



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)

Third Quarterly Report 2004

* For identification purpose only

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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.

***Third Quarterly Results Report
for the Nine Months Ended 30 September 2004***

HIGHLIGHTS

- For the nine months and three months ended 30 September 2004, turnover of the Group has grown at 79.7% and 53.3% to approximately RMB355.6 million and RMB133.2 million, as compared to the corresponding period last year.
- Net profit for the first nine months of the year jumped 17.0% to RMB102.4 million. Net profit for the three months ended 30 September 2004 increased slightly by 2.1% to RMB40.3 million.
- Earnings per share are 5.12 cents and 2.01 cents respectively for the nine months and three months ended 30 September 2004.

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 the three months ended 30 September 2004, together with the comparative figures for the corresponding periods in 2003, as follows:

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		For the nine months ended 30 September		For the three months ended 30 September	
		2004	2003	2004	2003
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	1	355,558	197,813	133,195	86,899
Cost of sales		(202,863)	(89,846)	(76,326)	(39,646)
Gross Profit		152,695	107,967	56,869	47,253
Other operating income		956	1,108	379	386
Distribution costs		(3,322)	(1,119)	(1,559)	(330)
Administrative expenses		(21,991)	(11,886)	(6,515)	(4,103)
Profit from operations		128,338	96,070	49,174	43,206
Finance costs		(20)	(176)	(1)	(62)
		128,318	95,894	49,173	43,144
Taxation	2	(24,065)	(8,137)	(8,505)	(3,527)
Profit after taxation		104,253	87,757	40,668	39,617
Minority interests		(1,900)	(247)	(373)	(138)
Net profit for the period		102,353	87,510	40,295	39,479
Interim dividend declared	3	21,200	21,200	-	-
Earnings per share					
- Basic and diluted (RMB cents)	4	5.12	4.38	2.01	1.97

Notes:

1. 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 analyzed as follows:

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Sale of goods	129,436	116,806	45,566	54,951
Revenue from installation contracts	196,304	56,504	72,667	19,641
Provision of maintenance services	36,821	26,863	18,267	13,188
	<u>362,561</u>	<u>200,173</u>	<u>136,500</u>	<u>87,780</u>
Less: Sales tax	(7,003)	(2,360)	(3,305)	(881)
	<u><u>355,558</u></u>	<u><u>197,813</u></u>	<u><u>133,195</u></u>	<u><u>86,899</u></u>

Sales tax represents various local taxes levied on the invoiced value of goods sold and services rendered.

An analysis of the Group's turnover by geographical regions of the People's Republic of China (the "PRC") is as follows:

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Sale of goods				
– Fujian Province	73,749	67,415	24,334	28,662
– Other Provinces	55,687	49,391	21,232	26,289
	<u>129,436</u>	<u>116,806</u>	<u>45,566</u>	<u>54,951</u>
Revenue from installation contracts				
– Fujian Province	161,675	55,458	65,153	19,641
– Other Provinces	34,629	1,046	7,514	–
	<u>196,304</u>	<u>56,504</u>	<u>72,667</u>	<u>19,641</u>
Provision of maintenance services				
– Fujian Province	32,241	26,863	13,687	13,188
– Other Provinces	4,580	–	4,580	–
	<u>36,821</u>	<u>26,863</u>	<u>18,267</u>	<u>13,188</u>
	<u>362,561</u>	<u>200,173</u>	<u>136,500</u>	<u>87,780</u>
Less: Sales tax	(7,003)	(2,360)	(3,305)	(881)
	<u><u>355,558</u></u>	<u><u>197,813</u></u>	<u><u>133,195</u></u>	<u><u>86,899</u></u>

Sales tax represents various local taxes levied on the invoiced value of goods sold and services rendered.

2. Taxation

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
The charge comprises:				
Current tax				
The PRC – income tax	26,827	8,137	13,090	3,527
Deferred tax	(2,762)	–	(4,585)	–
	<u>24,065</u>	<u>8,137</u>	<u>8,505</u>	<u>3,527</u>

No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor is derived from Hong Kong. Income tax on profits arising from the PRC has been provided at the prevailing tax rates applicable to the respective companies comprising the Group.

With effect from year 2002, one of the subsidiaries of the Company, Fujian Wanyou Fire Fighting Science and Technology Co., Ltd., is entitled to the two year's exemption from income tax followed by three years of 50% tax reduction.

The Group's deferred tax liability mainly relates to the accounting difference between Hong Kong general accepted accounting principles and the PRC the general accepted accounting principles on profit recognition of installation contracts.

3. Dividends

	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Interim dividend, declared, of HK1 cent per share (2003: HK1 cent)	<u>21,200</u>	<u>21,200</u>	<u>–</u>	<u>–</u>

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2004.

4. Earnings per share

The calculation of basic earnings per share for the nine months and three months ended 30 September 2004 were based on the unaudited consolidated net profit of RMB102,353,000 and RMB40,295,000 respectively (unaudited consolidated net profit for the nine months and three months ended 30 September 2003: RMB87,510,000 and RMB39,479,000 respectively) and the 2,000,000,000 shares in issue.

The share options outstanding did not have a material dilutive effect on the basic earnings per share.

MOVEMENT IN RESERVES

	Share premium	Special reserve	Capital reserves	Statutory		Statutory reserve fund	Accu- mulated Profits	Total
				Statutory surplus reserve	Public Welfare fund			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
At 1 January 2003	139,920	(6,692)	57,840	10,086	8,995	12,159	119,070	341,378
Net profit for the period	-	-	-	-	-	-	87,510	87,510
Dividend paid	-	-	-	-	-	-	(10,600)	(10,600)
At 30 September 2003	<u>139,920</u>	<u>(6,692)</u>	<u>57,840</u>	<u>10,086</u>	<u>8,995</u>	<u>12,159</u>	<u>195,980</u>	<u>418,288</u>
At 1 January 2004	139,920	(6,692)	57,840	13,267	10,586	20,684	185,688	421,293
Net profit for the period	-	-	-	-	-	-	102,353	102,353
Dividend paid	-	-	-	-	-	-	(21,200)	(21,200)
At 30 September 2004	<u>139,920</u>	<u>(6,692)</u>	<u>57,840</u>	<u>13,267</u>	<u>10,586</u>	<u>20,684</u>	<u>266,841</u>	<u>502,446</u>

MANAGEMENT DISCUSSION AND ANALYSIS**Business review**

For the nine months and three months ended 30 September 2004, turnover of the Group has grown at 79.7% and 53.3% to approximately RMB355.6 million and RMB133.2 million, as compared to the corresponding period last year. Net profit for the first nine months of the year jumped 17.0% to RMB102.4 million. For the three months ended 30 September 2004, net profit slightly increased by 2.1% to RMB40.3 million. Gross profit percentage, however, increased at a slower pace because of the comparatively lower profit margin offered for installation projects in places outside Fujian as part of the Group's strategy to capture market share.

Installation projects and maintenance services have experienced strong revenue growth during the nine-month period under review, although the pace of revenue growth of the installation contracts from non-Fujian provinces has slowed down in the third quarter after a strong growth in the second quarter of this year. The main reason for this is that recognition of the construction in progress in some of the projects slowed down in accordance with the developers' schedules. The Group continuously looks for appropriate places to set up additional branches to further strengthen its market coverage.

As a result of the Group's expansion strategies through the building up and restructuring of branch offices, the Group has, for the first time, obtained maintenance services contracts from regions outside of Fujian. This represents an important step in positioning the Group as a comprehensive product and service providers nationwide. In addition, the Group believes that the soon-to-be-launched network based monitoring system of fire prevention and fighting systems developed by one of the Group's newly acquired subsidiaries will further boost the sale of maintenance services.

On the other hand, the performance of product sales in the third quarter of this year under review was slightly lower than expected because of the intense competition which has driven prices lower. In response, the Group has already designed several new models of fire fighting and prevention equipment that have much lower costs of production. Product samples are now going through authorities' approval testing. These new products are expected to be more competitive and help to maintain the Group's leading position in those product categories.

Prospects

For the nine months under review, the Group has been expanding product variety and market coverage, through internal growth and acquisitions. The restructured branch offices in major cities of different provinces have made a great contributions to the improvement in the Group's installation and maintenance services in non-Fujian regions and have also helped build up the Group's brand nationally. Further effort will be put into this area to continue to strengthen the Group's national presence.

For business development, during the nine-month period under review, the Group acquired four different companies specialized in different but related areas of the fire safety industry. These acquisitions are the results of the Group's two-year effort to become a total solution provider:

- Beijing Chongzheng Huasheng Emergency Lighting System Ltd., Co. (北京崇正華盛應急照明系統有限公司), an expert in the innovative centralized electronic supplies technology for emergency lighting products; it has already started contributing revenue and net profit to the Group;
- Jiangxi Shengan City Safety Communications Development Company Limited (江西盛安城市安全信息發展有限公司), a specialist in researching and developing network based monitoring system for fire prevention and fighting systems;
- Sichuan Fire Safety Appliances Factory ("Sichuan Fire Safety") (四川消防機械總廠), a formerly state-owned manufacturer of fire engines and other fire fighting and prevention equipment who also engaged in sale of equipment and installation and maintenance of fire fighting and prevention system, it has a nationwide market coverage and certain products are also sold in some countries in the South East Asia; and
- Tung Shing Trade Development Company Limited (東城貿易發展有限公司), a company engaged in distribution and sale of fire engines and fire fighting and rescue tools in the Mainland, Hong Kong, Macau and Taiwan. It has 16 exclusive distribution rights and 16 non-exclusive distribution rights of fire fighting and rescue equipment from manufacturers in Europe, the US and Asia and is a registered supplier to the Government of Hong Kong for certain categories of fire fighting and rescue tools.

The acquisitions expand the Group's product range from emergency lighting to fire engines and other fire fighting and rescue tools like fire sprinklers and extinguishing system, real fire simulation training system, life detector system and breathing apparatus etc.. Moreover, they also further expand the Group's market coverage from Fujian to the whole of Greater China Region and overseas.

Further to the Letter of Intent received in January 2004, on 29 October 2004 the Group received another notification from Morita Corporation, a renowned manufacturer and distributor of fire engines and fire fighting and prevention equipment from Japan, reiterating their intention to participate in Sichuan Fire Safety, in terms of equity contribution and technology transfer and consultation. Final agreements including the subscription agreement are under negotiation and are anticipated to be completed by the end of this year.

Since most of the acquisitions were finalized at end of the review period, contributions to the Group are limited at this stage. In the coming financial year, the Group's main focus is on integrating the newly acquired subsidiaries such that they will be complementary to each other and deliver the synergistic effects intended.

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

Save as disclosed below, as of 30 September 2004, 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 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions

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	981,600,000	49.08%
Mr. Jiang Qing	Beneficial owner	100,000,000	5.00%

On 14 October 2004, Mr. Jiang Qing entered into a placing agreement with UOB Kay Hian (Hong Kong) Limited to place 92,500,000 shares at HK\$0.495 to the placees who are independent third parties not connected with any of the directors, chief executives, substantial shareholders or management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates (as defined in the GEM Listing Rules) and are not connected persons of the Company. After the Placement completed on 19 October 2004, shares of the company held by Mr. Jiang Qing reduced to 7,500,000 or approximately 0.38% of the issued share capital of the Company.

SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 20 September 2002 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will remain valid for a period of 10 years commencing on 20 September 2002. Under the Scheme, the Board may grant options to full-time employees, including directors (executive and non-executive) of the Company and its subsidiaries, to subscribe for shares in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the shares of the Company as at the date of adoption of the Scheme, i.e. 160,000,000 shares of the Company, without prior approval from the Company's shareholders. On 21 April 2004, an ordinary resolution to refresh the limit under the Scheme to grant options of up to 200,000,000 shares of the Company was duly passed by the shareholders of the Company. It represents 10% of the issued share capital of the Company as at 30 September 2004. The number of shares in respect of which options may be granted to any individual in aggregate within a 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK\$5 million must be approved by the Company's shareholders in general meeting taken on a poll.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the Board but in any event not exceeding 10 years. The exercise price is determined by the Directors and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

As at 30 September 2004, certain options have been granted to the following Executive Directors:

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 30 June 2004
Jiang Qing	25 May 2004	20,000,000	25 May 2004 – 24 May 2014	0.44 (Note)	20,000,000
Chen Shu Quan	25 May 2004	5,000,000	25 May 2004 – 24 May 2014	0.44 (Note)	5,000,000
Chan Siu Tat	25 May 2004	5,000,000	25 May 2004 – 24 May 2014	0.44 (Note)	5,000,000

Note: The closing price of shares of the Company immediately before the date on which the option was granted was HK\$0.465.

There was no option outstanding as at 1 January 2004. All options granted are vested on the date of acceptance, i.e. 25 May 2004. The options granted are not recognized in the financial statements until they are exercised. The Directors considered that it is not appropriate to state the value of the options granted during the period on the ground that a number of variables which are crucial for the valuation of option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the options based on a large number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

Save as disclosed above, there was no options granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme during the period.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, 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

Name of shareholder	Capacity and type of interest	Number of issued shares of HK\$0.01 each of the Company held	Percentage of issued capital of the Company
Cantus Limited	Beneficial owner	262,650,000	13.13%
Aria Investment Partners L.P.	Interest of a controlled corporation (Note 1)	262,650,000	13.13%
CLSA Private Equity Management Limited	Investment Manager (Note 2)	262,650,000	13.13%
CLSA Funds Limited	Interest of a controlled corporation (Note 3)	262,650,000	13.13%
CLSA B.V.	Interest of a controlled corporation (Note 4)	262,650,000	13.13%
Calyon Capital Markets Asia B.V.	Interest of a controlled corporation (Note 5)	262,650,000	13.13%
Credit Lyonnais Capital Markets International SASU	Interest of a controlled corporation (Note 6)	262,650,000	13.13%
Credit Agricole Indosuez.	Interest of a controlled corporation (Note 7)	262,650,000	13.13%
Credit Agricole S.A.	Interest of a controlled corporation (Note 8)	262,650,000	13.13%

Name of shareholder	Capacity and type of interest	Number of issued shares of HK\$0.01 each of the Company held	Percentage of issued capital of the Company
SAS Rue la Boetie	Interest of a controlled corporation (Note 9)	262,650,000	13.13%
The Hong Kong Beijing Finance and Investment Limited ("Beijing Finance")	Beneficial owner	100,000,000	5.00%
The Capital Group	Interest of a controlled corporation (Note 10)	100,000,000	5.00%
The People's Government of Beijing Municipality	Interest of a controlled entity (Note 11)	100,000,000	5.00%

Notes:

- Aria Investment Partners, L.P. is beneficially interested in the entire issued share capital of Cantus Limited and is deemed or taken to be interested in the 262,650,000 shares in which Cantus Limited has declared an interest for the purpose of the SFO.
- CLSA Private Equity Management Limited is the investment manager of Aria Investment Partners, L.P..
- CLSA Funds Limited is beneficially interested in the entire issued share capital of CLSA Private Equity Management Limited and is deemed or taken to be interested in the 262,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
- CLSA B.V. is beneficially interested in the entire issued share capital of CLSA Fund Limited and is deemed or taken to be interested in the 262,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
- Calyon Capital Markets Asia B.V. is beneficially interested in 65% of the share capital of CLSA B.V. and is deemed or taken to be interested in the 262,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
- Credit Lyonnais Capital Markets International SASU is beneficially interested in the entire issued share capital of Calyon Capital Markets Asia B.V. and is deemed or taken to be interested in the 262,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
- Credit Agricole Indosuez is beneficially interested in the entire issued share capital of Credit Lyonnais Capital Markets International SASU and is deemed or taken to be interested in the 262,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.

8. Credit Agricole S.A. is beneficially interested in the entire issued share capital of Credit Agricole Indosuez and is deemed or taken to be interested in the 262,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
9. SAS Rue La Boetie is beneficially interested in 51.5% of the issued share capital of Credit Agricole S.A. and is deemed or taken to be interested in the 262,650,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 2 above.
10. The Capital Group is beneficially interested in the entire issued share capital of Beijing Finance and is deemed or taken to be interested in the 100,000,000 shares in which Beijing Finance has declared an interest for the purpose of the SFO.
11. The People's Government of Beijing Municipality is beneficially interested in the entire registered capital of The Capital Group and is deemed or taken to be interested in the 100,000,000 shares in which The Capital Group has declared an interest for the purpose of the SFO as mentioned in Note 10 above.

The shares held by Beijing Finance were charged in favour of Credit Lyonnais as security for Beijing Finance's obligations under a loan agreement with Credit Lyonnais dated 30 October 2003.

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 2004.

On 14 October 2004, Cantus Limited entered into a placing agreement with UOB Kay Hian (Hong Kong) Limited to place 80,000,000 shares at HK\$0.495 to the placees who are independent third parties not connected with any of the directors, chief executives, substantial shareholders or management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates (as defined in the GEM Listing Rules) and are not connected persons of the Company. After the Placement completed on 19 October 2004, Cantus Limited owned 182,650,000 shares of the Company or approximately 9.13% of the issued share capital of the Company.

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) had any interest in a business which competes or may compete with the businesses 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 period or at any time during the period.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY Capital"), as at 30 September 2004, neither CPY Capital nor its directors, employees or associates (as referred to Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company. Pursuant to the sponsor agreement dated 20 September 2002 entered into between the Company and CPY Capital, CPY Capital has received and will receive fees for acting as the Company's retained sponsor for the remaining period up to 31 December 2004 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

BOARD PRACTICES AND PROCEDURES

Throughout the nine months ended 30 September 2004, the Company has complied with the code of best practice as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee comprises three members – Mr. Liu Shi Pu, Mr. Heng Koo Seng and Mr. Xiang Yu Fu. They are Independent Non-executive Directors of the Company. 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 will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The Group's results for the nine months ended 30 September 2004 has been reviewed by the audit committee.

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

Hong Kong, 15 November 2004