



INTERIM REPORT **2015**

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

HIGHLIGHTS

- Turnover of the Group from continuing operations for the six months ended 30 June 2015 increased 17.2% to RMB311 million, as compared to the corresponding period in 2014.
- Profit for the six months ended 30 June 2015 was RMB21.6 million (2014: loss of RMB1.2 million).
- The basic and diluted earnings per share from continuing and discontinued operations for the six months ended 30 June 2015 was RMB0.58 cent (2014: basic and diluted loss RMB0.13 cent per share).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2015.

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 2015, together with the comparative figures for the corresponding period in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | (Unaudited) For the six months ended 30 June | |
|--|--------------|--|------------------------|
| | <i>Notes</i> | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
| Continuing operations | | | |
| Turnover | 2 | 310,839 | 265,288 |
| Cost of sales and services | | (251,775) | (223,192) |
| Gross profit | | 59,064 | 42,096 |
| Other income | 3 | 2,576 | 2,383 |
| Selling and distribution costs | | (9,341) | (12,086) |
| Administrative expenses | | (25,617) | (28,627) |
| Share of losses of associates | | (99) | (248) |
| Finance costs | | (2,614) | (2,653) |
| Profit before tax | | 23,969 | 865 |
| Income tax expense | 4 | (3,850) | (3,360) |
| Profit/(loss) for the period from continuing operations | 5 | 20,119 | (2,495) |
| Discontinued operations | | | |
| Profit for the period from discontinued operations | 6 | 1,483 | 1,312 |
| Profit/(loss) for the period | | 21,602 | (1,183) |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | - | (326) |
| Other comprehensive income for the period, net of tax | | - | (326) |
| Total comprehensive income for the period | | 21,602 | (1,509) |

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

| | | (Unaudited) | |
|---|---|--------------------------|------------------------|
| | | For the six months ended | |
| | | 30 June | |
| <i>Note</i> | | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
| Profit/(loss) for the period attributable to: | | | |
| | Owners of the Company | 16,653 | (3,848) |
| | Non-controlling interests | 4,949 | 2,665 |
| | | 21,602 | (1,183) |
| Total comprehensive income for the period attributable to: | | | |
| | Owners of the Company | 16,653 | (3,863) |
| | Non-controlling interests | 4,949 | 2,354 |
| | | 21,602 | (1,509) |
| Profit/(loss) per share (RMB cent) | | | |
| | From continuing and discontinued operations | 7 | |
| | Basic | 0.58 | (0.13) |
| | Diluted | 0.58 | (0.13) |
| | From continuing operations | | |
| | Basic | 0.53 | (0.19) |
| | Diluted | 0.53 | (0.19) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | (Unaudited) At 30 June 2015 RMB'000 | (Audited) At 31 December 2014 RMB'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | | 197,438 | 202,316 |
| Prepaid land lease payments | | 33,848 | 34,211 |
| Goodwill | | 7,630 | 7,630 |
| Investments in associates | | – | 99 |
| | | 238,916 | 244,256 |
| Current assets | | | |
| Inventories | | 104,748 | 168,702 |
| Trade and bills receivables | 9 | 278,848 | 210,106 |
| Prepayments, deposits and other receivables | | 177,308 | 115,441 |
| Amount due from associates | | – | 1,083 |
| Prepaid land lease payments | | 726 | 726 |
| Pledged bank deposits | | 10,700 | 8,369 |
| Bank and cash balances | | 94,238 | 164,002 |
| | | 666,568 | 668,429 |
| Assets of disposal group held for sale | 11 | – | 411,573 |
| | | 666,568 | 1,080,002 |
| Current liabilities | | | |
| Trade and other payables | 10 | 220,226 | 257,025 |
| Bank borrowings | | 58,000 | 100,000 |
| Current tax liabilities | | 2,990 | 2,501 |
| Dividend payable | 12 | 69,496 | – |
| | | 350,712 | 359,526 |
| Liabilities directly associated with assets of disposal group held for sale | 11 | – | 361,573 |
| | | 350,712 | 721,099 |
| Net current assets | | 315,856 | 358,903 |
| NET ASSETS | | 554,772 | 603,159 |
| Capital and reserve | | | |
| Share capital | | 30,168 | 30,168 |
| Reserves | | 465,619 | 518,955 |
| Equity attributable to owners of the Company | | 495,787 | 549,123 |
| Non-controlling interests | | 58,985 | 54,036 |
| TOTAL EQUITY | | 554,772 | 603,159 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

For the six months
ended 30 June

| | 2015 RMB'000 | 2014 RMB'000 |
|---|------------------|-----------------|
| Net cash used in from operating activities | (48,207) | (17,320) |
| Net cash (used in)/generated from investing activities | (17,572) | 1,459 |
| Net cash (used in)/generated from financing activities | (42,000) | 20,000 |
| Net (decrease)/increase in cash and cash equivalents | (107,779) | 4,139 |
| Cash and cash equivalents at 1 January <i>(Note)</i> | 202,017 | 161,755 |
| Effect of foreign exchange rate changes | – | 65 |
| Cash and cash equivalents at 30 June | 94,238 | 165,959 |
| Analysis of cash and cash equivalents at 30 June | | |
| Bank and cash balances | 94,238 | 151,179 |
| Bank and cash balances included in disposal group held for sale | – | 14,780 |
| | 94,238 | 165,959 |

Note: Cash and cash equivalents at 1 January 2015 included those classified as part of the assets of disposal group held for sale amounted to RMB38,015,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(Unaudited)

| | Attributable to owners of the Company | | | | | | | | | | | |
|--|---------------------------------------|--------------------------|----------------------------|----------------------------|--------------------------------------|--|-----------------------------------|-----------------------------|-----------------------------|------------------|--------------------------------------|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Special reserve RMB'000 | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 | Statutory public welfare fund RMB'000 | Statutory reserve fund RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1 January 2014 | 30,168 | 646,363 | (6,692) | 57,840 | 38,053 | 26,062 | 82,427 | (1,531) | 184,774 | 1,057,464 | 27,632 | 1,085,096 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | (15) | (3,848) | (3,863) | 2,354 | (1,509) |
| Disposal of subsidiaries | - | - | - | - | - | - | - | 865 | - | 865 | 9,495 | 10,360 |
| Total comprehensive income and changes in equity for the period | - | - | - | - | - | - | - | 850 | (3,848) | (2,998) | 11,849 | 8,851 |
| At 30 June 2014 | 30,168 | 646,363 | (6,692) | 57,840 | 38,053 | 26,062 | 82,427 | (681) | 180,926 | 1,054,466 | 39,481 | 1,093,947 |
| At 1 January 2015 | 30,168 | 646,363 | (6,692) | 88,783 | 32,803 | 19,724 | - | (6,018) | (256,008) | 549,123 | 54,036 | 603,159 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | 16,653 | 16,653 | 4,949 | 21,602 |
| Disposal of subsidiaries | - | - | - | - | (32,803) | (19,724) | - | (493) | 52,527 | (493) | - | (493) |
| Proposed interim dividend payable out of share premium account (Note 12) | - | (69,496) | - | - | - | - | - | - | - | (69,496) | - | (69,496) |
| Total comprehensive income and changes in equity for the period | - | (69,496) | - | - | (32,803) | (19,724) | - | (493) | 69,180 | (53,336) | 4,949 | (48,387) |
| At 30 June 2015 | 30,168 | 576,867 | (6,692) | 88,783 | - | - | - | (6,511) | (186,828) | 495,787 | 58,985 | 554,772 |

*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 2015 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

2 Turnover

Turnover from continuing operations represents the aggregate of the proceeds of fire engines and fire prevention and fighting equipment sold during the period less discounts and sales related tax.

3 Other income

| | (Unaudited) | |
|----------------------------------|----------------------------------|------------------------|
| | For the six months ended 30 June | |
| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
| Continuing operations | | |
| Interest income | 1,042 | 814 |
| Rental income | 212 | 245 |
| Gain on disposal of subsidiaries | 577 | – |
| Sundry income | 745 | 1,324 |
| | 2,576 | 2,383 |

4 Income tax expense

Income tax in relation to continuing operations has been recognized in profit or loss as follows:

| | (Unaudited) | |
|---|----------------------------------|----------------|
| | For the six months ended 30 June | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax – PRC Enterprise Income Tax | | |
| Current period | 3,030 | 2,562 |
| Under provision in prior years | 820 | 798 |
| | 3,850 | 3,360 |

No provision for Hong Kong Profits Tax has been made as the relevant group entities has no assessable profits for both 2014 and 2015. Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective group entities.

5 Profit/(loss) for the period from continuing operations

Profit/(loss) for the period from continuing operations has been arrived at after charging/(crediting) the following:

| | (Unaudited) | |
|--|----------------------------------|----------------|
| | For the six months ended 30 June | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Amortisation of prepaid land lease payments | 363 | 363 |
| Depreciation of property, plant and equipment | 4,260 | 8,143 |
| Gain on disposal of subsidiaries | (577) | – |
| Unrecoverable amount due from associates written off | 1,270 | – |

6 Discontinued operations

As disclosed in the annual report of the Company for 2014, on 27 February 2015, the Group entered into an agreement to dispose of a group of subsidiaries (the “Disposal”), which were mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The Group ceased to provide such services upon completion of the Disposal in April 2015.

As the Disposal constituted a discontinuance of major lines of business, the profit or loss of the respective subsidiaries, up to the date of Disposal completion, have been classified as discontinued operations and disclosed separately as follows:

| | (Unaudited) | |
|--|----------------------------------|----------------|
| | For the six months ended 30 June | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the period from discontinued operations: | | |
| Turnover | 97,221 | 175,610 |
| Cost of sales and services | (94,178) | (169,765) |
| Gross profit | 3,043 | 5,845 |
| Other income | 1,613 | 3,529 |
| Selling and distribution costs | – | (38) |
| Administrative expenses | (1,825) | (5,201) |
| Profit before tax | 2,831 | 4,135 |
| Income tax expense | (1,348) | (2,823) |
| Profit for the period from discontinued operations | 1,483 | 1,312 |

6 Discontinued operations (continued)

Profit for the period from discontinued operations include the followings:

| | (Unaudited) | |
|---|----------------------------------|-----------------|
| | For the six months ended 30 June | |
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Amortisation of prepaid land lease payments | – | 6 |
| Depreciation of property, plant and equipment | – | 483 |
| Gain on disposal of subsidiaries | (1,556) | (1,492) |
| Cash flows from discontinued operations: | | |
| Net cash (outflow)/inflow from operating activities | (21,561) | 3,742 |
| Net cash outflow from investing activities | (13,220) | (20,028) |
| Net cash outflows | (34,781) | (16,286) |

7 Earnings/(loss) per share

The calculations of the basic and diluted earnings/(loss) per share are based on the following:

| | From continuing and discontinued operations | |
|--|---|-----------|
| | (Unaudited) | |
| | For the six months ended 30 June | |
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Profit/(loss) for the period attributable to owners of the Company | 16,653 | (3,848) |
| | '000 | '000 |
| Weighted average number of ordinary shares | 2,855,000 | 2,855,000 |

There was no dilutive potential ordinary shares as at 30 June 2014 and 2015. All of the Group's share options issued were expired in May 2014.

7 Earnings/(loss) per share (continued)

| | From continuing operations (Unaudited) | | From discontinued operations (Unaudited) | |
|--|---|-----------------|---|-----------------|
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2015 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| Profit/(loss) for the period attributable to owners of the Company | 15,170 | (5,289) | 1,483 | 1,441 |

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted earnings/(loss) per share are the same. The basic loss and diluted earnings per share from discontinued operations for the six months ended 30 June 2015 is RMB0.05 cent (2014: RMB0.05 cent).

8 Dividends

The Board does not recommend the payment of a dividend for the six months ended 30 June 2015 (2014: nil).

9 Trade and bills receivables

| | (Unaudited) At 30 June 2015 RMB'000 | (Audited) At 31 December 2014 RMB'000 |
|--|--|--|
| Trade and bills receivables | 296,434 | 227,694 |
| Less: Allowance for bad and doubtful debts | (17,586) | (17,588) |
| | 278,848 | 210,106 |

The Group allows an average credit period of 30 days to 90 days to its trade customers.

9 Trade and bills receivables (continued)

The aging analysis of trade and bills receivables, including those classified as part of the disposal group held for sale, based on the invoice date, net of allowance for bad and doubtful debts is as follows:

| | (Unaudited) At 30 June 2015 RMB'000 | (Audited) At 31 December 2014 RMB'000 |
|----------------|--|--|
| 0 – 90 days | 135,761 | 92,479 |
| 91 – 180 days | 27,600 | 103,551 |
| 181 – 360 days | 59,033 | 87,120 |
| Over 360 days | 56,454 | 51,569 |
| | 278,848 | 334,719 |

10 Trade and other payables

| | (Unaudited) At 30 June 2015 RMB'000 | (Audited) At 31 December 2014 RMB'000 |
|---|--|--|
| Trade payables | 81,412 | 84,442 |
| Accrued charges | 60,223 | 43,665 |
| Receipts in advance | 57,468 | 125,916 |
| Value added tax, sales tax and other levies | 21,123 | 3,002 |
| | 220,226 | 257,025 |

The aging analysis of trade payables, including those classified as part of the disposal group held for sale, based on the date of receipt of goods, is as follows:

| | (Unaudited) At 30 June 2015 RMB'000 | (Audited) At 31 December 2014 RMB'000 |
|--------------|--|--|
| 0 – 30 days | 30,142 | 37,678 |
| 31 – 60 days | 12,558 | 13,754 |
| 61 – 90 days | 6,329 | 14,239 |
| Over 90 days | 32,383 | 35,826 |
| | 81,412 | 101,497 |

11 Disposal group held for sale

As disclosed in the annual report of the Company for 2014 and in Note 6 above, the Group entered into an agreement on 27 February 2015 to dispose of a group of subsidiaries mainly engaged in the provision of installation and maintenance of fire prevention and fighting systems services. The Disposal was completed in April 2015. At 31 December 2014, the assets and liabilities of the subsidiaries to be disposed of pursuant to the Disposal agreement, have been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities comprising the disposal group held for sale at 31 December 2014 were as follows:

| | (Audited) At 31 December 2014 RMB'000 |
|--|---|
| Retention receivables | 329 |
| Trade and bills receivables | 528,768 |
| Allowance for bad and doubtful debts | (404,155) |
| Amounts due from contract customers | 247,926 |
| Pledged bank deposits | 690 |
| Bank and cash balances | 38,015 |
| Assets of disposal group held for sale | 411,573 |
| Trade and other payables | (333,993) |
| Amounts due to contract customers | (21,242) |
| Current tax liabilities | (2,105) |
| Deferred tax liabilities | (4,233) |
| Liabilities directly associated with assets of disposal group held for sale | (361,573) |
| Net assets of disposal group held for sale | 50,000 |

12 Dividend payable

An ordinary resolution of approving the payment of an interim dividend of HK3 cents per share of the Company, to be paid entirely out of share premium account, has been passed by the shareholders at an extraordinary general meeting of the Company on 24 June 2015. Details of the interim dividends have been set out in the circular of the Company dated 8 June 2015. The interim dividends were paid on 31 July 2015.

SEGMENT INFORMATION

The Group has the following two reportable segments:

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

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

The Group's other operating segments for 2014 refers to the provision of online advertising services which do not meet any of the quantitative thresholds for determining reportable segment. The information of this other operating segment is included in the "Others" column. The business was sold in June 2015.

The Group disposed of the entire equity interests in the subsidiaries engaged in trading of fire engines and firefighting and rescue equipment, and operation of a guest house during 2014. Besides, it entered into an agreement to dispose of the subsidiaries engaged in the provision of installation of fire prevention and fighting systems and the provision of maintenance of fire prevention and fighting systems in February 2015. As such, they have all been classified as discontinued operations (Note 6) for presentation in the financial statements and did not constitute reportable segments. The Disposal of the installation and maintenance segments has been completed in April 2015.

Segment profits or losses do not include interest income, gain on disposal of subsidiaries, unallocated corporate expenses, 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)

For the six months ended 30 June 2015 (unaudited)

| | Production and sale of fire engines RMB'000 | Production and sale of fire prevention and fighting equipment RMB'000 | Others RMB'000 | Elimination RMB'000 | Total RMB'000 |
|----------------------------------|---|---|-------------------|------------------------|------------------|
| TURNOVER | | | | | |
| External sales | 261,561 | 49,278 | – | – | 310,839 |
| Inter-segment sales | – | 2,739 | – | (2,739) | – |
| Total | 261,561 | 52,017 | – | (2,739) | 310,839 |
| RESULTS | | | | | |
| Segment profit | 33,372 | 2,468 | – | | 35,840 |
| Interest income | | | | | 1,042 |
| Gain on disposal of subsidiaries | | | | | 577 |
| Unallocated corporate expenses | | | | | (10,777) |
| Share of losses of associates | | | | | (99) |
| Finance costs | | | | | (2,614) |
| Profit before tax | | | | | 23,969 |
| Income tax expense | | | | | (3,850) |
| Profit for the period | | | | | 20,119 |

SEGMENT INFORMATION (continued)

For the six months ended 30 June 2014 (unaudited)

| | Production and sale of fire engines RMB'000 | Production and sale of fire prevention and fighting equipment RMB'000 | Others RMB'000 | Elimination RMB'000 | Total RMB'000 |
|--------------------------------|---|---|-------------------|------------------------|------------------|
| TURNOVER | | | | | |
| External sales | 215,568 | 49,720 | - | - | 265,288 |
| Inter-segment sales | - | 7,011 | - | (7,011) | - |
| Total | 215,568 | 56,731 | - | (7,011) | 265,288 |
| RESULTS | | | | | |
| Segment profit/(loss) | 11,217 | 2,216 | (3) | | 13,430 |
| Interest income | | | | | 814 |
| Unallocated corporate expenses | | | | | (10,478) |
| Share of losses of associates | | | | | (248) |
| Finance costs | | | | | (2,653) |
| Profit before tax | | | | | 865 |
| Income tax expense | | | | | (3,360) |
| Loss for the period | | | | | (2,495) |

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group entered into a disposal agreement to dispose of certain subsidiaries mainly engaged in the provision of installation and maintenance of firefighting and prevention systems services in February 2015. In view of this, the turnover and results of the Group has been segregated into those from continuing operations and discontinued operations for the six months ended 30 June 2015 and are shown as follows:

| | (Unaudited) | |
|---|----------------------------------|----------------|
| | For the six months ended 30 June | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Turnover | | |
| From continuing operations | 310,839 | 265,288 |
| From discontinued operations | 97,221 | 175,610 |
| Turnover for the Group for the period | 408,060 | 440,898 |
| Profit/(loss) for the period | | |
| From continuing operations | 20,119 | (2,495) |
| From discontinued operations | 1,483 | 1,312 |
| Profit/(loss) for the Group for the period | 21,602 | (1,183) |

Continuing operations

The continuing operations consists of two business segments: the production and sale of fire engines and the production and sale of firefighting and prevention equipment. While the sale of equipment maintained constant, the fire engines segment has continued contributing to the growth in the Group's revenue and profit. The increase in number of fire engines sold during the period has led to the turnaround of the Group's results as compared to the corresponding period last year.

The acquisition (the "Acquisition") of 40% equity interests in Albert Ziegler GmbH ("Ziegler"), a limited liability company incorporated in Germany engaged in the development, production and distribution of broad range of firefighting and special purpose vehicles, pumps and other firefighting components, was completed on 10 July 2015. Details of the Acquisition has been set out in the announcement and circular of the Company dated 27 February 2015 and 28 April 2015 respectively. The Acquisition marked a big step forward for the Group in its business development. The management and technical staff of the Group and Ziegler have had numerous interchange in respect of technical aspects and market expansions. In addition, discussions on possible cooperation with other subsidiaries CIMC have been started especially since their representatives have been appointed directors of the Company. New growth drivers are anticipated in the coming few years.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Discontinued operations

Discontinued operations for the period under review were the provision of installation and maintenance of firefighting and prevention systems services. Subsidiaries engaged in providing the two kinds of services were disposed of in April 2015. Revenue and loss for period were recorded up to the date of disposal and a majority of the revenue recognized was derived from contracts in progress that were entered into in previous years.

Financial resources, liquidity, contingent liabilities and pledge of assets

Taken into account those included in the assets of disposal group held for sale, if any, the Group's cash and bank balances at 30 June 2015 was approximately RMB105 million (31 December 2014: RMB211 million), of which RMB11 million (31 December 2014: RMB9 million) was pledged for bid bond guarantee issued, performance guarantee and guarantee for letter of credit issued which would be released in short period of time. The short term bank loans outstanding at the period end date, which amounted to RMB58 million (31 December 2014: RMB100 million), were borrowed by two subsidiaries established and operate in Sichuan. Net bank and cash balances decreased from year end of 2014 despite profit made for the first six months of 2015 because (i) almost 45% of the sales were made in the last two months of the period (i.e. May and June) and the Group normally grants 30 to 90 days credit periods to customers, in other words, quite a large portion of the sales made were not due for payment at end of June 2015; (ii) the Group was not in a position to bargain a good payment terms from suppliers, especially suppliers of chassis which made up a significant part of the Group's purchases. With CIMC become the controlling shareholder of the Company, it is hopefully that certain synergetic effect can be achieved through cooperation between the two groups, such as better terms of payment from bulk purchases.

As at 30 June 2015, current assets and current liabilities of the Group were approximately RMB667 million (31 December 2014: RMB1,080 million) and RMB351 million (31 December 2014: RMB721 million) respectively. The current ratio was approximately 1.9 times (31 December 2014: 1.5 times). Gearing ratio (interest bearing debt/total equity) at end of the period was 10.5% (31 December 2014: 16.6%).

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 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Investments and capital commitments

Disposal

In April 2015, the Group completed the disposal of a group of subsidiaries mainly engaged in the provision of installation and maintenance services to firefighting and prevention systems at a cash consideration of RMB50 million. Total net assets disposed of at date of disposal was approximately RMB48.4 million and generated a gain of approximately RMB1.5 million.

Apart from the subsidiaries engaged in provision of installation and maintenance services, the Group has also disposed of certain small-sized subsidiaries engaged in the provision of online advertising services and manufacturing and sale of firefighting and prevention equipment with total net liabilities of RMB0.6 million at nominal considerations.

Capital commitments

As at 30 June 2015, the Group has capital commitment of approximately RMB17 million (31 December 2014: RMB18 million) which was mainly related to the investment amount committed to the local government of the county in Sichuan where the Group's factory is located.

Save as disclosed herein, the Group has no material capital commitments as at 30 June 2015. During the six months ended 30 June 2015, the Group has no material investments, acquisitions or disposals of subsidiaries other than those disclosed herein.

Employees and remuneration policies

At 30 June 2015, the Group had approximately 556 full-time employees (2014: 639). Staff costs, excluding directors' remuneration, for the period amounted to RMB20.4 million, slightly increased by 3% over the RMB19.8 million for the same period last year. The drop in number of staff was due to the disposal of certain subsidiaries during the period. All the full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive in-house and on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

Share option scheme

The shareholders of the Company adopted a share option scheme on 29 May 2009 (the "Scheme") in replacement of the old share option scheme, which had been in effect before the Company transferred the listing of its shares from GEM to Main Board of the Stock Exchange on 6 October 2008. Options granted but unexercised under the old share option scheme remained valid and exercisable with their terms of issue. The Scheme shall be valid and effective until the close of business of the Company on the date which falls ten years after the date of adoption, after which period no further options will be granted.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share option scheme (continued)

The purpose of the Scheme is to advance the interests of the Company and its shareholders by providing eligible persons a performance incentive for continued and improved service with the Company and its subsidiaries and mobilize their initiatives in contributing to the Group's profits growth through capital accumulation and share ownership. A duly authorised committee of the Board of the Company may, at its absolute discretion, offer any full-time employee of the Company or any its subsidiaries, including any executive and non-executive directors of the Company or any of its subsidiaries options to subscribe for shares on the terms set out in the Scheme.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes must not exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 285,500,000 shares of the Company, without prior approval of the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period must not exceed 1% of the shares of the Company in issue, without prior approval of the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding 0.1% of the Company's shares in issue and having an aggregate value in excess of HKD5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 per each grant transaction. Options may be exercised at any time from the date of acceptance of the share options to such date as determined by the Board of Directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

All options previously granted by the Company have been expired during 2014 and there were no options outstanding at 30 June 2015 and at the date of this report. The number of share issuable if all the options available under the Scheme were granted as at the date of this report would be 285,500,000 shares of the Company, representing 7% of the total number of issued shares of the Company as at the date of this report.

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

Save as disclosed below, as of 30 June 2015, 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 interests | 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% |

All the options the Company has granted and outstanding were expired on 24 May 2014. During the six months ended 30 June 2015, no options were granted to, or exercised by, the directors of the Company.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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 | 218,015,000 | 7.64% |
| Mr. Ngan Lek ("Mr. Ngan") | Interest of a controlled corporation (<i>Note</i>) | 218,015,000 | 7.64% |

Note: 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 218,015,000 shares in which EH Investment Management 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 2015.

On 10 July 2015, the Company issued 1,223,571,430 shares of the Company, representing 30% of enlarged issued share capital of the Company, to CIMC Top Gear B.V., an indirect wholly owned subsidiary of CIMC, as consideration of the Acquisition of 40% equity interests in Ziegler. After the issuance of the aforesaid consideration shares, the total number of issued shares of the Company increased to 4,078,571,430 shares.

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 2015, 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 2015, 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 2015, 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.

CORPORATE GOVERNANCE (continued)**Audit Committee**

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man. 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
Li Yin Hui
Chairman

As at the date of this report, the Company's Directors are as follows:

| | |
|-------------------------|---|
| <i>Mr. Li Yin Hui</i> | <i>Chairman and Non-executive Director</i> |
| <i>Mr. Jiang Xiong</i> | <i>Honorary Chairman and Executive Director</i> |
| <i>Mr. Zheng Zu Hua</i> | <i>Non-executive Director</i> |
| <i>Mr. Jiang Qing</i> | <i>Executive Director</i> |
| <i>Mr. Luan You Jun</i> | <i>Executive Director</i> |
| <i>Dr. Loke Yu</i> | <i>Independent non-executive Director</i> |
| <i>Mr. Heng Ja Wei</i> | <i>Independent non-executive Director</i> |
| <i>Mr. Ho Man</i> | <i>Independent non-executive Director</i> |

Hong Kong, 25 August 2015