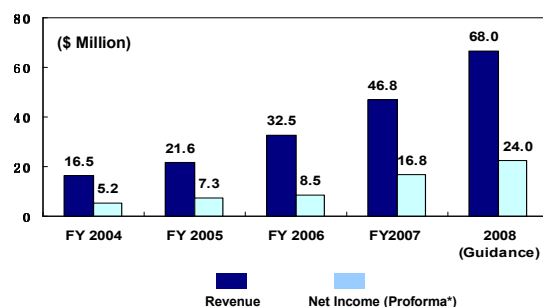


Ticker (NASDAQ): CFSG
Sector: Technology
Industry: Fire Prevention
Fiscal Year End: December 31
Current Price (09/05/08): \$10.41
F/D Shares Outstanding: 28.2 M
52-week Range: \$4.25 - \$18.1
Market Cap: \$294 M
Revenue (2007): \$46.8 M
Net Income (2007): \$16.8 M
Shareholder's Equity (06/30/08): \$65 M
Management Ownership: 50.9%
Auditor: Moore Stephens
Counsel: Cadwalader, Wickersham & Taft



Overview

China Fire & Security Group, Inc. (NASDAQ:CFSG), through its wholly owned subsidiaries, Sureland Industrial Fire Safety Limited ("Sureland") and Tianjin Tianxiao Fire Safety Equipment ("Tianxiao"), is a leading total solution provider of industrial fire protection systems in China. Leveraging on its proprietary technologies, China Fire is engaged primarily in the design, manufacture, sales and maintenance services of a broad product portfolio including the detectors, controllers, and fire extinguishers. Via its nationwide direct sales force, China Fire has built a solid client base including major companies in the iron and steel, power and petrochemical industries throughout China. China Fire has a seasoned management team with strong focus on standards and technologies. Currently, China Fire has 52 issued patents covering fire detection, system control and fire extinguishing technologies. Founded in 1995, China Fire is headquartered in Beijing with about 500 employees in more than 30 sales offices throughout China.



* Proforma Net Income excludes non-cash gain/loss for change in fair value of warrants: loss of \$1.6 million for year 2006 and gain of \$1.2 million in 2007 (preliminary)

Investment Highlights

China's Industry Play

- Industrial fire protection market was about \$1 billion in 2006 and grows at 11% annually. Industrialization process across all sectors with steel industry in particular with new fire standards in place.
- Overall improvement in government enforcement on fire safety: Fire Service Law enacted in 1998, Safety Production Law in 2002 and Fire Safety Standards for Iron and Steel Industry in 2007.
- Large and under-penetrated market for existing facilities. It is estimated that 80% of steel and iron plants are not fully compliant with current fire safety requirements.

First mover

- Founded in 1995 by Chairman, Mr. Gang Jin Li, headquartered in Beijing with more than 500 employees and 30 sales offices.
- Largest manufacturer, distributor, and installer of industrial fire protection products and services in China. China Fire was listed No. 1 in the category of "System Contracting Enterprises" by the China Fire Protection Association.

First-tier client base

- State owned multi-billion dollar companies: Top 10 iron and steel companies, top 5 power plant groups, top 2 petrochemical producers.

Outstanding R&D

- Strong R&D team with two "best in class" industrial testing facilities.
- Proprietary product line addresses all aspects of industrial fire safety from fire detection to fire system control and extinguishing.
- 52 issued patents covering the Company's major product offerings.

Focus on organic growth with potential as a consolidator in China

- China Fire has 7% of the domestic market share while providing a superior product offering at comparably lower price points creating ample opportunities for growth both in China and abroad.
- An strategic investment into Wan Sent, an emerging Chinese fire protection system monitoring service provider based in Beijing.

2008 Guidance

- 2008 Guidance: For the fiscal year 2008, the revenue will be at least \$68 million which represents approximately 45% increase over year 2007, the net income at least \$24 million which represents approximately 44% increase, and the fully diluted EPS at least \$0.84

Product Portfolio

Fire Detectors: Required in all industrial environments to detect potential fire hazards

- Linear Heat Detectors: Required in all industrial environments to detect potential fire hazards in power cables, oil tanks, pipelines, power plants, large storage
- Flame Detectors (Multi-Frequency Infrared Flame Detectors): Based on leading global technology and is widely used in petrochemical plants, hydraulic oil storage, airports
- Gas Detectors (Long-haul Flash type IR Combustible Gas Detectors): Can detect a range of 120m x 14m space and works under all weather conditions. Widely used in oil drilling platforms, oil transportation pipelines, chemical storage, winery storage.



Controllers: Industrial Fire Alarm Control and Management Systems function as operating system for fire detection and extinguishing

- Fire alarm and Control System
- Cell-based Fire Safety Information Management System
- Network-based Monitoring and Command System
- Network-based Customer Service System



Extinguishers: Systems spray water mist evenly through valves that can be controlled automatically to ensure effective regional fire extinguishing.

- Specialized Water Spray Fire Extinguishing Systems
- Medium Pressure Single Fluid Water Mist Extinguishing Systems
- Form and Gas based Fire Extinguishing Systems

Management

Gangjin Li, Chairman of the Board, Mr. Li founded the company in February 1995 and is responsible for the strategic planning, sales and marketing of the company. He has over 12 years experience in the fire prevention and fighting industry in China. Prior to founding the Company in 1995, he was a Director of Engineering in the 20th Metallurgic Construction Company. Mr. Li is an Executive Director of the China Fire Protection Association (CFPA), and the vice-chairman of the “Electrical Fire Prevention Committee of CFPA”. Mr. Li is also a member of the US-based “National Fire Protection Association” (NFPA). In recognition for his leadership capabilities and creating the number #1 Company in China’s industrial fire protection industry, Mr. Li was awarded as an “Outstanding Entrepreneur” – issued by China Enterprises Association in 2004. Mr. Li received his Master of Management Degree from Beijing University in 1991 and Bachelor of Engineering from Wuhan Iron and Steel University in 1982.

Brian Lin, CEO, Mr. Lin has over 17 years management and technical experience both in the US and China. Mr. Lin was an early stage investor and co-founder of the Company and has been providing strategic guidance since its inception. Prior to joining China Fire full time in January 2006, Mr. Lin was the CEO of Beijing Linkhead Technologies, a telecommunications service company he co-founded in 1994 and was sold to PacificNet Inc. (NASDAQ “PACT”) in December 2003. Prior to Linkhead, Mr. Lin was Director of R&D, Value-added Services Division of UTStarcom (NASDAQ “UTSI”) and held various management and technical positions with Nortel Networks and Motorola in the US. Mr. Lin received his Master’s Degree in Electrical Engineering from University of Toronto, Canada in 1989.

Recent Results (in US Dollar)

	2Q/2008	1Q/2008	2007	2006
Revenues	16,653,724	14,696,626	46,753,837	32,455,036
Cost of revenues	6,469,431	6,652,231	21,090,854	16,226,307
Gross profits	10,184,293	8,044,395	25,662,983	16,228,729
Operating expenses	3,585,029	3,394,683	10,776,553	8,250,285
Income from operations	6,599,264	4,649,712	14,886,430	7,978,444
Total other income (expense)	88,289	139,710	1,920,287	643,978
Income before income taxes and minority interest	6,687,553	4,789,422	16,806,717	7,051,847
Net profit (loss)	6,676,100	4,740,780	16,801,636	6,969,641
Pro forma net income*	6,676,100	4,740,780	15,595,845	9,440,216
Comprehensive income	7,969,784	6,807,696	19,304,231	7,551,573
Weighted average number of shares-diluted	28,200,785	28,153,181	27,721,171	24,000,000
Diluted EPS/Proforma EPS	0.24/0.24	0.17/0.17	0.61/0.56	0.28/0.38

* Proforma Net Income excludes non-cash gain/loss for change in fair value of warrants