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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

HIGHLIGHTS

- Turnover and net profit of the Group for the year ended 31 December 2007 grew18% and 61% to RMB1,146 million and RMB174 million respectively.

- Earnings per share grew 45% to RMB6.14 cents.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2007.

CHAIRMAN'S STATEMENT

Results for the year

I am delighted to report that our Group has delivered a strong performance for 2007. We achieved a record turnover of RMB1,146 million and net profit of RMB174 million, representing a growth of 18% and 61% respectively. Had the exchange loss on the Group's Hong Kong Dollar denominated assets arising from the depreciation of Hong Kong dollar against Renmibi been excluded, net profit for the year would have been increased by 71% to RMB185 million. Amongst our diverse business segments, growths of the two manufacturing divisions were particularly remarkable. Benefiting from the increase in demand for domestic fire engines, as driven by the needs of fire brigades to upgrade their equipment to meet the rising concern over public safety, we sold more than 450 units of fire engines during the year, representing an increment of 24% over last year (we have received orders for over 600 fire engines, but constrained by the existing production capacity, some of the orders have to be postponed to 2008). New products launched, such as automatic fire monitors and digitized image fire monitors, and the successful operation of the joint venture with Shanghai Fire Research Institute specializing in production and sale of industrial fire protection equipment, have both contributed to the rise in revenue and profit. Besides, the promotion of more stringent control over fire protection equipment, including a new regulation on emergency lightings effective from 1 January 2008, has forced the closure of many small and deficient manufacturers during the year. As a result, the decrease in supply had facilitated our price adjustments and thus contributed to the profit increase. For the trading business, it is to our relief that the 3C certificate problems have been resolved and all the imported fire engines backlogged last year were delivered during the year and in the first quarter of 2008.

In regard of the service divisions, we secured installation contracts of more than RMB600 million during the year. Revenue is recognized in accordance with the percentage of work done, which is affected by the progress of the underlying estate development. This is the main reason why we see a large amount of contracts on hand but revenue increased only slightly while operating profit also declined slightly. Besides, a considerable proportion of the contracts so secured were from the branch offices, which have lower profit margins as they offered comparatively lower prices to stay competitive. We have been negotiating to acquire equity interests in established installation companies in different cities (more than 20 potential companies are currently in discussion) to consolidate the competitiveness of the Group. Although the process has not been as smooth as we expected, during the year, we acquired 40% equity interests in two installation companies. These two companies have projects in progress valued over RMB190 million and we expect we can have a good share in the coming years. Maintenance services, as usual, are subject to certain volatility because landlords are not willing to keep regular maintenance. During the year, the maintenance contracts we obtained were larger in scale than last year, thus leading to the growth of the business segment.

Looking forward

As an industry leader, we always look for new opportunities. The joint venture with the Shanghai Fire Research Institute, as our debut in the industrial fire protection equipment market, has successfully secured contracts from PetroChina, Sinopec, CNOOC, Shell and BP and also projects of container ports and manufacturing plants since the commencement of the operations at the beginning of this year. The success of the joint venture has laid down a strong foundation for our future development in the industrial market. The hard work and efforts rendered by our management and staff have made us one of the largest fire engines manufacturers in China. The existing production capacity constraint will be solved after the completion of the first phase of the new factory in Chengdu. By then, we can produce up to 1,500 units of fire engines per year. The increase in capacity and the use of new advance equipment will enhance our efficiency and improve product quality to sustain our leading status in the industry.

We understand the importance of providing customers with the most comprehensive products and service options to cater for their changing requirements. In view of the total reliance on imported ladder trucks to serve the increasing number of high-rise buildings in China, we are acquiring production technology for ladder trucks from overseas. By localizing the whole production process, we expect the price of our ladder trucks will only be one third of the imported ones. In addition, we have also invested in the production of a new and patented fire suppression foam extinguishing agent. The foam extinguishing agent, which is highly recommended by the Ministry of Public Security, has a number of advantages over the traditional fire suppression foams: it can be applied to all classes of fire (fire caused by ethanol fuel in particular); improves efficiency of fire fighting; and protects environment as its production and applications are environmentally-friendly.

I am also delighted to report that the national standards for the remote network monitoring systems have finally been promulgated. After the restructuring of our network monitoring business and the disposal of three non-performing subsidiaries during the year, we will focus on cities with high potentials with the support from local fire brigades. In 2008, we will set up 13 operating centers in Jiangsu, Guangdong, Heibei, Sichuan, Tianjin, Chongqing and Yunnan. Although it may take a few more years to harvest, I believe all our investments are worthwhile as the monitoring system will become a significant part of the fire safety industry and will change its landscape especially in the maintenance market in the near future.

We have been working hard in recent years to equip ourselves to cope with the fast changing and highly competitive market. I believe that all the foundations we laid will help us meet the challenges and take advantage of the opportunities arising.

Appreciation

On behalf of the Board, I would like to thank all the staff for their hard work in past year. It is their enthusiasm and commitment that supported our success. I would also like to extend my gratitude to all my fellow directors for their support and valuable contributions.

Jiang Xiong
Chairman

26 March 2008

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated income statement and consolidated balance sheet of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2007, together with the comparative figures for the corresponding period in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2007**	**2006**
		RMB'000	RMB'000
Turnover	*2*	1,146,124	969,705
Cost of sales		(833,594)	(696,151)
Gross Profit		312,530	273,554
Other income	*3*	24,562	13,390
Selling and distribution costs		(20,992)	(25,441)
Administrative expenses		(82,225)	(78,859)
Share of profits of associates		124	-
Other expenses	*4*	(2,559)	(26,472)
Finance costs		(4,620)	(3,507)
Profit before taxation		226,820	152,665
Taxation	*5*	(52,752)	(44,468)
Profit for the year	*6*	174,068	108,197
Attributable to:			
Equity holders of the Company		175,350	115,815
Minority interests		(1,282)	(7,618)
		174,068	108,197
Earnings per share (RMB cents)	*7*		
- Basic		6.14	4.24
- Diluted		6.13	4.17

CONSOLIDATED BALANCE SHEET

	Notes	**At 31 December 2007 RMB'000**	At 31 December 2006 RMB'000
Non-current assets			
Property, plant and equipment		**138,961**	116,899
Prepaid lease payments		**56,664**	59,092
Investment properties		**-**	22,359
Goodwill		**61,879**	59,207
Interests in associates		**18,124**	-
Other intangible assets		**1,800**	100
Available-for-sale investment		**44,100**	-
Deferred tax assets		**502**	4,602
		322,030	262,259
Current assets			
Inventories		**128,587**	63,784
Retention receivables		**5,674**	9,264
Amounts due from contract customers		**240,510**	60,684
Amount due from a jointly controlled entity		**4,761**	-
Trade receivables	*9*	**374,664**	382,731
Deposits, prepayments and other receivables		**31,075**	27,378
Prepaid lease payments		**476**	521
Pledged bank deposits		**22,559**	24,283
Bank balances and cash		**661,934**	642,278
		1,470,240	1,210,923
Assets classified as held for sale		**19,800**	-
		1,490,040	1,210,923
Current liabilities			
Trade and other payables	*10*	**312,369**	203,702
Amounts due to contract customers		**29,928**	13,676
Amount due to a jointly controlled entity		**-**	245
Amounts due to minority shareholders		**4,792**	3,483
Tax liabilities		**17,608**	7,660
Bank borrowings		**70,935**	51,484
Obligation under a finance lease - amount due within one year		**46**	34
		435,678	280,284
Net current assets		**1,054,362**	930,639
Total assets less current liabilities		**1,376,392**	1,192,898
Non-current liabilities			
Deferred tax liabilities		**10,742**	3,962
Obligation under a finance lease - amount due after one year		**193**	104
		10,935	4,066
Net assets		**1,365,457**	1,188,832

Capital and reserves		
Share capital	**30,168**	30,168
Reserves	**1,308,203**	1,132,430
Equity attributable to equity holders of the Company	**1,338,371**	1,162,598
Minority interests	**27,086**	26,234
Total equity	**1,365,457**	1,188,832

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	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 2006	25,186	365,331	(6,692)	57,840	-	25,143	16,794	44,209	(2,661)	280,492	805,642	28,002	833,644
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(9,328)	-	(9,328)	(51)	(9,379)
Increase in fair value of leasehold properties transferred to investment properties	-	-	-	-	4,455	-	-	-	-	-	4,455	-	4,455
Deferred tax liability arising on revaluation on properties	-	-	-	-	(1,470)	-	-	-	-	-	(1,470)	-	(1,470)
Net income and expenses recognized directly in equity	-	-	-	-	2,985	-	-	-	(9,328)	-	(6,343)	(51)	(6,394)
Realisation of exchange reserve on disposal of a subsidiary	-	-	-	-	-	-	-	-	(66)	-	(66)	-	(66)
Profit for the year	-	-	-	-	-	-	-	-	-	115,815	115,815	(7,618)	108,197
Total recognized income (expense) for the year	-	-	-	-	2,985	-	-	-	(9,394)	115,815	109,406	(7,669)	101,737
Issue of new shares	4,982	281,032	-	-	-	-	-	-	-	-	286,014	-	286,014
Transfer	-	-	-	-	-	5,107	3,327	4,994	-	(13,428)	-	-	-
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	-	5,271	5,271
Acquired on acquisition of subsidiaries												630	630
Dividends paid	-	-	-	-	-	-	-	-	-	(38,464)	(38,464)	-	(38,464)
At 31 December 2006	30,168	646,363	(6,692)	57,840	2,985	30,250	20,121	49,203	(12,055)	344,415	1,162,598	26,234	1,188,832
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**436**	**-**	**436**	**202**	**638**
Realisation of exchange reserve on disposal of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**-**	**(13)**	**-**	**(13)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**175,350**	**175,350**	**(1,282)**	**174,068**
Total recognized income (expense) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**423**	**175,350**	**175,773**	**(1,080)**	**174,693**
Transfer	**-**	**-**	**-**	**-**	**-**	**488**	**244**	**31,440**	**-**	**(32,172)**	**-**	**-**	**-**
Capital contribution from minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**154**	**154**
Acquired on acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**526**	**526**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,252**	**1,252**
At 31 December 2007	**30,168**	**646,363**	**(6,692)**	**57,840**	**2,985**	**30,738**	**20,365**	**80,643**	**(11,632)**	**487,593**	**1,338,371**	**27,086**	**1,365,457**

Notes:

1 Basis of presentation

The Group's audited consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In the current year, the Group has applied, for the first time, a number of new HKFRSs which are either effective for accounting periods beginning on or after 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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 year less sales tax, and is analysed as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Revenue from installation contracts	**466,376**	463,082
Sale of goods	**600,204**	443,681
Provision of maintenance services	**79,495**	62,942
Others	**49**	-
	1,146,124	969,705

3 Other income

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Interest income	**8,734**	10,922
Gain on disposal of a leasehold land	**372**	-
Gain on disposal of subsidiaries	**9,357**	66
Changes in fair value of investments held for trading	**2,669**	-
Rental income	**1,148**	595
Others	**2,282**	1,807
	24,562	13,390

4 Other expenses

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Impairment loss recognised on property, plant and equipment	**-**	22,697
Write-off of other intangible assets	**-**	3,775
Changes in fair value of investment properties	**2,559**	-
	2,559	26,472

5 Taxation

		Year ended 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
The charge comprises:			
Current tax			
PRC Enterprise Income Tax		**41,676**	44,292
Hong Kong Profits Tax		**-**	-
		41,676	44,292
Underprovision in prior years:			
PRC Enterprise Income Tax		**1**	5,416
Hong Kong Profits Tax		**195**	12
		196	5,428
Deferred tax	*a*		
Current year		**11,687**	(5,252)
Effect of change in tax rate		**(807)**	-
		10,880	(5,252)
		52,752	44,468

No provision for Hong Kong Profits Tax has been made in current year and previous year as the Group had no assessable profit derived from Hong Kong for both years.

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

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Note a. Deferred taxation

The following are the major deferred tax assets and liabilities recognised, and movements thereon:

	Profit recognition of installation contracts RMB'000 (note i)	Revaluation of properties RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000 (note ii)	Total RMB'000
At 1 January 2006	3,142	-	-	-	3,142
Charge (credit) to the consolidated income statement for the year	1,800	-	(3,970)	(3,082)	(5,252)
Charge to property revaluation reserve	-	1,470	-	-	1,470
At 31 December 2006	4,942	1,470	(3,970)	(3,082)	(640)
Charge (credit) to the consolidated income statement for the year	**6,524**	**(640)**	**3,970**	**1,833**	**11,687**
Effect of change in tax rate	**(1,198)**	**(356)**	**-**	**747**	**(807)**
At 31 December 2007	**10,268**	**474**	**-**	**(502)**	**10,240**

note i: The amount represents the temporary difference arising on the profit recognition of installation contracts between Hong Kong generally accepted accounting principles in which revenue and costs of installation contract are recognised in the consolidated income statement by reference to the stage of completion of the contract activity and the taxable income of the PRC subsidiaries which recognised revenue of installation contracts upon completion.

note ii: The amounts mainly represent temporary differences arising on allowances for bad and doubtful debts.

6 Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Depreciation of property, plant and equipment		
Owned assets	**14,649**	20,293
Assets held under a finance lease	**54**	46
Amortisation of prepaid lease payments	**506**	521
Amortisation of other intangible assets included in cost of sales	**177**	1,700
Allowance of bad and doubtful debts	**5,568**	8,936

7 Earnings per share

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

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	**175,350**	115,815
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,855,000**	2,730,266
Effect of dilutive potential ordinary shares:		
Share options	**4,094**	11,864
Second tranche subscription (Note)	**-**	32,391
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,859,094**	2,774,521

Note: 469,000,000 shares of the Company were issued to United Technologies Far East Limited ("UTFE") on 3 April 2006 at HK$0.577 each (equivalent to RMB0.597 each) pursuant to the second tranche subscription of the subscription agreement entered into between the Company and UTFE on 1 February 2005. Details of the subscription agreement are set out in the circular of the Company dated 10 March 2005.

8 Dividends

Dividends recognised as distributions during the year:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
2005 final dividend paid of 1.3 HK cent per share on 2,845,000,000 shares	**-**	38,464

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: nil).

9 Trade receivables

	2007	2006
	RMB'000	RMB'000
Trade receivables	**400,781**	403,887
Less: allowance for doubtful debts	**(26,117)**	(21,156)
	374,664	382,731

The credit period allowed by the Group to its trade customers is normally ranging from 30 days to180 days.

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

	2007	2006
	RMB'000	RMB'000
0-90 days	**179,650**	220,860
91-180 days	**133,276**	109,699
181-360 days	**45,100**	36,556
Over 360 days	**16,638**	15,616
	374,664	382,731

10 Trade and other payables

	2007	2006
	RMB'000	RMB'000
Trade creditors	**120,009**	118,059
Accrued costs and charges	**148,845**	38,817
Receipts in advance	**19,209**	13,697
Value added tax, sales tax and other levies	**21,234**	13,437
Amount payable on acquisition of a leasehold land	**3,072**	19,692
	312,369	203,702

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

	2007	2006
	RMB'000	RMB'000
Within 30 days	**68,187**	45,694
31-60 days	**17,920**	16,223
61-90 days	**10,215**	19,145
Over 90 days	**23,687**	36,997
	120,009	118,059

SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is currently organized into 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, and fire prevention and fighting and rescue equipment and provision of maintenance services . These segments are the basis on which the Group reports its primary segment information.

Segment information about these businesses are as follows:

	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	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2007								
TURNOVER								
External sales	466,376	194,986	336,941	68,277	79,495	49	-	1,146,124
Inter-segment sales	-	-	50,641	-	-	-	(50,641)	-
Total	466,376	194,986	387,582	68,277	79,495	49	(50,641)	1,146,124

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

RESULTS								
Segment results	92,253	16,618	74,196	(3,215)	58,506	(287)		238,071
Unallocated income								21,908
Unallocated corporate expenses								(28,663)
Share of profits of associates	124	-	-	-	-	-		124
Finance costs								(4,620)
Profit before taxation								226,820
Taxation								(52,752)
Profit for the year								174,068

	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	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
ASSETS								
Segment assets	337,522	212,061	349,509	103,695	39,253	2,482		1,044,522
Interest in associates	18,124	-	-	-	-	-		18,124
Unallocated corporate assets								749,424
								1,812,070
LIABILITIES								
Segment liabilities	157,376	65,481	59,815	46,239	2,888	82		331,881
Unallocated corporate liabilities								114,732
								446,613
OTHER INFORMATION								
Capital expenditure	712	29,448	17,687	315	2,371	2,665		
Depreciation and amortisation	891	1,449	11,262	155	1,523	41		
Loss (gain) on disposal of property, plant and equipment	19	(789)	(256)	114	-	-		
Allowances for bad and doubtful debts	554	62	1,059	3,320	-	-		

	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	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2006								
TURNOVER								
External sales	463,082	156,317	276,395	10,969	62,942	-	-	969,705
Inter-segment sales	1,000	-	53,596	-	-	-	(54,596)	-
Total	464,082	156,317	329,991	10,969	62,942	-	(54,596)	969,705

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

RESULTS								
Segment results	99,180	10,562	20,916	(4,303)	34,105	-		160,460
Unallocated income								11,517
Unallocated corporate expenses								(15,805)
Finance costs								(3,507)
Profit before taxation								152,665
Taxation								(44,468)
Profit for the year								108,197
ASSETS								
Segment assets	234,095	111,556	287,372	59,794	86,550	-		779,367
Unallocated corporate assets								693,815
								1,473,182
LIABILITIES								
Segment liabilities	102,561	44,389	54,480	8,771	4,737	-		214,938
Unallocated corporate liabilities								69,412
								284,350
OTHER INFORMATION								
Capital expenditure	460	2,703	3,019	-	8,275			
Depreciation and amortisation	787	2,182	18,000	180	1,374			
Impairment loss recognised on property, plant and equipment	-	-	22,697	-	-			
Write-off of other intangible assets	-	-	3,775	-	-			
Loss on disposal of property, plant and equipment	3	377	109	-	47			
Allowances for bad and doubtful debts	2,506	69	3,863	2,498	-			

(b) Geographical segments

No geographical segment information in respect of the Group's operations has been presented as over 90% of the Group's turnover was derived from the PRC other than Hong Kong.

The analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets analysed by the geographical areas in which the assets are located are as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**940,827**	719,573	**52,746**	14,457
Hong Kong	**103,695**	59,794	**315**	-
	1,044,522	779,367	**53,061**	14,457
Interests in associates	**18,124**	-	-	-
Unallocated assets	**749,424**	693,815	**137**	6
	1,812,070	1,473,182	**53,198**	14,463

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the year ended 31 December 2007, turnover of the Group grew 18% to RMB1,146 million with net profit increased remarkably by 61% to RMB174 million. Earnings per share also grew 45% to RMB6.14 cents. If the exchange loss on the Group's Hong Kong Dollar denominated assets arising from the depreciation of Hong Kong dollar against Renmibi had been excluded, net profit for the year would have been increased by 71% to RMB185 million.

Installation of fire prevention and fighting systems
Revenue from installation of fire prevention and fighting systems for the year increased slight by 0.7% to RMB466 million. Operating profit, on the other hand, dropped by 7% to RMB92 million.

Driven by the active property markets across China, the Group's installation services segment enjoyed a stable development during the year. Contracts valued more than RMB600 million for the provision of installation services on residential buildings, office premises, hotels, hospitals and government projects have been awarded. Revenue is recognized according to the percentage of work done, which is highly dependent on the work progress of the underlying estates development. It therefore explained why revenue increased only slightly while operating profit also declined slightly during the year in spite of the large amount of contracts secured. Although branch offices have brought in considerable amount of contracts and revenue, their profit contributions were small as they adopted lower prices to stay competitive.

To provide an additional growth impetus for the installation business, the Group has been negotiating to acquire installation companies operating in different cities (more than 20 potential companies are currently in discussion). During the year, the Group acquired 40% equity interests in two installation companies in Nanchang and Fuzhou. Both companies have been in the industry for almost 20 years. Although the Group's share of their profit for the year (after adjustment for the amortization of intangible assets acquired as required by the new accounting standard) was RMB124,000 only, the two companies together have projects in progress of more than RMB190 million at end of the year. It is anticipated that the two associated companies would contribute considerable profits to the Group in the coming years.

Production and sale of fire engines
Revenue and operating profit from production and sales of fire engines for the year increased by 25% and 57% to RMB195 million and RMB17 million respectively.

Increase in demand for domestic fire engines driven by the accelerating urbanization and economic development in China has contributed to the remarkable growth in revenue and operating profit for the year. Fire brigades are in need to improve their equipment, both in quantity and quality, in order to match the rising concern for public safety. During the year, the Group sold 458 units of domestically manufactured fire engines, representing a 24% increment over last year. The Group has received orders for over 600 fire engines, however, as constrained by the production capacity of the existing factory, some of the orders have to be postponed to 2008. In addition to the ordinary fire fighting trucks, ladder trucks are also in great demand given the increasing number of high-rise buildings in China. However, the high import price and the lack of quality domestic substitutes have made them in short supply. To tap into the large potential market, the Group is in the process of acquiring production technology of ladder truck from overseas. The Group's first locally made ladder truck is expected to come out by the third quarter of 2008. Costing around one third of the imported trucks, the Group expects that the locally made trucks would have a strong market.

Production and sale of fire prevention and fighting equipment

Revenue and operating profit from production and sales of fire prevention and fire fighting equipment for the year increased by 22% and 255% to RMB337 million and RMB74 million respectively. Included in the operating profit for 2006 was impairment loss recognized on property, plant and equipment and write off of other intangible assets amounted to RMB26 million. If the one-off expenses had been excluded, operating profit for 2007 would have been increased by 57% as compared to 2006.

The increase in revenue and operating profit for the year was mainly due to:

- Contribution from the new joint venture with the Shanghai Fire Research Institute which commenced operation in January 2007, specializing in the manufacturing and sale of industrial fire protection equipment. Customers of the joint venture include some large petroleum companies like Sinopec, PetroChina, CNOOC, Shell and BP.
- The launching of new fire fighting equipment such as automatic fire monitors, digitized image fire monitors and new versions of emergency lightings (run on lithium polymer batteries) and system control panels, which attached higher prices and profit margins.
- Upward price adjustment of the Group's emergency lightings. More stringent measures to curb defective fire safety products (including an emergency lightings identity regulation effective from 1 January 2008) were proposed during the year. The identity regulation requires that every individual emergency light must have on it a pre-registered number. As unqualified manufacturers are unable to obtain the registration with the authorities, the requirement has forced the closure of many such suppliers. The decrease in supply therefore facilitated the Group's price adjustment and also profit growth.

To cater for the changing needs for fire safety products, the Group has been working to increase its product variety. In December 2007, the Group acquired 45% equity interest in a company in Beijing which is engaged in the production and sale of a self developed and patented fire suppression foam extinguishing agent. The foam extinguishing agent is a newly invented product and has numerous advantages over the traditional fire suppression foams and therefore received high recommendation from the Ministry of Public Security. It can put out all classes of fire including fire caused by ethanol fuel; it is environmentally friendly as it produces no harm to environment during production and application; and it is space saving as its universal application obviates the needs to store different types of foams. It also improves efficiency of fire fighting by saving time of identifying classes of fire before application. The Group expects that the new products will contribute to the Group a significant share of profit in the future.

Provision of maintenance services

Revenue and operating profit from the provision of fire prevention and fighting system maintenance services for the year increased by 26% and 72% to approximately RMB79 million and RMB59 million respectively.

The marked growth in both revenue and operating profit was mainly due to increased scale of maintenance projects contracted during the year. Besides, the disposal of three non-performing subsidiaries engaged in the provision of network monitoring business has also contributed to the increase in operating profit. The disposal was part of the Group's plan to streamline the structure of its network monitoring business by discarding non-performing subsidiaries and focusing on those with high potentials, particularly those in cities in which support from and recognition by the local fire brigades towards the monitoring system prevails. As the national standard for the network monitoring systems (城市消防遠程監控系統技術規範) has been promulgated effective from 1 January 2008, the Group is going to expand from eight monitoring centers in operation by setting up another 13 operating centers in Sichuan, Tianjin, Chongqing, Yunnan, Jiangsu and Hebei. With the national standards being put in place, the Group expects many cities will soon have their own regulations for the mandatory installation of the network monitoring systems. Being a pioneer in developing and promoting the system, the Group believes the foundations built would take advantage of the opportunities arising and would turn the network monitoring systems as one of the Group's most important growth engines in the future.

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 year increased by more than five times to approximately RMB68 million. Operating loss reduced by 25% to RMB3 million compared with last year.

With the resolution of the 3C certificate problem, the 20 fire engines reported backlogged last year have been resolved: 6 of which were shipped during the year and the remaining 14 scheduled to be delivered in the first quarter of 2008. Operating loss was recorded for the year because a major supplier obtained the 3C certificates in November 2007 only, leading to the postponement of delivery of another 13 units of fire engines (originally scheduled to be shipped in 2007) with contract value of RMB44 million, to the first quarter of 2008. Excluding the above mentioned fire engines, as at 31 December 2007, the Group has on hand contracts for 12 units of fire engines valued over RMB78 million that will be delivered in 2008.

Financial resources, liquidity, contingent liabilities and pledge of assets

As at 31 December 2007, the Group had cash and bank balances amounting to approximately RMB684 million (2006: RMB667 million) of which RMB23 million (2006: RMB24 million) was pledged to secure banking facilities granted to the Group. Outstanding balances of trust receipt loans, short term bank loans and bank overdraft as at the year end date were RMB13 million (2006: RMB3 million), RMB53 million (2006: RMB41 million) and RMB5 million (2006: RMB8 million) respectively. The trust receipt loans and overdraft were granted to a subsidiary and were secured by the Group's bank deposits together with personal assets and guarantee of a minority shareholder. The short term bank loan was granted to another non-wholly owned subsidiary and was secured by certain of its land and buildings and land leases of the Group with a total carrying amount of approximately RMB19 million (2006: RMB20 million).

As at 31 December 2007, current assets and current liabilities of the Group were approximately RMB1,490 million (2006: RMB1,211 million) and RMB436 million (2006: RMB280 million) respectively. The current ratio was approximately 3.4 times (2006: 4.3 times), reflecting sufficient financial resources to meet the Group's liabilities. Gearing ratio (interest bearing debt / total equity) at end of the year was 5.2% (2006: 4.3%). With sales increased by RMB176 million during the year, trade receivables (before allowance for doubtful debts) still decreased slightly from RMB404 million at end of 2006 to RMB401 million at end of 2007, showing the Group's effort in collecting outstanding debts. In spite of this, it is quite common that customers postpone payment which resulted in the Group's accumulation of long aged debt. To better reflect the financial position of the Group and to address the recoverability risk of receivables, the Group adopted a provision policy for aged debts in 2006. During the year, provisions of RMB5.6 million (2006: RMB9 million) were made on receivables aged over 1 year.

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. During the year, as Hong Kong dollar has depreciated against Reminbi, there was an exchange loss of RMB11 million included in the administrative expenses arose from the translation of some of the Group's Hong Kong dollar denominated assets (mainly Hong Kong dollar bank deposits) into Reminbi. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Save as disclosed, the Group has no material contingent liabilities or pledge of assets for the year ended 31 December 2007.

Acquisitions, disposals and capital commitments

During the year, the Group had the following acquisitions, investments and disposals:

Acquisitions and investments

1. The Group has acquired the controlling shareholdings of a company in Shenzhen engaged in the manufacturing and sale of emergency lightings, exit signs and emergency power supply, at a consideration of RMB1,530,000. The subsidiary has been operating in Guangdong for almost 20 years. The acquisition allowed the Group to have a quick access to one of the most prosperous and developed markets in China. It has also added to the Group's product list new models of emergency lightings running on lithium polymer batteries that last longer and are more environmental friendly.

2. The Group has also acquired all equity interest of a company in Shanghai which operates a website for the provision of on-line advertising services, at a consideration RMB2,000,000. The subsidiary is publishing an on-line magazine providing information about the fire safety industry in China. An on-line yellow page, which provides an easy search for enterprises in the fire safety industry in China, is also in preparation. Besides, the subsidiary is going to launch a B2B e-commerce market for fire fighting and prevention products.

3. The Group has invested RMB18,000,000 to acquire 40% equity interest in two installation companies in Nanchang and Fuzhou. The two companies have been in the industry for almost 20 years. The acquisition allowed the Group to have an additional growth impetus for its installation business.

4. In December 2007, the Group paid RMB44,100,000 to acquire 45% equity interest in a company in Beijing engaged in the production and sale of a self developed and patented fire suppression foam extinguishing agent (see "*Production and sale of fire prevention and fighting equipment*" under Business Review above for description of the product).

Disposals

The Group disposed all equity interests of three non-wholly owned subsidiaries engaged in the provision of network monitoring services in May 2007, at consideration of RMB30,991,000. The disposed subsidiaries had accumulated losses of approximately RMB15 million at the date of disposal and the sale generated the Group a gain of approximately RMB9.4 million. The disposal is part of the Group's plan to streamline the structure of its network monitoring business by discarding the non-performing subsidiaries and focus on those with high potentials, particularly those in cities in which support from and recognition by the local fire brigades towards the monitoring system is seen.

Capital commitments

As at 31 December 2007, the Group has capital commitment of approximately RMB273 million (2006: RMB315 million) which continued to be in relation to the new factory in Chengdu. The first phase of the new plant is expected to be completed and ready for move in before end of June 2008.

Save as disclosed herein, the Group has no material capital commitments, investments, acquisitions or disposals of subsidiaries as at 31 December 2007.

Employees and remuneration policies

As at 31 December 2007, the Group had approximately 1,499 full-time employees (2006: 1,529). Staff costs, excluding directors' remuneration, for the year amounted to RMB54.4 million, slightly increase by 2.4% over the previous year's RMB53.1 million. The effect of the increase in number of staff arising from the new acquisitions and new joint venture has been offset by the decrease in number from the disposal of three subsidiaries during the year (see section "Acquisitions, disposal and capital commitment" above). 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 31 December 2007, none of the Directors or chief executive 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 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 (Note 1) Deemed interest (Note 2)	981,600,000 825,000,000	63.28% (Note 3)
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, a subsidiary of United Technologies Corporation ("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 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 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 31 December 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	20,000,000	0.70%

Notes: 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 December 2007, 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, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of the Company

Name of shareholder	Capacity and types of interests	Number of issued shares of HK$ 0.01 each of the Company held	Percentage of issued capital of the Company
UTFE	Beneficial owner Deemed interest (Note 1)	825,000,000 981,600,000	63.28% (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%
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. 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 31 December 2007.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, cancelled or redeemed any listed securities of the Company.

COPORATE GOVERNANCE

Corporate governance practices

Throughout the year ended 31 December 2007, 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 for the following:

1. There were no fixed terms of appointment for the directors.
2. According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation.

The details of such deviation have been disclosed in the relevant paragraphs below and in the Corporate Governance Report in the 2007 annual report to be dispatched to the shareholders and posted on the web-site of the Stock Exchange in accordance with the GEM Listing Rules.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

Board of directors

The board, up to the date of this announcement, is composed of six executive directors, two non-executive directors and three independent non-executive directors. Name of the directors are set out in the table below. Mr. Jiang Xiong (Chairman) and Mr. Jiang Qing (Chief Executive Officer) are brothers.

There were four board meetings held during the year which, besides the approval of the Company's quarterly, interim and annual reports, were mainly related to strategic decisions. Day to day operational decisions were delegated to the management team of the Company. Attendance of each director is set out below:

Name of directors	No. of meetings attended
Executive directors	
Mr. Jiang Xiong (Chairman)	4/4
Mr. Jiang Qing (Chief Executive Officer)	4/4
Mr. Shi Jia Hao	4/4
Mr. Wang De Feng	4/4
Ms. Weng Xiu Xia*	4/4
Ms. Zhang Hai Yan*	4/4
Non-executive directors	
Mr. Doug Wright	1/1
Ms. Xi Zheng Zheng	4/4
Mr. Paul Winnowski *	3/3
Independent non-executive directors	
Mr. Heng Kwoo Seng	4/4
Dr. Loke Yu	4/4
Mr. Sun Jian Guo*	3/3
Mr. Pu Rong Sheng*	1/1

* The directors were appointed or resigned during the year. Their attendance of meeting were counted based on the number of

meetings held after their appointment or before their resignation.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

Auditors' remuneration

Auditors' remuneration is for audit services provided only. The auditors did not provide any non-audit services to the Group during the year.

Chairman and chief executive officer

Mr. Jiang Xiong is the Chairman of the Board and Mr. Jiang Qing is the Chief Executive Officer of the Company. The Chairman is responsible for the leading the Board in formulating strategic plans for the Group while the Chief Executive Officers oversees the Group's daily operations and execution of Board decisions.

According to the articles of association, no director holding office as chairman and/or managing director shall be subject to retirement by rotation. This is not in strict compliance with the code provision of the Code on Corporate Governance Practice which requires every director (including those appointed for a specific term) to be subject to retirement by rotation at least once every three years.

Non-executive directors

There were no fixed terms of appointment for the non-executive directors but they are subject to retirement by rotation according to the Company's articles of association. Under the Company's articles of association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the articles of association. The Board is of the opinion that this serves the same objectives of the relevant provision.

Remuneration of directors

The remuneration committee comprises Mr. Heng Kwoo Seng ("Mr. Heng"), Dr. Loke Yu ("Dr. Loke"), both are independent non-executive directors of the Company, and Mr. Jiang Qing who are an executive director and Chief Executive Officer of the Company. The primary duties of the committee are to formulate policy and structure of remuneration of directors and senior management of the Group and to provide advice and recommendations thereon to the Board. During the year, the remuneration committee held one meeting, in which all members were present, to review all of the directors' remuneration packages.

Nomination of directors

The Board does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board. The Board considers that the new director(s) is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company. Under the Company's articles of association, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation at each annual general meeting in accordance with the provisions of the articles of association.

Audit Committee

The audit committee comprises three independent non-executive directors, Mr. Heng Kwoo Seng, Dr. Loke Yu and Mr. Sun Jian Guo ("Mr. Sun"). Mr. Sun was appointed as an independent non-executive director and member of the audit committee on 7 May 2007 to replace Mr. Pu Rong Sheng who resigned on the same day. 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.

During the year, the audit committee held four meetings to review and comment on the Company's quarterly, interim and annual financial reports and to meet with the external auditors and participate in the reappointment and assessment of the performance of the external auditors. Attendance of each member of the audit committee is set out below:

Name of Members	No. of meetings attended
Mr. Heng Kwoo Seng (Chairman)	4/4
Dr. Loke Yu	4/4
Mr. Sun Jian Guo*	3/3
Mr. Pu Rong Sheng*	1/1

* The directors were appointed or resigned during the year, their attendance of meeting were counted based on the number of meetings held after the appointment or before their resignation.

The Group's results for the year have been reviewed by the audit committee.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of the financial statements, which give a true and fair view of the condition of the Group. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the directors and report the opinion solely to the shareholders of the Company.

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

Hong Kong, 26 March 2008

As at the date of this announcement, 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 Mr. Heng Kwoo Seng, Dr. Loke Yu and Mr. Sun Jian Guo

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page for at least seven days from the day of its posting.