approved;
- (c) subject to and conditional upon the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) granting to the Vendor and parties acting in concert with it the waiver (the “**Whitewash Waiver**”) pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) waiving any obligation on the part of the Vendor and parties acting in concert with it to make a

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mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Vendor and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the allotment and issue of the Consideration Shares to the Vendor (or its nominee) and the satisfaction of any condition(s) attached to the Whitewash Waiver as may be imposed by the Executive, the Whitewash Waiver be and is hereby approved; and

- (d) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to, the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares and the Whitewash Waiver, as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

By Order of the Board
China Fire Safety Enterprise Group Limited
Li Ching Wah
Company Secretary

Hong Kong, 28 April 2015

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 Floor
China Oversea Building
No 139 Hennessy Road
Wanchai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

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3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof (as the case may be).
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The voting at the Meeting shall be taken by way of poll.

As at the date of this notice, the executive Directors are Mr. Jiang Xiong, Mr. Jiang Qing, Mr. Wang De Feng, Ms. Weng Xiu Xia and Mr. Hu Yong; and the independent non-executive Directors are Dr. Loke Yu, Mr. Heng Ja Wei and Ms. Sun Guo Li.