

The logo consists of the letters 'CFE' in a white, bold, sans-serif font, centered within a solid red rectangular box. The background of the entire page is a warm orange gradient with a faint, white dashed grid pattern that resembles a globe or a technical drawing. A bright light source on the right side creates a lens flare effect, with rays of light extending across the page.

**CFE**

**China Fire Safety Enterprise Group Holdings Limited**

**中國消防企業集團控股有限公司\***

**(Incorporated in the Cayman Islands with limited liability)**

Stock Code: 8201

**THIRD QUARTERLY  
REPORT 2007**

*\* For identification purposes only*

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 of the Group for the nine months and three months ended 30 September 2007 grew 25% and 40% to RMB846 million and RMB331 million respectively.
- Profit of the Group for the nine months and three months ended 30 September 2007 grew 41% and 54% to RMB137 million and RMB43 million respectively.
- Basic earnings per share for the nine months and three months ended 30 September 2007 rose 31% and 44% to 4.89 RMB cents and 1.48 RMB cents respectively.
- The Board does not recommend the payment of a dividend for the nine months ended 30 September 2007.

## 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 nine months and three months ended 30 September 2007, together with the comparative figures for the corresponding periods in 2006, as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	2	846,346	677,429	331,030	237,285
Cost of sales		(604,257)	(494,416)	(247,967)	(181,513)
<b>Gross Profit</b>		<b>242,089</b>	<b>183,013</b>	<b>83,063</b>	<b>55,772</b>
Other income		18,309	9,346	3,726	3,601
Distribution costs		(15,988)	(16,617)	(5,350)	(7,145)
Administrative expenses		(56,194)	(44,090)	(19,035)	(16,431)
Finance costs		(3,358)	(2,080)	(1,198)	(997)
Profit before taxation		184,858	129,572	61,206	34,800
Taxation	3	(47,961)	(32,487)	(18,701)	(7,237)
<b>Profit for the period</b>		<b>136,897</b>	<b>97,085</b>	<b>42,505</b>	<b>27,563</b>
Attributable to:					
Equity holders of the Company		139,615	100,407	42,152	29,368
Minority interests		(2,718)	(3,322)	353	(1,805)
		136,897	97,085	42,505	27,563
Earnings per share	5				
(RMB cents)					
– Basic		4.89	3.73	1.48	1.03
– Diluted		4.88	3.72	1.47	1.03

Notes:

1. **Basis of presentation**

The accounting policies adopted in preparing the results for the nine months ended 30 September 2007 are consistent with those in preparation of the Group's annual financial statements for the year ended 31 December 2006.

2. **Turnover**

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

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Revenue from installation contracts	354,102	347,458	147,789	134,250
Sale of goods	416,635	274,698	166,004	87,093
Provision of maintenance services	75,609	55,273	17,237	15,942
	<b>846,346</b>	<b>677,429</b>	<b>331,030</b>	<b>237,285</b>

### 3. Taxation

	(Unaudited)		(Unaudited)	
	For the nine months ended 30 September		For the three months ended 30 September	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
The charge comprises:				
Current tax				
The PRC - income tax	33,431	28,987	15,921	15,237
Hong Kong profits tax	-	-	-	-
Deferred tax	14,530	3,500	2,780	(8,000)
	47,961	32,487	18,701	7,237

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

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

### 4. Dividends

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2007 (2006: Nil).

5. Earnings per share

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

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Earnings for the purpose of basic and diluted earnings per share (profit attributable to equity holders of the Company)	139,615	100,407	42,152	29,368
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,855,000	2,688,414	2,855,000	2,849,348
Effect of dilutive potential ordinary shares:				
Share options	4,585	13,684	4,014	11,757
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,859,585	2,702,098	2,859,014	2,861,105

## 6. Movement in reserves

	Share premium <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Property revaluation reserve <i>RMB'000</i>	Statutory surplus fund <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Statutory reserve fund <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2006	365,331	(6,692)	57,840	-	25,143	16,794	44,209	(2,661)	280,492	780,456
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	-	(45)	-	(45)
Issue of new shares	278,796	-	-	-	-	-	-	-	-	278,796
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	100,407	100,407
Dividend paid	-	-	-	-	-	-	-	-	(38,464)	(38,464)
At 30 September 2006	644,127	(6,692)	57,840	-	25,143	16,794	44,209	(2,706)	342,435	1,121,150
At 1 January 2007	646,363	(6,692)	57,840	2,985	30,250	20,121	49,203	(12,055)	344,415	1,132,430
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	-	(5,773)	-	(5,773)
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	139,615	139,615
At 30 September 2007	646,363	(6,692)	57,840	2,985	30,250	20,121	49,203	(17,828)	484,030	1,266,272



## BUSINESS REVIEW

For the nine months and three months ended 30 September 2007, the Group's revenue grew 25% and 40% to RMB846 million and RMB331 million respectively as compared to corresponding periods last year. Profit for the two periods also increased 41% and 54% to RMB137 million and RMB43 million, which gave rise to earnings per share of RMB4.89 cents and RMB1.48 cents respectively.

### Installation of fire prevention and fighting system

Driven by the active property market in China, the Group has been successfully securing contracts to fill its order book. During the nine months ended 30 September 2007, the Group signed up contracts of over RMB550 million in different cities across China, which involves system installations in residential properties, office buildings, hotels and governmental constructions. Revenue of the projects is recognised according to progress of works. Branch offices have contributed a significant portion of the Group's installation revenue for the period under review (the third quarter in particular), however, they have at the same time drove down the overall profit margin because of the low prices offered in order to be competitive in new markets.

### Sale of goods

Sale of goods for the nine months and three months ended 30 September 2007 composed of the following:

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2007 RMB'm	2006 RMB'm	2007 RMB'm	2006 RMB'm
Manufacture and sales of fire engines and fire prevention and fighting equipment	357	272	144	86
Trading of fire engines and fire fighting and rescue equipment	60	3	22	1
	417	275	166	87

Revenue from manufacture and sale of fire engines and fire prevention and fighting equipment increased because:

1. Contributions by new members of the Group including the joint venture with the Shanghai Fire Research Institute of the Ministry of Public Security which is engaged in the production and sale of industrial fire protection equipment and an emergency lightings manufacturing company in Shenzhen. They have together contributed revenue of RMB16 million to the Group for the nine months under review.
2. The launching of new products such as digitized image fire monitors and new control panels for fire protection systems.
3. The opening of export market.
4. Increase in demand for domestic fire engines. During the period under review, 304 fire engines have been sold as compared to 243 for the same period last year, representing an increase of more than 25%.

For the trading business, 14 fire engines were delivered during the nine months ended 30 September 2007, of which 13 were previously backlogged by the 3C certificate problem. As at the date of this report, the Group's overseas suppliers have all been awarded 3C certificates and the remaining backlogged fire engines are scheduled to be delivered in January 2008. Apart from the backlogged trucks, as at 30 September 2007, the Group has on hand orders of 23 fire engines valued over RMB110 million which are to be delivered in 2008.

With the accelerating urbanization and economic development in China, the Chinese fire brigades are in urgent needs to improve their equipment, both in quantity and quality. For example, given the increasing number of high rises in China, the number of ladder trucks fire stations equipped with is far from sufficient. The high import price and the lack of quality domestic substitutes have, however, limited their availability in China. The Group sees it as a great opportunity and is in negotiation to acquire a ladder truck production technology from overseas. It is expected that the domestically produced trucks would attract large number of orders as their prices will only be approximately one third of the currently imported trucks. The Group is speeding up the new factory construction in Chengdu which is scheduled to be opened in the first half of 2008. The new factory, besides solving the existing capacity constraints, will be better equipped for the production of advanced models of fire engines.

### Provision of fire prevention and fighting system maintenance services

The business providing traditional maintenance services performed steadily. Revenue jumped 37% to RMB76 million for the nine months under review and grew 8% to RMB17 million for the third quarter of 2007 as compared to last year. The growth for the third quarter, however, was not as remarked as the second quarter because of the irregular income stream characterized by the property owners' practice of requesting maintenance services occasionally on a need basis (such as when subject to examinations of authorities). Following the restructuring of the network monitoring business and switch in focus on seeking supports from local fire brigades, the Group sees lights in advancement of the business especially in cities where compulsory installation of network monitoring systems have been ordered by the local authorities. Increasing number of contracts for the network monitoring systems are secured, which will in turn generate regular considerable maintenance service income to the Group.

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

Save as disclosed below, as of 30 September 2007, none of the Directors or chief executive had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO to be entered in the register required to be kept therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

#### Long positions in ordinary shares of the Company

Name of Director	Capacity and types of interest	Number of issued shares of HK\$0.01 each of the Company held	Percentage of issued share capital of the Company
Mr. Jiang Xiong ("Mr. Jiang")	Beneficial owner ( <i>Note 1</i> )	981,600,000	63.28% ( <i>Note 3</i> )
	Deemed Interest ( <i>Note 2</i> )	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 UTFE (the “**Option Agreement**”), he and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, Mr. Jiang is deemed to have a long position in the 825,000,000 shares owned by UTFE.
2. Mr. Jiang has a short position in the shares to be sold under the Option Agreement. On the other hand, UTFE has a long position in the option shares under the Option Agreement and therefore Mr. Jiang is deemed to have a long position in the option shares in its capacity as a party to the Option Agreement to which Section 317(1)(a) of the SFO applies.
3. The percentage figure as stated is calculated without taking into account the deemed long position in the shares to be sold under the Option Agreement.

**Short positions in ordinary shares of the Company**

On 1 February 2005, Mr. Jiang entered into an option agreement (the “**Option Agreement**”) with UTFE, a substantial shareholder of the Company, pursuant to which Mr. Jiang grants an option (the “**Option**”) to UTFE which when exercised, will require Mr. Jiang to sell to UTFE the lower of:

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

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

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

## Options to subscribe for ordinary shares in the Company

Grantee	Date of grant	No. of shares issuable under the options granted	Exercise period	Exercise price (HK\$)	No. of shares issuable under the options granted as at 1 January and 30 September 2007	Percentage of issued share capital of the Company
Mr. Jiang Qing	25 May 2004	20,000,000	25 May 2004– 24 May 2014	0.44 (Note)	20,000,000	0.7%

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

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, 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)
Oris 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	265,191,000	9.29%

#### Notes:

1. By virtue of the Option Agreement, Mr. Jiang and UTFE are parties to the agreement under section 317 of the SFO. Under the SFO, UTFE is deemed to have a long position in the 981,600,000 shares held by Mr. Jiang.
2. UTFE has a long position in the shares to be sold under the Option Agreement. Pursuant to the Option Agreement, Mr. Jiang grants the option to UTFE which when exercised, will require Mr. Jiang to sell to UTFE the lower of: (a) such number of shares as are required to be sold by Mr. Jiang to UTFE to enable UTFE to beneficially hold, in addition to any other shares held by UTFE at the relevant time, in aggregate, 51% of the voting rights of the Company immediately following completion of the exercise of the option under the Option Agreement; and (b) all the shares held by Mr. Jiang at the time when UTFE exercises the option. The percentage figure as stated is calculated without taking into account the long position in the shares to be sold under the Option Agreement.

3. Otis Elevator Company is beneficially interested in 50.9% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.
4. Carrier Corporation is beneficially interested in 49.1% of the issued share capital of UTFE and is deemed or taken to be interested in the 1,806,600,000 shares in which UTFE has declared an interest for the purpose of the SFO.
5. United Technologies Corporation is beneficially interested in the entire share capital of Otis Elevator Company and Carrier Corporation and is deemed or taken to be interested in the 1,806,600,000 shares in which Otis Elevator Company and Carrier Corporation have declared interest for the purpose of the SFO.

#### **Short positions in ordinary shares of the Company**

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

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 September 2007.

#### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

#### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 September 2007, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

## AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely 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 period have been reviewed by the audit committee.

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

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

Hong Kong, 14 November 2007