* For identification purposes only

2008

INTERIM REPORT

CFE

China Fire Safety Enterprise Group Holdings Limited

中國消防企業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8201

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This report, for which the directors (the "Directors") of China Fire Safety Enterprise Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the six months and three months ended 30 June 2008 grew 21% and 11% to RMB622 million and RMB352 million respectively.
- Profit of the Group for the six months and three months ended 30 June 2008 declined 29% and 32% to RMB67 million and RMB46 million respectively.
- Basic earnings per share for the six months and three months ended 30 June 2008 decreased 30% and 34% to 2.38 RMB cents and 1.59 RMB cents respectively.
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2008.

RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months and three months ended 30 June 2008, together with the comparative figures for the corresponding periods in 2007, as follows:

CONSOLIDATED INCOME STATEMENT

		(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2008	2007	**2008**	2007
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	2	**621,575**	515,316	**352,379**	317,135
Cost of sales		**(484,549)**	(356,290)	**(268,049)**	(217,362)
Gross Profit		**137,026**	159,026	**84,330**	99,773
Other income	3	**7,982**	14,583	**2,482**	12,241
Distribution costs		**(13,659)**	(10,638)	**(5,147)**	(5,574)
Administrative expenses		**(41,041)**	(37,159)	**(20,700)**	(19,186)
Share of profits of associates		**2,433**	–	**1,496**	–
Finance costs		**(2,401)**	(2,160)	**(1,185)**	(1,187)
Profit before taxation		**90,340**	123,652	**61,276**	86,067
Taxation	4	**(23,209)**	(29,260)	**(14,881)**	(18,165)
Profit for the period	5	**67,131**	94,392	**46,395**	67,902
Attributable to:					
Equity holders of the Company		**68,006**	97,463	**45,261**	68,773
Minority interests		**(875)**	(3,071)	**1,134**	(871)
		67,131	94,392	**46,395**	67,902
Earnings per share (RMB cents)	7				
– Basic		**2.38**	3.41	**1.59**	2.41
– Diluted		**2.38**	3.41	**1.58**	2.40

CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) At 30 June 2008 RMB'000	(Audited) At 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment		**175,887**	138,961
Prepaid lease payments		**56,463**	56,664
Goodwill		**61,760**	61,879
Interests in associates		**64,657**	18,124
Other intangible assets		**1,712**	1,800
Available-for-sale investment		**–**	44,100
Deferred tax assets		**502**	502
		360,981	322,030
Current assets			
Inventories		**93,732**	128,587
Retention receivables		**8,107**	5,674
Amounts due from contract customers		**159,659**	240,510
Amount due from a jointly controlled entity		**6,040**	4,761
Trade receivables	8	**396,974**	374,664
Deposits, prepayments and other receivables		**49,348**	31,075
Prepaid lease payments		**476**	476
Pledged bank deposits		**8,141**	22,559
Bank balances and cash		**668,925**	661,934
		1,391,402	1,470,240
Assets classified as held for sale		**–**	19,800
		1,391,402	1,490,040

	Notes	(Unaudited) At 30 June 2008 *RMB'000*	(Audited) At 31 December 2007 *RMB'000*
Current liabilities			
Trade and other payables	9	**195,979**	312,369
Amounts due to contract customers		**38,029**	29,928
Amounts due to minority shareholders		**4,511**	4,792
Tax liabilities		**8,385**	17,608
Bank borrowings	10	**59,069**	70,935
Obligation under a finance lease – amount due within one year		**44**	46
		306,017	435,678
Net current assets		**1,085,385**	1,054,362
Total assets less current liabilities		**1,446,366**	1,376,392
Non-current liabilities			
Deferred tax liabilities		**15,272**	10,742
Obligation under a finance lease – amount due after one year		**159**	193
		15,431	10,935
Net assets		**1,430,935**	1,365,457
Capital and reserves			
Share capital		**30,168**	30,168
Reserves	11	**1,373,418**	1,308,203
Equity attributable to equity holders of the Company		**1,403,586**	1,338,371
Minority interests		**27,349**	27,086
Total equity		**1,430,935**	1,365,457

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) For the six months ended 30 June 2008 *RMB'000*	2007 *RMB'000*
Total equity at 1 January	**1,365,457**	1,188,832
Exchange differences arising on translation of foreign operations	**380**	(4,101)
Realisation of revaluation reserves upon disposal of investment properties	**(2,985)**	–
Profit for the period	**67,131**	94,392
Contributions by minority shareholders	**980**	598
(Partial) disposal of a subsidiary(ies)	**(28)**	1,252
Total equity at 30 June	**1,430,935**	1,280,973

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) For the six months ended 30 June 2008 *RMB'000*	2007 *RMB'000*
Net cash from (used in) operating activities	**24,284**	(43,809)
Net cash used in investing activities	**(8,191)**	(14,352)
Net cash (used in) from financing activities	**(8,005)**	7,709
Net increase (decrease) in cash and cash equivalents	**8,088**	(50,452)
Cash and cash equivalent at 1 January	**661,934**	634,765
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(1,097)**	(3,022)
Cash and cash equivalent at 30 June, representing bank balances and cash	**668,925**	581,291

Notes:

1. **Basis of presentation**

   The accounting policies adopted in preparing the results for the six months and three months ended 30 June 2008 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

2. **Turnover**

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

	(Unaudited) For the six months ended 30 June		**(Unaudited) For the three months ended 30 June**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from installation contracts	**224,402**	206,313	**135,559**	107,425
Sale of goods	**333,558**	250,631	**163,562**	167,886
Provision of maintenance services	**63,533**	58,372	**53,227**	41,824
Others	**82**	–	**31**	–
	621,575	515,316	**352,379**	317,135

3. **Other income**

	(Unaudited) For the six months ended 30 June		**(Unaudited) For the three months ended 30 June**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest income	**2,545**	3,928	**1,171**	2,059
Gain on disposal of subsidiaries	**–**	9,357	**–**	9,357
Gain on disposal of investment properties	**3,548**	–	**–**	–
Rental income	**327**	414	**54**	267
Others	**1,562**	884	**1,257**	558
	7,982	14,583	**2,482**	12,241

4. **Taxation**

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The charge comprises:				
Current tax				
PRC enterprise income tax	**18,386**	17,510	**15,377**	12,100
Overprovision in prior years				
Hong Kong profits tax	**(181)**	–	**–**	–
Deferred tax	**5,004**	11,750	**(496)**	6,065
	23,209	29,260	**14,881**	18,165

No provision for Hong Kong Profits Tax has been made as the Group has no assessable income derived from Hong Kong. Income tax on profits arising from the PRC has been provided based on the prevailing tax rates applicable to the respective companies.

Deferred taxation provided for the period mainly relates 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. **Profit for the period**

Profit for the period has been arrived at after charging:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation:				
Property, plant and equipment	**6,912**	7,433	**3,296**	3,422
Amortisation of prepaid lease payment	**238**	260	**119**	130
Amortisation of development costs				
included in cost of sales	**89**	12	**45**	6
Allowance of bad and doubtful debts	**427**	5,500	**427**	5,500

6. **Dividends**

The Board does not recommend the payment of a dividend for the six months ended 30 June 2008 (2007: Nil).

7. **Earnings per share**

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

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share (profit attributable to equity holders of the Company)	**68,006**	97,463	**45,261**	68,773
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,855,000**	2,855,000	**2,855,000**	2,855,000
Effect of dilutive potential ordinary shares:				
Share options	**2,456**	4,867	**3,262**	5,636
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,857,456**	2,859,867	**2,858,262**	2,860,636

8. Trade receivables

	(Unaudited) At 30 June 2008 *RMB'000*	(Audited) At 31 December 2007 *RMB'000*
Trade receivables	**423,190**	400,781
Less: allowance for doubtful debts	**(26,216)**	(26,117)
	396,974	374,664

The credit periods allowed by the Group to its customers are normally 30-180 days.
The aged analysis of trade debtors are as follows:

	(Unaudited) At 30 June 2008 *RMB'000*	(Audited) At 31 December 2007 *RMB'000*
0-90 days	**243,137**	179,650
91-180 days	**59,735**	133,276
181-360 days	**73,503**	45,100
Over 360 days	**20,599**	16,638
	396,974	374,664

Movement in the allowance for doubtful debts

	(Unaudited) At 30 June 2008 *RMB'000*	(Audited) At 31 December 2007 *RMB'000*
Balance at beginning of period/year	**26,117**	21,156
Impairment losses recognised on receivables	**427**	5,568
Impairment losses recognized upon acquisition of subsidiaries	**–**	333
Amounts recovered during the period/year	**–**	(573)
Exchange difference	**(328)**	(367)
	26,216	26,117

9. **Trade and other payables**

	(Unaudited) At 30 June 2008 *RMB'000*	(Audited) At 31 December 2007 *RMB'000*
Trade creditors	**108,769**	120,009
Accrued costs and charges	**41,911**	148,845
Receipts in advance	**23,179**	19,209
Value added tax, sales tax and other levies	**19,048**	21,234
Amount payable for acquisition of a leasehold land	**3,072**	3,072
	195,979	312,369

The aged analysis of trade creditors included in trade and other payables is as follows:

	(Unaudited) At 30 June 2008 *RMB'000*	(Audited) At 31 December 2007 *RMB'000*
Within 30 days	**52,130**	68,187
31-60 days	**21,316**	17,920
61-90 days	**10,717**	10,215
Over 90 days	**24,606**	23,687
	108,769	120,009

10. Bank borrowings

	(Unaudited) At 30 June 2008 *RMB'000*	(Audited) At 31 December 2007 *RMB'000*
Trust receipt loans *(Note a)*	**5,789**	13,015
Short term bank loans *(Note b)*	**50,000**	52,617
Bank overdrafts *(Note a)*	**3,280**	5,303
	59,069	70,935

All the above borrowings will mature within one year.

Note a: The trust receipt loans and bank overdrafts are secured by the Group's bank deposits of approximately RMB4 million and/or certain personal assets and/or guarantee of a minority shareholder.

Note b: The short term loans are secured by certain leasehold land and buildings of the Group with carrying values of RMB10.3 million and RMB8.2 million respectively as at 30 June 2008.

11. Movement in reserves

	Share premium *RMB'000*	Special reserve *RMB'000*	Capital reserve *RMB'000*	Property revaluation reserve *RMB'000*	Statutory surplus fund *RMB'000*	Statutory public welfare fund *RMB'000*	Statutory reserve fund *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2007	646,363	(6,692)	57,840	2,985	30,250	20,121	49,203	(12,055)	344,415	1,132,430
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(4,138)	–	(4,138)
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	–	97,463	97,463
At 30 June 2007	646,363	(6,692)	57,840	2,985	30,250	20,121	49,203	(16,193)	441,878	1,225,755
At 1 January 2008	**646,363**	**(6,692)**	**57,840**	**2,985**	**30,738**	**20,365**	**80,643**	**(11,632)**	**487,593**	**1,308,203**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**194**	**–**	**194**
Realisation on disposal	**–**	**–**	**–**	**(2,985)**	**–**	**–**	**–**	**–**	**–**	**(2,985)**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**68,006**	**68,006**
At 30 June 2008	**646,363**	**(6,692)**	**57,840**	**–**	**30,738**	**20,365**	**80,643**	**(11,438)**	**555,599**	**1,373,418**

SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is currently organized into the following operating segments; 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, and fire prevention and fighting and rescue equipment and provision of maintenance services. These segments are the basis on which the Group reports its primary segment information.

Segment information about these businesses is as follows:

	Installation of fire prevention and fighting systems *RMB'000*	Production and sale of fire engines *RMB'000*	Production and sale of fire prevention and fighting equipment *RMB'000*	Trading of fire engines, fire prevention and fighting and rescue equipment *RMB'000*	Provision of maintenance services *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
For the six months ended 30 June 2008								
TURNOVER								
External sales	224,402	116,112	125,156	92,290	63,533	82	–	621,575
Inter-segment sales	–	–	17,136	–	–	–	(17,136)	–
Total	224,402	116,112	142,292	92,290	63,533	82	(17,136)	621,575

Inter-segment sales are charged at prevailing market rates.

RESULTS								
Segment results	39,473	10,321	16,091	(2,924)	31,950	(131)		94,780
Unallocated income								6,422
Unallocated corporate expenses								(10,894)
Share of profits of associates	3,471	–	(1,038)	–	–	–		2,433
Finance costs								(2,401)
Profit before taxation								90,340
Taxation								(23,209)
Profit for the period								67,131

	Installation of fire prevention and fighting systems *RMB'000*	Production and sale of fire engines *RMB'000*	Production and sale of fire prevention and fighting equipment *RMB'000*	Trading of fire engines, fire prevention and fighting and rescue equipment *RMB'000*	Provision of maintenance services *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
For the six months ended 30 June 2007								
TURNOVER								
External sales	206,313	81,829	130,417	38,385	58,372	–	–	515,316
Inter-segment sales	–	–	29,819	–	–	–	(29,819)	–
Total	206,313	81,829	160,236	38,385	58,372	–	(29,819)	515,316

Inter-segment sales are charged on cost-plus basis.

RESULTS								
Segment results	45,649	1,822	24,328	1,584	43,442	–		116,825
Unallocated income								13,699
Unallocated corporate expenses								(4,712)
Finance costs								(2,160)
Profit before taxation								123,652
Taxation								(29,260)
Profit for the period								94,392

(b) **Geographical segments**

No geographical segment information in respect of the Group's operations has been presented as over 90% of the Group's turnover was derived from the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months and three months ended 30 June 2008, the Group's revenue grew 21% and 11% to RMB622 million and RMB352 million respectively. Net profit, on the other hand, declined 29% and 32% to RMB67 million and RMB46 million. In addition to the operating activities of different business segments that lead to the decrease in net profit, as analysed in the analysis by business segment below, included in the administrative expenses for the period was an exchange loss of RMB6.3 million (2007: Nil). The exchange loss arose from the translation of the Group's Hong Kong dollar assets into Renminbi as Hong Kong dollar has been depreciating during the period under review. Besides, there was a gain from disposal of subsidiaries recognized in 2007 upon restructuring of the monitoring business amounted to RMB9.4 million.

Installation of fire prevention and fighting systems

Revenue from installation of fire prevention and fighting systems for the six months ended 30 June 2008 increased by 9% to RMB224 million. Operating profit, however, decreased by 14% to RMB39 million.

Performance of the Group's installation services is highly correlated with that of the Chinese property market. Unfortunately, there has been increasingly more suspension and postponement of land development and constructions due to the deepened credit tightening and other macroeconomic control measures. Operating results of the Group were unavoidably worsened even though it has on hand contracts valued over RMB393 million at beginning of the year. Inflating material and staff costs have further affected the Group's profit margin. Prices of steel and aluminum, for example, have increased by over 30% during the first half of the year. Most of the Group's installation service prices were fixed and determined based on the estimated costs at the contract date, the uncontrolled materials costs increment has therefore reduced the Group's profit significantly. It is expected that the surging costs problem will continually perplexing not only the Group but all enterprises in the construction industries for certain period of time.

Production and sale of fire engines
Revenue and operating profit from production and sales of fire engines for the six months ended 30 June 2008 increased by 42% and 466% to RMB116 million and RMB10 million respectively.

Driven by the strong demand for domestic fire engines, the number of fire engines sold has grown 25% as compared to corresponding period last year. The fire engines sold during the period were comparatively advanced models, including those high performance and high value added developed by the Group, thus driven up the operating profit for the period. To cope with the heightening national safety standards, it was expected that demand for quality fire engines from fire brigades across the country and petro-chemical corporations will support the growth of the segment for the coming years.

Production and sale of fire prevention and fighting equipment
Revenue from production and sale of fire engines and fire prevention and fighting equipment for the six months ended 30 June 2008 decreased by 4% to RMB125 million. Operating profit also decreased by 34% to RMB16 million.

The decrease in revenue and operating profit for the period was mainly due to the drop in sales of the Group's fire detection and alarm systems. With the strengthening of quality standard for fire safety products, it is expected that a large amount of costs are required for product modifications, inspections and approvals. Since the Group's competitive edge does not lie in the detection and alarm system, and there are anticipation of intensifying competition and sliming profit for the product, the Group has decided to phase out most of the product models. Resources have been channeled to the production and sale of emergency lightings, the Group's core product. For the first half of the year, sale of emergency lightings has grown 38% as compared to the corresponding period last year.

Besides the emergency lightings that supply mainly the residential and commercial properties, the Group has also performed satisfactorily in the industrial fire safety products market. Sale of the Group's self-produced special large-scale industrial fire protection equipment for the period under review has nearly tripled that for last year. Though affected by the rising material and staff costs, operating profit was 1.5 times of that for the corresponding period last year.

Provision of fire prevention and fighting system maintenance services
Revenue from production and sale of fire engines and fire prevention and fighting equipment for the six months ended 30 June 2008 increased 9% to RMB64 million. Operating profit, on the other hand, decreased 26% to RMB32 million.

Similar to the case of other business segments, the intense competition and inflating costs have squeezed the profit of the traditional maintenance services segment to a great extent. For the network monitoring business, two more monitoring centres in Xingtai and Zhaoqing have been set up during the first half of the year. Since the national standard for the network monitoring systems (城市消防遠程監控系統技術規範) has became effective from 1 January 2008, the Group has signed up 95 new customers. Although it is to the Group's disappointment that the market demand has not been picked up as fast as expected because customers are generally taking a wait and see approach, the Group is still confident that the monitoring system application is the landscape for the fire safety industry in the future.

Trading of fire engines, and fire fighting and rescue equipment
Revenue from trading of fire engines, fire fighting and rescue equipment for the six months ended 30 June 2008 was RMB92 million, 1.4 times of that of last year. It has, however, incurred an operating loss of RMB2.9 million (2007: profit of RMB1.6 million). The release of the backlogged fire engines after the 3C certificates problem resolved at the end of last year has contributed to the increase in turnover. Unfortunately, the appreciation of Euro against Hong Kong dollar during the period of backlogged has eroded all the profits that should have been generated from the sale and resulted in a loss for the period under review. All new contracts of import fire engines have been hedged against exchange rate fluctuations to avoid further losses.

Financial resources, liquidity, contingent liabilities and pledge of assets
The Group's cash and bank balances at 30 June 2008 were approximately RMB677 million (31 December 2007: RMB684 million) of which RMB8 million (31 December 2007: RMB23 million) were pledged to secure banking facilities granted to the Group. Outstanding bank borrowings as at period end date were approximately RMB59 million, of which RMB3 million were bank overdrafts drawn, RMB50 million were short term bank loans and the remaining RMB6 million were outstanding trust receipt loans. The overdrafts were part of the banking facilities granted to a subsidiary of the Group, which together with certain trade facilities, are secured by the Group's bank deposits of approximately RMB4 million and/or certain personal assets and/or guarantee of a minority shareholder. The short term bank loans were granted to another subsidiary with certain leasehold land and buildings of the Group with carrying values of RMB10.3 million and RMB8.2 million respectively as at 30 June 2008 pledged as security. Save as disclosed herein, there were no other charges on the assets of the Group as at 30 June 2008.

As at 30 June 2008, current assets and current liabilities of the Group were approximately RMB1,391 million (31 December 2007: RMB1,490 million) and RMB306 million (31 December 2007: RMB436 million) respectively. The current ratio was approximately 4.5 times (31 December 2007: 3.4 times) reflecting sufficient financial resources to meet the Group's liabilities. Gearing ratio (interest bearing debt/total equity) at end of the period was 4.1% (2007: 5.2%).

Renminbi is the reporting currency of the Group. Apart from the purchases and sales of the Group's trading segment, majority of the Group's assets, liabilities, sales and purchases are primarily denominated in Renminbi and Hong Kong dollar. Forward contracts are used to hedge against currency risk for purchases other than US dollar, Hong Kong dollar or Renminbi if relevant sales transactions are not conducted in the same foreign currencies. During the period, as Hong Kong dollar has depreciated against Reminbi, there was an exchange loss of RMB6.3 million included in the administrative expenses arose from the translation of some of the Group's Hong Kong dollar denominated assets (mainly Hong Kong dollar bank deposits) into Reminbi.

The Group had no material contingent liabilities as at 30 June 2008.

Investments and capital commitments

The Group had the following disposals and capital commitments during the period under review:

Disposals

The Group has sold its investment properties in Chengdu at a consideration of RMB19.8 million and recognized a gain of RMB3.4 million. The properties were part of the assets acquired on acquisition of Sichuan Morita Fire Safety Appliances Company Limited in 2005. The properties did not generate attractive return because of its comparatively remote location.

Capital commitment

As at 30 June 2008, the Group has capital commitment of approximately RMB230 million in relation to the construction of the new factory in Chengdu.

Save as disclosed herein, the Group has no significant investment, capital commitments or material acquisitions and disposal of subsidiaries as at or during the six months ended 30 June 2008.

Employees and remuneration policies

As at 30 June 2008, the Group had approximately 1,262 full-time employees (2007: 1,509). Staff costs, excluding directors' remuneration, for the six months ended 30 June 2008 amounted to approximately RMB22 million (2007: RMB24 million). A number of staff were laid off at the beginning of the year due to the phase out of the Group's fire detection and alarm systems as explained in "Production and sale of fire prevention and fighting equipment" under the Business review section above. All full-time employees are entitled to medical contributions, provident funds and retirement plans. In addition, bonuses are rewarded to those staff with outstanding performances. Staff performance evaluations are carried out regularly as a means of communication between the management and the staff for performance improvement. The Group provides 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 EXECUTIVES' INTEREST IN THE COMPANY'S SECURITIES

Save as disclosed below, as of 30 June 2008, none of the Directors or chief executive had 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 Rules 5.46 to 5.67 of the GEM 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 (“**Mr. Jiang**”)	Beneficial owner *(Note 1)* Deemed Interest *(Note 2)*	981,600,000 825,000,000	63.28% *(Note 3)*
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Note:

1. Mr. Jiang Xiong (“**Mr. Jiang**”) is beneficially interested in 981,600,000 Shares. By virtue of the option agreement entered into between Mr. Jiang and UTFE (the “**Option Agreement**”), he and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, Mr. Jiang is deemed to have a long position in the 825,000,000 shares owned by UTFE.

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

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

Short positions in ordinary shares of the Company

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

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

b. all the shares held by Mr. Jiang at the time when UTFE exercises the Option.

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

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

Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	No. of shares issuable under the options granted	Exercise period	Exercise price *(HK$)*	No. of shares issuable under the options granted as at 1 January and 30 June 2008	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 *(Note)*	20,000,000	0.7%

Note: The closing price of shares of the Company immediately before the date on which the option was granted was HK$0.465. All options granted are vested on the date of acceptance, i.e. 25 May 2004.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shown that other than the interests disclosed above in respect of certain directors, the following shareholders have 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 type of interest	Number of issued share of HKD0.01 each of the Company held	Percentage of issued capital of the Company
UTFE	Beneficial owner Deemed Interest *(Note 1)*	825,000,000 981,600,000	63.28% *(Note 2)*
Otis Elevator Company	Interest of a controlled corporation *(Note 3)*	1,806,600,000	63.28%
Carrier Corporation	Interest of a controlled corporation *(Note 4)*	1,806,600,000	63.28%
United Technologies Corporation	Interest of a controlled corporation *(Note 5)*	1,806,600,000	63.28%
Deutsche Bank Aktiengesellschaft	Investment manager	168,545,840	5.90%

Notes:

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

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

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

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

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

Short positions in ordinary shares of the Company

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

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the businesses of the Group or has 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 had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2008 neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company. Save the issue of shares pursuant to the Subscription Agreement, the Company has not sold any listed securities of the Company.

CORPORATE GOVERNANCE

Corporate governance practices

Throughout the period ended 30 June 2008 the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules, except that:

1. There were no fixed terms of appointment for the non-executive 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. No nomination committee has been set up. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

Audit committee

The audit committee comprises three independent non-executive Directors, namely Mr. Heng Kwoo Seng, Dr. Loke Yu and Mr. Sun Jian Guo. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The Group's results for the period have been reviewed by the audit committee.

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

As at the date of this report, the Company's Executive Directors are Mr. Jiang Xiong, Mr. Jiang Qing, Mr. Shi Jia Hao and Mr. Wang De Feng, Ms. Weng Xiu Xia and Ms. Zhang Hai Yan; the Non-Executive Directors are Mr. Doug Wright, Ms. Xi Zhengzheng and Mr. Harinath Krishnamurthy (alternate Director to Mr. Doug Wright); and the Independent Non-Executive Directors are Mr. Heng Kwoo Seng, Dr. Loke Yu and Mr. Sun Jian Guo.

Hong Kong, 13 August 2008