CHINA SECURITY & SURVEILLANCE TECHNOLOGY, INC.
Form 10-K/A
December 05, 2008

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 10-K/A

**Amendment No. 1**

Q **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the fiscal year ended: December 31, 2007

£ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to ____________

Commission File Number: 000-50917

# CHINA SECURITY & SURVEILLANCE TECHNOLOGY, INC.

**(Exact Name Of Registrant As Specified In Its Charter)**

| | |
|---|---|
| **Delaware** | **98-0509431** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

**13/F, Shenzhen Special Zone Press Tower, Shennan Road,**

**Futian District, Shenzhen,**

**Peoples Republic of China, 518034**
**(86) 755-8351-0888**

(Registrant s telephone number, including area code)

| **Securities registered pursuant to Section 12(b) of the Act:** | **Name of Each Exchange on Which Registered:** |
|---|---|
| Common Stock, $.0001 par value | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act:** None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No Q

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No Q

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 Q No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of “accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer Q Non-accelerated filer ¨ Smaller reporting company ¨

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

At June 29, 2007, the last business day of the registrant’s most recently completed second fiscal quarter, there were 37,771,488 shares of the registrant’s common stock outstanding, and the aggregate market value of such shares held by non-affiliates of the registrant (based upon the closing price of such shares as reported on the Over-the-Counter Bulletin Board) was approximately $260 million. Shares of the registrant s common stock held by the registrant s executive officers and directors have been excluded because such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 42,881,804 shares of common stock outstanding as of March 7, 2008.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant s Proxy Statement for its Annual Meeting of Shareholders to be filed with the Commission within 120 days after the close of the registrant s fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K.

## EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K for the year ended December 31, 2007 of China Security & Surveillance Technology, Inc. (the "Company") is filed in response to comments by the Staff of the Securities and Exchange Commission (the "SEC") in connection with their review of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC on March 10, 2008 (the "Original Filing").

This Form 10-K/A revises amend Item 7 "Management s Discussion and Analysis of Financial Condition and Results of Operations" to (i) remove the per-share information contained in the text and graphic disclosure of the Company s non-cash components of the comparisons for the years ended December 31, 2007 and 2006, and December 31, 2006 and 2005, and (ii) the per-share amounts in the graphic disclosure under the sub-heading "Gain on disposal of land use rights and properties."

Although appropriate disclosure controls and procedures were established and complied with at the time of the Original Filing, the disclosure under Item 9A "Controls and Procedures" did not clearly state that the Company s certifying officers concluded that the Company s disclosure controls and procedures were effective. This Form 10-K/A revises Item 9A of the Original Filing to correct this disclosure. Additionally, the certifications required by Item 601(b)(31) of Regulation S-K accompanying the Original Filing erroneously omitted the internal control over financial reporting language from the introductory portion of paragraph 4 of the certifications. Accordingly, this Form 10-K/A includes the corrected certifications.

For purposes of this Form 10-K/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Original Filing, that was affected by the error has been amended and restated in its entirety. Unless otherwise indicated, this report speaks only as of the date of the Original Filing. No attempt has been made in this Form 10-K/A to update other disclosures presented in the Original Filing. This Form 10-K/A does not reflect events occurring after the date of the Original Filing or modify or update those disclosures, including the exhibits to Original Filing affected by subsequent events; however, as mentioned above, this Form 10-K/A includes as exhibits 31.1, 31.2, 32.1 and 32.2 new certifications by the Company s Chief Executive Officer and Chief Financial Officer.

## INTRODUCTORY NOTE

Except as otherwise indicated by the context, references to "CSR," "we," "us," "our," "our Company," or "the Company" are to China Security & Surveillance Technology, Inc., a Delaware corporation and its direct and indirect subsidiaries. Unless the context otherwise requires, all references to

(i) "Safetech" are to China Safetech Holdings Limited, a British Virgin Islands corporation;

(ii) "CSST HK" are to China Security & Surveillance Technology (HK) Ltd., a Hong Kong corporation;

(iii) "Chain Star" are to Chain Star Investments Ltd., a Hong Kong corporation;

(iv) "Link Billion" are to Link Billion Investment Ltd., a Hong Kong corporation;

(v) "Allied Rich" are to Allied Rich Ltd., a Hong Kong corporation;

(vi) "Ocean Pacific" are to Ocean Pacific Technology Ltd., a Hong Kong corporation;

(vii) "CSST PRC" are to China Security & Surveillance Technology (PRC) Inc., a corporation incorporated in the People s Republic of China;

(viii) "Golden" are to Golden Group Corporation (Shenzhen) Limited, a corporation incorporated in the People s Republic of China and an indirect, wholly owned subsidiary of the company;

(ix) "Cheng Feng" are to Shanghai Cheng Feng Digital Technology Co. Ltd., a corporation incorporated in the People s Republic of China and an indirect, wholly owned subsidiary of the company;

(x) "Hongtianzhi" are to Shenzhen Hongtianzhi Electronics Co., Ltd., a corporation incorporated in the People s Republic of China and an indirect, wholly owned subsidiary of the company;

(xi) "HiEasy" are to HiEasy Electronic Technology Development Co., Ltd., a corporation incorporated in the People s Republic of China and an indirect, wholly owned subsidiary of the company;

(xii) "Minking" are to Changzhou Minking Electronics Co., Ltd., a corporation incorporated in the People s Republic of China and an indirect, wholly owned subsidiary of the company;

(xiii) "Tsingvision" are to Hangzhou Tsingvision Intelligence System Co., Ltd., a corporation incorporated in the People s Republic of China and an indirect, wholly owned subsidiary of the company;

(xiv) "BVI" are to the British Virgin Islands;

(xv) "PRC" and "China" are to the People s Republic of China;

(xvi) "U.S. dollar," "$" and "US$" are to United States dollars;

(xvii) "RMB" are to Yuan Renminbi of China;

(xviii) "Securities Act" are to Securities Act of 1933, as amended; and

(xix) "Exchange Act" are to the Securities Exchange Act of 1934, as amended.

Special Note Regarding Forward Looking Statements

In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We use words such as "believe," "expect," "anticipate," "project," "target," "plan," "optimistic," "intend," "aim," "will" or similar expressions are intended to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance, liquidity and capital resources and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, as well as assumptions, that, if they were to ever materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties, among others, include:

General economic and business conditions in China and in the local economies in which we regularly conduct business, which can affect demand for the Company s products and services;

Changes in laws, rules and regulations governing the business community in China in general and the security and surveillance industry in particular;

Competition and competitive factors in the markets in which we compete;

Our ability to attract new customers;

Our ability to keep pace with technological developments in the security and surveillance industry, and to develop and commercialize new products;

Our ability to employ and retain qualified employees;

Our ability to successfully integrate companies that we have acquired and to avoid or mitigate potential damages arising from risks associated with acquired companies and the legal structures utilized to effectuate acquisitions of these companies; and

The risks identified in Item 1A. "Risk Factors," included herein.

All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements regarding new and existing products, technologies and opportunities; statements regarding market and industry segment growth and demand and acceptance of new and existing products; any projections of sales, earnings, revenue, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; uncertainties related to conducting business in China; any statements of belief or intention; and any statements of assumptions underlying any of the foregoing. The Company assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *Overview*

We manufacture, distribute, install and service security and surveillance products and systems and develop security and surveillance related software in China. We generate revenues within two primary operating segments: our systems installation business and our manufacturing of security and safety products business. A majority of our revenues is derived from the provision of security and surveillance packaged solutions which include the products, installation and after sale service maintenance to our customers. Because the majority of our revenues are derived from installation, they are generally non-recurring. Our revenues are not concentrated within any one customer or group of related customers. Maintenance services in our packaged solution are included for the first year from the date of completion. Our customers have an option to sign up for our maintenance program after the first year.

Our manufacturing of security and safety products revenue results primarily from selling of our products, excluding products sold in connection with the installation projects described above. The recent acquisitions of Hongtianzhi, HiEasy and Minking improved and will continue to improve our manufacturing business. We sell our cameras, VCR boxes and other ancillary items to various venders primarily in China. Although we have sold a small number of Hongtianzhi s and Minking s products internationally, we do not anticipate that the international market will be a significant source of revenues in the foreseeable future.

Our customers primarily comprise (i) governmental entities (including, but not limited to, customs agencies, courts, public security bureaus and prisons), (ii) non-profit organizations (including, but not limited to, schools, museums, sports arenas and libraries) and (iii) commercial entities (including, but not limited to, airports, hotels, real estate, banks, mines, railways, supermarkets and entertainment venues). These account for approximately 39.96%, 0.49% and 59.55% of revenues from system installation, respectively for the year ended December 31, 2007.

Our sales network covers most of China s populated areas and we do not rely on any particular region for our business. Among our subsidiaries, Golden has 28 branch offices in provincial cities, Cheng Feng has 23 distribution points, Hongtianzhi has 53 distribution points, HiEasy has 16 distribution points, Minking has 14 distribution points and Tsingvision has 4 distribution points.

### *Recent Developments*

On January 1, 2008, Mr. Guoshen Tu resigned as the President of the Company. Mr Tu continues as the Chief Executive Officer. At the same time, Mr. Shufang Yang resigned as the Chief Operating Officer and was appointed by the Company as the President. Neither Mr. Tu s resignation nor Mr. Yang s resignation is in connection with any known disagreement with the Company on any matter. At the same time, the Company appointed Mr. Daiyou Qian, as the Chief Operating Officer of the Company.

On January 11, 2008, Whitehorse Technology Limited, a company organized in the British Virgin Islands ("Whitehorse"), which is wholly owned by Mr. Tu, the Chief Executive Officer of the Company, issued and sold $50 million in aggregate principal amount of Exchangeable Senior Notes due 2012 to a third party investor (the "Investor") not affiliated with CSR. In connection with this transaction, Whitehorse and Mr. Tu pledged 8,750,000 shares of the Company's common stock that are directly and indirectly beneficially owned by Whitehorse and Mr. Tu, respectively, to secure the notes. Whitehorse may only use the note proceeds to (i) buy common stock of the Company from the Company in a private transaction, (ii) make a loan to the Company, the proceeds of which may be used by the Company to fund certain acquisitions, or (iii) buy stock of the Company in the open market. The Notes are issued to Mr. Tu and secured by his own holdings of CSR s common stock and the Notes will neither result in any dilution of shares of common stock held by other CSR stockholders, nor will interest on the Notes, which is payable by Whitehorse and not CSR, in any way currently affect CSR's net income. CSR was not a party to any of the Note agreements and did not make any representations, warranties or covenants in connection with the Notes.

On January 18, 2008, the Company and CSST PRC entered into an Exclusive Cooperation Agreement with Beijing DM Security & Technology Co., Ltd.( DM ), a corporation incorporated in the PRC which is engaged in the business of designing, developing and selling security and surveillance products, pursuant to which the parties have agreed, among other things, that CSST PRC will provide various services to DM, including training services, provision of technology licenses, equipment, consultations and other related services. DM will subcontract all its business to CSST PRC or its designees to the extent permitted by the PRC laws and regulations at no less than 80% of the face value of the contract. DM agreed to add CSST PRC s name to its marketing materials and any of its marketing and business development activities will be conducted either in the name of both DM and CSST PRC or through a joint venture established by the parties. In addition, the Company and CSST PRC have agreed to pay RMB20 million (approximately $2.67 million) and $2.82 million worth of the Company s common stock (136,378 shares, valued at $20.705/share based on the 20-day average closing price of the Company s stock prior to the signing of the Agreement), which will be issued to DM s designees within 90 days after the signing of the Agreement. The term of the Agreement is 20 years which is automatically renewable for another 20 years unless terminated by CSST PRC.

On February 4, 2008, the Company filed the Certificate of Amendment of Certificate of Incorporation of the Company with the Secretary of State of the State of Delaware to (i) increase the number of authorized shares of common stock of the Company, par value $0.0001 per share, from 100,000,000 shares to 290,000,000 shares and (ii) authorize the board of directors of the Company to issue up to 10,000,000 shares of preferred stock, par value $0.0001 per share. The Certificate of Amendment of Certificate of Incorporation of the Company was approved by the special shareholders meeting held on February 1, 2008.

***Material Opportunities and Challenges***

Regulations promulgated by governmental agencies in China relating to security and surveillance industry often create opportunities for us. Currently, there are a number of formal and planned regulatory drivers which the Company believes offer significant growth opportunities. These include the estimated $6 billion to $12 billion that the Chinese government expects to spend for security infrastructure in preparation for the 2008 Olympics, along with the planned investment by Shanghai for the 2010 Worlds Fair. In addition, several ordinances have been passed by the Chinese government which require security surveillance systems to be installed in: (1) 660 cities throughout China for street surveillance; (2) all entertainment locations starting from March 1, 2006; (3) all Justice Departments and Courts; and (4) all coal mines in China (currently estimated at 24,000) from the beginning of 2008.

We are actively pursuing near-term acquisition prospects and other strategic opportunities. In 2007, we successfully acquired Hongtianzhi, HiEasy, Minking and Tsingvision. We have also recently announced plans to acquire Longhorn Security Technology Co., Ltd ( Longhorn ), Beijing Aurine Divine Land Technology Co., Ltd. ( Guanling ), Shenzhen Alean Technology Development Co., Ltd. ( Alean ), Guangdong Stonesonic Digital Technique Co.,Ltd. ( Stonesonic ) and Shenzhen Jin Lin Technology Co., Ltd.( Jin Lin ). We also plan to establish the cooperation agreement with Beijing Aurine Yingke Intelligent System Integration Co. Ltd. ( Yingke ).

Longhorn is specializing in the whole process of research, development and manufacturing of the security products for guard against theft and alarm.

Guanling is the appointed sales agent of Panasonic and Samsung in China, for closed-circuit surveillance systems, public broadcasting equipments and plasma TV. It is also the agent of Honeywell for guard against theft and alarm systems.

Alean specializes in manufacturing alarm systems, CCTV systems and access control. The product line includes photoelectric beam detectors, PIR, control systems, CCD cameras, speed domes, DVR and video door phones.

Stonesonic is a high technology enterprise specializing in manufacturing and equipment supervising of LCD multiple screen combination panel walls, built-in Quad LCD monitors and progressive scanning color digital monitors.

Jin Lin is a company engaged in professional intelligent security monitoring systems, intelligent transportation system (ITS) product development.

Yingke is a company specializing in the design and installation of devices and facilities for closed-circuit or open monitoring, theft alarm, patrolling, pubic broadcasting, meeting and simultaneous interpretation, self-control in buildings, comprehensive wire device, card lock, person-to-person talking, VOD video frequency program selecting, class communication, closed-circuit television, highway fees colleting and fire controlling.

We have a government policy monitoring group within the Company that regularly monitors changes in governmental regulations affecting the security and surveillance industry in China. If we determine that a new regulation or a change to an existing regulation presents an opportunity for us, we will actively pursue such opportunity. As a result, we act promptly on policy changes and are able to turn them into business opportunities.

We also face the long-term challenge of maintaining our rapid growth. In addition to maintaining the growth of our existing businesses, we employ an acquisition strategy. In addition, to promote the continued growth of the group, we plan to explore others areas related to the security and surveillance industry (including, but not limited to, the fire and alarm sectors, access control, and related security and surveillance services) and recurring revenue business models within our existing business sectors.

During 2008, in order to maintain our competitive edge and to enhance the management of the group, we will integrate the group into four divisions. The divisions are, as follows:

(a)

System installation: designs, sells, installs, services and monitors electronics security systems to residential, commercial, industrial and governmental customers.

(b)

Manufacturing of security and safety products: designs, manufactures and sells security and safety products, including intrusion security, access control and video management systems.

(c)

Security services: provides security and alarm monitoring services to residential, commercial and industrial customers. In addition, data management and maintenance services for governmental customers.

(d)

Distribution of security and safety products: sells security and safety products, including intrusion security, access control and video management systems.

In 2007, we had 2 segments: system installation and manufacturing of security and safety products. Security services and distribution of security and safety products will be developed as major divisions pursuant to our operating plan.

**2007 Financial Performance Highlights**

We continued to experience strong demand for our products and services during the year ended December 31, 2007 and growth in our revenues and net income. The security and surveillance product market in China continued to expand in 2007 due, in part, to several programs and regulatory drivers initiated by the Chinese government, such as

State Ordinance 458 and the Safe City program, which requires many public places, including city-wide surveillance systems, traffic conjunctions, critical government locations, cyber cafés, bars and discotheques, to install security systems. In addition, the economic development in China and the fact that the population in China in general is becoming relatively wealthier also contributed to increased demand for security and surveillance products within various industries and organizations, such as residential estates, factories and shopping centers. Our financial results also benefited from the consolidation of companies acquired in 2007, which contributed approximately $38.2 million revenues in aggregate, accounting for approximately 15.9% of the total revenues of 2007.

The following are some financial highlights for the year ended December 31, 2007:

- *Revenue:* Revenues increased $133.20 million, or 124.5%, to $240.19 million for the year ended December 31, 2007, from $106.99 million in 2006. System installation segment revenue increased $ 65.09 million, or 69.13%, to $159.25 million for the year ended December 31, 2007, from $94.16 million in 2006. The manufacturing of security and safety products segment revenue increased $68.11 million, or 530.87%, to $80.94 million for the year ended December 31, 2007, from $12.83 million in 2006.

- *Gross margin*: Gross margin was 28.95% for the year ended December 31, 2007, compared to 28.99% in 2006. Gross margin in the system installation segment was 28.9% for the year ended December 31, 2007, compared to 29.9% in 2006. The slight decrease was primarily due to gradually increased contract size. Gross margin in the manufacturing segment was 29.1% for the year ended December 31, 2007, compared to 22.2% in 2006. Such increase was primarily due to a change of product mix, and better economies of scale.

- *Income from operations:* Income from operations increased $17.31 million, or 68.31%, to $42.65 million for the year ended December 31, 2007, from $25.34 million in 2006. Income from operations in the system installation segment increased $11.70 million, or 49.64%, to $35.27 million for the year ended December 31, 2007, from $23.57 million in 2006. Income from operations in the manufacturing segment increased $10.88 million, or 426.67%, to $13.43 million for the year ended December 31, 2007, from $2.55 million in 2006.

- *Operating margin:* Operating margin (the ratio of income from operations to revenues, expressed as a percentage) was 17.76% for the year ended December 31, 2007, compared to 23.68% in 2006. Operating margin in the system installation segment was 22.15% for the year ended December 31, 2007, compared to 25.03% in 2006. Operating margin in the manufacturing segment was 16.59% for the year ended December 31, 2007, compared to 19.88% in 2006.

- *Net income:* Net income increased $12.39 million, or 54.03%, to $35.32 million for the year ended December 31, 2007, from $22.93 million in 2006.

- *Net margin:* Net margin (the ratio of net income to revenues, expressed as a percentage) was 14.70% for the year ended December 31, 2007, compared to 21.43% in 2006. The decrease was primarily due to non-cash expenses.

- *Fully diluted net income per share*: Fully diluted net income per share was $0.91 for the year ended December 31, 2007, as compared to $0.85 in 2006.

- *Non-cash items* : Non-cash items included (i) the redemption accretion on convertible notes of $13.70 million, (ii) depreciation and amortization of $5.04 million, and (iii) non-cash employee compensation expense of $4.16 million for the year ended December 31, 2007. Total non-cash items are $22.90 million, representing an increase of $21.78 million, or 1944.64%, from $1.12 million in 2006.

Our net income, as reported in our results of operations in fiscal 2007, 2006 and 2005, was approximately $35.32 million, $22.93 million and $7.27 million, respectively. Our net income was materially impacted by depreciation and amortization of long-lived assets in the subsidiaries we acquired, non cash employee compensation recognized pursuant to SFAS 123 (R) and redemption accretion on convertible notes. In the table below, we have presented a non-GAAP financial disclosure to provide a quantitative analysis of the impact of the depreciation and amortization of long-lived assets in the subsidiaries we acquired, non cash employee compensation and redemption accretion on convertible notes on our net income. Because these items do not require the use of current assets, management does not include these items in its analysis of our financial results or how we allocate our resources. Because of this, we deemed it meaningful to provide this non-GAAP disclosure of the impact of these significant items on our financial results.

The following table summarizes the Company s non-cash components for the years ended December 31, 2007 and 2006.

All amounts in millions of U.S. dollars

| **Non-cash items** | | **2007** | | **2006** | | **Increase** |
|---|---|---|---|---|---|---|
| Depreciation and amortization | $ | 4.82 | $ | 1.12 | $ | 3.70 |
| Depreciation and amortization (included in cost of goods sold) | | 0.22 | | -- | | 0.22 |
| Non-cash employee compensation | | 4.16 | | -- | | 4.16 |
| Redemption accretion on convertible notes | | 13.70 | | -- | | 13.70 |
| **Total** | $ | 22.90 | $ | 1.12 | $ | 21.78 |

The following table summarizes the Company s non-cash components for the years ended December 31, 2006 and 2005.

All amounts in millions of U.S. dollars

| **Non-cash items** | | **2006** | | **2005** | | **Increase** |
|---|---|---|---|---|---|---|
| Depreciation and amortization | $ | 1.12 | $ | 0.26 | $ | 0.86 |
| Non-cash employee compensation | | -- | | -- | | -- |
| Redemption accretion on convertible notes | | -- | | -- | | -- |
| **Total** | $ | 1.12 | $ | 0.26 | $ | 0.86 |

***Results of Operations***

***The following table sets forth key components of our results of operations for the years ended December 31, 2007, 2006 and 2005, in dollars and as a percentage of revenues.***

| | | **2007** | | | **2006** | | | **2005** | |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | $ | 240.19 | 100.0% | $ | 106.99 | 100.0% | $ | 32.69 | 100.0% |
| Cost of goods sold (including depreciation and amortization for the years ended December 31, 2007, 2006 and 2005 of $0.22, $0 and $0, respectively) | | (170.65) | 71.0% | | (75.98) | 71.0% | | (23.47) | 71.8% |
| Gross profit | | 69.54 | 28.9% | | 31.01 | 29.0% | | 9.22 | 28.2% |
| **Expenses** | | | | | | | | | |
| Selling and marketing | | (5.62) | 2.3% | | (1.51) | 1.4% | | (0.29) | 0.9% |
| General and administrative | | (12.29) | 5.1% | | (3.04) | 2.8% | | (1.19) | 3.6% |
| Non-cash employee compensation | | (4.16) | 1.7% | | - | 0.0% | | - | 0.0% |
| Depreciation and amortization | | (4.82) | 2.0% | | (1.12) | 1.0% | | (0.26) | 0.8% |
| **Income from operations** | | 42.65 | 17.8% | | 25.34 | 23.7% | | 7.48 | 22.9% |
| Other income | | 3.34 | 1.4% | | 1.59 | 1.5% | | 0.57 | 1.7% |
| Gain on disposal of land use rights and properties | | 13.63 | 5.7% | | - | 0.0% | | - | 0.0% |
| Interest expense (excluding: redemption accretion on convertible notes) | | (1.31) | 0.5% | | (0.11) | 0.1% | | - | 0.0% |
| Redemption accretion on convertible notes | | (13.70) | 5.7% | | - | 0.0% | | - | 0.0% |
| Income before income taxes | | 44.61 | 18.6% | | 26.82 | 25.1% | | 8.05 | 24.6% |
| Income taxes | | (9.29) | 3.9% | | (3.89) | 3.6% | | (0.78) | 2.4% |
| **Net income** | $ | 35.32 | 14.7% | $ | 22.93 | 21.4% | $ | 7.27 | 22.2% |

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*Revenue*

Our revenues are generated from system installations and manufacturing of security and safety products. In 2007 we experienced solid growth in revenues. Revenue for the year ended December 31, 2007 increased by 124.50% to $240.19 million as compared to $106.99 million for 2006.

The increase in revenues was mainly attributable to growth in the security and surveillance market in China, the increased market demand for our products and our increased brand recognition. Our strategic efforts to increase our distribution channels during 2005 and 2006 and sufficient working capital from our recent fundraising activities also allowed us to successfully take advantage of the growth in market demand in 2007. After Hongtianzhi, HiEasy, Minking and Tsingvision became our wholly owned subsidiaries, we consolidated the financial results of these four companies starting from the second and third quarter of 2007, which contributed $19.1 million, $4.7 million, $12.5 million and $1.9 million to revenues in 2007, respectively. We consolidated the financial results of Cheng Feng starting from the third quarter of 2006. Cheng Feng had revenues of $18.6 million in 2007.

The following table shows the revenues recognized in the year ended December 31, 2007

(In millions of U.S. dollars)

| | | |
|---|---|---|
| Revenue recognized from contracts signed in 2006 | $ | 22.4 |
| Revenue recognized from contracts signed in 2007 | $ | 135.0 |
| Revenue recognized from Cheng Feng | $ | 18.6 |
| Revenue recognized from Hongtianzhi | $ | 19.1 |
| Revenue recognized from HiEasy | $ | 4.7 |
| Revenue recognized from Minking | $ | 12.5 |
| Revenue recognized from Tsingvision | $ | 1.9 |
| Revenue recognized from CSST PRC | $ | 9.2 |
| Other revenue recognized in 2007 | $ | 16.8 |
| Total revenue recognized in 2007 | $ | 240.2 |
| Revenue deferred | $ | 0.9 |
| Backlog of contracts for system installation and manufacturing of security and safety products signed before December 31, 2007 | $ | 60.5 |

Our revenue is generated from two business segments: system installation and manufacturing of security and safety products.

Segment information is consistent with how management reviews the businesses, makes investment and resource allocation decisions and assesses operating performance. In connection with the separation, we have realigned our management and segment reporting structure for the year ended December 31, 2007. The segment data presented reflects this new segment structure. We report financial and operating information in the following two segments:

(a)

System installation: designs, sells, installs, services and monitors electronics security systems to residential, commercial, industrial and governmental customers.

(b)

Manufacturing of security and safety products: designs, manufactures and sells security and safety products, including intrusion security, access control and video management systems.

The Company also provides general corporate services to its segments and these costs are reported as Corporate and Others.

The following table shows the different segments comprising our total revenue over each of the past three fiscal years.

All amounts in millions of U.S. dollars

| **Revenue** | | **2007** | | | **2006** | | | **2005** | |
|---|---|---|---|---|---|---|---|---|---|
| System installation | $ | 159.25 | 66.3% | $ | 94.16 | 88.0% | $ | 30.56 | 93.5% |
| Manufacturing of security and safety products | | 80.94 | 33.7% | | 12.83 | 12.0% | | 2.13 | 6.5% |
| Total | $ | 240.19 | 100.0% | $ | 106.99 | 100.0% | $ | 32.69 | 100.0% |

In fiscal years 2007, 2006 and 2005, our system installation segment generated revenue of $159.25 million, $94.16 million and $30.56 million which represented 66.3%, 88% and 93.5% of our total revenue, respectively. Such increase was mainly due to the following factors: First, the population in China in general has become wealthier; as a result, the demand for security and surveillance products has also grown. Demand within various industries and organizations has also been increasing dramatically. Second, the Chinese government initiated several programs and regulatory drivers, such as the State Ordinance 458 and the 3111 program, that require many public places, including city-wide surveillance systems, traffic surveillance systems, critical government locations, cyber cafés, bars and discotheques, to install security systems. Third, our strategic efforts to increase our distribution channels during 2005 and 2006 turned out to be a highly successful way to capture the wave of growth in market demand in 2007. Fourth, we have been successful in raising sufficient working capital to facilitate expansion in the China market. Finally, our increased brand recognition in 2007 also contributed significantly to the growth in sales revenue.

In fiscal years 2007, 2006 and 2005, manufacturing of security and safety products segment generated revenue is $80.94 million, $12.83 million and $2.13 million which represented 33.7%, 12.0% and 6.5% of our total revenue, respectively. Our recent acquisitions of Hongtianzhi, HiEasy and Minking improved and will continue to enhance our manufacturing capacity of our products.

Management expects growth in both segments to remain strong in 2008 due to (i) continued strong growth in the security and surveillance market both within the corporate and government sectors, (ii) better capitalization of the Company to fuel the growth, (iii) significantly enhanced branding and profiling in China, and (iv) acquisition strategy intended to boost our market share and competitiveness.

*Cost of Goods Sold*

Cost of goods sold for the year ended December 31, 2007 increased by 124.6% to $170.65 million as compared to $75.98 million in 2006. The increase was generally in line with the revenue increase. Cost of goods sold for the year ended December 31, 2006 increased by 223.73% to $75.98 million as compared to $23.47 million for the prior year. Such increase was mainly attributable to the increase of sales revenue.

The following table shows the segment components of cost of goods sold for each of the past three fiscal years.

All amounts in millions of U.S. dollars

| Cost Item | | 2007 | | | 2006 | | | 2005 | |
|---|---|---|---|---|---|---|---|---|---|
| System installation | $ | 113.23 | 66.4% | $ | 66.00 | 86.9% | $ | 21.67 | 92.3% |
| Manufacturing of security and safety products | | 57.42 | 33.6% | | 9.98 | 13.1% | | 1.80 | 7.7% |
| Total | $ | 170.65 | 100.0% | $ | 75.98 | 100.0% | $ | 23.47 | 100.0% |

The costs of goods sold related to the system installation segment accounted for 66.4% of total cost of goods sold for the year ended December 31, 2007, as compared to 86.9% in 2006. The cost of goods sold related to the manufacturing of security and safety products represented approximately 33.6% of total cost of goods sold in the year ended December 31, 2007 as compared to 13.1% in 2006 mainly due to the continuing increase of the percentage of revenues contributed by manufacturing of security and safety products after Hongtianzhi, HiEasy and Minking became our wholly owned subsidiaries.

The costs of goods sold related to the system installation segment accounted for 86.9% of total cost of goods sold for the year ended December 31, 2006, as compared to 92.3% in 2005. The percentage of cost of goods sold related to the manufacturing of security and safety products represented 13.1% of total cost of goods sold in the year ended December 31, 2006 as compared to 7.7% in 2005 due to the increase of the percentage of revenues contributed by manufacturing of security and safety products after the acquisition of Cheng Feng.

*Gross Profit and Gross Margin*

Between fiscal years 2005 and 2007, we were able to maintain gross margins between approximately 28.2% and 29%. The following table shows the different segment components comprising our gross profit margin over each of the past three fiscal years.

| Gross profit margin | 2007 | 2006 | 2005 |
|---|---|---|---|
| System Installation | 28.9% | 29.9% | 29.1% |
| Manufacturing of security and safety products | 29.1% | 22.2% | 15.5% |
| Total | 28.9% | 29.0% | 28.2% |

In fiscal year 2007, gross margins of our system installation segment and manufacturing segment were approximately 28.9% and 29.1%, respectively, compared to 29.9% and 22.2% in 2006. The slightly decreased gross margin in the system installation segment was primarily due to the gradually increased contract size. The increase in our gross margin of the manufacturing segment was primarily driven by the increased economies of scale.

In fiscal year 2006, gross margins of our system installation segment and manufacturing segment were approximately 29.9% and 22.2%, respectively, compared to 29.1% and 15.5% in 2005. The slightly increased gross margin in the system installation segment was primarily due to the stabilization of pricing. The increase in the gross margin of the manufacturing segment was primarily driven by the increased economies of scale.

*Selling and marketing expenses*

Our selling expenses consist primarily of compensation and benefits to our sales and marketing staff, sales commissions, the cost of advertising, promotion, business travels, after-sale support, transportation cost and other sales related costs.

Selling and marketing expenses were $5.62 million for the year ended December 31, 2007 as compared to $1.51 million for the year ended December 31, 2006, an increase of $4.11 million. This increase was primarily attributable to the consolidation of the financial results of Cheng Feng, Hongtianzhi, HiEasy, Minking and Tsingvision, which incurred selling and marketing expenses associated with sales of their products. As a percentage of revenues, our selling and marketing expenses increased to 2.3% for the year ended December 31, 2007 from 1.4% in 2006. The percentage increase was mainly due to the hiring of additional staff and the increased cost in promotion of our products to new customers.

Selling and marketing expenses were $1.51 million for the year ended December 31, 2006, a $1.22 million increase as compared to $0.29 million for the year ended December 31, 2005. This was mainly attributable to the increase of our sales revenue and our increased marketing and advertising campaigns to improve our brand awareness and market penetration.

*General and Administrative Expenses*

General and Administrative expenses consist primarily of compensation and benefits to our general management, finance and administrative staff, professional advisor fees, audit fees and other expenses incurred in connection with general operation. We expect the dollar amount of our general and administrative expenses will increase as our business grows and we continue to incur increased costs for being a public reporting company.

General and administrative expenses were $12.29 million for the year ended December 31, 2007, $9.25 million increase as compared to $3.04 million for the year ended December 31, 2006. Such increase was mainly due to the increase of the consolidation of the financial results of Cheng Feng, Hongtianzhi, HiEasy, Minking and Tsingvision, the hiring of additional staff, the increased costs in connection with documenting and testing our internal controls and professional expenses related to the costs of being a public reporting company. The number of our employees increased from approximately 580 in 2006 to approximately 2,500 in 2007. We believe such increase was generally in line with the increase in our revenue.

General and administrative expenses were $3.04 million for the year ended December 31, 2006, a $1.85 million increase as compared to $1.19 million for the year ended December 31, 2005. Such increase was primarily due to the hiring of additional staff, research and development costs, and professional expenses incurred in connection with being a public reporting company. The number of our employees increased from approximately 400 in 2005 to approximately 580 in 2006. We believe such increase was generally in line with the increase in our revenue.

*Non-cash Compensation Expenses*

Effective February 7, 2007, our board of directors adopted our 2007 Equity Incentive Plan. The plan provides for grants of stock options, stock appreciation rights, performance units, restricted stock, restricted stock units and performance shares. A total of 8,000,000 shares of our common stock may be issued under the plan. The plan has a 5-year term. During the year ended December 31, 2007, we granted an aggregate of 2,648,434 shares of restricted stock pursuant to the plan to employees and consultants of the Company. These shares will vest with respect to each of the employees and consultants over a period of four years. Non-cash employee compensation for the year ended December 31, 2007 was $4.16 million compared to $0 million of 2006 as a result of the adoption of the Equity Incentive Plan.

*Depreciation and Amortization*

Depreciation and amortization expenses were $4.82 million for the year ended December 31, 2007, an increase of $3.70 million as compared to $1.12 million for the year ended December 31, 2006. Such increase was primarily attributed to the acquisition of Hongtianzhi, HiEasy, Minking, Tsingvision and the establishment of the exclusive co-operation agreement with Chuangguan. The amortization of intangible assets increased as a result of these acquisitions. In addition, the Company acquired more than $11.38 million of property, plant and equipment, $1.02 million of intangible assets, and $0.59 million of land use rights during 2007, including new business premises and equipment to improve the production capacity of the Company.

Depreciation and amortization expenses were $1.12 million for the year ended December 31, 2006, an increase of $0.86 million as compared to $0.26 million for the year ended December 31, 2005. Such increase was primarily attributed to the acquisition of Cheng Feng and the security and surveillance business of the Four-Related Companies. The amortization of intangible assets increased as a result of these acquisitions. In addition, the Company acquired more than $5.11 million of property, plant and equipment during 2006, including new business premises and equipment to improve the production capacity of the Company.

*Income from operations*

Our income from operations is primarily generated from two business segments: system installation and manufacturing of security and safety products. Income from operations for the year December 31, 2007 increased by 68.31% to $42.65 million compared to $25.34 million for 2006.

The following table shows the different segments comprising our income from operations for each of the past three fiscal years.

All amounts in millions of U.S. dollars

| Income from operations | | 2007 | | | 2006 | | | 2005 | |
|---|---|---|---|---|---|---|---|---|---|
| System installation | $ | 35.27 | 82.7% | | 23.57 | 93.0% | | 6.99 | 93.4% |
| Manufacturing of safety and security products | | 13.43 | 31.5% | | 2.55 | 10.1% | | 0.49 | 6.6% |
| Corporate and others | | (6.05) | -14.2% | | (0.78) | -3.1% | | - | 0.0% |
| Total | $ | 42.65 | 100.0% | $ | 25.34 | 100.0% | $ | 7.48 | 100.0% |

Income from operations related to the system installation segment increased 49.64%, or $11.7 million to $35.27 million in the year ended December 31, 2007, compared to $23.57 million in 2006. Such increase was mainly due to the increase in our system installation revenue as we expanded our market and penetrated more market shares.

Income from operations related to the manufacturing of security and safety products segment increased 426.67%, or $10.88 million to $13.43 million in the year ended December 31, 2007, compared to $2.55 million in 2006. Such increase was mainly due to the acquisitions we made in 2007, which increased our sales of manufactured products greatly. The company expects that the manufacturing segment margin will continue to increase as we integrate the recent completed acquisitions and realize more economies of scale.

Income from operations related to the system installation segment increased 237.2%, or $16.58 million to $23.57 million in the year ended December 31, 2006, compared to $6.99 million in 2005. Operating income related to the manufacturing of security and safety products segment increased 420.41%, or $2.06 million to $2.55 million in the year ended December 31, 2006, compared to $0.49 million in 2005.

The company also provides general corporate services to its segments and these costs are reported as corporate and others, which includes amortization and depreciation and non-cash compensation for employees. In fiscal year 2007 and 2006 the company incurred $6.05 million and $0.78 million corporate and others expenses, respectively. There was no corporate and others expenses incurred in 2005.

*Gain on disposal of land use rights and properties*

All amounts in millions of U.S. dollars

| | | For the Year Ended December 31,2007 |
|---|---|---|
| **Amount:** | | |
| Gain on disposal of land use rights and properties | $ | 13.63 |
| **Less:** | | |
| Income tax associated from gain on disposal of land use rights and properties | | (2.04) |
| **Net effect of gain on disposal of land use rights and properties** | $ | 11.59 |

In 2007, we disposed of 3 land use rights and the relevant properties with a cost basis of $2.49 million for consideration of $16.12 million. The gain of disposal of land use rights and properties is $13.63 million in 2007. As of December 31, 2007, $3.28 million had not yet been received. The remaining payment was received in January 2008.

*Interest Expense(excluding redemption accretion on convertible notes)*

In 2007, we borrowed funds under 5 short-term loans from local Chinese banks and incurred a total interest expense of $0.44 million. For the convertible notes, we paid $0.87 million interest during 2007.

In 2006, we borrowed funds under 2 short- term loans and a long- term loan from local Chinese banks and incurred a total interest expense of $0.11 million.

*Redemption accretion on convertible notes*

Redemption accretion on convertible notes for 2007 was $13.70 million, as compared to $0 in 2006. We raised $110 million from the issuance of convertible notes in February and April 2007 to finance our acquisitions. The redemption accretion on convertible notes will not be paid in cash if the convertible notes are converted into shares of our common stock before their maturities.

*Provision for Income Taxes*

China Security & Surveillance Technology, Inc. is subject to the United States federal income tax at a tax rate of 34%. No provision for income taxes in the United States has been made as China Security & Surveillance Technology, Inc. had no taxable income in fiscal year 2007.

Our wholly owned subsidiary Safetech was incorporated in the British Virgin Island and, under the current laws of the BVI, is not subject to income taxes.

Foreign invested enterprises, or FIEs, established in the PRC are generally subject to an enterprise income tax, or EIT, rate of 33.0%, which includes a 30.0% state income tax and a 3.0% local income tax. FIEs established in Shenzhen Special Economic Zone, such as our Chinese subsidiary Golden is subject to an EIT rate of 15% for the fiscal year 2007. Our subsidiary Hongtianzhi is located in Shenzhen and its corporate tax rate is 7.5% as it receives a lower tax rate as a high-tech company. Our subsidiary Cheng Feng is subject to an EIT rate of 15% for fiscal year 2007 due to the software and high technology company status. HiEasy, Minking and Tsingvision are subject to an EIT rate of 0% since the date of acquisition because their holding companies are foreign companies.

On March 16, 2007, the National People s Congress of China passed the new Enterprise Income Tax Law, or EIT Law, and on November 28, 2007, the State Council of China passed the Implementing Rules for the EIT Law, or Implementing Rules, which take effect on January 1, 2008. The EIT Law and Implementing Rules impose a unified EIT of 25.0% on all domestic-invested enterprises and FIEs, unless they qualify under certain limited exceptions. Therefore, nearly all FIEs are subject to the new tax rate alongside other domestic businesses rather than benefiting from the FEIT, and its associated preferential tax treatments, beginning January 1, 2008.

Despite these pending changes, the EIT Law gives existing FIEs a five-year grandfather period during which they can continue to enjoy their existing preferential tax treatments. We are expecting that the measures to implement the grandfather period will be enacted by the Chinese government in the coming months and will assess what the impact of the new regulations are at that time. The discontinuation of any such special or preferential tax treatment or other incentives would have an adverse affect on any organization s business, fiscal condition and current operations in China.

In addition to the changes to the current tax structure, under the EIT Law, an enterprise established outside of China with de facto management bodies within China is considered a resident enterprise and will normally be subject to an EIT of 25.0% on its global income. The Implementing Rules define the term de facto management bodies as an establishment that exercises, in substance, overall management and control over the production, business, personnel, accounting, etc., of a Chinese enterprise . If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, then the organization s global income will be subject to PRC income tax of 25.0%.

*Income Tax Expenses*

We incurred income tax expenses of $9.29 million for the year ended December 31, 2007, an increase of 138.82% from the $3.89 million for the year ended December 31, 2006. A net deferred tax asset of $0.40 million was recognized. As a result, the deferred tax expense was increased to $0.10 million.

We incurred income tax expenses of $3.89 million for the year ended December 31, 2006, an increase of 398.72% against $0.78 million for the year ended December 31, 2005. Such increase was primarily attributable to the increase of sales revenue and profits.

*Net Income*

We earned a net income of $35.32 million for the year ended December 31, 2007, an increase of 54.03% from $22.93 million for the year ended December 31, 2006. Such increase was primarily attributable to the increase in revenue.

We earned a net income of $22.93 million for the year ended December 31, 2006, an increase of 215.41% against $7.27 million for the year ended December 31, 2005. Such increase was primarily attributable to the increase in revenue.

*Net Income Margin*

Net income margin for the year ended December 31, 2007 was 14.7%, decreased from 21.4% for the year ended December 31, 2006. This percentage decrease was due to the increase in general and administrative expenses and non-cash expenses including redemption accretion on convertible notes, depreciation and amortization and non-cash employee compensation.

Net income margin for the year ended December 31, 2006 was 21.4%, slightly decreased from the 22.2% for the year ended December 31, 2005. The primary reason for the decrease was the increase in general and administrative expenses in 2006. Management believes that our future net income margin may continue to decrease slightly due to the increase of costs associated with being a public company.

*Amount Due From/(to) Directors*

In the past, we made advances to our directors which were non-interest bearing and repayable upon demand. The balances due were $1 million on December 31, 2004 all of which were repaid during 2005. Since our reverse acquisition of Safetech in September 2005, we have adopted a policy of not making any loans to our officers, directors or affiliates in order to comply with the requirements of the Sarbanes-Oxley Act of 2002.

We also received advances from one director to facilitate our operations during the years ended December 31, 2005 and 2004. Such loans were non-interest bearing and were payable upon demand. In 2006, we successfully raised funds from the capital market and the need for directors to inject capital to facilitate the operations of the Company no longer existed. The balances due at December 31, 2006 and 2005 were $0.08 million and $0.07 million, respectively. The balance at the end of 2006 was paid off by the first quarter of 2007.

*Inflation*

We believe our operations have not been materially adversely affected by inflation or changing prices.

*Foreign Currency Translation Gains*

Our operating subsidiaries are located in China. The operating subsidiaries purchase all products and render services in China, and receive payment from customers in China using RMB as the functional currency. We do not engage in currency hedging.

We incurred a foreign currency translation gain of $9.66 million for the year ended December 31, 2007 as compared with the foreign currency translation gain of $1.66 million for the year ended December 31, 2006.

We incurred a foreign currency translation gain of $1.66 million for the year ended December 31, 2006 as compared with the foreign currency translation gain of $0.55 million for the year ended December 31, 2005.

On July 21, 2005, China reformed its foreign currency exchange policy, revalued RMB by 2.1 percent and allowed the RMB to appreciate as much as 0.3 percent per day against the U.S. dollar. As a result, we implemented different exchange rates in translating RMB into U.S. dollars in our financial statements for fiscal year 2007 and 2006.

In 2007, the exchange rates of 7.30, 7.58 and 8.07 were implemented in calculating the assets and liabilities, revenue and expenses, and shareholders equity, respectively, which results in a $9.66 million foreign currency translation gain in fiscal 2007. In 2006, the exchange rates of 7.80, 7.97 and 8.07 were implemented in calculating the assets and liabilities, revenue and expenses, and shareholders equity, respectively, which results in a $1.66 million foreign currency translation gain in fiscal 2006.

***Liquidity and Capital Resources***

As of December 31, 2007, we had cash and cash equivalents of $89.07 million. The following table provides detailed information about our net cash flow for all financial statement periods presented in this report.

**Cash Flow**

(in millions of U.S. dollars)

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2007** | **2006** | **2005** |
| Net cash provided by operating activities | $16.98 | $2.98 | $0.80 |
| Net cash used in investing activities | (82.96) | (11.17) | (0.08) |
| Net cash provided by financing activities | 120.67 | 35.91 | 1.06 |
| Net cash flow | $54.69 | $27.72 | $1.78 |

*Operating Activities:*

Net cash provided by operating activities was $16.98 million for the year ended December 31, 2007 which is an increase of $14.00 million from the $2.98 million net cash provided by operating activities for the same period in 2006. The increase was primarily due to an increase in net income.

Net cash provided by operating activities was $2.98 million for the year ended December 31, 2006 which is an increase of $2.18 million from the $0.80 million net cash provided by operating activities for the same period in 2005. The increase was primarily due to an increase in net income.

*Investing Activities:*

Our main uses of cash for investing activities during 2007 were deposits for the acquisition of subsidiaries and acquisitions of subsidiaries, properties and intangible assets.

Net cash used in investing activities in the year ended December 31, 2007 was $82.96 million. Our net cash used in investing activities for the year ended December 31, 2006 was $11.17 million. The increase of net cash used in investing activities was primarily due to the acquisition of subsidiaries and properties and deposits for the acquisition of subsidiaries, properties and intangible assets.

Net cash used for investing activities in the year ended December 31, 2006 was $11.17 million, which is an increase of $11.09 million from net cash used for investing activities of $0.08 million in the same period of 2005 due to the increased acquisition of property, plant, equipment and businesses in 2006.

*Financing Activities:*

Net cash provided by financing activities for the year ended December 31, 2007 was $120.67 million, which is an increase of $84.76 million from $35.91 million net cash provided by financing activities during the same period of 2006. The increase of the cash provided by financing activities was primarily attributable to funds received from the two convertible notes issued to Citadel Equity Fund, Ltd. ("Citadel").

*Loan Facilities*

As of December 31, 2007, the amount, maturity date and term of each of our bank loans were as follows:

All amounts in millions of U.S. dollars

| **Bank** | | **Amount** | **Maturity Date** | **Duration** |
|---|---|---|---|---|
| Shanghai Pudong Development Bank | $ | 1.36 | March 2008 | 1 year |
| Shanghai Pudong Development Bank | | 4.11 | February 2008 | 1 year |
| Shanghai Pudong Development Bank | | 2.74 | October 2008 | 1 year |
| China Citic Bank | | 4.11 | November 2008 | 1 year |
| Shenzhen Ping An Bank | | 1.19 | March 2009 | 3 years |
| China Construction Bank | | - | September 2016 | 10 years |
| Total | $ | 13.51 | | |

Net cash provided by financing activities in the year ended December 31, 2007 totaled $120.67 million as compared to $35.91 million. The increase of cash provided by financing activities was primarily attributable to Citadel financing.

In February 2007, we completed a financing with Citadel pursuant to which we issued to Citadel $60 million aggregate principal amount of guaranteed senior unsecured convertible notes due 2012 (the "February Notes"). The February Notes bear an annual interest of 1% and carry an initial conversion price of $18.0 per share. If the February Notes are not converted before their maturity, they will be redeemed by us on the maturity date at a redemption price equal to 100% of the principal amount of the February Notes then outstanding plus an additional amount of 15.0% per annum, calculated on a quarterly compounded basis, plus any accrued and unpaid interest. The net proceeds from such financing are and will be used for working capital and our acquisition plan.

In April 2007, we completed another financing with Citadel pursuant to which we issued to Citadel $50 million aggregate principal amount of guaranteed senior unsecured convertible notes due 2012 (the "April Notes"). The April Notes bear an annual interest of 1% and carry an initial conversion price of $23.60 per share. If the April Notes are not converted before their maturity, they will be redeemed by us on the maturity date at a redemption price equal to 100% of the principal amount of the April Notes then outstanding plus an additional amount of 15.0% per annum, calculated on a quarterly compounded basis, plus any accrued and unpaid interest. The net proceeds from such financing are and will be used for working capital and our acquisition plan.

In addition, we have several loan agreements outstanding with various banks. Long term liabilities are long term loans from banks. As of December 31, 2006, our total long term liabilities were approximately $2.23 million, consisting of a 10-year loan from China Construction Bank for the purposes of purchasing new office premises in Shenzhen. This loan was granted on September 27, 2006. It matures on September 26, 2016 and has an annual interest rate of 7.524%. The loan was repaid in February 2007.

The long term note payable is from Shenzhen Ping An Bank. As of December 31, 2007, total long term liabilities were RMB8.7 million (approximately $1.19 million), consisting of a 3-year loan payable to a Chinese bank. This loan was entered into on January 17, 2006 and matures on March 3, 2009, with an annual interest rate of 6.435%. The loan agreement requires the Company to use the loan proceeds only for the construction of the Company s factory. The loan is collateralized by the personal assets of the CEO of one of the Company s subsidiaries.

On November 15, 2007, the Company entered into a loan agreement with China Citic Bank. The Company borrowed RMB30 million (approximately $4.11 million) with an annual interest rate of 7.29%. The loan is due in November 2008, and the interest is payable at the end of each month. The loan agreement requires the Company to use the loan proceeds only for the Company s operations. The loan is guaranteed by the CEO of the Company and the subsidiaries of the Company.

On October 15, 2007, the Company entered into a loan agreement with Shanghai Pudong Development Bank. The Company borrowed RMB20 million (approximately $2.74 million) with an annual interest rate of 6.561%. The loan is due in October 2008, and the interest is payable at the end of each month. The loan agreement requires the Company use the loan proceeds only for the Company s operations. The loan is guaranteed by subsidiaries of the Company.

On February 16, 2007, the Company entered into a loan agreement with Shanghai Pudong Development Bank. The Company borrowed RMB10 million (approximately $1.36 million) with an annual interest rate of 6.39%. The loan is due in March 2008, and the interest is payable at the end of each month. The loan agreement requires the Company to use the loan proceeds only for the Company's operations. The bank has the right to increase the interest rate and demand repayment of the entire loan principal and unpaid interest if the Company uses the loan for any purpose other than operations. The loan is guaranteed by the CEO of the Company and by Chuang Guan.

On February 2, 2007, the Company entered into a loan agreement with Shanghai Pudong Development Bank. The Company borrowed RMB30 million (approximately $4.11 million) with an annual interest rate of 6.12%. The loan is due in February 2008, and the interest is payable at the end of each month. The loan agreement requires the Company to use the loan proceeds only for the Company s operations. The bank has the right to increase the interest rate and demand repayment of the entire loan principal and unpaid interest if the Company uses the loan for any purpose other than operations. The loan is guaranteed by the CEO of the Company and by Chuang Guan. The loan was repaid in February 2008.

On October 3, 2006, we signed a banking facility agreement with China Construction Bank, or CCB, under which CCB agreed to provide a new receivable based facility to support our efforts in securing new contracts from the Safe City Project initiative named Plan 3111. This facility will provide 3 possible financing options: (1) the government takes a loan from CCB to finance the project; (2) we sell the account receivables to CCB. 85% of total account receivables value will be paid by CCB to the Company and the remaining 15% will be collected by CCB from the government. CCB will, in turn, retain the finance charges before paying the Company; and (3) we take a loan from CCB to finance the project. As part of this agreement, we will make periodic deposits with CCB, which, depending upon the specific project, will provide a maximum factoring capacity of five to ten times the amount deposited. None of the facility has been drawn down as of the date of this report.

As of the date of this report, we believe that our currently available working capital, after receiving the aggregate proceeds of our capital raising activities and the credit facilities referred to above, should be adequate to sustain our operations at our current levels through at least the next twelve months.

***Contractual Obligations***

Below is a table which sets forth our contractual obligations as of December 31, 2007:

All amounts in millions of U.S. dollars

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Long-Term Debt Obligations | $ 111.19 | $ 0.49 | $ 0.70 | $ 110.00 | $ - |
| Operating Lease Obligations | 0.46 | 0.29 | 0.12 | 0.05 | - |
| Total | $ 111.65 | $ 0.78 | $ 0.82 | $ 110.05 | $ - |

***Critical Accounting Policies***

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires our management to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. We consider our critical accounting policies to be those that require the more significant judgments and estimates in the preparation of financial statements, including the following:

¨ *Basis of Consolidation* - The consolidated financial statements of the Company and its subsidiaries are prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its subsidiaries. All material inter-company accounts and transactions have been eliminated in the consolidation.

¨ *Intangible Assets* - Intangible assets represent a surveillance recording system, surveillance software, customer relationship and contracts, trademarks, patents, technical know-how, non-compete agreements, acquired from Yuan Da, Cheng Feng, Hongtianzhi, HiEasy, Minking, Tsingvision and the businesses of Four-Related Companies and the exclusive co-operation agreement with Chuang Guan. The value of a surveillance recording system was established by an independent accounting firm. The valuations and allocation of intangible assets for the acquisition of Cheng Feng, Hongtianzhi, HiEasy, Minking, Tsingvision and the businesses of the Four-Related Companies were determined by an independent appraisal firm. The value of the exclusive cooperation agreement with Chuang Guan was determined by an independent appraisal firm. The value of the recording system is to be amortized as the following policies and rates: using the straight-line method over its estimated useful life of five years. The values of the intangible assets of the acquisition of Cheng Feng, Hongtianzhi, HiEasy, Minking, Tsingvision, the businesses of the Four-Related Companies and the exclusive cooperation agreement with Chuang Guan are to be amortized as the following policies and rates: using straight-line or accelerated method over their estimated useful lives of two months to 25 years.

¨ *Goodwill* - Goodwill represents the excess of the purchase price over the net of the fair value of the identifiable tangible and intangible assets acquired and the fair value of liabilities assumed in acquisitions. SFAS No: 142, "Goodwill and Other Intangible Assets" ("SFAS142") requires the testing of goodwill and indefinite-lived intangible assets for impairment at least annually. We test goodwill for impairment in the fourth quarter each year.

¨ *Inventories* - Inventories are stated at the lower of cost, determined on a weighted average basis, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

When inventories are sold, their carrying amount is charged to expense in the year in which the revenue is recognized. Write-downs for declines in net realizable value or for losses of inventories are recognized as an expense in the year the impairment or loss occurs.

¨ *Revenue Recognition* - The Company derives the bulk of its revenue from the supply and installation of security and surveillance equipment and the two deliverables do not meet the separation criteria under EITF issue 00-21. The installation is not considered to be essential to the functionality of the equipment having regard to the following criteria as set out in SAB 104:

(i) The security and surveillance equipment is a standard product with minor modifications according to customers' specifications;

(ii) Installation does not significantly alter the security and surveillance equipment's capabilities; and

(iii) Other companies which possess the relevant licenses are available to perform the installation services.

In early 2006, the Company began performing much larger security installation contracts than it had been doing previously. As a marketing approach, the Company prepared standard contracts with its new larger customers, whereby 90% of the contract amount was due when installation was complete and payment of the remaining 10% was deferred for one year. Because of the newness of the larger contracts and the inability to immediately determine the amount of warranty work that would be required, the Company deferred recognizing the 10% of the contract amount as revenue until empirical information was available to revise the estimate. During the second and third quarters of 2006, the Company carefully monitored the warranty work requested by its customers, and determined that very little warranty work had been required to be performed.

Consequently, effective October 1, 2006, the Company reduced its estimate of future warranty requirements to approximately 1% of contract installation revenue.

Revenue from the outright sale of security and surveillance equipment is recognized when delivery occurs and risk of ownership passes to the customers.

Revenues from sales of security and surveillance video cameras and related products are recognized in accordance with Staff Accounting Bulletin ( SAB ) No. 104, Revenue Recognition, and related interpretations. Revenues are recognized when the following criteria are met:

(i) Persuasive evidence of an arrangement exists The Company requires evidence of an agreement with a customer specifying the terms and conditions of the products to be delivered typically in the form of a signed contract or purchase order.

(ii) Delivery has occurred For product sales, delivery generally takes place when title to the products are shipped to or accepted by the customer.

(iii) The fee is fixed or determinable Fees are fixed or determinable based on the contract or purchase order terms.

(iv) Collection is probable The Company performs a credit review of all customers with significant transactions to determine whether a customer is creditworthy and collection is probable.

Repairs and maintenance service revenue is recognized when the service is performed.

The sales contracts generally provide a one to three-year product warranty to customers from the date of purchase. We estimated the costs of satisfying warranty claims based on an analysis of past experience and provide for the future claims in the period the revenue recognized. Warranty costs incurred by the Company have not been material.

The Company derives a portion of its revenue from one-year software upgrades. These services are typical postcontract service ("PCS") arrangements according to AICPA Statement of Position ("SOP") 97-2. Under SOP 97-2, PCS revenue may be recognized together with the initial licensing fee on delivery of the software if all of the following conditions are met:

(i) The PCS fee is included with the initial licensing fee;

(ii) The PCS included with the initial license is for one year or less;

(iii) The estimated cost of providing PCS during the arrangement is insignificant; and

(iv) Unspecified upgrades/enhancements offered during PCS arrangements historically have been and are expected to continue to be minimal and infrequent.

Revenue from security and surveillance system one year software upgrades is recognized when delivery occurs and the risk of ownership passes to the customers, as the Company believes it meets the conditions in compliance with SOP 97-2.

..

*Foreign Currency Translation* - The functional currency of the Company is RMB and RMB is not freely convertible into foreign currencies. The Company maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet date. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and shareholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of shareholders' equity. The exchange rates adopted are as follows:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Year end RMB: exchange rate | 7.30 | 7.80 | 8.07 |
| Average yearly RMB: exchange rate | 7.59 | 7.97 | 8.19 |

No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

· Share-based Payments: On February 7, 2007, the Company adopted the 2007 Equity Incentive Plan, which has a five-year term and provides for grants of stock options, stock appreciation rights, performance units, restricted stock units and performance shares. The total number of shares which may be issued under the plan is 8,000,000 shares of common stock. These restricted stocks are share-based payments subject to the provisions of revised Statement of Financial Accounting Standards ( SFAS ) No.123, Share-Based Payment ( SFAS 123 (R)) . We adopted SAFS 123(R) on January 1, 2006, using the modified prospective method. The provisions of SFAS 123(R) apply only to the awards granted or modified after the date of adoption. The unrecognized expense of awards not yet vested at the date of adoption, determined under the original provisions of SFAS 123, is recognized in net profit in the periods after adoption. The fair values of these restricted stock awards are equal to the fair value of the Company's stock on the date of grant, after taking amount into certain discounts. Such restricted stock is subject to the risk of forfeiture upon the occurrence of certain events. This cost is expected to be recognized over a four-year period.

· *Use of Estimates* - The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however actual results could differ materially from those estimates.

· *Income Taxes* - Income tax expense is based on reported income before income taxes. Deferred income taxes reflect the effect of temporary differences between assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. In accordance with Statement of Financial Accounting Standard (SFAS) No. 109, Accounting for Income Taxes, these deferred taxes are measured by applying currently enacted tax laws.

We adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" on January 1, 2007. We did not have any material unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of implementing FIN 48.

We file income tax returns in the U.S. federal jurisdiction. We were not subject to U.S. federal tax examinations for years before 2007. We do not believe there will be any material changes in our unrecognized tax positions over the next 12 months.

Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of FIN 48, we did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor were any interest expenses recognized during the quarter. Our effective tax rate differs from the federal statutory rate primarily due to non-deductible expenses, temporary differences, and preferential tax treatment.

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 141 (R), Business Combinations ( SFAS 141 (R) ), which becomes effective for fiscal periods beginning after December 15, 2008 (January 1, 2009 for the Company). SFAS No. 141 (R) requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). By applying this method we will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition date fair values of the identifiable assets acquired, liabilities assumed, and any non-controlling interests in the acquire. In the case of a bargain purchase the acquirer is required to reevaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. We are currently accessing the impact of this statement to have a material impact on the financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51 ( SFAS 160 ) which becomes effective for fiscal periods beginning after December 15, 2008 (January 1, 2009 for the Company). This statement amends ARB 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. The statement requires ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent s equity. The statement also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest with disclosure on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. In addition, this statement establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that does not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. We do not expect the adoption of this statement to have a material impact on the financial statements.

In September 2006, the FASB issued SFAS No.157 Fair Value Measurements which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. The statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. It also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and that market participant assumptions include assumptions about risk and effect of a restriction on the sale or use of an asset. The provisions are effective for fiscal years beginning after November 15, 2007.We are currently assessing the impact of the statement.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment to FASB Statement No. 115 . This statement permits companies to choose to measure many financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement of accounting for financial instruments. The fair value option established by this statement permits all entities to measure eligible items at fair value at specified election dates. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We are currently assessing the impact adoption of SFAS No. 159 will have on the financial statements.

***Seasonality***

Our operating results and operating cash flows historically have been subject to seasonal variations. Our revenues are usually higher in the second half of the year than in the first half of the year and the first quarter is usually the slowest quarter because fewer projects are undertaken during and around the Chinese spring festival.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**ITEM 9A. CONTROLS AND PROCEDURES.**

*(a) Evaluation of Disclosure Controls and Procedures*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the Exchange Act Rule 13a 15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Chief Financial Officer and the Chief Executive Officer assessed the effectiveness of internal control over financial reporting as of December 31, 2007 based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, the Chief Financial Officer and the Chief Executive Officer concluded that the Company s disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

*(b) Management s Report on Internal Control Over Financial Reporting*

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Securities and Exchange Act of 1934 defines internal control over financial reporting as a process designed by, or under the supervision of, the Company s principal executive and principal financial officers and effected by the Company s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

During 2007, four business acquisitions were completed. Management decided to exclude the acquired businesses from its report on internal control over financial reporting because it was not possible to conduct an assessment of the acquired businesses internal control over financial reporting in the period between the consummation date and the date of management s assessment. With respect to adequacy of disclosure, we hereby provide the following information:

1

Our management refers in the internal control report to a discussion in the registrant s form 10-K regarding the scope of the assessment, noting that management excludes the acquired business from management s report on internal control over financial reporting.

2

Our management clearly identifies the acquired businesses excluded and indicated the significances of the acquired businesses in our company s consolidated financial statements.

3

Our company must disclose any material change to its internal control over financial reporting due to the acquisition.

As of December 31, 2007, with regard to the scope of our assessment, we excluded four business acquisitions from our assessment of internal control over financial reporting because they were acquired in businesses combination purchases during 2007. Their total assets, total revenues, and net income represent approximately US$53.8 million, US$38.2 million and US$8.7 million respectively, of our total assets, total revenues and net income in 2007.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2007, excluding the four businesses acquired in 2007. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on our assessment, we determined that, as of December 31, 2007, the Company s internal control over financial reporting was effective based on those criteria.

GHP Horwath P.C. ( GHP ) our independent registered public accounting firm, has performed an audit of the effectiveness of the Company s internal control over financial reporting as of December 31, 2007, included in this Annual Report on Form 10-K at page F-2. This audit is required to be performed in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our independent auditors were given unrestricted access to all financial records and related data.

(c) Changes in Internal Controls

During the fiscal year ended December 31, 2007, there were no changes in our internal control over financial reporting identified in connection with the evaluation performed during the fiscal year covered by this report that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES.

(a) The following documents are filed as part of this report:

Exhibits

The list of exhibits included in the attached Exhibit Index is hereby incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 5, 2008

**CHINA SECURITY & SURVEILLANCE TECHNOLOGY, INC.**

| | |
|---|---|
| By: | /s/ Guoshen Tu<br>Guoshen Tu<br><br>*Chairman and Chief Executive Officer* |
| By: | /s/ Terence Yap<br>Terence Yap<br><br>*Chief Financial Officer* |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Each person whose signature appears below hereby authorizes Guoshen Tu and Terence Yap, or any of them, as attorneys-in-fact to sign on his behalf, individually, and in each capacity stated below, and to file all amendments and/or supplements to this Annual Report on Form 10-K.

| **Signature** | **Capacity** | **Date** |
|---|---|---|
| /s/ Guoshen Tu<br><br>Guoshen Tu | Chairman, Chief Executive Officer and Director<br>(Principal Executive Officer) | March 10, 2008 |
| /s/ *<br>Terence Yap | Chief Financial Officer and Director<br>(Principal Financial Officer and Principal Accounting Officer) | March 10, 2008 |
| /s/ * | Director | March 10, 2008 |

Runsen Li

| | | |
|---|---|---|
| /s/ * <br> Peter Mak | Director | March 10, 2008 |
| /s/ * <br> Robert Shiver | Director | March 10, 2008 |

* By: /s/ Guoshen Tu
Guoshen Tu
Attorney-in-Fact

**EXHIBIT INDEX**

| Exhibit Number | Description |
|---|---|
| 2.1 | Plan of Merger by and between China Security & Surveillance Technology, Inc., a BVI corporation, and China Security & Surveillance Technology, Inc., a Delaware corporation, dated September 30, 2006 (herein incorporated by reference from the registrant s registration statement on Form S-4 filed with the Securities and Exchange Commission on October 4, 2006). |
| 2.2 | Share Exchange Agreement, dated as of July 22, 2005, between the registrant and China Safetech Holdings Limited (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 22, 2005). |
| 3.1 | Certificate of Incorporation of the registrant (herein incorporated by reference from the registrant s registration statement on Form S-4 filed with the Securities and Exchange Commission on October 4, 2006). |
| 3.2 | By-laws of the registrant (herein incorporated by reference from the registrant s registration statement on Form S-4 filed with the Securities and Exchange Commission on October 4, 2006). |
| 3.3 | Board of Directors Audit Committee Charter, adopted October 25, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 3.4 | Board of Director s Nominating and Governance Committee Charter, adopted October 25, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 3.5 | Board of Directors Compensation Committee Charter, adopted October 25, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 3.6 | Certificate of Amendment of Certificate of Incorporation of the Company, filed with the Secretary of State of the State of Delaware on February 4, 2008 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2008). |
| 4.1 | Notes Purchase Agreement, dated February 5, 2007, by and between the registrant and Citadel Equity Fund Ltd. (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2007). |
| 4.2 | Share Pledge Agreement, dated February 8, 2007, by and among Citadel Equity Fund Ltd., The Bank of New York, Guoshen Tu, Zhiqun Li and Whitehorse Technology Limited (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2007). |

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| 4.3 | Form of the Notes (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2007). |

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| 4.4 | Notes Purchase Agreement, dated February 16, 2007, by and among the registrant, Safetech, CSST HK, CSST PRC, Golden, Cheng Feng and Citadel Equity Fund Ltd. (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on February 16, 2007). |
| 4.5 | Indenture, dated February 16, 2007, among the registrant, Safetech, CSST HK and The Bank of New York (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on February 16, 2007). |
| 4.6 | Investor Rights Agreement, dated February 16, 2007, among the registrant, Safetech, CSST HK, CSST PRC, Golden, Cheng Feng, Guoshen Tu, Zhiqun Li, Whitehorse Technology Limited and Citadel Equity Fund Ltd. (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on February 16, 2007). |
| 4.7 | Supplemental Indenture, dated March 29, 2006, among the Company, Safetech, CSST-HK and The Bank of New York (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on April 2, 2007). |
| 4.8 | Amendment to the Investor Rights Agreement, dated March 29, 2007, among the Company, Safetech, CSST-HK, CSST PRC, Golden, Cheng Feng, Mr. Tu, Ms. Li, Whitehorse and Citadel (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on April 2, 2007). |
| 4.9 | Notes Purchase Agreement by and among the Company, Chain Star, Safetech, CSST HK, CSST PRC, Golden, Cheng Feng, Cheng Feng Equipment, Cheng Feng Public Safety, Hongtianzhi, Shixing, Tongxing and Citadel, dated April 24, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2007). |
| 4.10 | Indenture by and among the Company, Chain Star, Safetech, CSST HK and The Bank of New York, dated April 24, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2007). |
| 4.11 | Amended and Restated Investor Rights Agreement by and among the Company, Chain Star, Safetech, CSST HK, CSST PRC, Golden, Cheng Feng, Cheng Feng Equipment, Cheng Feng Public Safety, Hongtianzhi, Shixing, Tongxing, Mr. Tu, Ms. Li, Whitehorse and Citadel, dated April 24, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2007). |
| 4.12 | Second Supplemental Indenture by and among the Company, Chain Star, Safetech, CSST HK and The Bank of New York, dated April 24, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2007). |
| 4.13 | Equity Transfer Agreement, dated May 11, 2007, by and among the registrant, China Safetech Holding Limited and Yi Li (English Translation) (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on May 16, 2007). |
| 4.14 | Equity Transfer Agreement, dated June 4, 2007, by and among the registrant, China Safetech Holding Limited and Yiu, Siu Fung Jeff (English Translation) (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2007). |

4.15 Equity Transfer Agreement, dated July 2, 2007, by and among the registrant, China Safetech Holding Limited and Yi Li (English Translation) (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2007).

4.16 Equity Transfer Agreement, dated April 2, 2007, by and among the registrant, China Safetech Holdings Limited and Zheng Huang (English Translation) (herein incorporated by reference from the registrant s report on Form 10-Q filed with the Securities and Exchange Commission on August 13, 2007).

4.17 Exclusive Cooperation Agreement, dated September 20, 2007, among the Company, Golden and Chuang Guan (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2007).

4.18 Exclusive Cooperation Agreement, dated January 18, 2008, among the Company, CSST PRC and DM (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on January 25, 2008).

10.1 Share Purchase Agreement, dated as of July 22, 2005, by and among the registrant, Whitehorse Technology Limited and First Asia International Holdings Limited (herein incorporated by reference from the registrant s report on Form 6-K filed with the Securities and Exchange Commission on July 22, 2005).

10.2 Equity Transfer Agreement, dated as of October 25, 2005, by and among the registrant, Golden Group Corporation (Shenzhen) Limited, Shenzhen Yuan Da Wei Shi Technology Limited and its stockholders Jianguo Jiang and Jing Li (herein incorporated by reference from the registrant s report on Form 20-F filed with the Securities and Exchange Commission on June 14, 2006). (English Summary)

10.3 Amendment No. 1 to the Equity Transfer Agreement, dated as of April 28, 2006, by and among the registrant, Golden Group Corporation (Shenzhen) Limited, Shenzhen Yuan Da Wei Shi Technology Limited and its stockholders Jianguo Jiang and Jing Li (herein incorporated by reference from the registrant s report on Form 20-F filed with the Securities and Exchange Commission on June 14, 2006). (English Summary)

10.4 Amendment No. 2 to the Equity Transfer Agreement, dated as of May 25, 2006, by and among the registrant, Golden Group Corporation (Shenzhen) Limited, Shenzhen Yuan Da Wei Shi Technology Limited and its stockholders Jianguo Jiang and Jing Li. (herein incorporated by reference from the registrant s report on Form 20-F filed with the Securities and Exchange Commission on June 14, 2006). (English Summary)

10.5 Securities Purchase Agreement, dated as of April 4, 2006, among the registrant and certain investors (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on April 5, 2006).

10.6 Registration Rights Agreement, dated as of April 4, 2006, among the registrant and certain investors (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on April 5, 2006).

10.7 Cooperation Agreement, dated as of February 17, 2006, by and between Golden Group Corporation (Shenzhen) Limited and Graduate School (Shenzhen) of Beijing University (herein incorporated by reference from the registrant s report on Form 20-F filed with the Securities and Exchange Commission on June 14, 2006). (English Summary)

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| 10.8 | Consulting Agreement, dated as of February 8, 2006, by and between the registrant and Terence Yap (herein incorporated by reference from the registrant s report on Form 20-F filed with the Securities and Exchange Commission on June 14, 2006). ** |
| 10.9 | Amendment No. 1 to Consulting Agreement, dated as of June 27, 2006, by and between the registrant and Terence Yap (herein incorporated by reference from the registrant s annual report on Form 20-F filed with the Securities and Exchange Commission on June 28, 2006). ** |
| 10.10 | Form of Securities Purchase Agreement, dated as July 6, 2006, by and among CSST BVI and certain investors (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 6, 2006). |
| 10.11 | Form of Registration Rights Agreement, dated as July 6, 2006, by and among CSST BVI and certain investors (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 6, 2006). |
| 10.12 | Form of Warrant (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 6, 2006). |
| 10.13 | Form of Escrow Agreement, dated July 6, 2006, by and among the registrant, certain investors and Thelen Reid & Priest LLP (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 6, 2006). |
| 10.14 | Framework Agreement, dated July 6, 2006, by and among the registrant, China Safetech Holdings Limited and shareholders of Shanghai Cheng Feng Digital Technology Co., Ltd (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 7, 2006). (English Summary) |
| 10.15 | Form of Waiver and Amendment to Securities Purchase Agreement, dated July 26, 2006, by and among the registrant and certain investors (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 31, 2006). |
| 10.16 | Form of Second Waiver and Amendment, dated July 27, 2006, by and among the registrant and certain investors (herein incorporated by reference from the registrant s current report on Form 6-K filed with the Securities and Exchange Commission on July 31, 2006). |
| 10.17 | Asset Purchase Agreement, dated September 5, 2006, by and among the registrant, Golden Group Corporation (Shenzhen) Limited and Jian Golden An Ke Technology Co. Ltd. (English Summary) (herein incorporated by reference from the registrant s registration statement on Form S-1 filed with the Securities and Exchange Commission on October 23, 2006). |
| 10.18 | Asset Purchase Agreement, dated September 5, 2006, by and among the registrant, Golden Group Corporation (Shenzhen) Limited and Shenzhen Golden Guangdian Technology Co. Ltd. (English Summary) (herein incorporated by reference from the registrant s registration statement on Form S-1 filed with the Securities and Exchange Commission on October 23, 2006). |
| 10.19 | Asset Purchase Agreement, dated September 5, 2006, by and among the registrant, Golden Group Corporation (Shenzhen) Limited and Shenyang Golden Digital Technology Co. Ltd. (English Summary) (herein incorporated by reference from the registrant s registration statement on Form S-1 filed with the Securities and Exchange Commission on October 23, 2006). |

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| 10.20 | Asset Purchase Agreement, dated September 5, 2006, by and among the registrant, Golden Group Corporation (Shenzhen) Limited and Jiangxi Golden Digital Technology Co. Ltd. (English Summary) (herein incorporated by reference from the registrant s registration statement on Form S-1 filed with the Securities and Exchange Commission on October 23, 2006). |
| 10.21 | China Security & Surveillance Technology, Inc. 2007 Equity Incentive Plan (herein incorporated by reference from the registrant s current report on Form 8-K filed with the Securities and Exchange Commission on February 13, 2007). ** |
| 10.22 | Letter Agreement Regarding Stock Purchase, dated as of November 27, 2006, by and among the registrant and certain investors (herein incorporated by reference from the registrant s current report on Form 8-K filed with the Securities and Exchange Commission on November 29, 2006). |
| 10.23 | Strategic Cooperation Agreement, dated September 28, 2006, by and between the registrant and China Construction Bank. (English Translation) (herein incorporated by reference from the registrant s annual report on Form 10-K filed with the Securities and Exchange Commission on March 21, 2007). |
| 10.24 | Independent Director Agreement, dated as of October 25, 2007, by and between China Security & Surveillance Technology, Inc. and Peter Mak (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 10.25 | Independent Director Agreement, dated as of October 25, 2007, by and between China Security & Surveillance Technology, Inc. and Robert Shiver (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 10.26 | Indemnification Agreement, dated as of October 25, 2007, by and between China Security & Surveillance Technology, Inc. and Peter Mak (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 10.27 | Indemnification Agreement, dated as of October 25, 2007, by and between China Security & Surveillance Technology, Inc. and Robert Shiver (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 14.1 | Code of Ethics (herein incorporated by reference from the registrant s annual report on Form 20-F filed with the Securities and Exchange Commission on June 28, 2006). |
| 14.2 | Amended and Restated Code of Ethics, adopted October 25, 2007 (herein incorporated by reference from the registrant s report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007). |
| 21 | List of Subsidiaries *** |
| 23.1 | Consent of GHP Horwath, P.C. * |
| 24 | Power of Attorney (included on signature page). |
| 31.1 | Certification of Chief Executive Officer, pursuant to Rule 13a 14(a) * |
| 31.2 | Certification of Chief Financial Officer, pursuant to Rule 13a 14(a) * |

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| 32.1 | Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 * |
| 32.2 | Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 * |
| 99.1 | Form of Restricted Stock Grant Agreement (herein incorporated by reference from the registrant s current report on Form 8-K filed with the Securities and Exchange Commission on March 8, 2007). |
| 99.2 | Real Property Trust Agreement, dated August 21, 2006, by and between Zhiqun Li and Golden Group Corporation (Shenzhen) Limited. (English Translation) (herein incorporated by reference from the registrant s annual report on Form 10-K filed with the Securities and Exchange Commission on March 21, 2007). |

* Filed herewith.

** Represents management contract or compensation plan or arrangement.

*** Filed with the Original Filing