



**中國消防企業集團有限公司**  
**CHINA FIRE SAFETY ENTERPRISE GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 445

**INTERIM REPORT**  
**2013**

### HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2013 decreased 15% to RMB402 million.
- Loss for the six months ended 30 June 2013 was RMB9.4 million (2012: RMB5.3 million).
- Loss per share for the six months ended 30 June 2013 was RMB0.32 cent (2012: RMB0.13 cent per share).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2013.

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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Unaudited)

For the six months ended  
30 June

	<i>Notes</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Turnover	2	402,468	470,756
Cost of sales and services		(360,092)	(421,720)
Gross profit		42,376	49,036
Other income	3	4,214	2,357
Selling and distribution costs		(15,524)	(18,832)
Administrative expenses		(29,326)	(28,148)
Share of profit/(loss) of a jointly controlled entity		152	(1,176)
Share of losses of associates		(2,743)	(711)
Finance costs		(2,848)	(3,817)
Loss before taxation		(3,699)	(1,291)
Income tax expense	4	(5,717)	(3,999)
Loss for the period	5	(9,416)	(5,290)
<i>Other comprehensive income after tax</i>			
Exchange differences on translating foreign operations		(37)	27
Other comprehensive income for the period, net of tax		(37)	27
Total comprehensive income for the period		(9,453)	(5,263)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)  
(Unaudited)

For the six months ended  
30 June

	<i>Notes</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
<hr/>			
Loss for the period attributable to:			
Owners of the Company		(9,167)	(3,636)
Non-controlling interests		(249)	(1,654)
		<hr/>	<hr/>
		(9,416)	(5,290)
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Total comprehensive income for the period attributable to:			
Owners of the Company		(9,312)	(3,552)
Non-controlling interests		(141)	(1,711)
		<hr/>	<hr/>
		(9,453)	(5,263)
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Loss per share (RMB cents)			
Basic	6	(0.32)	(0.13)
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Diluted		(0.32)	(0.13)
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		(Unaudited) At 30 June 2013 <i>Notes</i> <i>RMB'000</i>	(Audited) At 31 December 2012 <i>RMB'000</i> (Restated)	(Audited) At 1 January 2012 <i>RMB'000</i> (Restated)
<b>Non-current assets</b>				
Property, plant and equipment		267,028	274,385	286,823
Prepaid land lease payments		32,817	33,193	34,458
Investment properties		38,700	38,700	36,410
Goodwill		16,248	16,248	19,640
Other intangible assets		–	–	100
Investment in a jointly controlled entity		17,895	17,744	18,593
Investments in associates		13,762	16,506	22,441
		<b>386,450</b>	<b>396,776</b>	<b>418,465</b>
<b>Current assets</b>				
Inventories		97,894	87,094	104,219
Trade and bills receivables	8	536,358	527,358	443,369
Amounts due from contract customers		546,322	488,600	548,137
Retention receivables		10,725	10,729	5,402
Prepayments, deposits and other receivables		68,303	78,691	70,908
Amount due from a jointly controlled entity		–	–	9,238
Amount due from associates		1,785	1,629	2,121
Prepaid land lease payments		739	739	752
Pledged bank deposits		31,098	4,281	3,949
Bank and cash balances		155,739	193,992	145,330
		<b>1,448,963</b>	<b>1,393,113</b>	<b>1,333,425</b>
<b>Current liabilities</b>				
Trade and other payables	9	496,654	429,787	359,618
Amounts due to contract customers		11,953	10,628	5,671
Amount due to a jointly controlled entity		2,396	376	–
Amounts due to non-controlling shareholders		6,021	5,964	4,603
Bank borrowings		75,000	90,000	99,985
Finance lease payables		–	–	36
Current tax liabilities		2,805	3,887	7,918
		<b>594,829</b>	<b>540,642</b>	<b>477,831</b>
<b>Net current assets</b>		<b>854,134</b>	<b>852,471</b>	<b>855,594</b>
<b>Total assets less current liabilities</b>		<b>1,240,584</b>	<b>1,249,247</b>	<b>1,274,059</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	(Unaudited) At 30 June 2013 <i>Notes</i> <i>RMB'000</i>	(Audited) At 31 December 2012 <i>RMB'000</i> (Restated)	(Audited) At 1 January 2012 <i>RMB'000</i> (Restated)
<b>Non-current liabilities</b>			
Deferred tax liabilities	3,171	2,381	1,455
<b>NET ASSETS</b>	<b>1,237,413</b>	<b>1,246,866</b>	<b>1,272,604</b>
<b>Capital and reserve</b>			
Share capital	30,168	30,168	30,168
Reserves	1,171,122	1,180,434	1,201,990
Equity attributable to owners of the Company	1,201,290	1,210,602	1,232,158
Non-controlling interests	36,123	36,264	40,446
<b>TOTAL EQUITY</b>	<b>1,237,413</b>	<b>1,246,866</b>	<b>1,272,604</b>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

For the six months  
ended 30 June

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Net cash (used in)/generated from operating activities	(27,999)	41,860
Net cash generated from/(used in) investing activities	4,804	(4,651)
Net cash (used in)/generated from financing activities	(14,901)	6,286
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(38,096)</b>	<b>43,495</b>
Cash and cash equivalents at 1 January (restated)	193,992	145,330
Effect of foreign exchange rate changes	(157)	83
<b>Cash and cash equivalents at 30 June</b>	<b>155,739</b>	<b>188,908</b>
<b>Analysis of cash and cash equivalents at 30 June</b>		
Bank and cash balances	155,739	188,908

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

(Unaudited)

	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	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (restated)	30,168	646,363	(6,692)	57,840	38,053	25,441	82,427	(1,122)	359,680	1,232,158	40,446	1,272,604
Total comprehensive income for the period	-	-	-	-	-	-	-	84	(3,636)	(3,552)	(1,711)	(5,263)
At 30 June 2012 (restated)	30,168	646,363	(6,692)	57,840	38,053	25,441	82,427	(1,038)	356,044	1,228,606	38,735	1,267,341
At 1 January 2013 (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

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 2013 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2012 except for the adoption of the following revised Hong Kong Financial Reporting Standard ("HKFRS") in 2013:

*Adoption of the revised HKFRS 11 "Joint Arrangements"*

Until the adoption of the revised HKFRS 11 "Joint Arrangements" which took effect on 1 January 2013, the Group recognized its interest in a jointly controlled entity using proportionate consolidation. Revenue, expenses, assets and liabilities of the jointly controlled entity were included in the consolidated financial statement using the line-by-line reporting format for proportionate consolidation. To comply with requirement of the revised HKFRS 11, the equity method was adopted to replace the proportionate consolidation in accounting for the Group's interest in the jointly controlled entity. The new accounting policy has been applied retrospectively and certain comparative amounts in the consolidated financial statements were restated accordingly. The effect of the restatement is shown as follows:

*Consolidated statement of comprehensive income*

	(Unaudited) For the six months ended 30 June 2012 RMB'000
Increase/(decrease)	
Turnover	(10,501)
Cost of sales and services	(8,821)
Gross profit	(1,680)
Other income	(25)
Selling and distribution costs	(1,451)
Administrative expenses	(1,350)
Share of loss of a jointly controlled entity	1,176
Loss before taxation	80
Income tax expense	(80)

1 Basis of preparation (continued)

*Consolidated statement of financial position*

	(Audited) At 31 December 2012 <i>RMB'000</i>	(Audited) At 1 January 2012 <i>RMB'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	(1,252)	(1,347)
Other intangible assets	(459)	(612)
Investment in a jointly controlled entity	17,744	18,593
	<b>16,033</b>	<b>16,634</b>
<b>Current assets</b>		
Inventories	(9,535)	(4,685)
Trade and bills receivables	(14,072)	(18,945)
Retention receivables	(5,082)	(4,241)
Prepayments, deposits and other receivables	(2,360)	(1,116)
Amount due from a jointly controlled entity	-	4,711
Pledged bank deposits	(3,584)	(3,424)
Bank and cash balances	(6,471)	(4,238)
	<b>(41,104)</b>	<b>(31,938)</b>
<b>Current liabilities</b>		
Trade and other payables	(19,401)	(15,399)
Amount due to a jointly controlled entity	192	-
Bank borrowings	(5,946)	-
Current tax liabilities	(64)	(53)
	<b>(25,219)</b>	<b>(15,452)</b>
<b>Capital and reserve</b>		
Reserves (exchange reserve)	148	148

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	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Revenue from installation contracts	206,135	236,608
Sales of goods	190,993	226,810
Provision of maintenance services	1,564	6,896
Provision of online advertising services	10	7
Operation of guest house	3,766	435
	<b>402,468</b>	<b>470,756</b>

3 Other income

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Interest income	585	743
Rental income	1,284	1,205
Sundry income	2,345	409
	<b>4,214</b>	<b>2,357</b>

4 Income tax expense

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Current tax – PRC Enterprise Income Tax		
Current period	4,079	3,341
Under provision in prior years	848	–
	4,927	3,341
Deferred tax	790	658
	5,717	3,999

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.

Deferred tax provided for the period mainly related to the accounting difference between Hong Kong general accepted accounting principles and the PRC general accepted accounting principles on profit recognition of installation contracts.

5 Loss for the period

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

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Depreciation of property, plant and equipment	10,633	8,853
Amortisation of prepaid land lease payments	376	376
Amortisation of other intangible assets	–	127

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	
	2013	2012
	RMB'000	RMB'000
Loss for the period attributable to owners of the Company	9,167	3,636
	'000	'000
Weighted average number of ordinary shares	2,855,000	2,855,000

*Note:* There was no dilutive effect of the share options to the loss per share as the average market price of the shares for the six months ended 30 June 2013 and 2012 was 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 2013 (2012: nil).

8 Trade and bills receivables

	(Unaudited)	(Audited)	(Audited)
	At	At	At
	30 June	31 December	1 January
	2013	2012	2012
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Trade and bills receivables	707,972	699,134	605,347
Less: Allowance for bad and doubtful debts	(171,614)	(171,776)	(161,978)
	536,358	527,358	443,369

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

8 Trade and bills receivables (continued)

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

	(Unaudited) At 30 June 2013 <i>RMB'000</i>	(Audited) At 31 December 2012 <i>RMB'000</i> (Restated)	(Audited) At 1 January 2012 <i>RMB'000</i> (Restated)
0 – 90 days	96,615	142,183	243,718
91 – 180 days	68,512	140,199	128,420
181 – 360 days	182,519	132,652	33,643
Over 360 days	188,712	112,324	37,588
	<b>536,358</b>	<b>527,358</b>	<b>443,369</b>

9 Trade and other payables

	(Unaudited) At 30 June 2013 <i>RMB'000</i>	(Audited) At 31 December 2012 <i>RMB'000</i> (Restated)	(Audited) At 1 January 2012 <i>RMB'000</i> (Restated)
Trade payables	76,013	91,495	87,022
Accrued charges	338,932	245,742	198,625
Receipts in advance	36,724	45,782	25,684
Value added tax, sales tax and other levies	35,859	34,483	35,345
Other payables	9,126	12,285	12,942
	<b>496,654</b>	<b>429,787</b>	<b>359,618</b>

The aging analysis of trade payables is as follows:

	(Unaudited) At 30 June 2013 <i>RMB'000</i>	(Audited) At 31 December 2012 <i>RMB'000</i> (Restated)	(Audited) At 1 January 2012 <i>RMB'000</i> (Restated)
0 – 30 days	26,906	41,885	35,039
31 – 60 days	11,759	12,120	20,123
61 – 90 days	6,896	10,590	8,267
Over 90 days	30,452	26,900	23,593
	<b>76,013</b>	<b>91,495</b>	<b>87,022</b>

## SEGMENT INFORMATION

The Group has five reportable segments as follows:

- installation of fire prevention and fighting systems;
- production and sale of fire engines;
- production and sale of fire prevention and fighting equipment;
- trading of fire engines, fire prevention and fighting and rescue equipment; and
- operation of a guest house.

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

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

Segment profits or losses do not include interest income, unallocated corporate expenses, share of profit/(loss) of a jointly controlled entity, 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)**

	Installation of fire prevention and fighting systems RMB'000	Production and sale of fire engines RMB'000	Production and sale of fire prevention and fighting equipment RMB'000	Trading of fire engines, fire prevention and fighting and rescue equipment RMB'000	Operation of a guest house RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the six months ended 30 June 2013								
<b>TURNOVER</b>								
External sales	206,135	131,536	49,964	9,493	3,766	1,574	-	402,468
Inter-segment sales	-	-	5,061	-	-	-	(5,061)	-
<b>Total</b>	<b>206,135</b>	<b>131,536</b>	<b>55,025</b>	<b>9,493</b>	<b>3,766</b>	<b>1,574</b>	<b>(5,061)</b>	<b>402,468</b>
<b>RESULTS</b>								
Segment profit/(loss)	2,829	3,126	898	720	(2,291)	304	-	5,586
Interest income	-	-	-	-	-	-	-	585
Unallocated corporate expenses	-	-	-	-	-	-	-	(4,431)
Share of profit of a jointly controlled entity	-	-	-	-	-	-	-	152
Share of losses of associates	-	-	-	-	-	-	-	(2,743)
Finance costs	-	-	-	-	-	-	-	(2,848)
<b>Loss before tax</b>								<b>(3,699)</b>
<b>Income tax expense</b>								<b>(5,717)</b>
<b>Loss for the period</b>								<b>(9,416)</b>
For the six months ended 30 June 2012 (restated)								
<b>TURNOVER</b>								
External sales	236,608	159,066	67,744	-	435	6,903	-	470,756
Inter-segment sales	-	10	2,670	-	-	-	(2,680)	-
<b>Total</b>	<b>236,608</b>	<b>159,076</b>	<b>70,414</b>	<b>-</b>	<b>435</b>	<b>6,903</b>	<b>(2,680)</b>	<b>470,756</b>
<b>RESULTS</b>								
Segment profit/(loss)	6,384	3,970	2,129	(1,749)	(3,243)	246	-	7,737
Interest income	-	-	-	-	-	-	-	743
Unallocated corporate expenses	-	-	-	-	-	-	-	(4,067)
Share of loss of a jointly controlled entity	-	-	-	-	-	-	-	(1,176)
Share of losses of associates	-	-	-	-	-	-	-	(711)
Finance costs	-	-	-	-	-	-	-	(3,817)
<b>Loss before tax</b>								<b>(1,291)</b>
<b>Income tax expense</b>								<b>(3,999)</b>
<b>Loss for the period</b>								<b>(5,290)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the six months ended 30 June 2013, the Group's turnover dropped 15% to RMB402 million. Loss for the period was RMB9.4 million (2012: RMB5.3 million).

#### *Installation of fire prevention and fighting systems*

Revenue from installation of fire prevention and fighting systems for the period decreased 13% to RMB206 million. Operating profit was RMB3 million (2012: RMB6 million).

Burdened with the long outstanding accounts receivables brought by the over-aggressive strategies previously adopted, in addition to strengthening debt collection effort, the Group has overturned the old practice of advancing costs on behalf of developers to compete for contracts. Taking cashflow the prime concern, the Group has been more skeptical in taking on new projects. As a result, contracts secured by the Fujian subsidiary has decreased substantially and led to the reduction in the installation revenue. It is expected that the Fujian subsidiary would contribute a small portion only to the segment's revenue in the future. For the period under review, majority of the revenue came from the Chengdu subsidiary, which operates actively in Sichuan and other cities in the south-west region. Taking the advantage of the development of second tier cities in the region like Chengdu and Chongqing in recent years, the experience and reputation the Group build up facilitated greatly its achievement in the district.

#### *Production and sale of fire engines*

Revenue from production and sales of fire engines for the period decreased 17% to RMB132 million. Operating profit was RMB3 million (2012: RMB4 million).

Revenue decreased mainly due to the variation in sale mix combinations for the two periods in comparison as there were no big difference in the quantity sold.

Development of the Group's fire engines business has proceeded steadily in recent years. Strong sales of conventional fire engines have built a solid foundation and on top of it, series of special fire trucks have been developed. They carry special functions and are designed for assisting fire-fighting in different scene and environment. Although it takes years and abundant resources for new products to reach optimization stage, they bring with the Group attractive return as well as growth energy. The bi-directional-driving trucks (particularly suitable for hazard-rescue in tunnels) which were developed a few years ago have eventually caught the eyesight of the users. Orders were received in the current year after participation in countless number of fire drills and years of promotion activities. Notwithstanding the effort put in product diversity, quality only is the Group's prime concern. In May 2013, the Group participated in and successfully passed the first national stress testing organized by the Fire Equipment Quality Supervision and Inspection Centre (國家消防裝備質量監督檢驗中心), in which fire engines randomly selected by the officials have to run 48 hours non-stop for inspection. Data collected during the testing would be used for improving and strengthening the Group's upcoming fire engines.

*Production and sale of fire prevention and fighting equipment*

Revenue from production and sales of fire prevention and fire fighting equipment for the period decreased 26% to RMB50 million. Operating profit was RMB1 million (2012: RMB2 million).

The drop in revenue in the current year was largely due to the disposal of a subsidiary in July last year. The disposal marked the end of the Group's presence in the markets for emergency lightings systems and fire alarm systems, which were once its core products. The Group started exiting the markets several years ago when the profit margin of the two product series were squeezed to an unacceptable level due to market distorted by the flooding of sub-standard products. Learned from the lessons, the Group has devoted great effort in developing advanced fire equipment that cater for needs of the customers and hard to plagiarize since then, of which the Intelligent Auto-aiming Fire Extinguishing System is an encouraging example. Further high-end equipment is forthcoming to support the Group's sustainable growth.

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

Two of the three fire engines reported backlogged because of the production scheduling problems of a supplier in 2012 were eventually delivered in May 2013 and generated a revenue of RMB9 million. The segment reported an operating profit of RMB0.7 million for the period under review. Revenue of the remaining fire engine would be recognized in the second half of 2013 upon delivery.

*Operation of guest house*

Revenue from operation of guest house for the period was RMB4 million (2012: RMB0.4 million). Operating loss was RMB2.3 million (2012: RMB3.2 million).

The guest house in Chengdu has not performed well since opening in May 2012. Considering the expertise required to operate a guest house, the Group has outsourced the operation of the hotel to a group of professional management for a monthly sub-contracting income since May 2013.

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

As at 30 June 2013, the Group had cash and bank balances amounting to approximately RMB187 million (31 December 2012: RMB198 million) and included in which RMB31 million (31 December 2012: RMB4 million) was pledged to secure banking facilities granted to the Group, majority of which were for bid bond and performance guarantee which would be released in short period of time. The short term bank loans outstanding at the period end date, which amounted to RMB75 million (31 December 2012: RMB90 million), were granted to two subsidiaries in China. The repayment of the loans is guaranteed by another subsidiary of the Group.

As at 30 June 2013, current assets and current liabilities of the Group were approximately RMB1,449 million (31 December 2012: RMB1,393 million) and RMB595 million (31 December 2012: RMB541 million) respectively. The current ratio was approximately 2.4 times (31 December 2012: 2.6 times). Gearing ratio (interest bearing debt/total equity) at end of the period was 6.1% (31 December 2012: 7.2%).

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 2013.

#### **Investments and capital commitments**

##### *Capital commitments*

As at 30 June 2013, the Group has capital commitment of approximately RMB19 million (31 December 2012: RMB23 million) which was related to the investment amount committed to the local government of the county where the Sichuan factory is located.

Save as disclosed herein, the Group has no material capital commitments as at 30 June 2013. During the six months ended 30 June 2013, the Group has no material investments, acquisitions or disposals of subsidiaries.

#### **Employees and remuneration policies**

At 30 June 2013, the Group had approximately 878 full-time employees (2012: 1,013). Staff costs, excluding directors' remuneration, for the period amounted to RMB20.1 million, decreased 9% over the RMB22.2 million for the same period last year. The drop in number of staff was due to the disposal of a subsidiary in July 2012. Since the outsourcing of the guest house operation in May 2103, all costs of staff have been borne by the subcontractor although they have been included in the total number of employees above. All full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive in-house and on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

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

Save as disclosed below, as of 30 June 2013, 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	Number of shares issuable under the options granted	Exercisable period	Exercise price (HK\$)	Number of shares issuable under the options outstanding as at 30 June 2013	Percentage of issued share capital of the Company
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004 – 24 May 2014	0.44	20,000,000	0.70%

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

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

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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	206,250,000	7.22%
Mr. Liu Xiao Lin (Mr. Liu)	Interest of a controlled corporation ( <i>Note 2</i> )	206,250,000	7.22%

#### 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 206,250,000 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 2013.

## 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 2013, 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 2013, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

## CORPORATE GOVERNANCE

### Corporate governance practices

Throughout the period ended 30 June 2013, 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, 28 August 2013

*As at the date of this report, the Company's Executive Directors are Mr. Jiang Xiong, Mr. Jiang Qing, Ms. Zhang Hai Yan, 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 report is available for viewing on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the website of the Company ([www.chinafire.com.cn](http://www.chinafire.com.cn)).*