



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 2012

HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2012 increased 37% to RMB481 million.
- Loss for the six months ended 30 June 2012 was RMB5.3 million (2011: RMB1.7 million). Loss attributable to owners of the Company for the period was RMB3.6 million (2011: RMB4.5 million).
- Loss per share for the six months ended 30 June 2012 was RMB0.13 cent (2011: RMB0.16 cent per share).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2012.

CFE

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 2012, together with the comparative figures for the corresponding period in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

For the six months ended
30 June

	<i>Notes</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Turnover	2	481,257	351,355
Cost of sales and services		(430,541)	(307,178)
Gross profit		50,716	44,177
Other income	3	2,382	4,348
Selling and distribution costs		(20,283)	(15,246)
Administrative expenses		(29,498)	(31,039)
Share of (losses)/profits of associates		(711)	273
Finance costs		(3,817)	(2,651)
Loss before taxation		(1,211)	(138)
Income tax expense	4	(4,079)	(1,549)
Loss for the period	5	(5,290)	(1,687)
<i>Other comprehensive income after tax</i>			
Exchange differences on translating foreign operations		27	(126)
Other comprehensive income for the period, net of tax		27	(126)
Total comprehensive income for the period		(5,263)	(1,813)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
(Unaudited)
For the six months ended
30 June

	<i>Notes</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
(Loss)/profit for the period attributable to:			
Owners of the Company		(3,636)	(4,510)
Non-controlling interests		(1,654)	2,823
		(5,290)	(1,687)
Total comprehensive income for the period attributable to:			
Owners of the Company		(3,552)	(4,731)
Non-controlling interests		(1,711)	2,918
		(5,263)	(1,813)
Loss per share (RMB cents)			
Basic	6	(0.13)	(0.16)
Diluted		(0.13)	(0.16)

CFE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2012 RMB'000	(Audited) At 31 December 2011 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		284,460	288,170
Prepaid land lease payments		34,082	34,458
Investment properties		36,410	36,410
Goodwill		19,640	19,640
Other intangible assets		585	712
Investments in associates		21,731	22,441
		396,908	401,831
Current assets			
Inventories		117,486	108,904
Trade and bills receivables	8	519,383	462,314
Amounts due from contract customers		506,517	548,137
Retention receivables		9,258	9,643
Prepayments, deposits and other receivables		76,576	72,024
Amount due from a jointly controlled entity		4,549	4,527
Amount due from associates		2,539	2,121
Prepaid land lease payments		752	752
Pledged bank deposits		6,948	7,373
Bank and cash balances		189,671	149,568
		1,433,679	1,365,363
Current liabilities			
Trade and other payables	9	430,037	375,017
Amounts due to contract customers		16,669	5,671
Amounts due to non-controlling shareholders		5,922	4,603
Bank borrowings		105,000	99,985
Finance lease payables		12	36
Current tax liabilities		3,641	7,971
		561,281	493,283
Net current assets		872,398	872,080
Total assets less current liabilities		1,269,306	1,273,911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>Notes</i>	(Unaudited) At 30 June 2012 <i>RMB'000</i>	(Audited) At 31 December 2011 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	2,113	1,455
NET ASSETS	1,267,193	1,272,456
Capital and reserve		
Share capital	30,168	30,168
Reserves	1,198,290	1,201,842
Equity attributable to owners of the Company	1,228,458	1,232,010
Non-controlling interests	38,735	40,446
TOTAL EQUITY	1,267,193	1,272,456

CFE

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

For the six months ended

30 June

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Net cash generated from operating activities	38,322	16,139
Net cash (used in)/generated from investing activities	(4,588)	6,183
Net cash generated from financing activities	6,286	6,250
Net increase in cash and cash equivalents	40,020	28,572
Cash and cash equivalents at 1 January	149,568	262,526
Effect of foreign exchange rate changes	83	(229)
Cash and cash equivalents at 30 June	189,671	290,869
Analysis of cash and cash equivalents at 30 June		
Bank and cash balances	189,671	290,869

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

(Unaudited)

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Statutory reserve	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 2011	30,168	646,363	(6,692)	57,840	38,053	24,296	82,427	(868)	402,070	1,273,657	26,649	1,300,306
Total comprehensive income for the period	-	-	-	-	-	-	-	(221)	(4,510)	(4,731)	2,918	(1,813)
At 30 June 2011	30,168	646,363	(6,692)	57,840	38,053	24,296	82,427	(1,089)	397,560	1,268,926	29,567	1,298,493
At 1 January 2012	30,168	646,363	(6,692)	57,840	38,053	25,441	82,427	(1,270)	359,680	1,232,010	40,446	1,272,456
Total comprehensive income for the period	-	-	-	-	-	-	-	84	(3,636)	(3,552)	(1,711)	(5,263)
At 30 June 2012	30,168	646,363	(6,692)	57,840	38,053	25,441	82,427	(1,186)	356,044	1,228,458	38,735	1,267,193

CFE

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 2012 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

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, and is analysed as follows:

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from installation contracts	236,608	97,491
Sales of goods	237,311	245,341
Provision of maintenance services	6,896	8,500
Provision of online advertising services	7	23
Operation of guest house	435	–
	481,257	351,355

3 **Other income**

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	768	828
Rental income	1,205	1,161
Fair value gains on derivative financial instruments	–	880
Sundry income	409	1,479
	2,382	4,348

4 Income tax expense

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	3,421	1,549
Deferred tax	658	–
	4,079	1,549

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	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	9,052	9,662
Amortisation of prepaid land lease payments	376	376
Amortisation of other intangible assets	127	127
Loss on disposal of property, plant and equipment	–	168

CFE

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	
	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Loss for the period attributable to owners of the Company	3,636	4,510
	<i>'000</i>	<i>'000</i>
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 2012 and 2011 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 2012 (2011: nil).

8 Trade and bills receivables

	(Unaudited) At 30 June 2012 <i>RMB'000</i>	(Audited) At 31 December 2011 <i>RMB'000</i>
Trade and bills receivables	683,321	626,163
Less: Allowance for bad and doubtful debts	(163,938)	(163,849)
	519,383	462,314

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 2012 <i>RMB'000</i>	(Audited) At 31 December 2011 <i>RMB'000</i>
0 – 90 days	237,553	253,640
91 – 180 days	65,656	135,098
181 – 360 days	200,744	34,862
Over 360 days	15,430	38,714
	519,383	462,314

9 Trade and other payables

	(Unaudited) At 30 June 2012 <i>RMB'000</i>	(Audited) At 31 December 2011 <i>RMB'000</i>
Trade payables	98,585	99,770
Accrued charges	243,117	198,728
Receipts in advance	45,085	27,346
Value added tax, sales tax and other levies	39,077	36,231
Other payables	4,173	12,942
	430,037	375,017

The aging analysis of trade payables is as follows:

	(Unaudited) At 30 June 2012 <i>RMB'000</i>	(Audited) At 31 December 2011 <i>RMB'000</i>
0 – 30 days	32,201	37,059
31 – 60 days	22,354	21,938
61 – 90 days	10,338	11,467
Over 90 days	33,692	29,306
	98,585	99,770

CFE

SEGMENT INFORMATION

The Group has six 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;
- provision of maintenance services; and
- operation of 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 segment refers to the provision of online advertising services, which does not meet any of the quantitative thresholds for determining reportable segments. The information of this other operating segment is included in the "Others" column.

Segment profits or losses do not include interest income, fair value gain on derivative financial instruments, unallocated corporate expenses, share of (losses)/profits 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.

The Group sold the controlling interests in a number of subsidiaries which were engaged in the provision of network monitoring services in the third quarter of 2011. The then strategic business unit disqualified as a reportable segment from the date of disposal, when the then subsidiaries became associates of the Group.

SEGMENT INFORMATION (continued)

	Installation of fire prevention and fighting systems	Production and sale of fire engines	Production and sale of fire equipment	Trading of fire engines, fire prevention and fighting equipment	Provision of maintenance services	Operation of guest house	Provision of network monitoring system services	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended										
30 June 2012										
TURNOVER										
External sales	236,608	159,066	78,245	-	6,896	435	-	7	-	481,257
Inter-segment sales	-	10	2,670	-	-	-	-	-	(2,680)	-
Total	236,608	159,076	80,915	-	6,896	435	-	7	(2,680)	481,257
RESULTS										
Segment profit/(loss)	6,384	3,970	1,008	(1,749)	528	(3,243)	-	(282)		6,616
Interest income										768
Unallocated corporate expenses										(4,067)
Share of losses of associates										(711)
Finance costs										(3,817)
Loss before tax										(1,211)
Income tax expense										(4,079)
Loss for the period										(5,290)

CFE

SEGMENT INFORMATION (continued)

	Installation of fire prevention and fighting systems	Production and sale of fire engines	Production and fighting equipment	Trading of fire engines, fire prevention and fighting equipment	Provision of maintenance services	Operation of guest house	Provision of network monitoring system services	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended										
30 June 2011										
TURNOVER										
External sales	97,491	140,723	69,190	35,428	6,951	-	1,549	23	-	351,355
Inter-segment sales	-	15	3,764	3,340	-	-	-	-	(7,119)	-
Total	97,491	140,738	72,954	38,768	6,951	-	1,549	23	(7,119)	351,355
RESULTS										
Segment (loss)/profit	(349)	3,275	850	2,278	360	-	(1,830)	(155)		4,429
Interest income										828
Fair value gain on derivative financial instruments										880
Unallocated corporate expenses										(3,897)
Share of profits of associates										273
Finance costs										(2,651)
Loss before tax										(138)
Income tax expense										(1,549)
Loss for the period										(1,687)

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2012, the Group's turnover grew 37% to RMB481 million. Loss for the period was RMB5.3 million (2011: RMB1.7 million).

Installation of fire prevention and fighting systems

Revenue from installation of fire prevention and fighting systems for the period under review was RMB237 million, 1.4 times of that for last year. The operating profit was RMB6.4 million (2011: operating loss of RMB0.3 million).

Leveraged on the strong order book secured in the second half of 2011, a significantly larger amount of revenue was recognised during the period as projects progressed. It has also contributed to the improvement in the operating results. Profit margins remained slim because competition has limited the Group's bargaining power such that contract prices can hardly catch up with the escalating costs. Remarkable improvement in profit margin is not anticipated in the foreseeable future, overall profit of the business segment will largely be volume driven.

Production and sale of fire engines

Revenue from production and sales of fire engines for the period increased 13% to RMB159 million. Operating profit was RMB4 million (2011: RMB3.3 million).

Quantity sold kept stable for the two periods in comparison. Revenue increased mainly because of inflation and change in the sales mix. Gross profit margin decreased, however, as a result of the hiking costs.

Standing in the front line of hazard-fighting, the Group recognizes the importance of having its products ready for every emergency. Therefore new products with different features are introduced continuously. At the beginning of the year, fire engines engineered with high horsepower and pumps with peak rate of flow at 10,000 liters per minute (the most powerful for fire trucks in all countries) were launched. The Group has also put to the market its multi-purpose truck that built in the functions of fire pumper, rescuer and has additional compartments and layout to serve many purposes on fire and accidents. It enhances emergency response especially in cities where residential buildings, commercial blocks, industrial constructions and entertainment complex neighbouring each other that call for different hazard fighting needs. It also helps to relieve the budget constraint of some small cities with one truck replacing all.

CFE

Production and sale of fire prevention and fighting equipment

Revenue from production and sales of fire prevention and fire fighting equipment for the period increased 13% to RMB78 million. Operating profit was RMB1 million (2011: RMB0.9 million).

The growth in revenue has shown the rising popularity of the Group's products among customers. The overall gross profit margin increased slightly with rising sale of certain high-end products, although the increased costs of marketing and distribution channels strengthening had limited the current profit increment in anticipation of future sustainable growth.

Provision of maintenance services

Revenue from provision of maintenance services for the period approached that for the corresponding period in 2011 at RMB6.9 million. The operating profit for the period was RMB0.5 million (2011: RMB0.4 million).

A majority of the Group's maintenance revenue for both periods were derived from the maintenance services provided to certain plants of Foxconn International Holdings in Shenzhen. As the Group was engaged to carry out the daily routine maintenance works and to arrange technicians to stand-by for emergencies, the time-basis recognition of the two year contracts has contributed the Group a relatively stable income stream.

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

The trading of fire engines, fire prevention and fighting and rescue equipment generated no revenue for the first six months of 2012 (2011: RMB35 million). Operating loss for the period was RMB1.7 million (2011: RMB2.3 million).

As mentioned in the annual report of 2011, the Group's trading business has been facing some material uncertainties over both its supply and demand and has led to a pessimistic outlook. Poor results are expected to continue until new strategies are formulated and proven successful. At the meantime, the Group would exercise strict control on costs and expenses to minimize loss.

Operation of guest house

Revenue from operation of guest house for the period was RMB0.4 million. Operating loss was RMB3.2 million.

The guest house set up in Chengdu, Sichuan opened in May 2012. As reported in the annual report 2011, the hotel is mainly for receiving customers, guests and visitors of the Group. In addition to showing the Group's hospitality, a new income stream was opened by capturing their spending on accommodation and food. Vacant rooms are also made available to other visitors and tourists. Since the hotel was in trial period, loss was expected.

Financial resources, liquidity, contingent liabilities and pledge of assets

As at 30 June 2012, the Group had cash and bank balances amounting to approximately RMB197 million (31 December 2011: RMB157 million) of which RMB7 million (31 December 2011: RMB7 million) was pledged to secure banking facilities granted to the Group. The short term bank loans outstanding at the period end date, which amounted to RMB105 million (31 December 2011: RMB100 million), were granted to two subsidiaries in China. The repayment of the loans is guaranteed by other subsidiaries of the Group. The increase in bank balance was mainly due to the recovering of certain old age trade receivables.

As at 30 June 2012, current assets and current liabilities of the Group were approximately RMB1,434 million (31 December 2011: RMB1,365 million) and RMB561 million (31 December 2011: RMB493 million) respectively. The current ratio was approximately 2.6 times (31 December 2011: 2.8 times). Gearing ratio (interest bearing debt/total equity) at end of the period was 8.3% (31 December 2011: 7.9%).

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 2012.

Investments and capital commitments*Capital commitments*

As at 30 June 2012, the Group has capital commitment of approximately RMB24 million (31 December 2011: RMB27 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 2012. During the six months ended 30 June 2012, the Group has no material investments, acquisitions or disposals of subsidiaries.

Employees and remuneration policies

At 30 June 2012, the Group had approximately 1,113 full-time employees (2011: 1,101). Staff costs, excluding directors' remuneration, for the period amounted to RMB23.4 million, increased 14% over the RMB20.5 million for the same period last year. Staff costs increased reflected the general pay rise in the mainland China. 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.

CFE

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

Save as disclosed below, as of 30 June 2012, 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 (<i>Note 1</i>)	981,600,000	63.28%
	Deemed interest (<i>Note 2</i>)	825,000,000	(<i>Note 3</i>)
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Note:

- 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 United Technologies Far East Limited ("UTFE"), a subsidiary of UTC (the "Option Agreement"), Mr. Jiang 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 of the Company owned by UTFE.
- 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 his capacity as a party to the Option Agreement to which Section 317(1)(a) of the SFO applies.
- 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 of the Company 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 of the Company 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	Number of shares issuable under the options granted	Exercisable period	Exercise price (HK\$)	Number of shares issuable under the options outstanding as at 1 January and 30 June 2012	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%

Notes: 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.

CFE

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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
UTFE	Beneficial owner	825,000,000	63.28%
	Deemed interest (<i>Note 1</i>)	981,600,000	(<i>Note 2</i>)
Otis Elevator Company	Interest of a controlled corporation (<i>Note 3</i>)	1,806,600,000	63.28%
Carrier Corporation	Interest of a controlled corporation (<i>Note 4</i>)	1,806,600,000	63.28%
UTC	Interest of a controlled corporation (<i>Note 5</i>)	1,806,600,000	63.28%

Notes:

- 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.
- 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 of the Company 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. UTC 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 an 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 2012.

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 2012, 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 2012, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

CFE

CORPORATE GOVERNANCE

Corporate governance practices

Throughout the period ended 30 June 2012, 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, 27 August 2012

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; the Non-Executive Directors are Mr. Jean-Charles Thoumire and Mr. Oon Wee Chin; 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 as well as the website of the Company (www.chinafire.com.cn).