

China Fire & Security Group, Inc.
First Quarter 2009 Earnings
May 11, 2009

Operator: Good day everyone and welcome to the first quarter 2009 earnings conference for China Fire & Security, Inc. Today's conference is being recorded. AT this time I would like to turn the call over to Mr. Michael Tieu of ICR for opening remarks and introduction. Please go ahead, sir.

Michael Tieu: Thank you everyone for joining us for the China Fire & Security Group's first quarter 2009 earnings call. With us today is Brian Lin, China Fire's Chief Executive Officer and Robert Yuan, China Fire's Principal Accounting Officer. Before we get started I am going to review the Safe Harbor statement regarding today's conference call.

This conference call may contain in addition to historical information, forward-looking statements within the meaning of the Federal Securities Laws regarding China Fire. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements other than statements that are historical in nature.

These forward-looking statements are based on current management's expectations and are subject to risks and uncertainties that may result in expectations not being realized and may cause actual outcomes to differ materially from expectations reflected in these forward-looking statements. Potential risks and uncertainties include product and service demand acceptance, changes in technology or economic conditions, the impact of competition and pricing, the impact of government regulations, and other risks contained in the statements filed from time-to-time with the SEC.

All such forward-looking statements, whether written or oral, and whether made by or on behalf of the company, are expressly qualified by the cautionary statements. Because forward-looking statements are subject to risks and uncertainties, we caution you not to place undue reliance on these statements. Forward-looking statements made during this conference call only represent management's estimates as of today, May 11, 2009. China Fire & Security Group assumes no obligation to update these projections in the future as market conditions change. For those of you unable to listen to the entire call at this time, a recording will be available via webcast for 360 days on our corporate website, www.chinafiresecurity.com.

At this point, I would like to introduce Brian Lin, Chief Executive Officer of China Fire & Security Group. Brian?

Brian Lin: Thank you very much, Michael. Good morning everyone to those in the U.S. and good evening to those participants in Asia. Welcome to our first quarter 2009 conference call. Today, we will discuss our financial results, talk about our recent

developments and our strategic plans and conclude with our outlook for the remainder of 2009.

As many of you know the first quarter is seasonally our slowest period due to our customers' tendency to defer starting new projects around the Chinese New Year holidays. To that extent even though our contract wins during the first quarter exceeded our internal targets, our recognized revenue which is based on completion of project milestones is effectively deferred. I am pleased that our first quarter results continue to validate our growth strategy and demonstrate our sound execution. We continue to grow our business and our brand successfully and that we have further strengthened our position as the leading provider of industrial fire protection solutions in China.

Before we get to the details of our first quarter 2009 financial results, allow me to share with you highlights of our achievements during this quarter as we continue to reach new records in our business.

Our revenue increased to 16.7 million compared to 14.7 million for the same period of 2008. We achieved record gross margin of 61.6% which is 690 basis points higher than the gross margin of the first quarter 2008. Our net income increased 19.1% year-over-year to 5.6 million for the first quarter of 2009. We ended the quarter with a record strong backlog of \$85 million as compared to 72 million at the end of 2008.

We signed a large contract worth approximately 9.4 million with Jinan Iron and Steel for fire protection turnkey solutions. We won additional contracts worth approximately 6.7 million with China Nuclear Power Engineering Co., Ltd. for its Guangdong Nuclear Power Station phase one project as its fire extinction product provider. We won a major contract worth approximately 3.4 million with China Ming (sp?) Metal Corporation. And as previously mentioned we had two contract wins in India and Indonesia totaling more than 3.4 million.

As you can see from our many achievements we are delighted with our first quarter performance. From our view the Chinese Government Stimulus Plan is showing early signs of success as bidding activities at our tier one customers continue to transact (sp?) and that we continue to benefit from the accelerated infrastructure upgrades across our targeted verticals. Another indicator that manufacturing in China is heading towards re-acceleration is the recent sharp rise in COAS (sp?) Purchasing Managers Index in China.

We believe we are well positioned to capture further revenue opportunities arising from improving market conditions. As we continue to grow our company, expand our market leadership and deepen our competitive advantages in the rapidly growing Chinese industrial fire protection industry I am excited about the remainder of 2009 which I will discuss in more detail later in this conference call. At this point, however, let me turn the call over to Robert for a detailed discussion on our first quarter financial results. Afterwards I will return to discuss our recent developments and our strategic plans and conclude with an update on our guidance for the remainder of 2009. Robert?

Robert Yuan: Thank you, Brian. As in Brian's assessment I am pleased with our financial performance in the first quarter of 2009.

Our revenue for the first quarter of 2009 grew 13.7% to 16.7 million compared to 14.7 million for the first quarter of 2008. As Brian had mentioned our customers have a tendency to defer starting new projects around the Chinese New Year holidays. During the first quarter we generated revenue from 212 total solution, product sales, and maintenance contracts up from 146 contracts from first quarter of 2008. Systems contracting revenues increased 14.8% to 13.0 million, a rise from 121 contracts or 11.3 million in the first quarter of 2008 generated from 81 contracts. The revenue increase from system contracting projects was mainly driven by the higher number of system contracting projects (inaudible) execution of large sized projects from Xinyu Iron and Steel Group and Capital Iron and Steel Group during first quarter.

Our product sales grew by 0.2 million year over year to US\$3.1 million. Maintenance and service revenue increased 23% to 0.6 million driven by our efforts to keep expanding our customer base. As we continue to fulfill large contracts with our core customers the iron and the steel industry remain the largest verticals contributing approximately 74% of total first quarter revenue. Power generation has become one of the largest verticals in the first quarter contributing approximately 18% of revenue. Petro-chemical and other verticals contributed approximately 8.1% of our revenue during the quarter.

Our first quarter gross margin expanded 690 basis points to 61.6% versus gross margin of 54.7% for the same period 2008. The record high gross margin benefited from our greater and deeper expertise as we significantly improved our efficiency in the execution of large projects and substantially lowered our costs. Our selling (sp?) expenses were 1.9 million for the first quarter of 2009 as compared to 1.2 million for the first quarter of 2008, an increase of approximately 0.7 million or 63.7%. The significant increase in our selling expenses was mainly attributable to the increase in our sales related activities including building up the relationship with new clients and the marketing of our new products and solutions and our effort to expand our business in new industries including nuclear power and transportation and into international markets.

General and administrative expenses were 1.7 million for the first quarter of 2009 as compared to 1.8 million for the same period 2008, a decrease of approximately 0.1 million or 6.6%. The decrease in general and administrative expenses was mainly attributable to our improved control over operating expenditures and a lower (inaudible) expenses offset by the increase in non-cash option (sp?) expenses of US\$240,000 and an increase in the employee salary expenses as the result of the increase in the number of employees during the period. R&D expenses was 314,000 as compared to 267,000 in the same period 2008.

As we continue through our efforts to develop further innovations to our LHDs, Water Mist Systems, and software for our detections and control systems, operating income for the first quarter grew 33.5% to 6.2 million from 4.6 million for the same period last year, driven by the increase in revenue and the higher gross margin. Our operating margin also

expands 550 basis points to 37.1% or 31.6% a year ago. Total other income was 333,000 for the same period 2009 compared to 140,000 for the same period 2008 as we earned higher interest income during the period.

Our provision for income taxes was approximately 214,000 in the first quarter 2009 compared to approximately 49,000 provision for income tax for the same period of last year. This significant increase in our provision for income tax during the period was mainly due to the tax at Sureland Industrial, our major operating subsidiary, began to pay 12.5% of income tax rate starting from the first quarter of 2009 after the expiration of its tax-exempt period.

Our GAAP net income for the first quarter of 2009 grew 19.1% or 0.9 million to 5.6 million as compared to 4.7 million for the same period 2008. As a result, our fully diluted GAAP EPS grew more than 18.8% to \$0.20 from \$0.17 a year ago. At end of the first quarter our total backlog, which includes winning bids, grew by 13 million sequentially to US\$85 million reflecting our strong new contract wins during the quarter. We expect to convert a majority of the total backlog to revenue in the remainder of 2009.

Now I would like to turn your attention to our balance sheet and cash flow because the balance sheet is the snapshot at the moment in time, I'd like to address this particularly only line items that have significant change or that I believe can have material impact for our ongoing operations. During the quarter we generated 2.5 million cash from operations compared to a net cash used by operating activities of US\$1.8 million in the same period 2008. As a result net cash increased 2.7 million to 29.4 million at the end of March 31, 2009 from 26.7 million at the end of 2008. Our net receivables totaled 26.6 million, up slightly from 25.8 million in the previous quarter. Our revenue was 6.0 million, a decrease of 0.5 million from 6.5 million at the end of 2008. Accordingly our working capital increased by approximately US\$4.9 million to 17 million, up from 65 million at the end of the fourth quarter.

We currently have no bank loans or long term debt and as such our total shareholder equity increased sequentially by 5.7 million to 84.4 million at the end of March 31, 2009.

In summary, I'm very pleased with the way we started 2009 with our strong performance, new contract wins, profitability, and cash flows. I am incrementally (sp?) more comfortable with our ability to meet or exceed our annual targets as our strong sequential growth in back logs is the leading performance indicator for the remainder of the year.

That concludes my financial review. So let me turn the call back to Brian for discussion on our recent developments and our strategic plan. Brian, please.

Brian Lin: Thank you, Robert. Let me now share with you our growth strategies and the specific macroeconomic trends that continue to validate our aim. We remain focused on executing the strategies that are online in five parts in our previous earnings call. It is therefore worth repeating the strategies as they provide key developments in each of the five components.

Firstly, we will further expand our leading position (sp?) and market share by focusing on our tier one customers in China's iron and steel industry as we continue to offer our clients the best fire protection solutions currently available on the market. In the first three months of 2009 we won approximately \$20 million worth of new contracts and winning bids in the iron and steel industry, driven by a combination of the government's stimulus plans and restructuring and revitalization of the steel industry bidding (sp?) activities that our tier one customers continue to trend up. Our considerable competitive advantages continue to drive our winning the lion's share of these opportunities demonstrated by our major win with China Ming Metal Corporation, (inaudible) a Fortune global 500 company. Our technical expertise in implementing environmentally friendly projects is also a major competitive advantage and winning criteria highlighted by our large contract win with Jinan Iron and Steel whose newest facility with cutting edge metallurgical (sp?) technologies and modern furnaces serves as a key exhibition of the government's vigorous push to significantly reduce industrial pollution emissions.

Other additional drivers for our fire protection solutions in this vertical include the state council's revitalization scheme and the new nation-wide mandatory fire protection law. At the end of March 2009 China state council released details of its China iron and steel industry's revitalization scheme which promotes total production control, encourages industry consolidations and emphasizes the development of new technologies. This stimulus plan provides financial subsidies and loan discounts to leading iron and steel companies allowing larger and more advanced steel producers to operate efficient plants and to build new ground breaking facilities thus creating more demand for our solutions.

On May 1st the Chinese government issued a major amendment of the fire protection law which requires all fire protection products to comply with the national standard and to pass the compulsory product specification by qualified specification institutions. Product quality supervision departments together with public security department of the state council will also push a catalogue of fire protection products. The new fire protection law also enforces stricter controls over industrial facilities while assigning penalties and liability to the facilities' owners in the event of fire hazards. This new fire protection law has increased the importance of fire safety among the public and accordingly increased long term higher demand for better fire protection products and services.

As our technical superiority and patented products and comprehensive fire protection solutions truly ensure that our customers' production facilities are fully compliant with China's new mandatory fire protection, we believe that they are indispensable for new or recently upgraded iron and steel production facilities. Obviously we are very excited about our revenue opportunities in this core vertical.

Secondly, we will remain focused on diversifying our revenue stream and customer base by expanding into other verticals. We are very pleased with our rapid growth in the power generation vertical as we won contracts totaling 3.7 million in the first quarter of 2009. We believe that China Fire (inaudible) will directly benefit from China's 44 billion investment on new power generation capacity this year as power producers will require our advanced code compliant fire protection solutions.

We are also very pleased with our nuclear vertical which has quickly become another promising contributor to our revenue mix. During the first quarter we won additional contracts worth approximately 6.7 million with China Nuclear Power Engineering Co., Ltd. for its Guangdong Nuclear Power Station Phase One Project as its fire extinction product provider. These projects has a nuclear power generating capacity of 6000 megawatts (sp?) located in Guangdong province and expected to be completed within the next three years. We believe with the implementation of the government's 66 billion nuclear power development plan we are well positioned to capture a growing (sp?) share of the opportunities in nuclear vertical in the future.

The petro-chemical vertical remain solid.(inaudible) contract wins in this vertical was a modest \$300,000 during this quarter. We continue to experience robust sales activities. According to the national energy administration's three year energy blue print, China plans to build additional large refineries with total coal (sp?) processing capacity of 2.15 million barrels a day and establish an oil reserve system that could reach 10 million tons (sp?) of reserves within three years. We anticipate considerable growth opportunities for our advanced fire protection solutions in the petro-chemical industry which includes coal and chemical plants.

Thirdly, we will continue to invest in technology innovation and influence the development of new fire standards and code enhancements. We believe the stricter fire protection law mentioned on here earlier will accelerate demand for the vast (sp?) fire safety products and services and thus drive more demand for our innovative and industry leading solutions. Moreover, we believe that our close participation in developing new standards and code enhancements will continue to elevate our brand and enhances our competitive position. Currently we own 76 patents and have 37 patents pending in China and internationally. We believe these patented (sp?) proprietary products will strongly support our future business growth in China and enhance our ability to maintain healthy margins.

Furthermore, we are highly optimistic about several new innovative products in our development pipeline including tri-band (sp?) infrared flame detector, infrared combustible gas detector and the high pressure water mist system. We're also in the process of certifying our latest linear heat detector products under UL standards, an internationally recognized standard.

Promoting technical innovation and intellectual property protection has become a national strategy for China in recent years. This year marks the beginning of executing on China's intellectual property strategy which focuses on setting up the administrative and legal infrastructure necessary for protecting and enforcing intellectual property rights. In recognition of our achievements we were awarded as one of the patent demonstration company by Beijing Intellectual Property Bureau. And China Fire is the only company from our fire protection industry, and one of a few companies in Beijing to receive this prestigious award.

Fourthly, we will actively pursue fire protection projects and product sales in the international market. As previously mentioned we won contracts in the Indian and Indonesian markets totaling 3.4 million in the first quarter of 2009. Our long term strategy is to leverage our competitive advantage and industry leading solutions to grow our company in the rapidly domestic and international industrial fire protection sector.

Fifthly, we will continue to proactively explore strategic merger and acquisition targets. Strictly speaking we expect all of our M&A transactions will be accretive to our earnings and complementary to our core fire protection business. We believe that our strong balance sheets enable us to target big companies that have strong market presence in certain industrial verticals or have strong marketing channels, or companies with recurring maintenance services. We intend to leverage our brand of technical expertise and our broad distribution to drive synergistic revenue opportunities.

Finally, while we are focused on executing our growth strategies, we are also optimizing our balance sheet and maximizing cash flows. We will continue to adopt tighter credit controls, implement more proactive receivable collection policies to reduce DSO and increase the cash collected in the future.

Let me now share with you the outlook for 2009. We continue to be excited with the growth prospects in our core iron and steel industry and we continue to command firm pricing for our total solutions as our gross margin continues to exceed our target range. We are also excited with our contract wins in the nuclear power petro-chemical verticals as well as the international market. We believe that we are well positioned to capture additional revenue opportunities from the stimulus package, industrial consolidation, and improving market conditions. Reflecting our strong contract wins and record backlog in the first quarter of 2009 we are reaffirming our revenue and profit forecast on 2009. For the full year 2009 we anticipate revenue will grow between 28 to 38% to a range of 88 million to 95 million. Pretax income is expected to grow between 22 to 32% to a range of 30.2 million to 32.6 million. Assuming an effective tax rate of 13%, net income is estimated to grow between seven to 15% to a range of 26.3 million to 28.4 million or \$0.93 to \$1.00 per diluted share based on 28.3 million shares. Please note that our effective tax rate in 2008 was 0.2%.

In closing, we are confident about our growth strategy to further expand our brand, our market leadership and our technical expertise in fire safety. We continue to broaden our leading brand distribution, customer base, total solution offering, and the manufacturing capabilities. We also are proactively pursuing additional growth opportunities in the international market. Our growing cash position, healthy cash flows, and zero debt positions us well for higher revenues, greater profits and a stronger pipeline of expansion projects including strategic consolidation opportunities.

This concludes my prepared remarks for the first quarter of 2009. Operator, we'll now open the call for questions. Please begin with the first question.

Operator: Thank you, sir. If any participant would like to ask a question please press the star followed by the one on your telephone. To cancel this request please press the star followed by the two.

The first question comes from Chenyi Lu from Brean Murray Carret. Please state your question.

Chenyi Lu: Good day. Good morning Brian and Robert. I just have a couple of questions I'd like to ask. The first question I have is regarding your gross margin. This quarter gross margin is very, very strong and then up to 6.1%. Can you give us an update on your gross margin guidance and what do you expect as we go in over the next few quarters? Thank you.

Brian Lin: Yes, Yi (sp?), I think the gross margin from the annual basis or over the next couple of years I think it's safe to say we are within the range of 45 to 55%. And this first quarter we had better than expected margins because the revenue mix in the quarter on some of the higher margin projects we recognized more revenue through the quarter and that's why this is—it's very hard to predict the exact margin for each, for any quarter, but on an annual basis I think we are very comfortable with the range of 45 to 55%.

Chenyi Lu: So I believe the higher margin projects you are talking about a project from the iron and steel industry, right?

Brian Lin: That's correct.

Chenyi Lu: Okay, great. Let's move on to the next question. Can you discuss a little bit in depth as you see the iron and steel industry as related to our current state, what you see going forward over the next three to six quarters? Thank you.

Brian Lin: Do you—

Chenyi Lu: I mean basically my question is that do you see, are you being more optimistic about the recovery right now in terms of the Chinese economy? Thank you.

Brian Lin: Okay. I think based on the COAS Purchasing Managers Index, I think the economy seems to be improving. But I think, and also from the iron and steel industry's perspective the steel price has recovered from the lows of last year. So we are seeing, especially due to the stimulus package and the China's revitalization scheme within the iron and steel industry, we believe that the growth and the revenue opportunities as far as the iron and steel industry remains very strong. And as we have shared with you earlier that we signed over \$20 million of contracts in the first quarter alone in the iron and steel industry.

Chenyi Lu: So my next question in relation to this question is—I mean as of today do you see the contract activity is better than what you've seen in the first quarter 2009?

Brian Lin: I think the—our bidding process and then the contract that we're bidding are still quite significant. And the first quarter was especially better. One of the reasons was in the fourth quarter of 2008 some of the projects get delayed, I mean the contract bidding, some of the project was supposed to bid in the last quarter of 2008 would push off to the first quarter. And so we got a much stronger first quarter. But even going forward I think we are still optimistic of the project's potential (inaudible). And we don't see any signs of slowing down as of yet.

Chenyi Lu: So does that imply that the (inaudible) for today, I mean quarter today for second quarter still remains strong or even stronger?

Brian Lin: I think it's still strong but first quarter was especially strong quarter because there's, as I mentioned earlier that there's some of the projects got pushed over from the last quarter of '08 to the first quarter of '09. So it was a excellent quarter for us.

Chenyi Lu: Great. Thank you, that's all my questions.

Brian Lin: Thank you, Yi.

Operator: The next question comes from Adele Mao from Susquehanna International Group. Please state your question.

Adele Mao: Hi, guys. First of all I'd like to dig a little bit more into your gross margin. As you diversify your revenue into nuclear power and petro-chemical verticals as well as international market, do you have comparable proprietary products tailored to these industry verticals? And how should we think about your gross margin trends into the next 12, 18 months as your revenue mix change?

Brian Lin: Adele, I think in the advice from the company is still we are comfortable with the gross margin in the range of 45 to 55%. Because the revenue mix it could be different quarter by quarter so the first quarter number, 61.0% doesn't mean that in the second quarter we're going to get the same number. But it doesn't mean that it could be worse than 45%. But it is a non-accelerating (sp?) product, you see a trend either going up or going down, this is because of the way the revenues are recognized on different projects. So it's hard to predict. But the range will be safe.

Adele Mao: Right, I understand. I think the gross margin that has exceeded your expectation I think a lot has to do with your mature product in the iron and steel industry. You know my question is you guys are expanding into nuclear and several other margin verticals, do you see the product or your system contracts gross margin in these new verticals be higher or in line or lower than your current iron and steel vertical?

Brian Lin: Granted those new verticals will have lower margins than iron and steel, but in the power, for example, I think we are selling our linear heat detectors and our also water mist systems into power sector as well because the percentage of revenues from our

proprietary products are less in these verticals in comparison to iron and steel. Whereas our, the revenue from our proprietary products are higher.

Adele Mao: I see. That's helpful. My second question, could you discuss how you expect the seasonality to trend throughout 2009. It seems that the first quarter revenue recognition, you know due to Chinese New Year and things like that is a little bit light. If we look at your historical trends in the past three years, first quarter is at least 20% of your revenue. If I was to take the mid (sp?) point of your guidance the percentage would be around 18% so far. What gives you confidence that revenue recognition will accelerate for the rest of 2009?

Brian Lin: I think given the—in the first quarter typically is the slowest quarter and we really do not have a control over the revenue recognition, it's really whatever goes into the field get deployed. We can on the percentage-wise we recognize revenues. But looking at the project that just started in the second quarter and the contract, a lot of the product sales contracts are signed as well so we, I think with that strong backlog we are pretty confident on an annual basis we should be able to meet or exceed our target provided guidance.

Adele Mao: Okay. Can you also give us an update on your headcount and if you have added new employees in any specific areas?

Brian Lin: Sorry, we do not have the number of employees on hand right now, but we can provide you with the number later.

Adele Mao: Sure. You know with strong momentum that you're seeing in several verticals is there any—do you expect to add more employees in order to execute these contracts or do you have to outsource some of these existing contracts to outside vendors? Just sort of your expectation on the level of your employee headcount.

Brian Lin: Okay, I see where you're coming from. Certainly we are adding new employees especially in the project management, engineering team and our sales team as well as we have different groups focusing on different verticals and we are adding people accordingly. For example in the international markets we have expanded our team from previously four people to now about 10 people in the international market. But for the—a lot of the contracts we are outsourcing the labor to the third party anyway so the incremental increase in the number of employees is not going to be that significant.

Adele Mao: Thanks—

Brian Lin: Because we're just adding more project managers to oversee different projects. As you can see we have increased the number of ongoing projects from 180 (sp?) to about 20-20 (sp?) projects in 2009 versus the first quarter of 2008. So with certainly more projects we need more project managers and project engineers to oversee those projects.

Adele Mao: Okay, great. That's all the questions I have. Thank you very much.

Brian Lin: Great, thank you, Adele.

Operator: The next question comes from Tim Hanson of The Motley Fool. Please state your question.

Tim Hanson: Hi, Brian and Robert. How are you guys doing?

Brian Lin: Hi, Tim.

Tim Hanson: My first question—I just missed this when Robert was going through it, but how many contracts were there this quarter compared to last year.

Robert Yuan: How many contracts.

Brian Lin: How many contracts have we executed—I remember it's 212.

Tim Hanson: 212. Okay. And then secondly what conversion rates were you using this quarter to convert the RMB revenues into dollars.

Robert Yuan: Well I remember it's about six-point-eight-something—

Brian Lin: Six point—

Tim Hanson: Six-point-eight-something, that's good enough. My third question was as you guys are looking for acquisitions what sort of valuations are you hoping to get?

Brian Lin: Tim, certainly we, I think different companies would tell us different valuations. I think good companies will certainly demand a higher valuations. But I think the bottom line as I stated in my previous remarks is we need to make sure that our acquisition's accretive to our earnings. I think that's the most important thing that we have to consider financially. But business, the growth rate of that business and profitability and cash flows certainly are other things we need to take into consideration.

Tim Hanson: But you're not looking at any sort of multiples on earnings or cash flow, I mean using maybe your own company as a proxy for what's fair.

Brian Lin: No, no.

Tim Hanson: Okay. And then finally—or two more—as you dig into (sp?) into international markets, what are the plans to sort of hedge out any currency risk if any, you know, in terms of collecting rupees or anything from Indonesia?

Brian Lin: That's a good question. I think we have noticed this and we are just starting out in international markets. It think for the Indonesia project actually was signed in RMB. And for the Indian project it was in rupees.

Tim Hanson: Got it.

Brian Lin: So I think one-point-five-crows (sp?). But we need to be preparing in this respect and hedge our currencies.

Tim Hanson: Yes, yes. Thank you. And I guess my last, during the quarter did you execute on any of the previously approved \$10 million share repurchase?

Brian Lin: No, we have not, Tim. I think we want to keep the cash for the—to support the ongoing projects and possible acquisition targets. I think the bigger (sp?) one goal of the business that's the most important for the company.

Tim Hanson: Okay. Well, that's all I had and I hope to see you guys soon. Thanks now.

Brian Lin: Okay, thank you, Tim.

Operator: There are no further questions. I will now hand the conference over back to management. Please continue.

Brian Lin: Thank you. I think this is the end of our conference call. Thank you, everyone.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.