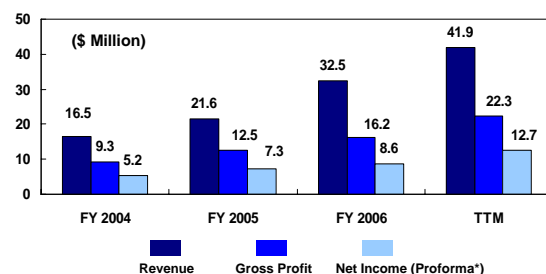


Ticker (NASDAQ): **CFSG**
Sector: **Technology**
Industry: **Fire Prevention**
Fiscal Year End: **December**
Current Price (11/19/07): **\$14.35**
F/D Shares Outstanding: **27.8 M**
52-week Range: **\$3.1 - \$18.1**
Market Cap: **\$399 M**
Revenue (TTM): **\$41.9 M**
Proforma Net Income (TTM): **\$12.7 M**
Shareholder's Equity (09/30/07): **\$44.5 M**
Management Ownership: **49.80%**
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, sale and maintenance services of a broad product portfolio including the detection, controller, 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 43 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 and project 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 loss of \$0.4 million in TTM

Investment Highlights

China's Industry Play

- Industrial fire protection market is about \$1 billion in 2006 and grow at 11% annually. Industrialization process across all sectors with steel industry in particular with new fire standard 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, Gang Jin Li. headquartered in Beijing with more than 500 employees and 20 sales and liaison offices
- Largest manufacturer, distributor, and installer of industrial fire protection products and services in China. The Company 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.

Ample manufacturing capacity

- 200,000 sq. ft. manufacturing facility in Beijing and Tianjin. Estimated 35% utilization rate with ample room to accommodate growth.

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.
- 43 issued patents covering the Company's major product offerings.

Focus on organic growth with potential as a consolidator in China

- China Fire has only 4% 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 emergency remote-monitoring system provider based in Beijing.

Financial Highlights

- For the three months ended September 30, 2007, total revenues were approximately \$11.6 million as compared to approximately \$8.0 million for the third quarter of 2006, an increase of approximately \$3.6 million or 44.2 percent. Gross profit increased 79.6% to \$6.9 million and yielded gross margins of 59.2%. Income from Operations was \$4.1 million, compared to \$1.2 million of last year. Net income was \$12.8 million compared to \$7.3 million in 2Q06. GAAP EPS for the third quarter of 2007 was \$0.16 compared to \$0.06 in the year ago period.
- 2007 full year guidance: at least \$16.6 million in GAAP net income and at least \$0.60 in fully diluted EPS.

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 System
- Medium Pressure Single Fluid Water Mist Extinguishing System

Management

Gang Jin 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 the Company 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 Dollars)

	3Q/2007	3Q/2006	9M/2007	9M/2006
Revenues	11,596,970	8,042,200	32,643,617	23,068,283
Cost of revenues	4,729,538	4,218,005	14,450,765	10,943,005
Gross profits	6,867,432	3,824,195	18,192,852	12,125,278
Operating expenses	2,769,996	2,663,346	7,294,318	5,278,138
Income from operations	4,097,436	1,160,849	10,898,534	6,847,140
Total other income (expense)	294,599	352,857	1,866,141	541,402
Income before income taxes and minority interest	4,392,035	1,513,706	12,764,675	7,388,542
Net profit (loss)	4,392,035	1,531,325	12,764,675	7,349,361
Proforma net income*	4,392,035	1,531,325	11,558,884	7,349,361
Comprehensive income	4,932,187	1,741,593	14,115,161	7,680,306
Weighted average number of shares-diluted	27,825,442	24,000,000	27,436,695	24,000,000
Diluted EPS/Proforma EPS	0.16/0.16	0.06/0.06	0.47/0.42	0.31/0.31

* Proforma Net Income excludes non-cash gain/loss for change in fair value of warrants, gain of \$0.4 million for 2Q/2007 and gain of \$1.2 million for 1H/2007