

CHINA FIRE & SECURITY GROUP, INC.
Form 10QSB
August 14, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark one)

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2007

or

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 000-50491

China Fire & Security Group, Inc.
(Name of small business issuer in its charter)

Florida
(State or other jurisdiction
of incorporation or organization)

65-1193022
(I.R.S. Employer
Identification No.)

South Banbidian Industrial Park
Liqiao Township, Shunyi District
Beijing 101304
People's Republic of China
(Address of principal executive offices)

101304
(Zip Code)

Issuer's telephone number: (86-10) 8416 3816.

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

As of June 30, 2007, the Registrant had 26,461,678 shares of common stock outstanding.

China Fire & Security Group, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CHINA FIRE & SECURITY GROUP, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS UNIPRO FINANCIAL SERVICES, INC.)CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

	June 30, 2007 Unaudited	December 31, 2006
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 8,487,318	\$ 9,426,091
Restricted cash	894,494	1,622,833
Accounts receivable, net of allowance for doubtful accounts of \$1,496,398 and \$1,252,947 as of June 30, 2007 and December 31, 2006, respectively	14,377,790	12,878,665
Accounts receivable - related party	-	333,056
Notes receivable	1,550,911	903,425
Other receivables	1,993,014	785,111
Other receivables - related party	-	90,008
Inventories	4,741,890	4,190,830
Costs and estimated earnings in excess of billings	12,258,012	9,020,122
Employee advances	2,186,930	1,648,560
Prepayments and deferred expenses	2,557,245	2,396,571
Total current assets	49,047,604	43,295,272
PLANT AND EQUIPMENT, net	3,929,627	3,529,808
OTHER ASSETS:		
Accounts receivable - retentions	667,103	383,375
Deferred expenses - non current	-	40,830
Advances on building purchases	896,865	-
Investment in joint ventures	149,910	501,288
Land use rights, net of accumulated amortization	565,797	558,255
Technology rights, net of accumulated amortization	598,599	-
Total other assets	2,878,274	1,483,748
Total assets	\$ 55,855,505	\$ 48,308,828
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,553,119	\$ 5,796,979
Accounts payable - related party	-	320,754
Customer deposits	8,335,538	2,713,451
Billings in excess of costs and estimated earnings	2,331,174	8,867,624

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Other payables	826,569	388,434
Other payables - related party	-	50,523
Accrued liabilities	2,898,232	1,891,628
Taxes payable	162,204	619,949
Total current liabilities	20,106,836	20,649,342
DERIVATIVE INSTRUMENT LIABILITIES	-	2,680,811
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY:		
Common stock, \$0.001 par value, 65,000,000 shares authorized, 26,461,678 shares issued and outstanding	26,462	26,462
Additional paid-in-capital	14,980,191	13,393,171
Statutory reserves	3,123,127	3,728,127
Retained earnings	15,743,033	6,765,393
Accumulated other comprehensive income	1,875,856	1,065,522
Total shareholders' equity	35,748,669	24,978,675
Total liabilities and shareholders' equity	\$ 55,855,505	\$ 48,308,828

The accompanying notes are an integral part of these consolidated financial statements.

F-1

CHINA FIRE & SECURITY GROUP, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS UNIPRO FINANCIAL SERVICES, INC.)

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
REVENUES				
System contracting projects	\$ 9,887,878	\$ 4,100,476	\$ 17,164,386	\$ 8,322,758
Products	1,538,049	4,138,369	3,639,805	6,507,601
Maintenance services	121,258	132,888	242,456	195,724
Total revenues	11,547,185	8,371,733	21,046,647	15,026,083
COST OF REVENUES				
System contracting projects	4,379,902	2,092,985	8,024,570	4,748,617
Products	811,081	1,474,627	1,639,783	1,940,888
Maintenance services	46,689	19,014	56,874	35,495
Total cost of revenues	5,237,672	3,586,626	9,721,227	6,725,000
GROSS PROFIT	6,309,513	4,785,107	11,325,420	8,301,083
OPERATING EXPENSE				
Selling and marketing	1,210,100	267,180	1,761,509	849,080
General and administrative	1,174,309	590,685	2,185,353	1,092,414
Depreciation and amortization	133,056	132,889	259,539	269,778
Research and development	267,626	226,548	317,921	403,520
Total operating expense	2,785,091	1,217,302	4,524,322	2,614,792
INCOME FROM OPERATIONS	3,524,422	3,567,805	6,801,098	5,686,291
OTHER INCOME (EXPENSE)				
Other income	323,702	128,091	327,998	225,484
Other expense	(2,146)	-	(6,417)	-
Interest income	24,915	4,372	44,170	6,080
Interest expense	-	(43,019)	-	(43,019)
Change in fair value of derivative instruments	371,628	-	1,205,791	-
Total other income (expense)	718,099	89,444	1,571,542	188,545
INCOME BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTEREST	4,242,521	3,657,249	8,372,640	5,874,836
PROVISION FOR INCOME TAXES	-	43,144	-	56,800
	4,242,521	3,614,105	8,372,640	5,818,036

NET INCOME BEFORE MINORITY INTEREST				
MINORITY INTEREST	-	(18,890)	-	-
NET INCOME	4,242,521	3,632,995	8,372,640	5,818,036
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	514,775	32,993	810,334	120,677
COMPREHENSIVE INCOME	\$ 4,757,296	\$ 3,665,988	\$ 9,182,974	\$ 5,938,713
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC				
	26,461,678	24,000,000	26,461,678	24,000,000
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED				
	27,164,207	24,000,000	27,085,807	24,000,000
EARNING PER SHARE - BASIC	\$ 0.16	\$ 0.15	\$ 0.32	\$ 0.24
EARNING PER SHARE - DILUTED	\$ 0.16	\$ 0.15	\$ 0.31	\$ 0.24

The accompanying notes are an integral part of these consolidated financial statements.

CHINA FIRE & SECURITY GROUP, INC. AND SUBSIDIARIES
(FORMERLY KNOWN AS UNIPRO FINANCIAL SERVICES, INC.)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	Common Shares	Stock Par value	Additional paid-in- capital	Retained Earnings Statutory reserves	Unrestricted	Owner contribution receivable	Accumulated other comprehensive income	Totals
BALANCE, December 31, 2005	24,000,000	\$ 24,000	\$ 6,056,058	\$ 3,458,325	\$ 65,554	\$ (10,087,527)	\$ 483,590	\$ -
Net income					5,818,036			5,818,036
Cash proceeds from investment in Sureland Equipment Co., Ltd			165,000					165,000
Foreign currency translation adjustment							120,677	120,677
BALANCE, June 30, 2006 (Unaudited)	24,000,000	\$ 24,000	\$ 6,221,058	\$ 3,458,325	\$ 5,883,590	\$ (10,087,527)	\$ 604,267	\$ 6,103,713
Net income					1,151,605			1,151,605
Adjustment to statutory reserves				269,802	(269,802)			-
Collection of contribution receivable			4,973			10,087,527		10,092,500
Cash proceeds from investment in Sureland Equipment Co., Ltd			495,000					495,000
Issuance of common	2,461,678	2,462	6,028,140					6,030,602

stock							
Options issued to employees			644,000				644,000
Foreign currency translation adjustment						461,255	461,255
BALANCE, December 31, 2006	26,461,678	\$ 26,462	\$ 13,393,171	\$ 3,728,127	\$ 6,765,393	\$ -	\$ 1,065,522 \$ 24,978,675
Net income					8,372,640		8,372,640
Warrants transferred to additional paid-in capital			1,475,020				1,475,020
Options issued to employees			112,000				112,000
Adjustment from statutory reserves							