

## FINANCIAL HIGHLIGHTS

The PRC government strengthened the promotion of fire safety to the public and implemented tighter measures to monitor public and industrial safety. This stimulated market demand for high quality and reliable fire alarm products and systems and contributed to growth in product sales and services revenue for the Group. For the year ended 31 December 2006, the Group's consolidated turnover grew by 15.0% to approximately RMB645,771,000 (2005: RMB561,716,000) and gross profit increased by 9.8% to approximately RMB316,730,000 (2005: RMB288,480,000).

Due to decline in the gross profit margin of fire alarm systems and the expansion of installation business, the Group's overall gross profit margin decreased by 2.4 percentage points to 49.0%. With tight control, operating cost was reduced by 1.9 percentage points. The operating profit before value-added tax ("VAT") refund and income tax increased by 17.2% to RMB156,269,000 (2005: RMB133,303,000). Since certain products did not entitle to VAT refund, the VAT refund received in 2006 decreased by 43.4% to RMB16,859,000 as compared to the previous year (2005: RMB29,810,000). Profit before taxation increased by 6.1% to approximately RMB173,128,000 (2005: RMB163,113,000). Tax expenses, however, increased to RMB8,001,000 (2005: RMB694,000) after the expiry of certain income tax exemption benefits of the Group. Net profit attributable to shareholders increased by 1.6% to RMB164,993,000 (2005: RMB162,427,000). As new shares were issued in June 2005 during the listing exercise, the average number of shares increased to 800,000,000 shares (2005: 652,665,990 shares), and therefore basic earnings per share was RMB20.6 cents (2005: RMB24.9 cents).

The Board recommended the payment of a final dividend of HK7.33 cents per share, equivalent to approximately RMB7.33 cents, representing an increase of 1.6% over previous year.

## MARKET REVIEW

The steady growth of China's economy fuelled a sustained growth in the fire alarm systems industry as a whole which led to a growing utilization and market penetration of fire alarm systems. Under the 11th Five Year Plan implemented by the PRC Government in 2006, almost every province, municipality and district incorporated fire safety projects into the planning of their general economic and social development and special programs for fire safety development have been strongly advocated on every level. Relevant government policies are also in place to further enhance the awareness of the importance of industrial safety among different industries. Tightened measures were also implemented to ensure that fire safety is being accorded a high priority in the workplace. Thus, the demand for fire prevention related equipment from different industries, was fostering, in particular, there was an increase in the demand for fire alarm systems products, installation and maintenance services from the industrial and public facilities sector which presents a potential for future business development.

Market competition exists in the fire alarm system industry with over 100 players in the PRC and drives selling price to adjustments. Nevertheless, the Group has successfully achieved the largest share in the PRC fire alarm systems market for many years with its primary task on the provision of diversified product and excellent service to customers not solely depending on price-cutting strategy. The Group has always pursued technological advances, greater brand recognition and better quality service in order to boost its core competitiveness. Effective efforts have also been made to reduce costs, so as to consolidate the Group's competitiveness and to alleviate the impact of prices adjustments.

As the PRC market grows at a rapid pace, there is a rising demand for one-stop solutions for the installation and maintenance services of fire alarm systems and such kind of market demand has become the norm. Consequently, providers who offer one-stop service solutions will become even more competitive and will benefit from such market opportunities. In addition, overseas export markets also provide good opportunities for those enterprises who offer superb products and services at competitive prices.

Furthermore, international fire safety systems manufacturers have also stepped up their penetration into the PRC market. They bring not only new challenges but also opportunities for local players to cooperate with them to explore the domestic market.

All these factors provided a favourable operating environment with good opportunities for the Group to propel its future growth.

## BUSINESS REVIEW

The Group is a provider of fire alarm systems, 119 fire network systems and other security systems products with research and development capabilities as well as providing installation, repair and maintenance services. The Group is well poised to emerge as a dominant player in the PRC fire industry with an increased market share of about 30% in the field of fire alarm systems.

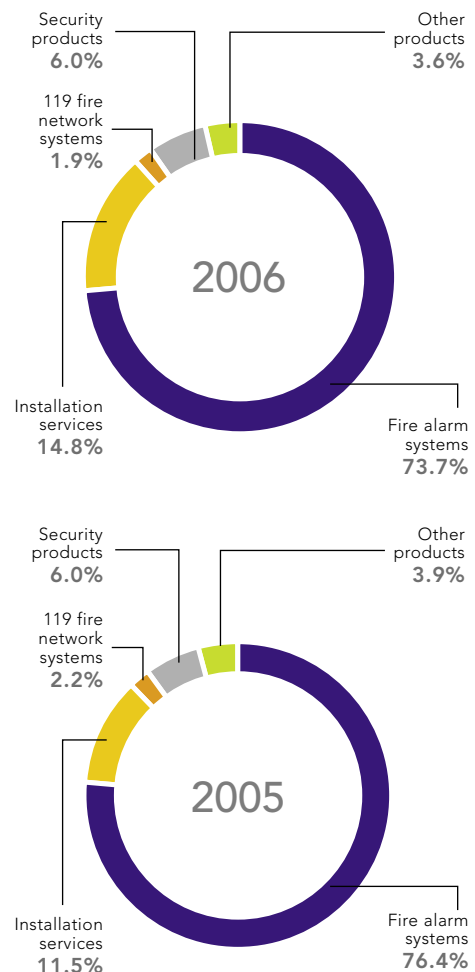
During the year under review, the Group focused on the manufacturing and sales of fire alarm systems products. This, in turn, contributed to driving the demand for product installation, repair and maintenance services, and ultimately further broadened the Group's revenue base from services business. In addition, the Group has always regarded the domestic market as its primary target for business development. On top of expanding its commercial and residential customer base, the Group took a great step in actively exploring the industrial and public facilities and export sectors to expand its market coverage in view of their great potential. The Group deployed more resources, such as establishing a designated team, in order to seize market opportunities and provide new driving forces to the Group's sales.

### TURNOVER ANALYSIS BY BUSINESS SEGMENTS

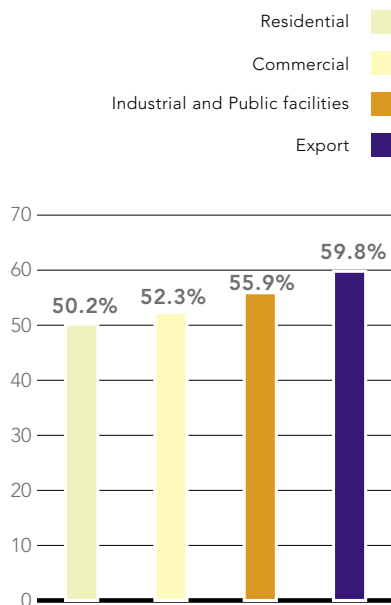
	2006 RMB' million	2005 RMB' million	Growth (%)
Fire alarm systems	476.1	429.0	11.0
Installation services	95.9	64.4	48.8
119 fire network systems	12.2	12.4	-1.3
Security products	38.3	33.8	13.2
Other products	23.3	22.1	5.4
<b>Total</b>	<b>645.8</b>	<b>561.7</b>	<b>15.0</b>

In order to expand its production capacity to achieve a better economies of scale, during the year, the Group completed the third phase of Qinhuangdao expansion project and new production facilities commenced operation in August 2006. The Group's production capacity increased by 82% and the overall utilization rate stands at approximately 60%-70%. The increased capacity will satisfy the rising demand in the next two years. The Group will continue to expand its production capacity to meet market demand as well as achieve better revenue growth.

In January, 2007, the Group was named by Forbes as the 21st highest growth potential PRC enterprises, for the second consecutive time included amongst the top 100 since 2006.



## GROSS PROFIT MARGIN ANALYSIS BY CUSTOMER TYPE



## FIRE ALARM SYSTEMS

Sales of fire alarm systems, the Group's core business, increased by 11.0% to RMB476,138,000 (2005: RMB429,003,000) and accounted for 73.7% of the total turnover. Of this total, sales from fire alarm systems and maintenance services were RMB466,856,000 and RMB9,282,000, respectively, representing a growth of 10.7% and 28.5% respectively. Despite the competition in the PRC fire alarm systems market with about 100 players, the Group successfully solidified its leading position in the industry. In terms of sales from domestic fire alarm system, the Group enjoyed a market share of about 30%, doubling the market shares held by the second and third largest players.

Leveraging its comprehensive product portfolio, the Group successfully established a diversified customer base, including commercial, residential as well as professional clientele such as metal refinery, electrical and chemical industrial customers, banks, government organizations, airports, railways and other public facilities. In recent years, the Group also proactively explored the export market and regards it as one of the driving engines for future business growth.

The Group's gross profit margin in the fire alarm system in 2006 was 53.5%, which was 3.4 percentage points lower than 2005 (2005: 56.9%) mainly due to normal business competition, but it was still at a satisfactory level. However, to enhance its overall profitability, the Group shifted its customer mix into higher margin customers such as industrial and public facilities clients (gross margin of 55.9%) and export clients (gross margin of 59.8%) from the domestic commercial clients (gross margin of 52.3%) and residential clients (gross margin of 50.2%). In particular, the sales growth in the industrial and public facilities sector and the export market is approximately 48.2% and 91.2%, respectively.

Meanwhile, the Group enhanced its bargaining power and reduced raw material cost by leveraging on its economies of scale on the one hand and improved its production process and product design through its research and development with technology upgrade on the other, thereby making the average production cost more competitive in order to attain its production cost control target.

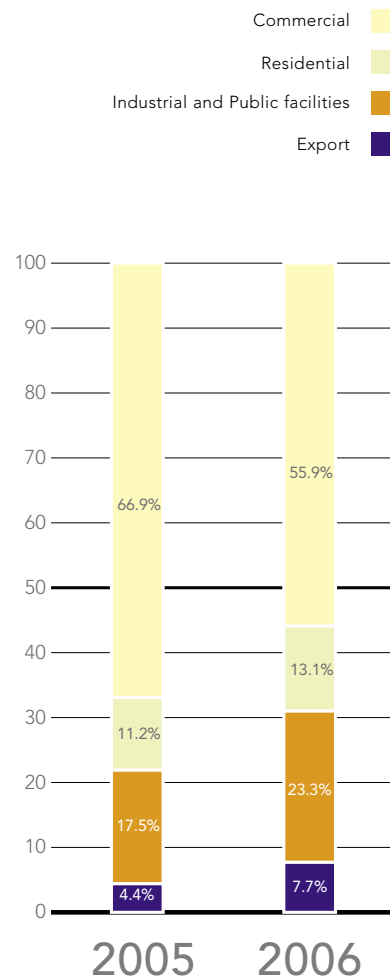
During the year under review, the Group took part in a number of major projects, namely the People's Bank of China Xi'an Branch Office Building (西安人民銀行辦公樓), Luoyang Teacher-training College (洛陽師範學院), the Hunan Yunda Plaza (Sheraton Hotel) (湖南運達廣場《喜來登大酒店》), the Shen Hua Coal-making Oil Chemical Plant (神華煤制油化工廠), the Dabei Junction Station (Passenger Transportation Station of Guangzhou) (大北樞紐站《廣州客運站》), the Huantai Culture & Sports Centre (桓台文體中心), the Yunda International Plaza (運達國際廣場) and Datang Huaibei Power Station (大唐淮北發電廠).

### INDUSTRIAL AND PUBLIC FACILITIES SECTOR

Fuelled by the PRC's rapid industrialization and the increased infrastructure development in major cities, more customers from industrial and public facilities sector adopted fire alarm systems for the fire precaution safety measures, which in turn boosted the demand from the industrial market. During the year under review, the industrial and public facilities sector achieved a significant increase of 48.2% over last year to approximately RMB111,163,000 which accounted for 23.3% (2005: 17.5%) of income from fire alarm systems.

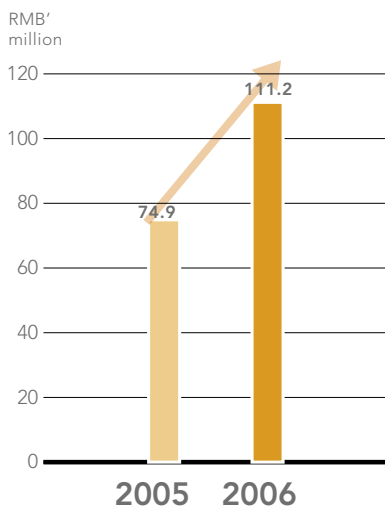
Leveraging on its diversified quality products and professional services, the Group offered products and services to customers from different kinds of industries during the year under review. Projects completed in the

### TURNOVER ANALYSIS OF FIRE ALARM SYSTEMS BY CUSTOMER TYPES



## TURNOVER OF INDUSTRIAL AND PUBLIC FACILITIES CLIENTS

# +48.2%

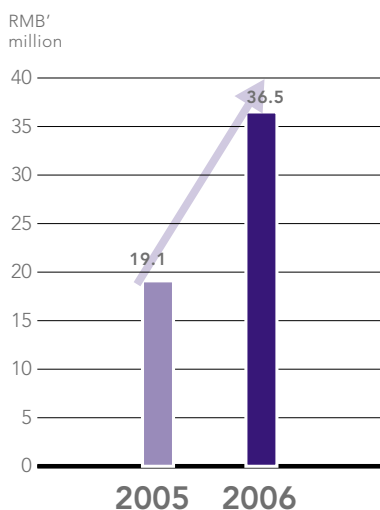


industrial and public facilities sector in 2006 included the China Mobile (中國移動), the Da Tang Baoding Heat Power Station(大唐保定熱電廠), the Plank Board Factory of Anshan Iron and Steel Group Corporation (鞍鋼集團厚板廠), the Zhuhai International Airport (珠海國際機場), the 3rd Affiliated Hospital of Chongqing Medical University (重慶醫科大學附屬第三醫院), the PA Factory of Jilin Petrochemical Company (吉林化工雙苯廠), China Construction Bank Anshan Branch (建設銀行鞍山分行), Beijing International Airport Expressway (首都國際機場快線), Yanshan Petrochemical 10 Million Ton Refinery Project (燕山石化1000萬噸/年煉油裝置) and Beijing Olympic Village (北京奧運村).

The Group plans to strengthen its business development in the industrial and public facilities sector to boost product profitability and stimulate the growth of product installation and repair services by increasing its percentage of sales in the total turnover of fire alarm systems. The Group believes industrial and public facilities customers will become the driving force behind business growth in 2007.

## TURNOVER OF EXPORT CLIENTS

# +91.2%



## EXPORT MARKET

Since it was founded, the Group has been strengthening its product, research and development technologies, as well as brand promotion. Now it has successfully established GST® as the No. 1 brand in China's fire alarm industry. While the PRC market was growing, the Group also had its eye on the international horizon and made great efforts to expand the overseas market. For the year under review, impressive growth was seen in both sales revenue and the gross profit margin generated by exported products. For the year ended 31 December 2006, export sales surged by 91.2% to RMB36,489,000 which accounted for 7.7% (2005: 4.4%) of fire alarm systems income. By leveraging on its advanced technology and high quality products at low cost and through successful managerial export strategies, the Group expanded into 5 new emerging markets, namely Chile, Paraguay, Nicaragua, Sri Lanka and Hong Kong, with an additional of 15 new customers.

To cope with the pace of its international initiatives, the Group has endeavoured to gain broader worldwide recognition for its GST® brand. The Group's quality fire alarm systems were certified and accredited by a number of international institutions, including Underwriters Laboratories Inc. (UL), Loss Prevention Certification Board (LPCB) and Conformite Europeenne (CE). In addition, the Group has secured local certifications from countries like Ukraine, Israel, Turkey and Uruguay. All these product certifications have been archived in Hong Kong. The Group's GST® trademark was granted the "Madrid International Trademark Registration Certificate" by the World Intellectual Property Organization in 2006. As such, we have obtained recognition and protection in Madrid Alliance member countries, including 24 countries from the Europe, Australia, Japan, United States and Singapore. Furthermore, the Group gained international trademark registration certification in Hong Kong, Lebanon and Mexico. To date, the GST® trademark is protected in over 84 countries and territories.

The Group completed a number of projects in international cities, including the Horizon Tower (high class residential property in the Dubai Waterfront) and the Majestic Hotel (in Dubai downtown) (迪拜海濱高尚住宅Horizon Tower及市區的Majestic Hotel), the Mausoleum of Mustafa Kemal Ataturk in Ankara of Turkey (土耳其安卡拉Mustafa Kemal Ataturk博物館), the Embassy of the People's Public of China in the Kingdom of Thailand (中國駐泰國大使館), the office building of the Ministry of Foreign Affairs of Mozambique (莫桑比克外交部大樓), the Consulate of Barcelona (巴塞羅那領事館), the Al-doha Building in Dubai (阿聯酋迪拜阿爾多哈大廈), the Sri Lanka Ravich Children's Hospital (斯里蘭卡里維奇兒童醫院), the Macedonia Kozjak Hydropower Plant (馬其頓科佳水電站) and Laos Vientiane Hotel (老撾萬象大酒店).

## INSTALLATION SERVICES

The Group mainly offers installation services for fire alarm systems and other low-voltage integrated systems, including installation of fire alarm systems, fire extinguish systems, building automation systems, CCTV security monitoring systems, carpark self-management systems and integrated line distribution systems. Backed by its superior product performance and comprehensive after-sales services, together with strong capability and excellent project operational experience, the Group is capable of providing its customers with a one-stop shop fire alarm systems products and solutions. During the year under review, turnover from installation services was satisfactory and reached RMB95,844,000 (2005: RMB64,408,000), representing an increase of 48.8% over last year and accounting for 14.8% of the total turnover. Income from installation services has been one of the Group's major growth drivers. The gross profit margin from installation services reached 30.5%, up 5.8 percentage points over last year.

During the year under review, the Group involved in several projects, including the Huadian Ningxia Lingwu Power Generation Co., Ltd. (華電寧夏靈武發電有限公司), the 3rd phase of the Industrial Park of Great Wall Motor Co., Ltd. (長城汽車股份有限公司工業園三期), the Qinhuangdao Hua Rui Coke Chemical Engineering Co., Ltd. (秦皇島華瑞煤焦化有限公司), the ward building of the First People's Hospital of Qinhuangdao (秦皇島市第一醫院病房樓), the Dongda City Plaza (東達城市廣場), Time Square, Dalian (大連時代廣場), Beijing Benz-Daimler Chrysler Automotive Company Manufactory (北京奔馳－戴姆勒克萊斯勒汽車有限公司廠房), China Shenhua Coal Oil Ltd.-Coal Liquefaction Project Fire Fighting System, Inner Mongolia (內蒙古·中國神華煤制油有限公司－煤直接液化專案消防工程) and Tonghua Iron and Steel Co. Ltd-Manufactory Fire Fighting System, Liaoning (遼寧·通化鋼鐵股份有限公司－生產廠房消防工程).

## 119 FIRE NETWORK SYSTEMS

The 119 fire network systems gained in popularity and were widely installed in 90 cities in the PRC, of which, 70 were provided and installed by the Group. The Group enjoys a leading position with a market share of 78%. Capitalizing on the Group's leading position, it is expected that this business will offer a steady growth under a flourishing economy across the country and high demand for fire safety.

Apart from selling 119 fire network systems, the Group has enhanced its competitive edge by also providing additional value-added auxiliary services to customers by virtue of its value-added network maintenance. During the year under review, the Group installed 119 fire network systems in 17 cities, including Taiyuan, Liuzhou, Changsha, Langfang, Haerbin, Foshan, Wenzhou and Suzhou. The sales income from 119 fire network systems was slightly decreased by 1.3% to approximately RMB12,197,000 (2005: RMB12,360,000) and the gross margin was at high level of 71.8% (2005: 79.5%).

The Group believes that the increasing weight of such high gross margin business will contribute positively to the gross profit margin of the Group and will bring a potential growth opportunity in the 119 fire network systems sector.

## SECURITY PRODUCTS

Our "GST" brand has been recognized as the No. 1 brand in the PRC's fire safety industry and supported by its nationwide sales network and the Group has started to expand the safety security business. For the year ended 31 December 2006, sales of security products grew by 13.2% to RMB38,259,000 (2005: RMB33,811,000). The security products include video entry systems and building automation systems. As the volume growth which led to better economy of scale, the gross profit margin improved 6.6 percentage points to 35.2% (2005: 28.6%).

## OTHER PRODUCTS

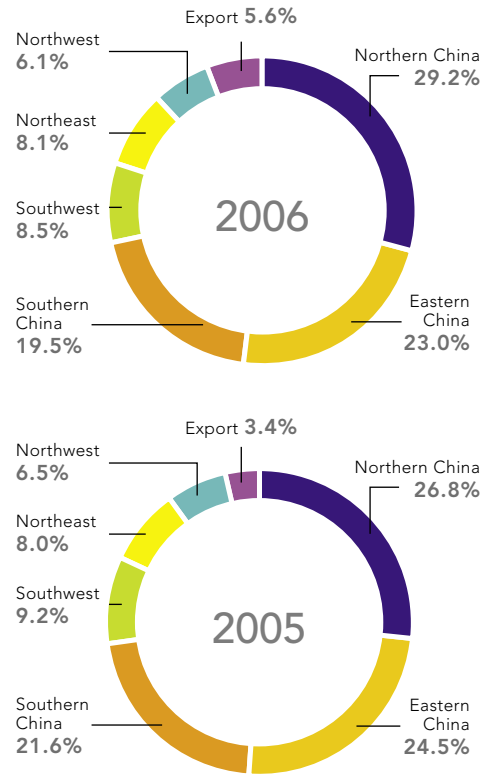
Other products mainly include electric power meters. Sales of electric power meters increased by 5.4% to RMB23,333,000 (2005: RMB22,134,000) with gross margin up to 45.9% (2005: 40.4%) due to the better economies of scale.



## NATIONWIDE SALES NETWORK

As the market leader in fire alarm and 119 fire network systems, one of the Group's competitive edges lies in its extensive sales network. During the year under review, the Group adds 27 new offices and it has a total of 115 offices nationwide, far ahead of its competitors. The Group has a team of approximately 1,114 employees specializing in sales, marketing and technical support. This professional team enables the Group to provide comprehensive services to, and maintain close connection with, customers across different regions. Such an extensive sales and distribution network coverage creates the opportunity for the Group to successfully enter into a Distribution Agreement with Apollo Fire Detectors Ltd. ("Apollo"), the largest fire detector manufacturer in Europe, in June 2006. Under this agreement, the Group distributes high-end fire safety and security products for Apollo to jointly expand both companies' market shares in the PRC. Management believes such an international partnership will not only create fruitful results for its business in the PRC, but will also contribute to its expansion in the export markets.

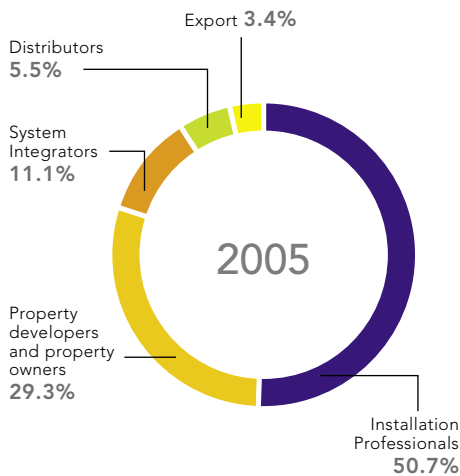
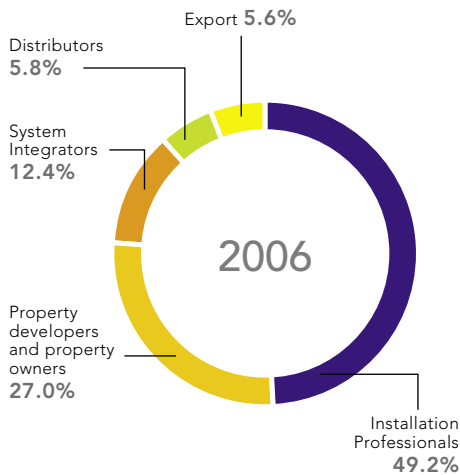
## TURNOVER ANALYSIS BY GEOGRAPHICAL REGIONS



## GEOGRAPHICAL COVERAGE OF REPRESENTATIVE OFFICES IN CHINA



## TURNOVER ANALYSIS BY SALES CHANNELS



## SALES CHANNELS

For the past year, stable performance was recorded as installation professional served as the major sales channel for the Group.

## ABUNDANT ORDERS ON-HAND

The Group accustomed to enter into contracts with its customer before the delivery of goods due to its business nature. As at 31 December 2006, orders on-hand reached a total value of approximately RMB325,113,000 representing an increase of 25.0% as compared to the previous year (2005: RMB260,000,000).

## OPERATING COSTS

During the year under review, the Group's overall operating costs was lower by 1.9 percentage points. Though distribution costs and administrative and general expenses increased as the Group expanded its business, the Group continued to implement stringent operating cost control. For the year ended 31 December 2006, as a result of the increase in the number of sales offices, as well as sales, marketing and technical staff, distribution costs increased by 4.9% to approximately RMB81,583,000 (2005: RMB77,785,000), which accounted for 12.6% of the turnover, down by 1.2 percentage points as compared to last year.

Administrative and general expenses was approximately RMB90,875,000 (2005: RMB83,011,000), representing an increase of 9.5% over last year, due to the strengthening of the management team. This amount accounted for 14.1% of the turnover, representing a decrease of 0.7 percentage points as compared with last year.

## OTHER INCOME AND INCOME TAX

Due to the policy adjustment by the government which disallowed the valued-added tax refund of certain products, for the year ended 31 December 2006, the VAT refund was approximately RMB16,859,000 (2005: RMB29,810,000) decreased by RMB12,951,000 compared

with last year. In addition, the Group's major subsidiaries were operating under the income tax exemption period in 2005, thus the Group enjoyed a relatively lower tax expenses. The year 2006 was the first of three consecutive profitable years in which a tax relief of 50% was granted, after the 2 years' tax exemption period expired. The taxation for 2006 was approximately RMB8,001,000 (2005: RMB694,000).

## WORKING CAPITAL, FINANCIAL RESOURCES AND BANK LOANS

For the year ended 31 December 2006, the Group recorded operating cash inflow of approximately RMB125,201,000, representing a drop of 12.8% over last year's RMB143,564,000 which is mainly related to increase of inventory. Cash used in investment activities amounted to approximately RMB90,003,000, (2005: RMB37,744,000) which was mainly for the expansion of our factory. Cash used in financing activities amounted to approximately RMB73,083,000 which was mainly for payout of dividend declared in 2006. In 2005, cash generated from financing activities amounted to approximately RMB261,799,000 which was due to cash proceeds from listing of shares of the Company in The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year under review, the Group did not have any short-term or long-term bank loan. As such, the gearing ratio (being total debt divided by total shareholders equity) was zero.

## USE OF PROCEEDS FROM LISTING

The net proceeds from the Company's initial public offering on 30 June 2005 amounted to about RMB334,000,000, which will be applied for the following purposes as set forth in the Company's prospectus:

- Approximately RMB285,000,000 for constructing, expanding and upgrading the Group's manufacturing and related auxiliary facilities; and

- Approximately RMB49,000,000 for expanding and improving the Group's sales and distribution networks.

As at 31 December 2006, approximately RMB86,469,000 from the listing proceeds was used in the following manner:

- Approximately RMB71,852,000 for constructing, expanding and upgrading the Group's manufacturing and related auxiliary facilities; and
- Approximately RMB14,617,000 for expanding and improving the Group's sales and distribution network.

## FOREIGN CURRENCY EXPOSURES AND TREASURY POLICY

We are exposed to a risk of the exchange rate change between the United States dollar and Renminbi. In principle, more than 95% of our sales and raw material purchasing amounts are denominated in Renminbi. However, the purchases of raw materials by our suppliers are usually transacted in United States dollar. Given the appreciation of the Renminbi against the United States dollar, announced in July 2005, favorable impacts are expected to be brought to the Group's future financial performance in terms of reducing raw material costs. The Group's bank deposits are predominately in

Renminbi, Hong Kong dollar and United States dollar. The Directors are of the opinion that the appreciation of Renminbi may not cause any significant adverse effects on the financial position of the Group's operation. However, a foreign exchange loss of approximately RMB5,688,000 (2005: RMB7,554,000) was reflected in our financial statements given that the proceeds from the listing were denominated in Hong Kong dollar while the Group's accounts were calculated in Renminbi.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, will appropriately hedge its foreign currency exposure. For the year ended 31 December 2006, the Company did not use any financial instruments or enter into any contract in order to hedge against its foreign currency exchange risk.

## HUMAN RESOURCES

As at 31 December 2006, the Group's total number of employees was 2,418, representing a 40.7% growth in the number of employees 1,718 as at 31 December 2005. The Group values its human resources and attempts to attract and retain competent personnel. Remuneration packages are structured with regard to individual employee's qualification

and the prevailing market conditions. The Company also currently provides sufficient training and continuing professional development opportunities to its staff.

The Company has set up a remuneration committee for the purpose of reviewing the remuneration packages of the executive Directors of the Company and senior management. The committee is composed of two independent non-executive Directors and one non-executive Director with Mr. Chan Chi On, Derek, an independent non-executive Director, as the chairman.

## FUTURE PROSPECT

The PRC government is expected to continue its proactive macroeconomic control policies in the coming year, which certainly will further influence the overall development and investment activities in mainland China and indirectly affect the market demand for fire alarm systems. But great potential still exists in the market of fire alarm market in the PRC. Under normal industry competition, it is anticipated that the average selling price of fire alarm system products will continue to see adjustments in 2007 but to a lower extent after 2008.

Today's fire alarm systems industry is a conglomeration of enterprises with disparate qualifications. Some smaller players are anticipated to be phased out due to diminishing profit margins caused by price wars. A better integrated market is expected to be formed, together with improved industry standards and rational competition. The expected healthier market environment will benefit the Group's development and further consolidate its leading position. Looking forward, the Group plans to make use of its advantageous market position to diversify its revenue sources. The Group will continue to generate income from a number of revenue stream with fire alarm systems product sales as the core, and will drive income growth in installation services, repair and maintenance and other product sales.

Major growth of the Group will come from the following areas:

### 1. Fire Safety Rules and Regulations

In recent years, the PRC's economy have grown steadily and the central government has placed a strong emphasis on fire safety. More and more rigorous fire safety standards and policies are being stipulated. Such as Fire Regulation on Construction Design (建築設計防火規範) and Automatic Fire Alarm System Design Regulation (火災自動報警系統設計規範). Great attention has been paid to fire safety in the workplace by both regulatory bodies and the media. As a result of the PRC's strengthened regulatory supervision and higher requirements for fire systems, the market demand for reliable fire alarm systems will continue to rise.

### 2. Fire Extinguish Systems Product

Following to the leading position in fire alarm systems, the Group will commence to manufacture and sell fire extinguish systems products to become a comprehensive fire systems provider. Some of the fire extinguish systems has commenced the certification inspection and testing. It is likely to be introduced to the market in this year.

### 3. Industrial and Public Facilities customers and Export market

In view of market potential, the Group will continue to develop new products to expand customer base, in particular of those from industrial and public facilities and export sectors which generate higher margins. The Group aims to increase the sales from these two businesses to 40% of turnover of fire alarm systems.

### 4. Sales Network

The Group also targets to add 15 sales offices in the PRC in 2007 to further enhance its penetration in the domestic market.

### 5. Installation Services

As a highly qualified expert in fire safety systems, the Group creates great value for its customers and wins their trust through the professional services provided. In the past, the profit margin and business growth in installation services have been satisfactory. Management believes that the future of this business is promising based on the Group's absolute advantage in the PRC's market. The services business of the Group will not only increase income, but will also assist the Group in turning into an all-around solution provider of fire systems where both services and products are equal in excellence.

### 6. Service Centres

In order to increase the income of maintenance services, the Group plans to set up maintenance service centres in about 20 cities across the PRC to expand the services coverage of its customers.

### 7. Expansion into Security Industry

Leverage on the Group's extensive sales network in the PRC, the Group is expanding its business scope into security industry. More effort will be put into producing new security products to serve the high growth demand in this sector.

## 8. Merger and Acquisition

As the Group has adequate funding, the Group will seek merger and acquisition opportunities for suitable candidates in the fire industry and security industry, so as to expand the business scope and increase earning level and returns.

## CONCLUSION

The Group is determined to become the PRC's one-stop solutions provider of fire alarm systems and to serve customers with fire alarm systems and

peripheral equipment. Year 2006 was a fruitful year for the Group. During the year, the Group successfully introduced a U.S. Fortune 500 company, the United Technologies Corporation (UTC), as the second largest shareholder of the Group. This not only enhanced the Group's shareholder base, but also marked a historical milestone in the Group's development. In addition, the Group was awarded as one of the top 100 highest growth potential PRC enterprises by Forbes for two consecutive years since 2006. Management believes that the Group will benefit from more international collaborations and will seize opportunities in the high-end fire safety and security market in the PRC. Strengthening its existing leading position, the Group will also explore the promising market to achieve faster business growth and maximize returns for our shareholders.