



*Preliminary Results  
for the fifteen months ended  
31 March 2008*



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- Company Overview
- BlueStar's Business
- Strategy and Markets
- Financials
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## Company Overview



- **A leading provider of “next generation” surveillance network solutions in China**
  - Professional surveillance network solutions
  - Proprietary software, network platforms and hardware
  - R&D in advanced surveillance technology
- **Strong traction with Chinese banking and finance sector**
  - Industry accredited technology and established relationships with key participants
  - Most key banks in China
  - Banking regulation demands high specification system to be replaced every five years
- **Well positioned to expand in new sectors and territories**
  - Expanding Pan-China footprint of seven sales and service centres to nine by Q3 2008
  - Planned acquisition of systems integrators to access new high-end sectors
  - General domestic and international security concerns driving growing demand
  - Regional domestic and international sales and R&D capability now in place
- **Proven track record and experienced management team**

- Results ahead of market expectation
- Revenue of RMB 175m (£12.5m)
- Net profit of RMB 51.7m (£3.7m)
- Cash & cash equivalents of RMB115m (£8.2m)
- Increased investment in R&D to RMB16m (£1.1m)
- New business sectors include: forestry protection, stock broking
- Maiden dividend of RMB13.46cents (0.96 pence) for the 15 months ended 31 March 2008
- Successful joint development of Cameras and IP Cameras with JVC – commercialisation in 2008





## *BlueStar's Business*



## BlueStar's Business: Offering

- BlueStar SecuTech Inc. is a leading provider of “next generation” surveillance network solutions in China
  - A network solution uses hardware and software across a network/platform to capture, process, analyse and store digital video
  - BlueStar provides surveillance network integrating solutions which incorporate:

### Platform/Network

- DVR development platform
- Surveillance network management platform

+

### Software

- Video Compression Software
- DVR Application software
- Network Management Software
- System Control Software

+

### Hardware

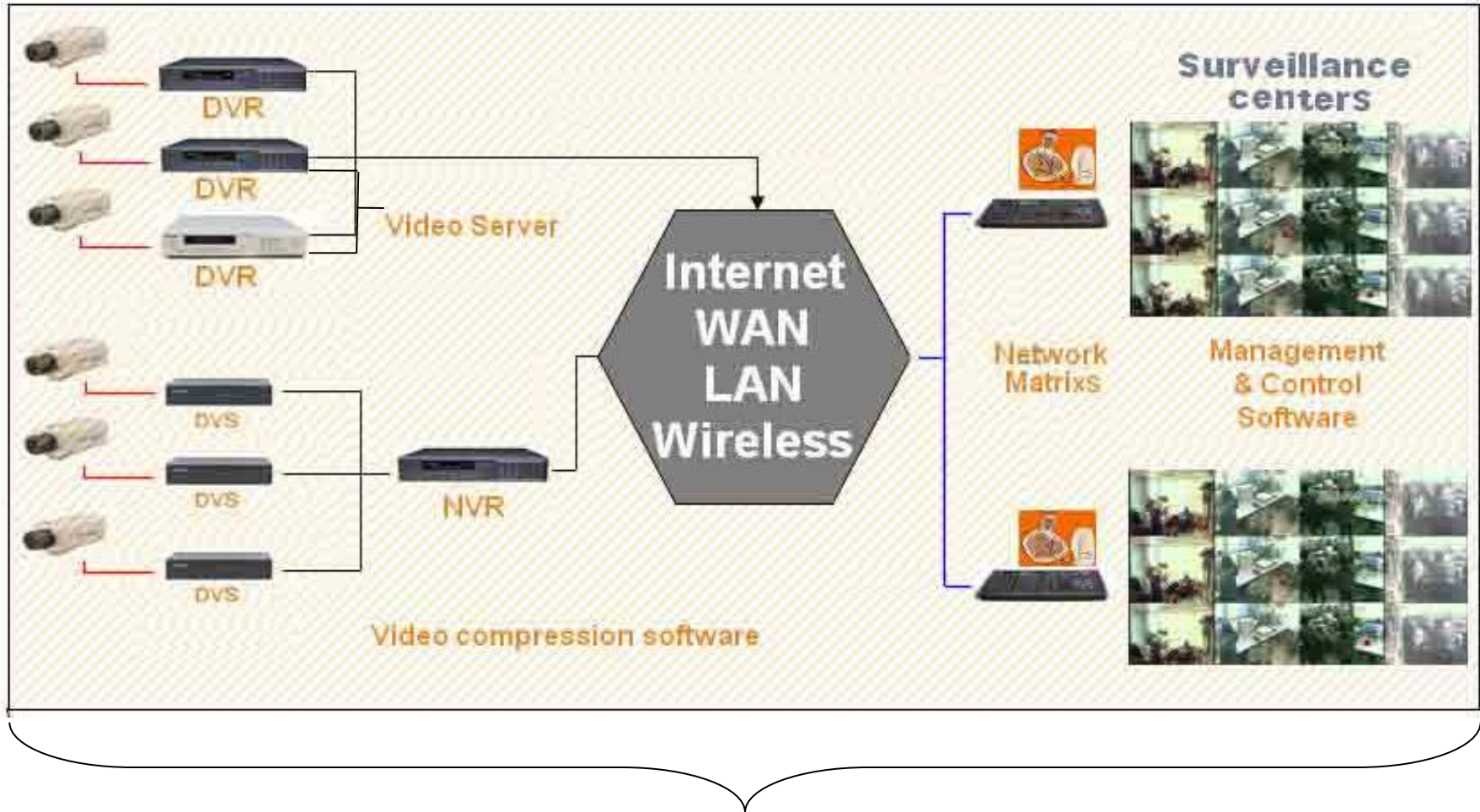
- Digital Video Recorder (DVR)
- Network Video Recorder (NVR)
- Digital Video Server (DVS)
- Network Matrix

## BlueStar's Surveillance Network Solutions



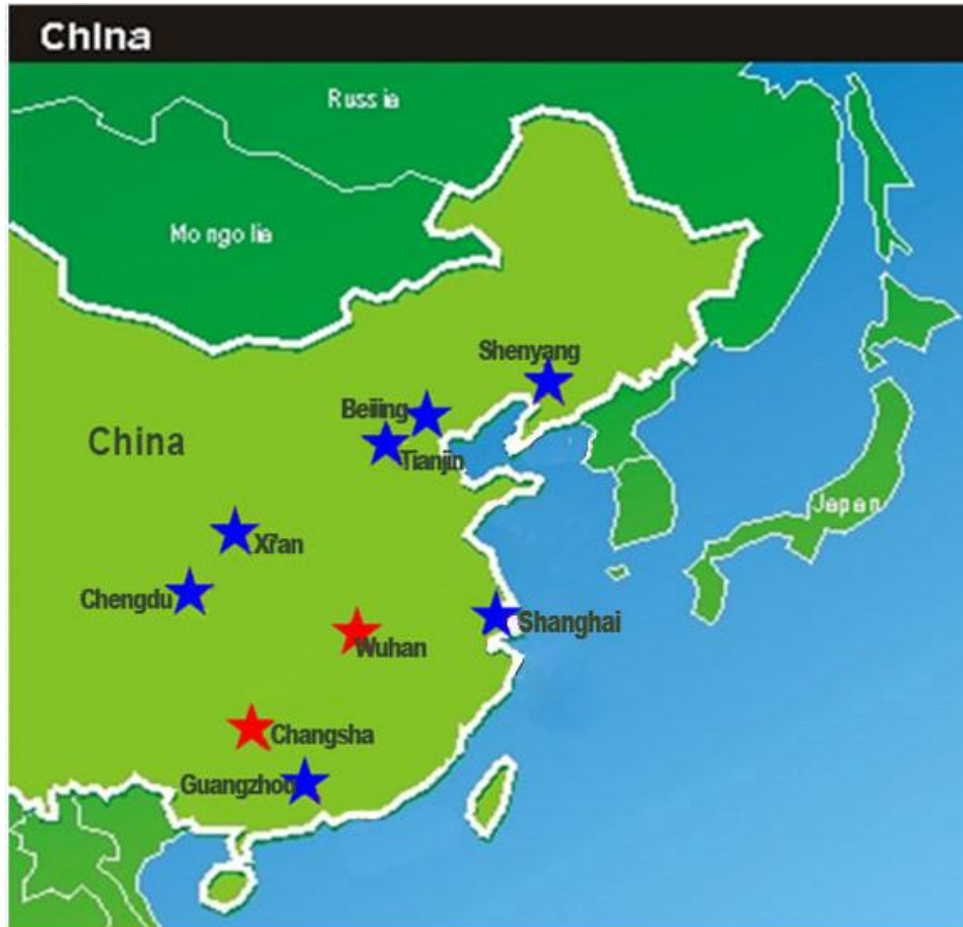
# BlueStar's Business: Surveillance Network

## Surveillance Locations



## BlueStar's Surveillance Network Solutions

# BlueStar's Business: National Footprint



- Sales and service centres in seven locations across China
- Expansion plans include opening two additional regional centres in Changsha and Wuhan

Key:

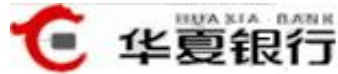
Headquarters (Beijing)

BlueStar sales and service centres

Sales and service centres to be opened



# BlueStar's Business: Major Customers







## Financials



### Financial:

- Revenue of RMB 175m (£12.5m)
- Net profit of RMB 51.7m (£3.7m)
- Cash & cash equivalents of RMB 115m (£8.2m)
- Proposed maiden dividend of RMB13.46cents (0.96 pence) for the 15 months ended 31 March 2008

### Investment

- R&D investment of RMB 16m (£1.1m)
  - RMB 4.3 million invested in production facility – has doubled production capacity and improved production quality
- Also R&D investment in software, JVC camera development programme and lower cost product line

## 2007 Summary Income Statement

<i>RMB'm</i>	<u>15 months ended</u> <u>31 March 2008</u> (Audited)	<u>12 months ended</u> <u>31 Dec 2006</u> (Audited)
<b>Revenue</b>	174.9	102.0
Network	45.5	3.0
Software	21.8	13.2
DVR/NVR'S	107.6	85.8
<b>Gross Profit</b>	96.3	57.2
<b>Operating profit</b>	52.2	45.0
<b>Pretax profit</b>	52.2	45.0
<b>Net profit</b>	51.7	42.1
 <b>Gross Margin</b>	 55.0%	 56.1%
<b>Operating profit margin</b>	29.8%	44.1%
<b>Net Margin</b>	29.6%	41.3%
<b>Tax rate</b>	0%	7.5%

## 2007 Summary Balance Sheet

<i>RMB'm</i>	<u>15 months ended 31</u> <u>March 2008</u> <u>(Audited)</u>	<u>12 months ended</u> <u>31 Dec 2006</u> <u>(Audited)</u>
Non-current Assets	28.7	14.0
Cash and Bank	115.4	23.1
Trade and Other Receivables	88.9	52.8
Inventory	20.0	8.7
<b>Total Assets</b>	<b>252.9</b>	<b>98.6</b>
 Total Liabilities	 (24.7)	 (38.1)
 <b>Net ASSETS</b>	 <b>228.3</b>	 <b>60.5</b>



# Cash flow statement

<i>RMB'm</i>	<u>15 months ended 31</u> <u>March 2008</u> <u>(Audited)</u>	<u>12 months ended</u> <u>31 Dec 2006</u> <u>(Audited)</u>
Net cash generated in operating activities	3.4	8.8
Net cash used in investing activities	(41.9)	(7.0)
Net cash generated in financing activities	130.7	19.0
Net increase/(decrease) in cash and cash equivalents	92.3	20.8
Cash and Cash equivalents at the beginning of the year	23.1	2.3
Cash and cash equivalents at the end of the year	115.4	23.1



## Markets & Strategy



# Market: An Industry In Transition

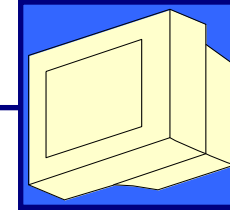
Camera

## Analogue – First Generation – VCR



Video Cassette Recorder

Monitor



Before 1999

Camera

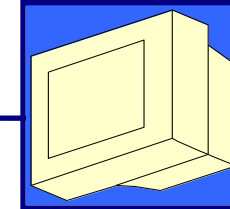
## Digital – Second Generation – DVR



Digitalisation and  
compression

Record

Monitor



Standalone DVR

Between  
2000 and 2003

Cameras/locations

## Third Generation – Networked DVR



Digitalisation and  
compression

Record

IP Network



Networked DVR

Now



## Third Generation – Networked Solution

Digitalisation and  
compression

Network

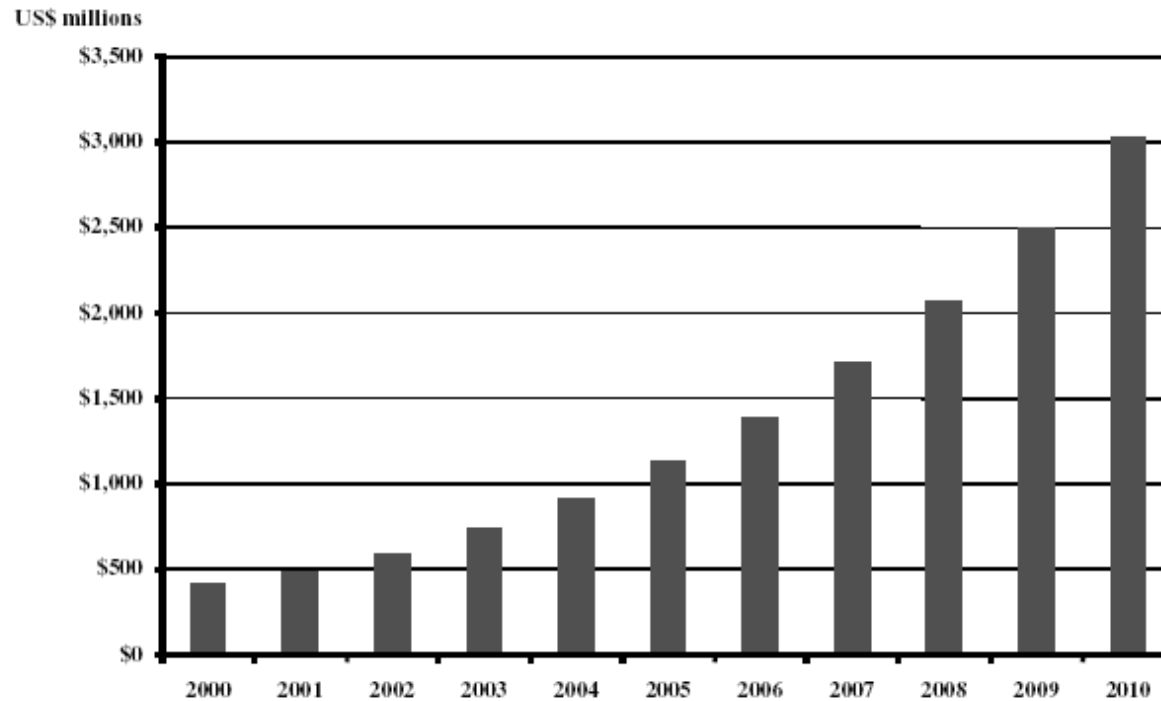
Record

IP Network



Networked VR

## Video Surveillance DVR Market: Revenue Forecasts (World), 2000-2010



Source: World Video Surveillance Equipment Markets, Frost & Sullivan (2005)

- The global digital surveillance market was estimated at US\$1.3 billion in 2005 and is expected to exceed US\$3 billion by 2010

# Market: DVR Market Drivers in China

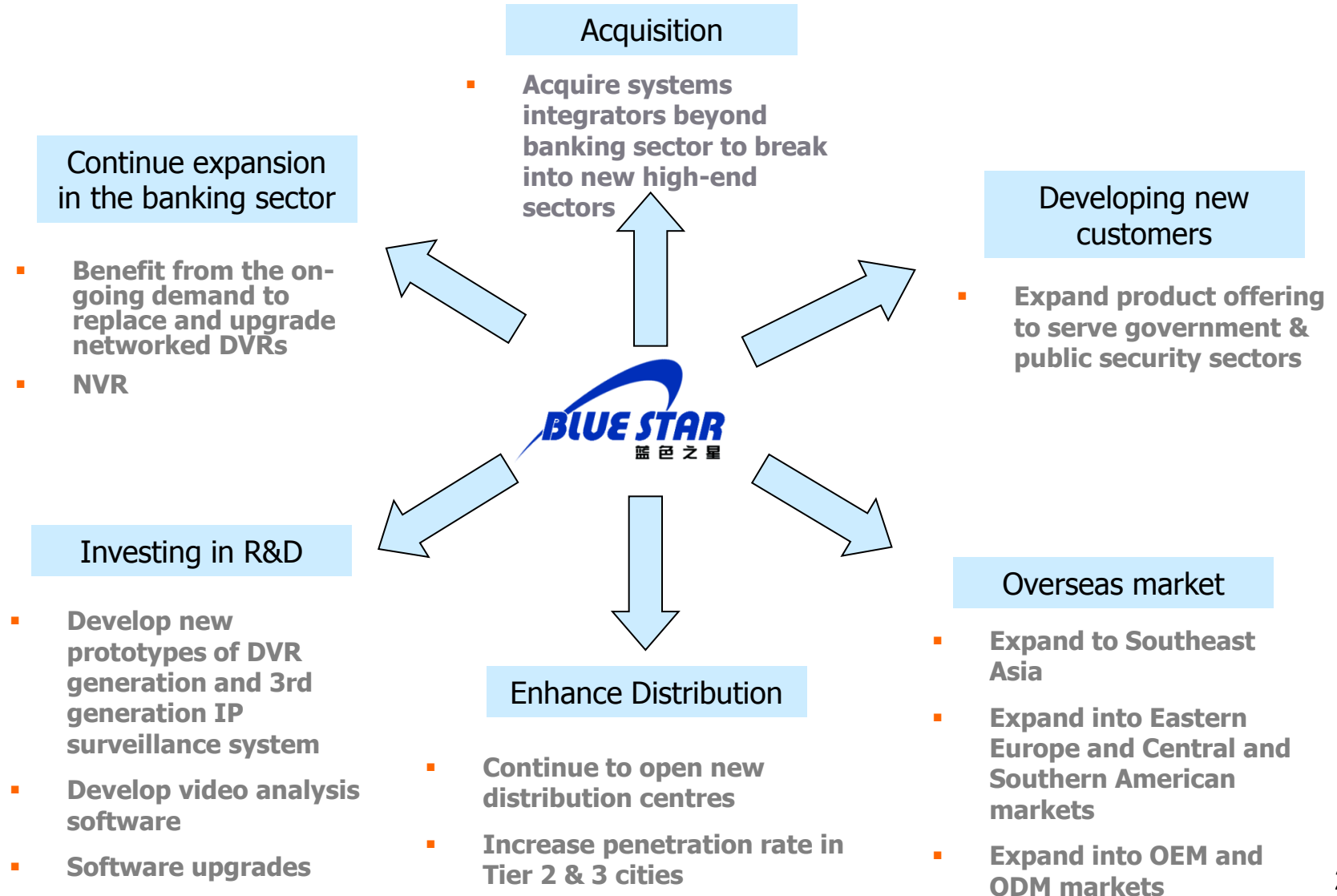
## Chinese Banking Regulations

- All new systems must be DVR
- All recorders must be replaced at least every five years
- 1:1 policy - every cash counter & ATM must have one exclusive camera which must be connected to one dedicated DVR unit
- Recording must be 24/7 and images stored for over 30 days
- Realtime systems must be a minimum of 25 frames per second

## Domestic Demand

- Rising demand in public areas to address terrorist concerns and safety issues e.g. 2008 Olympics
- Over 270,000 bank branches & ATMs across 30 provinces in PRC
- Tier 2 and 3 cities are expected to follow tier 1 cities in the use of DVRs and network solutions
- Cash-centric culture with 97% of transactions in cash

# BlueStar's Growth Strategy





## Outlook & Summary





- Performance ahead of market expectation
- Market drivers and demand remain strong
  - Strong regulatory drivers and domestic demand
- Long term roll-out progressing according to plan
  - Benefit from the ongoing replacement demand and upgrading for networked DVRs
- High definition camera jointly developed with JVC for use by the PRC banking sector expected to generate revenue towards the end of 2008
- New low cost product line being developed to help penetrate tier 2 and 3 cities
- Revised products and strategy for international expansion
- Strong and experienced management team in established business