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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)

HALF-YEARLY RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2014 increased 9.5% to RMB441 million, as compared to the corresponding period in 2013.
- Loss for the six months ended 30 June 2014 was RMB1.5 million (2013: RMB9.4 million).
- Loss per share for the six months ended 30 June 2014 was RMB0.13 cent (2013: RMB0.32 cent per share).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2014.

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		(Unaudited)	
		For the six months ended	
		30 June	
		2014	2013
	<i>Notes</i>	RMB'000	RMB'000
Turnover	2	440,898	402,468
Cost of sales and services		<u>(392,957)</u>	<u>(360,092)</u>
Gross profit		47,941	42,376
Other income	3	5,912	4,214
Selling and distribution costs		(12,124)	(15,524)
Administrative expenses		(33,828)	(29,326)
Share of profit of a jointly controlled entity		-	152
Share of losses of associates		(248)	(2,743)
Finance costs		<u>(2,653)</u>	<u>(2,848)</u>
Profit / (loss) before taxation		5,000	(3,699)
Income tax expense	4	<u>(6,183)</u>	<u>(5,717)</u>
Loss for the period	5	<u>(1,183)</u>	<u>(9,416)</u>
<i>Other comprehensive income:</i>			
Exchange differences on translating foreign operations		<u>(326)</u>	<u>(37)</u>
Other comprehensive income for the period, net of tax		<u>(326)</u>	<u>(37)</u>
Total comprehensive income for the period		<u><u>(1,509)</u></u>	<u><u>(9,453)</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (continued)**

		(Unaudited)	
		For the six months ended	
		30 June	
	<i>Notes</i>	2014	2013
		RMB'000	RMB'000
Loss for the period attributable to:			
Owners of the Company		(3,848)	(9,167)
Non-controlling interests		2,665	(249)
		<u>(1,183)</u>	<u>(9,416)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(3,863)	(9,312)
Non-controlling interests		2,354	(141)
		<u>(1,509)</u>	<u>(9,453)</u>
Loss per share (RMB cent)	6		
Basic		<u>0.13</u>	<u>(0.32)</u>
Diluted		<u>0.13</u>	<u>(0.32)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2014 RMB'000	(Audited) At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment		212,666	218,853
Prepaid land lease payments		32,683	33,046
Goodwill		7,630	7,630
Investments in associates		2,961	3,209
		255,940	262,738
Current assets			
Inventories		121,917	154,200
Trade and bills receivables	8	515,033	417,921
Amounts due from contract customers		549,180	547,310
Retention receivables		8,562	8,562
Prepayments, deposits and other receivables		52,966	71,018
Amount due from associates		1,657	1,103
Prepaid land lease payments		726	726
Pledged bank deposits		6,189	9,325
Bank and cash balances		151,179	136,900
		1,407,409	1,347,065
Assets of disposal group held for sale	10	70,099	77,820
		1,477,508	1,424,885
Current liabilities			
Trade and other payables	9	501,809	466,392
Amounts due to contract customers		9,624	12,559
Bank borrowings		100,000	80,000
Current tax liabilities		3,866	6,780
		615,299	565,731
Liabilities directly associated with disposal group held for sale	10	20,217	34,104
		635,516	599,835
Net current assets		841,992	825,050
Total assets less current liabilities		1,097,932	1,087,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	(Unaudited) At 30 June 2014 RMB'000	(Audited) At 31 December 2013 RMB'000
Non-current liabilities		
Deferred tax liabilities	3,985	2,692
NET ASSETS	1,093,947	1,085,096
Capital and reserve		
Share capital	30,168	30,168
Reserves	1,024,298	1,027,296
Equity attributable to owners of the Company	1,054,466	1,057,464
Non-controlling interests	39,481	27,632
TOTAL EQUITY	1,093,947	1,085,096

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash used in from operating activities	(17,320)	(27,999)
Net cash generated from investing activities	1,459	4,804
Net cash generated from / (used in) financing activities	20,000	(14,901)
Net increase / (decrease) in cash and cash equivalents	4,139	(38,096)
Cash and cash equivalents at 1 January	161,755	193,992
Effect of foreign exchange rate changes	65	(157)
Cash and cash equivalents at 30 June	165,959	155,739
Analysis of cash and cash equivalents at 30 June		
Bank and cash balances	151,179	155,739
Bank and cash balances included in disposal group held for sale	14,780	-
	165,959	155,739

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(Unaudited)

Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Statutory reserve fund RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2013, as previously stated	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,412)	337,645	1,210,454	36,264	1,246,718
Effect of change in accounting policies (<i>Note</i>)	-	-	-	-	-	-	-	148	-	148	-	148
At 1 January 2013, as restated	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 for the period	-	-	-	-	-	-	-	(145)	(9,167)	(9,312)	(141)	(9,453)
At 30 June 2013	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(1,409)	328,478	1,201,290	36,123	1,237,413
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 period	-	-	-	-	-	-	-	(15)	(3,848)	(3,863)	2,354	(1,509)
Disposal of a subsidiary	-	-	-	-	-	-	-	865	-	865	9,495	10,360
Changes in equity for the period	-	-	-	-	-	-	-	850	(3,848)	(2,998)	11,849	8,851
At 30 June 2014	30,168	646,363	(6,692)	57,840	38,053	26,062	82,427	(681)	180,926	1,054,466	39,481	1,093,947

Note: The change in accounting policies referred to the adoption of HKFRS 11 “Joint Arrangements” which took effect from 1 January 2013 and superseded HKAS 31 “Interests in Joint Ventures” and Hong Kong (SIC) Interpretation 13 “Jointly Controlled Entities – Non-monetary Contributions by Venturers”. Previously, the Group accounted for its interest in a jointly controlled entity using proportionate consolidation method. The jointly-controlled entity was then accounted for as a joint venture using equity method, after adopting the transitional provisions of HKFRS 11 from 1 January 2012.

Notes:

1 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Hong Kong Accounting Standard 34, *Interim Financial Reporting*. The accounting policies adopted in preparing the condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

2 Turnover

Turnover represents the aggregate of the value of installation contract works carried out, the sale proceeds of goods sold, the income from provision of maintenance services, the income from provision of online advertising services and the income from operation of guest house during the period less discounts and sales related tax. An analysis is as follows:

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Revenue from installation contracts	173,067	206,135
Sales of goods	265,288	190,993
Provision of maintenance services	2,543	1,564
Provision of online advertising services	-	10
Operation of guest house	-	3,766
	440,898	402,468

3 Other income

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest income	999	585
Rental income	1,337	1,284
Gain on disposal of a subsidiary	1,492	-
Sundry income	2,084	2,345
	5,912	4,214

4 Income tax expense

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
Current period	4,081	4,079
Under provision in prior years	809	848
	<u>4,890</u>	<u>4,927</u>
Deferred tax	1,293	790
	<u>6,183</u>	<u>5,717</u>

No provision for Hong Kong Profits Tax has been made as the relevant group entities had either incurred a loss or utilized the tax losses brought forward. Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective group entities.

5 Loss for the period

Loss for the period has been arrived at after charging the following:

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Depreciation of property, plant and equipment	8,626	10,633
Amortisation of prepaid land lease payments	369	376
	<u>8,995</u>	<u>11,009</u>

6 Loss per share

The calculations of the basic and diluted loss per share are based on the following data:

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Loss for the period attributable to owners of the Company	<u>3,848</u>	<u>9,167</u>
	'000	'000
Weighted average number of ordinary shares	<u>2,855,000</u>	<u>2,855,000</u>

Note: There was no dilutive effect of the share options to the loss per share as the average market prices of the shares for both the periods from 1 January 2014 to 24 May 2014, the date on which the option expired, and from 1 January 2013 to 30 June 2013 were lower than the exercise price of the share options.

7 Dividends

The Board does not recommend the payment of a dividend for the six months ended 30 June 2014 (2013: nil).

8 Trade and bills receivables

	(Unaudited) At 30 June 2014 RMB'000	(Audited) At 31 December 2013 RMB'000
Trade and bills receivables	790,105	706,967
Less: Allowance for bad and doubtful debts (<i>Note</i>)	(275,072)	(289,046)
	<u>515,033</u>	<u>417,921</u>

Note: The allowance for bad and doubtful debts made for the trade and bills receivables of a subsidiary amounted to approximately RMB14 million was eliminated upon the disposal of the subsidiary in April 2014.

The Group allows an average credit period of 30 days to 180 days to its trade customers.

The aging analysis of trade and bills receivables, net of allowance for bad and doubtful debts is as follows:

	(Unaudited) At 30 June 2014 RMB'000	(Audited) At 31 December 2013 RMB'000
0 - 90 days	218,563	160,797
91 - 180 days	25,748	55,133
181 - 360 days	100,348	57,279
Over 360 days	170,374	144,712
	<u>515,033</u>	<u>417,921</u>

9 Trade and other payables

	(Unaudited) At 30 June 2014	(Audited) At 31 December 2013
	RMB'000	RMB'000
Trade payables	99,562	102,006
Accrued charges	319,304	292,694
Receipts in advance	47,041	46,539
Value added tax, sales tax and other levies	35,902	25,153
	501,809	466,392

The aging analysis of trade payables is as follows:

	(Unaudited) At 30 June 2014	(Audited) At 31 December 2013
	RMB'000	RMB'000
0 - 30 days	30,063	53,752
31 - 60 days	19,615	13,042
61 - 90 days	7,089	7,473
Over 90 days	42,795	27,739
	99,562	102,006

10 Disposal group held for sale

As disclosed in the annual report of the Company for 2013, pursuant to the resolution of the Board of Directors of the Company on 30 December 2013, the Group would dispose of all the equity interests it held in certain subsidiaries and associates (the "Disposal"). Subject to certain conditions precedent, the Disposals are expected to be completed in 2014. 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.

During the period ended 30 June 2014, the disposal of the subsidiary engaged in the trading of fire engines and fire-fighting and rescue equipment, and the associates engaged in the provision of installation and maintenance services to fire prevention and fighting systems have been completed. The remaining two subsidiaries to be disposed of in the second half of 2014 are engaged in the production and sale of fire prevention and fighting equipment, and operation of guest house.

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

	(Unaudited) At 30 June 2014 RMB'000	(Audited) At 31 December 2013 RMB'000
Property, plant and equipment	13,427	13,752
Investment properties	38,700	38,700
Prepaid land lease payments	506	513
Prepayments, deposits and other receivables	2,686	-
Bank and cash balances	14,780	24,855
	<hr/>	<hr/>
Total assets of disposal group held for sale	70,099	77,820
	<hr/>	<hr/>
Trade and other payables	(17,217)	(28,020)
Amount due to a non-controlling shareholder	(3,000)	(6,084)
	<hr/>	<hr/>
Total for liabilities directly associated with disposal group held for sale	(20,217)	(34,104)
	<hr/>	<hr/>
Net assets of disposal group held for sale	49,882	43,716
	<hr/> <hr/>	<hr/> <hr/>

SEGMENT INFORMATION

The Group has the following three reportable segments:

- installation of fire prevention and fighting systems;
- production and sale of fire engines; and
- production and sale of fire prevention and fighting equipment.

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

The Group's other operating segments refers to the provision of online advertising services; trading of fire engines, fire prevention and fighting and rescue equipment; the provision of maintenance services; and operation of guest house, which do not meet any of the quantitative thresholds for determining reportable segments. The management considered that the grouping of these small business segments, which do not make up a significant part of the Group whether in terms of revenue, profit and loss, or assets allows a clearer presentation and analysis of the Group's performance. The subsidiary engaged in the trading of fire engines, fire prevention and fighting and rescue equipment has been disposed of during the current reporting period.

Segment profits or losses do not include interest income, unallocated corporate expenses, share of profit of a joint venture, share of losses of associates and finance costs.

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

SEGMENT INFORMATION (continued)

(Unaudited) For the six months ended 30 June 2014	Installation of fire prevention and fighting systems RMB'000	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
TURNOVER						
External sales	173,067	215,568	49,720	2,543	-	440,898
Inter-segment sales	-	-	7,011	-	(7,011)	-
Total	173,067	215,568	56,731	2,543	(7,011)	440,898
 RESULTS						
Segment profit	1,621	11,217	2,101	949		15,888
Interest income						999
Unallocated corporate expenses						(8,986)
Share of losses of associates						(248)
Finance costs						(2,653)
Profit before tax						5,000
Income tax expense						(6,183)
Loss for the period						1,183

SEGMENT INFORMATION (continued)

(Unaudited) For the six months ended 30 June 2013	Installation of fire prevention and fighting systems RMB'000	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
TURNOVER						
External sales	206,135	131,536	49,964	14,833	-	402,468
Inter-segment sales	-	-	5,061	-	(5,061)	-
Total	206,135	131,536	55,025	14,833	(5,061)	402,468
 RESULTS						
Segment profit / (loss)	2,829	3,126	898	(1,267)		5,586
Interest income						585
Unallocated corporate expenses						(4,431)
Share of profit of a joint venture						152
Share of losses of associates						(2,743)
Finance costs						(2,848)
Loss before tax						(3,699)
Income tax expense						(5,717)
Loss for the period						(9,416)

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Installation of fire prevention and fighting systems

Revenue from installation of fire prevention and fighting systems for the period decreased 16% to RMB173 million. Operating profit was RMB1.6 million (2013: RMB2.8 million).

As disclosed in the annual report of the Company for 2013, the Group intended to exit the Fuzhou market progressively because of the successive losses recorded. The over-aggressive strategies adopted have led to the piling up of long outstanding trade receivables in recent years and resulted in substantial amount of allowances for impairment loss on the old age receivables. The gradual withdrawal from the Fuzhou market has directly led to the drop in revenue and operating profit recognized for the current reporting period.

Production and sale of fire engines

Revenue from production and sales of fire engines for the period increased 64% to RMB216 million. Operating profit was RMB11.2 million (2013: RMB3.1 million).

As disclosed in the annual report of the Company for 2013, a number of fire engines, with sale value of RMB42 million, were completed and awaiting for delivery at the year-end date last year and thus had to defer the recognition of the relevant revenue. The recognition of the sales of these fire engines upon delivery in the first two months of 2014 has contributed a significant portion of the revenue increase for the current reporting period. Propelled by the advancement in production technologies in recent years, domestically produced fire engines have been strengthened in terms of quality and variety. Leveraged on such improvement, not only the domestic market were expanded, obvious increment in foreign orders from the developing countries were also noted. Included in the revenue of the segment for the six months ended 30 June 2014 was the sale of 66 fire trucks and special vehicles shipped to Laos. Development in both the domestic and foreign markets have substantiated the increasing number of the Group's sales order secured and the growth in revenue and profit recognized as well.

Production and sale of fire prevention and fighting equipment

Revenue from production and sales of fire prevention and fire fighting equipment for the period kept constant at RMB50 million, as compared to the corresponding period last year. Operating profit was RMB2.1 million (2013: RMB0.9 million).

The market in which the Group operates is highly competitive and fragmented. The Group recognized that research and development is the only way to outperform competitors to maintain and even to grab additional market share. In addition to new products development, the Group emphasizes particularly on improving designs of products in the existing portfolio so as to cater for the changing requirements of the customers and to enhance costs effectiveness and production efficiency.

Financial resources, liquidity, contingent liabilities and pledge of assets

Taken into account those included in the assets of disposal group held for sale, the Group's cash and bank balances at 30 June 2014 was approximately RMB172 million (31 December 2013: RMB171 million), of which RMB6 million (31 December 2013: RMB9 million) was pledged for bid bond guarantee issued, performance guarantee and guarantee for letter of credit issued which would be released in short period of time. The short term bank loans outstanding at the period end date, which amounted to RMB100 million (31 December 2013: RMB80 million), were borrowed by two subsidiaries established and operate in Sichuan.

As at 30 June 2014, current assets and current liabilities of the Group were approximately RMB1,478 million (31 December 2013: RMB1,425 million) and RMB636 million (31 December 2013: RMB600 million) respectively. The current ratio was approximately 2.3 times (31 December 2013: 2.4 times). Gearing ratio (interest bearing debt / total equity) at end of the period was 9.1% (31 December 2013: 7.4%).

Renminbi is the functional currency and adopted as the reporting currency by the Group. The majority of the Group's assets, liabilities, sales and purchases are primarily denominated in Renminbi and Hong Kong dollar. Foreign currency forward exchange contracts would be employed to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than Renminbi and Hong Kong dollar when needed.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the period ended 30 June 2014.

Investments and capital commitments

Disposal

In April 2014, the Group has disposed of all the 51% shareholdings held in a subsidiary engaged in the trading of fire engines, fire prevention and fighting and rescue equipment. Net liabilities of the subsidiary attributable to the Group at the date of disposal was RMB1.5 million which was also the gain on disposal to the Group as the equity interests was disposed of at a nominal consideration.

Capital commitments

As at 30 June 2014, the Group has capital commitment of approximately RMB18 million (31 December 2013: RMB19 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located.

Save as disclosed herein, the Group has no material capital commitments as at 30 June 2014. During the six months ended 30 June 2014, the Group has no material investments, acquisitions or disposals of subsidiaries other than those disclosed herein.

Employees and remuneration policies

At 30 June 2014, the Group had approximately 699 full-time employees (2013: 748). Staff costs, excluding directors' remuneration, for the period amounted to RMB19.8 million, slightly decreased 1.6% over the RMB20.1 million for the same period last year. The drop in number of staff is partly due to the Group's effort to enhance production efficiency so as to offset the rising wages and partly due to the labour shortage in Sichuan where the Group's production base located. All the full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive in-house and on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

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

Save as disclosed below, as of 30 June 2014, none of the Directors or chief executives has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

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

Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	Exercisable period	Exercise price (HK\$)	Number of shares issuable under the options		
				Granted and outstanding at 1 January 2014	Expired during the period	Granted and outstanding at 30 June 2014
Mr. Jiang Qing	25 May 2004	25 May 2014 – 24 May 2014	0.44	20,000,000	20,000,000	-

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

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of the Company

Name of shareholder	Capacity and types of interests	Number of issued shares of HK\$ 0.01 each of the Company held	Percentage of issued capital of the Company
EH Investment Management Ltd.	Beneficial owner	618,750,000	21.67%
Mr. Ngan Lek (“Mr. Ngan”)	Interest of a controlled corporation (<i>Note 1</i>)	618,750,000	21.67%
Genius Earn Ltd.	Beneficial owner	200,000,000	7.01%
Mr. Liu Xiao Lin (Mr. Liu)	Interest of a controlled corporation (<i>Note 2</i>)	200,000,000	7.01%

Notes:

1. Mr. Ngan is beneficially interested in the entire share capital of EH Investment Management Ltd. and is deemed or taken to be interested in the 618,750,000 shares in which EH Investment Management Ltd. has declared an interest for the purpose of SFO.
2. Mr. Liu 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 SFO.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2014.

COMPETING INTERESTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

During the period ended 30 June 2014, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. Having made enquiry of all directors, they confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

COPORATE GOVERNANCE

Corporate governance practices

Throughout the period ended 30 June 2014, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except for the following:

1. There were no fixed terms of appointment for the directors although they are subject to retirement by rotation according to the Company's articles of association. The Board is of the opinion that this serves the same objectives of the relevant provision.
2. According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation.

Audit Committee

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

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

By order of the Board
China Fire Safety Enterprise Group Limited
Jiang Xiong
Chairman

Hong Kong, 26 August 2014

As at the date of this announcement, the Company's 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.

This announcement is available for viewing on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company (www.chinafire.com.cn).