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## **Yaan Security posts 53% increase in FY2006 earnings to RMB12.9 million**

- *Recommends final dividend of SGD 0.3 cents per ordinary share*

Financial Highlights	12 months ended 31 December		
	2006	2005	% Change
Revenue (RMB'm)	94.6	65.0	+ 46
Gross Profit (RMB'm)	36.1	27.1	+ 33
Profit Before Tax (RMB'm)	13.3	8.4	+ 57
Net Profit (RMB'm)	12.9	8.4	+ 53
EPS (RMB cents)	21.12	13.83	+ 53

**SINGAPORE – 1 March 2007** – SESDAQ-listed **Yaan Security Technology Limited** (“Yaan Security” or the “Group”) 亚安科技有限公司, a leading technology-based company which designs, develops and markets high-quality closed-circuit television (“CCTV”) security and surveillance products and accessories, today reported a substantial increase in revenue and net profit for the 12 months ended 31 December 2006.

The Group achieved a 46% increase in turnover to RMB94.6 million, from RMB65.0 million in the same period a year ago. The top-line growth was boosted by a broad-based increase in the sales of “YAAN” branded products, thanks to the Group’s focus on brand building in recent years and the robust demand for surveillance products in the PRC.

Profit before tax for the year increased by 57% to RMB13.3 million, from RMB8.4 million previously. After providing for a RMB0.4 million increase in tax expense due to the expiry of a tax holiday enjoyed by the Group's wholly-owned subsidiary, net profit after tax still grew more strongly than revenue, rising 53% to RMB12.9 million from RMB8.4 million last year.

Commenting on the Group's performance, founder and Chief Executive Officer of Yaan Security Mr Ye Chen, said, "FY2006 was a record year for Yaan Security. We made good progress in our efforts to raise awareness of our 'YAAN' branded proprietary products. Our latest results reflect sales contributions from both traditional products such as dome and pan/tilt cameras, enclosures and keyboards, as well as new products like our High Speed Dome Cameras I and II. In addition, we have won a number of new contracts, arising from the implementation of the 'Safe City' concept in China."

The Group's gross profit margins, however, declined from 41.6% in FY2005, to 38.2% in FY2006. This was mainly due to the increased level of sales for the Group's High Speed Dome Cameras, which command lower profit margins compared to traditional products, as well as a deliberate decision by the Management to improve the competitiveness of the selling prices of selected products.

At the operating level, the Group focused on improving cost efficiencies. Although selling and distribution expenses grew by about 30% to RMB13.2 million in FY2006, as a percentage of revenue, it declined from 16% to 14%. The rise in the selling and distribution expenses was a result of heightened marketing activities and an increase in remuneration levels for sales staff.

Administrative expenses increased by about 34% to RMB9.9 million in FY2006, largely attributable to the higher research and development expenses incurred in developing 10 new proprietary products in FY2006. The Group's focus on managing costs resulted in administrative expenses, as a percentage of revenue, dropping from 11% to 10%.

Based on the share capital of 61,002,000 shares, the latest full year results translate to earnings per share of 21.12 RMB cents, up from 13.83 RMB cents last year. Net asset value per ordinary share increased to RMB 0.82 as at 31 December 2006, from RMB 0.62 as at 31 December 2005.

In view of the good performance and to reward shareholders, the Directors have recommended a one-tier tax exempt final dividend of 0.3 Singapore cents per ordinary share. Together with an interim dividend of 0.3 Singapore cents per ordinary share paid in September last year, the total tax exempt dividend for FY2006 amounts to 0.6 Singapore cents per ordinary share.

### ***Year in Review***

During the year under review, the Group made successful headway in its research and product development efforts. In November last year, the Group launched a new series of proprietary products, including the Intelligent Dual Camera Speed Dome and auto-patrolling Security Surveillance Robot – both of which are firsts-of-their-kind in China. The new products have been well-received by the market.

“We are laying the foundation for our future growth as we see the strengthening of our R&D activities as necessary investments that will help the Group stay ahead in the marketplace. Besides continually improving our internal product capabilities, we are also actively exploring possible partnerships with established institutions to develop more innovative products,” explained Mr Ye.

On top of product development, the Group has also been very active in bidding for the “Safe City” projects in China, where major cities have been issuing tenders for the installation of surveillance and security networks in their respective cities.

Yaan Security has successfully secured contracts to supply more than RMB 6 million worth of security and surveillance products to Wugang (Henan Province), Guiyang (Guizhou Province), Qingzhou (Guangxi Province) and Qujing (Yunnan Province).

### ***Going Forward***

Since the beginning of 2007, Yaan Security has appointed three sole distributors:

- Qingdao Zeruishida Technology Co., Ltd 青岛泽瑞视达电子科技有限公司, as the sole distributor in Shandong Province in north-eastern PRC, targeting to sell RMB13 million worth of YAAN products in FY2007;
- Wuhan Fengda Yangguang (“Wuhan Fengda”) 武汉市丰达阳光科技有限责任公司, as the sole distributor in Hubei Province in central PRC, targeting to sell RMB6 million worth of YAAN products in FY2007;

- Shanghai Yufeng 上海雨峰商贸有限公司, as the Group's sole distributor in Shanghai, the largest city in the PRC, targeting to sell RMB6 million worth of YAAN products in FY2007.

"The Group has appointed sole distributors in various provinces in China. These appointments, which are subject to renewal at the end of 2007, formalize our existing business relationships with these distributors. By formalizing our partnership and providing them with support such as one-year warranties for the products supplied to them, marketing materials, technical assistance and staff training, we hope to incentivise these distributors to help increase our presence in their respective provinces," explained Mr Ye.

Yaan Security is entering an exciting phase of development, and will continue to adopt multi-pronged strategies focusing on the following areas:-

- **R & D capabilities:** Widening its proprietary product portfolio, and targeting to register 30 more product patents including that for the new products launched end of last year.
- **Distribution network:** Opening 2 to 3 more offices in the PRC, and appointing 2 to 3 more overseas distributors to complement its existing 6 overseas distributors in the USA, Singapore, UK, Taiwan, Belgium and Italy.
- **Sales & Marketing:** Focusing on promoting its "YAAN" brand in specific markets such as Olympic games, telecommunications, education, finance, etc.
- **Export and OEM sales:** Looking for opportunities to increase export sales, as well as its OEM business. The Group is currently an OEM manufacturer for one Japanese and one American firm.
- **Strategic investments:** Exploring opportunities that would complement its business.

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#### **About Yaan Security Technology Limited 亚安科技有限公司**

*Yaan Security Technology Limited is a leading technology-based company which designs, develops and markets high-quality closed-circuit television ("CCTV") security and surveillance products and accessories.*

*Backed by a 13-year track record, the Group has established a strong brand name with its award-winning products deployed throughout the PRC. Its asset-light business model and extensive network, coupled with its R&D capabilities, positions it favourably to tap on the fast-growing security and surveillance market.*

*Based in Tianjin, PRC, Yaan Security has an extensive network comprising 6 branches, 4 sales offices and 35 distributors in the PRC, as well as 6 overseas distributors in the USA, Singapore, UK, Taiwan, Belgium and Italy.*

*Over the years, the "YAAN" brand has garnered numerous accolades, including "Famous Brands in China Security" in 2006 (China Public Security Publication), "Top Ten Security Brands" in 2004, 2005 & 2006 ("Automation & Security" Magazine), "Top Ten National Brands of Security Industry" in 2003, 2004, 2005 and 2006 (HC 360 Security), "Tianjin Famous Brands" in 2004 (Tianjin Industry and Commerce Administrative Bureau), and "Famous Trademark" (Administration of Industry and Commerce of Tianjin).*