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

(Formerly known as 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：445

INTERIM REPORT
2009

* *For identification purposes only*

HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2009 decreased 46% to RMB333 million. The Group recorded a net loss of RMB40 million.

- Allowance for doubtful debts amounted to RMB37 million was made for the six months ended 30 June 2009.

- Loss per share for the six months ended 30 June 2009 was RMB1.33 cents (2008: earnings per share of RMB2.38).

- The Board does not recommend the payment of a dividend for the six months ended 30 June 2009.

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 2009, together with the comparative figures for the corresponding period in 2008, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) For the six months ended 30 June	
		2009	2008
	Notes	*RMB'000*	*RMB'000*
Turnover	2	333,360	621,575
Cost of sales		(281,681)	(484,549)
Gross Profit		51,679	137,026
Other income	3	5,138	7,982
Selling and distribution costs		(16,239)	(13,659)
Administrative expenses		(77,097)	(41,041)
Share of profits of associates		919	2,433
Other expenses	4	(504)	–
Finance costs		(2,303)	(2,401)
(Loss) profit before taxation		(38,407)	90,340
Taxation	5	(1,551)	(23,209)
(Loss) profit for the period	6	(39,958)	67,131
Other comprehensive income			
Exchange differences arising on translation of foreign operations		103	380
Realisation of property revaluation reserves on disposal of the relevant investment properties that were reclassified as assets held for sale		–	(2,985)
Other comprehensive income (expense) for the period		103	(2,605)
Total comprehensive (expenses) income for the period		(39,855)	64,526

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		(Unaudited) For the six months ended 30 June	
		2009	2008
	Notes	***RMB'000***	*RMB'000*
(Loss) profit for the period attributable to:			
Equity holders of the Company		(37,945)	68,006
Minority interests		(2,013)	(875)
		(39,958)	67,131
Total comprehensive (expense) income for the period attributable to:			
Equity holders of the Company		(37,893)	65,215
Minority interests		(1,963)	(689)
		(39,856)	64,526
(Loss) earnings per share (RMB cents)	7		
– Basic		(1.33)	2.38
– Diluted		(1.33)	2.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) At 30 June 2009 RMB'000	(Audited) At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment		208,895	243,710
Prepaid lease payments		41,161	41,225
Investment properties	9	22,341	–
Goodwill		45,411	45,411
Interests in associates		71,092	70,173
Other intangible assets		1,345	1,523
Deferred tax assets		4,300	502
		394,545	402,544
Current assets			
Inventories		92,489	102,443
Trade and bills receivables	10	340,920	391,322
Amounts due from contract customers		127,661	129,946
Retention receivables		21,087	20,316
Deposits, prepayments and other receivables		77,392	31,994
Amount due from a jointly controlled entity		6,040	6,040
Amount due from an associate		480	431
Prepaid lease payments		613	855
Derivative financial instruments		213	214
Pledged bank deposits		5,205	8,422
Bank balances and cash		696,555	777,634
		1,368,655	1,469,617
Assets classified as held for sale		25,751	25,751
		1,394,406	1,495,368

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	(Unaudited) At 30 June 2009 RMB'000	(Audited) At 31 December 2008 RMB'000
Current liabilities			
Trade and other payables	11	**286,277**	337,736
Amounts due to contract customers		**12,504**	12,370
Amounts due to minority shareholders		**4,942**	4,676
Tax liabilities		**13,013**	26,274
Bank borrowings		**62,835**	63,471
Obligations under a finance lease – amount due within one year		**47**	46
		379,618	444,573
Net current assets		**1,014,788**	1,050,795
Total assets less current liabilities		**1,409,333**	1,453,339
Capital and reserves			
Share capital		**30,168**	30,168
Reserves		**1,350,906**	1,388,799
Equity attributable to equity holders of the Company		**1,381,074**	1,418,967
Minority interests		**25,651**	27,614
Total equity		**1,406,725**	1,446,581
Non-current liabilities			
Deferred tax liabilities		**2,495**	6,620
Obligations under a finance lease – amount due after one year		**113**	138
		2,608	6,758
Total equity and liabilities		**1,409,333**	1,453,339

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Net cash (used in) from operating activities	**(84,872)**	24,284
Net cash from (used in) investing activities	**4,222**	(8,191)
Net cash used in financing activities	**(409)**	(8,005)
Net (decrease) increase in cash and cash equivalents	**(81,059)**	8,088
Cash and cash equivalent at 1 January	**777,634**	661,934
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(20)**	(1,097)
Cash and cash equivalent at 30 June, representing bank balances and cash	**696,555**	668,925

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2009
(Unaudited)

	Attributable to equity holders of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000*	Capital reserve *RMB'000*	Property revaluation 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*	Minority interests *RMB'000*	Total *RMB'000*
At 1 January 2008	30,168	646,363	(6,692)	57,840	2,985	30,738	20,365	80,643	(632)	476,593	1,338,371	27,086	1,365,457
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	–	–	194	–	194	186	380
Profit for the period	–	–	–	–	–	–	–	–	–	68,006	68,006	(875)	67,131
Realisation of property revaluation reserve on disposal of the relevant investment properties that were reclassified as assets held for sale	–	–	–	–	(2,985)	–	–	–	–	–	(2,985)	–	(2,985)
Total comprehensive income (expense) for the period	–	–	–	–	(2,985)	–	–	–	194	68,006	65,215	(689)	64,526
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	980	980
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(28)	(28)
At 30 June 2008	30,168	646,363	(6,692)	57,840	–	30,738	20,365	80,643	(438)	544,599	1,403,586	27,349	1,430,935
At 1 January 2009	30,168	646,363	(6,692)	57,840	–	35,894	22,943	82,427	(469)	550,493	1,418,967	27,614	1,446,581
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	–	–	52	–	52	50	102
Profit for the period	–	–	–	–	–	–	–	–	–	(37,945)	(37,945)	(2,013)	(39,958)
Total comprehensive income (expense) for the period	–	–	–	–	–	–	–	–	52	(37,945)	(37,893)	(1,963)	(39,856)
At 30 June 2009	30,168	646,363	(6,692)	57,840	–	35,894	22,943	82,427	(417)	512,548	1,381,074	25,651	1,406,725

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 2009 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for a number of new or revised Standards and Interpretations, as described below.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group's chief operating decision maker (see "Segment Information" below for details). However, the adoption of HKFRS 8 has had no impact on the reported results or financial position of the Group.

HKAS 1 (revised 2007) Presentation of Financial Statements

HKAS (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS (revised 2007) has no impact on the reported results or financial position of the Group.

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 discounts and sales related tax, and is analysed as follows:

	(Unaudited) Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Revenue from installation contracts	**122,127**	224,402
Sale of goods	**204,863**	333,558
Provision of maintenance services	**6,342**	63,533
Others	**28**	82
	333,360	621,575

3. Other income

	(Unaudited) Six months ended 30 June	
	2009 *RMB'000*	2008 *RMB'000*
Interest income	2,723	2,545
Gain on disposal of investment properties	–	3,548
Rental income	830	327
Others	1,585	1,562
	5,138	7,982

4. Other expenses

	(Unaudited) Six months ended 30 June	
	2009 *RMB'000*	2008 *RMB'000*
Fair value loss on derivative financial instruments	504	–

5. **Taxation**

	(Unaudited) Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	**6,829**	18,386
Over provision in prior years		
Hong Kong Profits Tax	**–**	(181)
Deferred tax	**(5,278)**	5,004
	1,551	23,209

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

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.

6. **(Loss) profit for the period**

(Loss) profit for the period has been arrived at after charging:

	(Unaudited) Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**6,899**	6,912
Amortisation of prepaid lease payments	**306**	238
Amortisation of other intangible assets	**137**	89
Loss on disposal of property, plant and equipment	**7,291**	–
Allowance of bad and doubtful debts	**37,372**	427

7. **(Loss) earnings per share**

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

	(Unaudited) Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to equity holders of the Company)	(37,945)	68,006
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,855,000**	2,855,000
Effect of dilutive potential ordinary shares:		
Share options *(Note)*	–	2,456
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**2,855,000**	2,857,456

Note: There was no dilutive effect of the share options to the (loss) earnings per share as the average market price of the shares for the six months ended 30 June 2009 was lower than the exercise price of the share options.

8. **Dividends**

The Board does not recommend the payment of a dividend for the six months ended 30 June 2009 (2008: nil).

9. **Investment properties**

The investment properties represented a land and buildings outside Hong Kong under a medium terms lease that have been put under operating leases to earn rental income. They were reclassified from properties, plant and equipment and prepaid lease payments. The fair value of the investment properties at 30 June 2009 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Ltd, independent qualified professional valuers not connected with the Group. Messrs Vigers Appraisal & Consulting Ltd has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices form similar properties. The fair value of the investment properties approximates the book value as at 30 June 2009.

10. Trade and bills receivables

	(Unaudited) At 30 June 2009 *RMB'000*	(Audited) At 31 December 2008 *RMB'000*
Trade and bills receivables	407,125	420,207
Less: Allowance for doubtful debts	(66,205)	(28,885)
	340,920	391,322

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

The aged analysis of trade and bills receivables net of allowance for doubtful debts at the balance sheet date is as follows:

	(Unaudited) At 30 June 2009 *RMB'000*	(Audited) At 31 December 2008 *RMB'000*
0-90 days	128,905	182,697
91-180 days	45,194	96,135
181-360 days	134,770	93,102
Over 360 days	32,051	19,388
	340,920	391,322

11. Trade and other payables

	(Unaudited) At 30 June 2009 *RMB'000*	(Audited) At 31 December 2008 *RMB'000*
Trade creditors	**78,866**	138,917
Accrued costs and charges *(Note)*	**142,395**	135,655
Receipts in advance	**31,107**	25,156
Value added tax, sales tax and other levies	**15,739**	19,838
Amount payable for acquisition of leasehold land	**3,072**	3,072
Deposits received from disposal of leasehold land and buildings	**15,098**	15,098
	286,277	337,736

Note: The amount included accrued construction costs for land and buildings of RMB16,858,000 (2008: RMB29,000,000).

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

	(Unaudited) At 30 June 2009 *RMB'000*	(Audited) At 31 December 2008 *RMB'000*
Within 30 days	**25,542**	48,847
31-60 days	**12,472**	32,450
61-90 days	**8,157**	12,430
Over 90 days	**32,695**	45,190
	78,866	138,917

SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has 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, fire prevention and fighting and rescue equipment;
- provision of maintenance services; and
- provision of monitoring system services.

Other than that the provision of monitoring system services is segregated from the maintenance service segment, the operating segments identified under HKFRS 8 is the same as those previously reported under HKAS 14 *Segment reporting*.

Segment results represent the profit before taxation earned by each segment, excluding interest income, finance costs, other unallocated income and unallocated corporate expenses. An analysis of the Group's turnover and results by operating segment is presented below. The segment results reported for prior period have been restated to conform to the requirements of HKFRS 8.

	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*	Provision of network monitoring system services *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
For the six months ended 30 June 2009									
TURNOVER									
External sales	122,127	129,165	62,746	12,952	3,149	3,193	28	–	333,360
Inter-segment sales	–	–	8,094	5,032	–	–	–	(13,126)	–
Total	122,127	129,165	70,840	17,984	3,149	3,193	28	(13,126)	333,360

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

RESULTS									
Segment results	(13,300)	5,395	(17,996)	(1,932)	(464)	(1,672)	(220)		(30,189)
Unallocated income									2,723
Unallocated corporate expenses									(9,557)
Share of profits (losses) of associates	1,202	–	(214)	–	–	(69)	–		919
Finance costs									(2,303)
(Loss) profit before taxation									(38,407)
Taxation									(1,551)
(Loss) profit for the period									(39,958)

	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*	Provision of network monitoring system 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	61,684	1,849	82	–	621,575
Inter-segment sales	–	–	17,136	–	–	–	–	(17,136)	–
Total	224,402	116,112	142,292	92,290	61,684	1,849	82	(17,136)	621,575

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

RESULTS									
Segment results	39,473	10,661	16,091	(2,924)	34,199	(2,249)	(131)		95,120
Unallocated income									6,082
Unallocated corporate expenses									(10,894)
Share of profits (losses) 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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Since the financial crisis last year, the Group's business has been greatly affected. For the six months ended 30 June 2009, the Group's turnover decreased 46% to RMB333 million, and resulted in a loss of RMB40 million as in contrast to the profit of RMB67 million for the corresponding period last year. An allowance for doubtful debts amounted to RMB37 million (2008: RMB0.4 million) was made in light of the worsened debt recovery that further increased the loss incurred.

Installation of fire prevention and fighting systems

Revenue from installation of fire prevention and fighting systems for the period decreased 46% to RMB122 million. The operating results, after an allowance for doubtful debts of RMB21 million (2008: Nil), turned into a loss of RMB13 million (2008: profit of RMB39 million).

Since the financial crisis swept through the global economy last year, properties constructions in China have been under tremendous impact. Contracts secured by the Group during the period dropped to a great extent, the amount of contracts obtained was only 32% of those got by the Group in the first half year of 2008 and 60% of the sum of contracts acquired in the second half. In addition, after assessing the aging and recoverability of the accounts receivables on hand, the Group was in the opinion that a larger amount of provision was required to reflect the tough situation the Group was facing in chasing after and collecting outstanding debts. The results of the segment, therefore, fell to a great extent.

Looking forward, the prospect of the segment highly depends on how the real estate market performs. Considering the amount of orders in book and the market condition, tough time for the rest of the year is anticipated. However, given the Group's high reputation in the installation industry, it is foreseen that the performance of the segment will turn around when the global economy revitalized.

Production and sale of fire engines

Revenue from production and sales of fire engines for the period increased 11% to RMB129 million. Operating profit, after an allowance for doubtful debts of RMB1.4 million (2008: Nil), decreased 49% to RMB5 million.

Although there were more fire engines sold during the period than in corresponding period last year that brought about the rise in revenue, quite a number were orders backlogged last year because of the insufficient capacity of the old factory (the new factory was in operation since October 2008). There were far less new orders received this half year on a year-to-year basis due to the financial stringency of many municipals and budget cut by enterprises under economic downturn. Notwithstanding the increase in revenue, gross profit fell because of the change in sales mix and the general downward price adjustment on request of customers. Higher depreciation because of the new factory was another reason for the reduction in profit.

Up to the date of this report, the Group has successfully solicited purchase agreements from fire brigades, petrochemical enterprises and airport authorities located in different places including Hunan, Fujian, Shanghai, Anhui, Shanxi, Guizhou, Sichuan, Gansu and Shaanix. One of them is a contract from Sinopec valued over RMB60 million. Regardless of the expansion in market coverage and the increase in number of customers, the amount of new orders is still smaller than those historically recorded under normal circumstances because of the financial problems of the municipals. Performance for the second half of the year is not optimistic. Hopefully, with the introduction of more new models of fire engines (including the ladder trucks) and the reputation already built, the business would advance further when the economy recovers and market revives.

Production and sale of fire prevention and fighting equipment

Revenue from production and sales of fire prevention and fire fighting equipment for the period decreased 50% to RMB63 million. The operating results turned into a loss of RMB18 million (2008: profit of RMB16 million) after an allowance for doubtful debts of RMB11 million (2008: RMB0.4 million).

The decrease in revenue and profit was mainly attributable to the category of electronics fire safety equipment (emergency lightings and fire detection etc.). Since the Group withdrew from the detection and fire alarm system market at the beginning of 2008, sales of the products have been decreased sharply, as a result, there was a big drop in revenue for the period under review when compared with the corresponding period last year.

Fortunately on the other hand, the Group maintained its position in the industrial fire safety equipment market and has secured certain of contracts for supplying fire fighting equipment for certain petrochemical projects. Up to the date of this report, the Group has successfully won a number of contracts for supplying: the Intelligent Auto-aiming Fire Extinguishing System (大空間智能滅火裝置) for three stadiums of the Shanghai Expo 2010 (including the China National Stadium and Macau Stadium); Gas Extinguishing System for the Hunan TV Broadcast Tower (the world's highest steel tower); Foam Extinguishing System for the West Tower of Guangzhou International Finance Centre (the highest building in the Southern China); and equipment for some other petrochemical projects. Being chosen as a supplier for so many national landmark constructions, the Group's product quality, superior brand name and strong sales force are demonstrated.

Provision of maintenance services

Revenue from provision of maintenance services for the period decreased 95% to RMB3 million. The operating results, after an allowance for doubtful debts of RMB1.4 million (2008: Nil), turned into a loss of RMB0.5 million (2008: profit of RMB34 million).

The Group's maintenance services provided are largely one-off nature performed during office/shop renovation or in preparation for authorities' inspection. In view of the obscure economic prospect, a large number of enterprises have their budgets cut and without the general recognition of the importance of keeping fire safety systems maintained, the market for maintenance services was greatly shrunk leading to the unsatisfactory performance of the business segment.

Provision of network monitoring system services

Revenue from the provision of network monitoring system services for the period increased 73% to RMB3 million. The operating results was slightly improved with loss decreased 26% to RMB1.7 million.

Since the national standard for the network monitoring systems (城市消防遠程監控系統技術規範) promulgated effective from 1 January 2008 and more widespread knowledge of the system, there have been increased acceptance of the system. In spite of this, the penetration rate is slower than expected. Given that majority of the Group's target customers are holding the wait-and-see attitude on the use of the system, plus the authorities loosen enforcement in the execution of the system under the unpleasant economic climate, a few more year of poor performance from the business segment is expected.

Trading of fire engines, fire prevention and fighting and rescue equipment
Revenue from the trading of fire engines, fire prevention and fighting and rescue equipment for the period decreased 86% to RMB13 million. Operating loss, after an allowance for doubtful debts of RMB2.5 million (2008: Nil), decreased 34% to RMB2 million.

Fire engines sold in 2008 included some of those backlogged since 2006 due to the 3C certificate problem. With all the backlogged orders released last year, revenue generated in the first half of 2009 dropped substantially. Sales of imported fire engines are also subject to intensifying competition from the local manufactured substitutes and pressure from the central governments' preference on domestic products.

The results of the segment improved despite the drop in revenue because it suffered a large exchange loss on recognizing sales of those 3C backlogs last year. Euro appreciated significantly against Hong Kong Dollar during the backlogged period and as a result eroded the profit that should have been generated. Since then the Group has taken forward contracts to hedge against risk from foreign currencies fluctuations.

Financial resources, liquidity, contingent liabilities and pledge of assets
As at 30 June 2009, the Group had cash and bank balances amounting to approximately RMB702 million (31 December 2008: RMB786 million) of which RMB5 million (31 December 2008: RMB8 million) was pledged to secure banking facilities granted to the Group and as performance guarantee. Outstanding balances of short term bank loans and bank overdrafts as at the period end date were RMB62 million (31 December 2008: RMB60 million) and RMB1 million (31 December 2008: RMB3 million) respectively. The overdrafts were granted to a subsidiary and were secured by the Group's pledged bank deposits and/or personal assets and/or guarantee of a minority shareholder. The short term bank loans were granted to another non-wholly owned subsidiary and was secured by certain land and buildings, land leases and/or equipment of the Group with a total carrying amount of approximately RMB33 million (31 December 2008: RMB33 million).

As at 30 June 2009, current assets and current liabilities of the Group were approximately RMB1,394 million (31 December 2008: RMB1,495 million) and RMB380 million (31 December 2008: RMB445 million) respectively. The current ratio was approximately 3.7 times (31 December 2008: 3.4 times). Gearing ratio (interest bearing debt/total equity) at end of the period was 4.5% (31 December 2008: 4.4%). Because of the worsening economic environment, debt collection was far more difficult and there was lengthening of the Group's outstanding receivables. Allowance for doubtful debts amounted to RMB37 million was made for the period. The management has reviewed the recoverability of the trade receivables and considered the existing level of provision appropriate.

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. The Group has entered into foreign currency forward exchange contracts to minimize exposure to exchange rate volatility arising from receivables and payables involving currencies other than Renminbi and Hong Kong dollar. There were losses arising from changes in fair value of currency derivatives amounting to RMB0.5 million during the period.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the period ended 30 June 2009.

Investments and capital commitments

Capital commitments

As at 30 June 2009, the Group has capital commitment of approximately RMB146 million (31 December 2008: RMB149 million) which continued to be in relation to the new factory in Chengdu. The new factory has been put in use in October 2008.

Save as disclosed herein, the Group has no material capital commitments, investments, acquisitions or disposals of subsidiaries as at 30 June 2009.

Employees and remuneration policies

As at 30 June 2009, the Group had approximately 1,255 full-time employees (2008: 1,262). Staff costs, excluding directors' remuneration, for the period amounted to RMB19 million, decrease by 14% over the previous year's RMB22 million. Staff costs decreased because there were compensations paid to a number of staff laid off at the beginning of 2008. All full-time employees are entitled to medical contributions, provident funds and retirement plans. The Group provides a series of comprehensive in-house and on-the-job training to staff to keep their technical skills and standards up to date for quality services and to enhance work safety.

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

Save as disclosed below, as of 30 June 2009, 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 *(Note 1)*	981,600,000	63.28% *(Note 3)*
	Deemed interest *(Note 2)*	825,000,000	
Mr. Jiang Qing	Beneficial owner	7,500,000	0.26%

Notes:

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 United Technologies Far East Limited ("**UTFE**"), a subsidiary of UTC (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 of the Company 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 his 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 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 2009	Percentage of issued share capital of the Company
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004 – 24 May 2014	0.44	20,000,000	0.70%

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

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

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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 0.01 each of the Company held	Percentage of issued capital of the Company
UTFE	Beneficial owner	825,000,000	63.28%
	Deemed interest *(Note 1)*	981,600,000	*(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%
UTC	Interest of a controlled corporation *(Note 5)*	1,806,600,000	63.28%

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 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 2009.

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2009, 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 2009, 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.

3. 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.

Audit Committee

The audit committee comprises three independent non-executive directors, Dr. Loke Yu, Mr. Sun Jian Guo and Mr. Heng Ja Wei. Mr. Heng Kwoo Seng resigned as an independent non-executive director of the Company on 28 February 2009. Mr. Heng Ja Wei was appointed an independent non-executive director of the Company on 4 March 2009 and joined the audit committee since appointment to fill the place vacated by Mr. Heng Kwoo Seng. The primary duties of the audit committee are to review the Company's annual report and accounts and half-yearly 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 Limited
Jiang Xiong
Chairman

Hong Kong, 21 September 2009

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