

** For identification purposes only*

2008

FIRST QUARTERLY REPORT

The logo consists of the letters 'CFE' in a white, bold, sans-serif font, centered within a solid red rectangular background.

China Fire Safety Enterprise Group Holdings Limited

中國消防企業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8201

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

HIGHLIGHTS

- Turnover for the three months ended 31 March 2008 grew 36% to RMB269 million.
- Net profit for the three months ended 31 March 2008 decreased by 22% to RMB21 million.
- Earnings per share decreased by 20% to 0.8 RMB cent.
- The Board does not recommend the payment of a dividend for the three months ended 31 March 2008.

RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2008, together with the comparative figures for the corresponding period in 2007, as follows:

		(Unaudited) Three months ended 31 March	
		2008	2007
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	269,196	198,181
Cost of sales		(216,500)	(138,928)
Gross Profit		52,696	59,253
Other income		5,500	2,342
Selling and distribution costs		(8,512)	(5,064)
Administrative expenses		(20,341)	(17,973)
Share of profits of associates		937	–
Finance costs		(1,216)	(973)
Profit before taxation		29,064	37,585
Taxation	3	(8,328)	(11,095)
Profit for the period		20,736	26,490
Attributable to:			
Equity holders of the Company		22,745	28,690
Minority interests		(2,009)	(2,200)
Profit for the period		20,736	26,490
Earnings per share (<i>RMB cent</i>)	5		
– Basic		0.80	1.00
– Diluted		0.80	1.00

Notes:

1. **Basis of presentation**

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

2. **Turnover**

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

	(Unaudited)	
	Three months ended 31 March	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from installation contracts	88,843	98,888
Sale of goods	169,996	82,745
Provision of maintenance services	10,306	16,548
Others	51	-
	269,196	198,181
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of good included:		
Manufacture and sale of fire engines	51,206	27,561
Manufacture and sale of fire fighting and prevention equipment	52,668	49,015
Trading of fire engines, fire prevention and fighting and rescue equipment	66,122	6,169
	169,996	82,745

3. Taxation

	(Unaudited)	
	Three months ended	
	31 March	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
The charge comprises:		
Current tax		
PRC enterprise income tax	3,009	5,410
Overprovision in prior years		
Hong Kong profits tax	(181)	–
Deferred tax	5,500	5,685
	8,328	11,095

No provision for Hong Kong Profits Tax was made in current year as the Group had no assessable profit derived from Hong Kong for the year.

Income tax on profits arising in the PRC has been provided based on the prevailing tax rates applicable to the respective companies.

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

4. Dividends

The Board does not recommend the payment of a dividend for the three months ended 31 March 2008 (2007: Nil).

5. Earnings per share

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

	(Unaudited)	
	Three months ended	
	31 March	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	22,745	28,690
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,855,000	2,855,000
Effect of dilutive potential ordinary shares:		
Share options	1,536	4,084
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,856,536	2,859,084

6. Movement of reserves

	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
At 1 January 2007	646,363	(6,692)	57,840	2,985	30,250	20,121	49,203	(12,055)	344,415	1,132,430
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(1,505)	-	(1,505)
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	28,690	28,690
At 31 March 2007	646,363	(6,692)	57,840	2,985	30,250	20,121	49,203	(13,560)	373,105	1,159,615
At 1 January 2008	646,363	(6,692)	57,840	2,985	30,738	20,365	80,643	(11,632)	487,593	1,308,203
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	141	-	141
Realisation of property revaluation reserve upon disposal of investment properties ¹	-	-	-	(2,985)	-	-	-	-	-	(2,985)
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	22,745	22,745
At 31 March 2008	646,363	(6,692)	57,840	-	30,738	20,365	80,643	(11,491)	510,338	1,328,104

BUSINESS REVIEW

Turnover of the Group for the three months ended 31 March 2008 grew 36% to RMB269 million. Profit for the period, on the other hand, decreased by 22% to RMB21 million.

Driven by the strong demand for domestic fire engines, turnover of the Group's manufactured fire engines for the period under review has increased by more than 85%. The industrial fire protection equipment business has also been performing satisfactorily since its operation commenced in January 2007. It has now on hand orders of over RMB73 million awarded by customers including renowned petroleum corporations, port terminal operating companies and petro-pipeline companies. Despite the decrease in revenue from installation contracts, which was attributable to the slow progress of the underlying estate development, the Group has in progress contracts valued over RMB350 million the majority of which would be recognized in 2008 should the progress of the estate development pick up. Customers' lack of awareness of the importance of keeping the fire protection systems regularly maintained has caused an inherent instability in the maintenance business and has affected income of maintenance services for the period under review.

The release of the backlogged fire engines after the 3C certificates problem resolved at the end of last year has contributed the largest part of the increase in turnover for the period under review. Unfortunately, the appreciation of Euro against Hong Kong dollar during the backlogged period has eroded all the profits that should have been generated from the sale and has led to the decrease in overall gross profit margin and net profit for the period. To avoid further impact on profit, new contracts of import fire engines have been hedged against exchange rate fluctuations. Rising material prices have also exerted great pressure on the Group's profit margin. Price of steel, for example, has increased by approximately 20% since January 2008. The increase in administrative expenses was mainly due to the exchange losses of RMB4 million arising from converting some of the Group's Hong Kong denominated assets into Renminbi (the Group's functional currency), as Hong Kong dollar depreciated against Renminbi during the period. There was no such expenses recorded in the corresponding period last year.

Prospects

Since the national standards for the network monitoring systems (城市消防遠程監控系統技術規範) have become effective from 1 January 2008, the Group's network monitoring business has been picking up. With the national standards in place, the Group expects many cities will soon have their own regulations for the mandatory installation of the network monitoring systems. A new monitoring centre in Hebei has been completed during the period under review and there will be more monitoring centres established in the coming two years. The Group believes that the foundations it has built would take advantage of every opportunities arising.

Following the success of securing some contracts for the Olympic Stadiums and exhibition centres last year, the Group's self-developed digitized image-controlled fire monitors system has been chosen by many large projects such as the Daqing oil field, oil depot in Shaoguan Guangdong of the National Petroleum Reserves, CNOOC Lisa Wharf, Tangshan Caofeidian Fire Power Plant, two steel manufacturing plants in Jinan and Handan, Urumqi Diwopu Airport and Chi Mei Optoelectronics (Ningbo) plant. Besides, the Group's self-developed airport trucks have also been successfully launched. Orders were secured from numerous airports in Yunnan in April 2008.

With the Group's acquisition of 45% equity interests of a company in Beijing in December last year, the Group's product list was enriched by a new and patented fire suppression foam extinguishing agent during the first quarter 2008. Although the company is making losses at its initial stage of operation, given the recommendation from the Ministry of Public Security on the fire suppress foam, users' positive feedback and increasing number of orders from fire brigades in different cities, the Group expects that the new product will soon contribute to the Group a significant share of profit in the future. In terms of opening overseas markets, the Group has recently secured a contract of providing technical support for and system equipment of the fire protection system of the 2x300MW coal power plant in Labuan Indonesia. It is the Group's debut of providing both fire protection system and support services in the international market, a breakthrough from supplying only individual fire fighting equipment in the past.

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

Save as disclosed below, as of 31 March 2008, none of the Directors or chief executive had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions in ordinary shares of the Company

Name of Director	Capacity and types of interest	Number of issued shares of HK\$0.01 each of the Company held	Percentage of issued share capital of the Company
Mr. Jiang Xiong	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:

1. Mr. Jiang Xiong (“Mr. Jiang”) is beneficially interested in 981,600,000 Shares. By virtue of the option agreement entered into between Mr. Jiang and UTFE (the “Option Agreement”), he and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, Mr. Jiang is deemed to have a long position in the 825,000,000 shares issued to UTFE pursuant to the Subscription Agreement.
2. Mr. Jiang has a short position in the shares to be sold under the Option Agreement. On the other hand, UTFE has a long position in the option shares under the Option Agreement and therefore Mr. Jiang is deemed to have a long position in the option shares in its capacity as a party to the Option Agreement to which Section 317(1)(a) of the SFO applies.
3. The percentage figure as stated is calculated without taking into account the deemed long position in the shares to be sold under the Option Agreement.

Short positions in ordinary shares of the Company

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

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

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

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

Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	No. of shares issuable under the options granted	Exercise period	Exercise price (HK\$)	No. of shares issuable under the options granted as at	Percentage of issued share capital of the Company
					1 January and 31 March 2008	
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004 – 24 May 2014	0.44 (Note)	20,000,000	0.7%

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

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shown that other than the interests disclosed above in respect of certain directors, the following shareholders have notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of the Company

Name of shareholder	Capacity and type of interest	Number of issued share of HKD0.01 each of the Company held	Percentage of issued capital of the Company
UTFE	Beneficial owner	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%
United Technologies Corporation	Interest of a controlled corporation (Note 5)	1,806,600,000	63.28%
Deutsche Bank Aktiengesellschaft	Beneficial owner/ Investment manager/ Persons having a security interest in shares (Note 6)	253,375,840	8.87%

Notes:

1. By virtue of the Option Agreement, Mr. Jiang and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, UTFE is deemed to have a long position in the 981,600,000 shares held by Mr. Jiang.
2. UTFE has a long position in the shares to be sold under the Option Agreement. Pursuant to the Option Agreement, Mr. Jiang grants the option to UTFE which when exercised, will require Mr. Jiang to sell to UTFE the lower of: (a) such number of shares as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares held by UTFE at the relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the option under the Option Agreement; and (b) all the shares held by Mr. Jiang at the time when UTFE exercises the option. The percentage figure as stated is calculated without taking into account the long position in the shares to be sold under the Option Agreement.
3. Otis Elevator Company is beneficially interested in 50.9% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.
4. Carrier Corporation is beneficially interested in 49.1% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.
5. United Technologies Corporation is beneficially interested in the entire share capital of Otis Elevator Company and Carrier Corporation and is deemed or taken to be interested in the 1,806,600,000 shares in which Otis Elevator Company and Carrier Corporation have declared interest for the purpose of the SFO.
6. Deutsche Bank Aktiengesellschaft held beneficially 160,661 shares of the Company, 252,365,840 shares in the capacity of investment manager and 849,339 issued shares in the capacity of persons having security interest in shares.

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 31 March 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the businesses of the Group or has any other conflicts of interest, which any such person has or may have with the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 31 March 2008, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company. Save the issue of shares pursuant to the Subscription Agreement, the Company has not sold any listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

Throughout the period ended 31 March 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules, except that:

1. There were no fixed terms of appointment for the non-executive directors although they are subject to retirement by rotation according to the Company's articles of association. The Board is of the opinion that this serves the same objectives of the relevant provision.
2. No nomination committee has been set up. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board.

AUDIT COMMITTEE

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

The Group's results for the three months ended 31 March 2008 have been reviewed by the audit committee.

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

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

Hong Kong, 14 May 2008