CHINA FIRE & SECURITY GROUP, INC.
Form PRER14A
August 05, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Amendment No. 4)

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

CHINA FIRE & SECURITY GROUP, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

ý Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
China Fire & Security Group, Inc. common stock, par value $0.001 ("*common stock*")
(2)

Aggregate number of securities to which transaction applies:

28,640,321 shares of common stock (including 27,890,321 shares outstanding and 750,000 shares of restricted stock) and 1,731,220 shares of common stock underlying options of the Company with an exercise price of $6.81 or less

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The proposed maximum aggregate value of the transaction for purposes of calculating the filing fee is $265,584,025. The maximum aggregate value of the transaction was calculated based upon the sum of (A) (1) 28,640,321 shares of common stock (including shares of restricted stock) issued and outstanding and owned by persons other than the Company, Parent and Merger Sub on June 8, 2011, multiplied (2) by $9.00 per share (the "*per share merger consideration*") and (B) (1) 1,731,220 shares of common stock underlying outstanding options of the Company with an exercise price of $6.81 or less, as of June 8, 2011, multiplied by (2) the excess of the per share merger consideration over the weighted average exercise price of $4.48. The filing fee equals the product of 0.00011610 multiplied by the maximum aggregate value of the transaction.

(4) Proposed maximum aggregate value of transaction:

$265,584,025

(5) Total fee paid:

$30,834.31

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY MATERIAL SUBJECT TO COMPLETION

[ ], 2011

To the Shareholders of China Fire & Security Group, Inc.:

You are cordially invited to attend a special meeting of shareholders of China Fire & Security Group, Inc., a Florida corporation (the "**Company**," "**we**," "**us**" or "**our**") to be held at [ ], local time, on [ ], 2011, at [ ].

On May 20, 2011, we entered into an Agreement and Plan of Merger (the "**merger agreement**") with Amber Parent Limited, an exempted company incorporated in the Cayman Islands ("**Parent**"), and Amber Mergerco, Inc., a Florida corporation and a wholly owned subsidiary of Parent ("**Merger Sub**"), providing for the merger of Merger Sub with and into the Company (the "**merger**"), with the Company surviving the merger as a wholly owned subsidiary of Parent. Parent and Merger Sub are both affiliates of funds managed by Bain Capital Partners, LLC. At the special meeting, we will ask you to approve the merger agreement.

If the merger is completed, each share of the Company's common stock, par value $0.001 ("**Company common stock**"), other than as provided below, will be converted into the right to receive $9.00 in cash, without interest and less any applicable withholding taxes. We refer to this amount as the "**per share merger consideration**." The following shares of Company common stock will not be converted into the right to receive the per share merger consideration in connection with the merger: (a) shares owned by the Company, any subsidiary of the Company, Parent or Merger Sub, immediately prior to the effective time of the merger, (b) shares that the Rollover Investors (as defined below) agreed to contribute to Parent and/or Merger Sub, and (c) shares owned by shareholders who have perfected and not withdrawn a demand for appraisal rights under the Florida Business Corporation Act (the "**FBCA**").

A special committee of our board of directors, consisting entirely of independent directors, reviewed and considered the terms and conditions of the merger agreement and the transactions contemplated by the merger agreement, including the merger. This special committee determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable, fair (both substantively and procedurally) to and in the best interests of the Company and its unaffiliated shareholders, recommended that our board of directors approve, adopt and declare the advisability of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommend that our shareholders approve the merger agreement. Our board of directors, after careful consideration and acting on the unanimous recommendation of the special committee, deemed it advisable and in the best interests of the Company and our shareholders that the Company enter into the merger agreement, determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable, fair (both substantively and procedurally) to and in the best interests of the Company and its unaffiliated shareholders, approved and adopted the merger agreement and recommended that our shareholders approve the merger agreement at the special meeting. **Our board of directors recommends that you vote "FOR" the proposal to approve the merger agreement**.

The merger cannot be completed unless the merger agreement is approved by the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors (as defined below), certain holders of Company common stock who have entered into voting agreements with Parent and Merger Sub, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger). More information about the merger is contained in the accompanying proxy statement and the merger agreement attached thereto as Annex A.

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In considering the recommendation of the special committee and the board of directors, you should be aware that some of the Company's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our shareholders generally. Certain special purpose companies (collectively, the "**Rollover Investors**") controlled by Mr. Weigang Li (our chairman of the board of directors) in whole or in part, Mr. Brian Lin (our chief executive officer and one of our directors), and Mr. Weishe Zhang (our vice president of strategic planning and one of our directors) have agreed with Parent and Merger Sub to contribute to Parent a portion of the shares of Company common stock owned by them, aggregating approximately 19.9% of the outstanding shares of Company common stock as of June 8, 2011 (the "**Rollover Shares**"), in exchange for a certain equity interest in Parent at the same price per share as is paid by the shareholders of Parent affiliated with the Sponsors at closing. In addition, Li Brothers Holdings Inc. ("**Li Brothers**"), a Rollover Investor controlled in part by Mr. Weigang Li, agreed to contribute an additional portion of the Company common stock owned by it representing approximately 4.3% of the outstanding shares of Company common stock as of June 8, 2011 (the "**Cashed-Out Shares**") to Merger Sub in exchange for a per share amount equal to the per share merger consideration, which will be paid after our shareholders generally receive their merger consideration. The surviving corporation is required to pay Li Brothers the consideration for the Cashed-Out Shares as soon as practicable following such time as it has funds sufficient to make such payment and to use its reasonable best efforts to make such payment within three months following the completion of the merger. The accompanying proxy statement includes additional information regarding certain interests of the Company's directors and executive officers that may be different from, or in addition to, the interests of our shareholders generally.

We encourage you to read the accompanying proxy statement in its entirety because it explains the proposed merger, the documents related to the merger and other related matters.

Regardless of the number of shares of Company common stock you own, your vote is important. The failure to vote will have the same effect as a vote against the proposal to approve the merger agreement. Whether or not you plan to attend the special meeting, please take the time to submit a proxy by following the instructions on your proxy card as soon as possible. If your shares of Company common stock are held in an account at a broker, dealer, commercial bank, trust company or other nominee, you should instruct your broker, dealer, commercial bank, trust company or other nominee how to vote in accordance with the voting instruction form furnished by your broker, dealer, commercial bank, trust company or other nominee.

We appreciate your continued support of the Company.

Sincerely,
Weigang Li
Chairman

The merger has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the merits or fairness of the merger or upon the adequacy or accuracy of the information contained in this document or the accompanying proxy statement. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [ ], 2011 and is first being mailed to shareholders on or about [ ], 2011.

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CHINA FIRE & SECURITY GROUP, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD [ ], 2011

NOTICE IS HEREBY GIVEN that the special meeting of shareholders of China Fire & Security Group, Inc. (the "**Company**," "**we**," "**us**" or "**our**") will be held at [ ], local time, on [ ], 2011, at [ ], for the following purposes:

1. To approve the Agreement and Plan of Merger, dated May 20, 2011 (the "**merger agreement**"), by and among the Company, Amber Parent Limited, an exempted company incorporated in the Cayman Islands ("**Parent**"), and Amber Mergerco, Inc., a Florida corporation and a wholly owned subsidiary of Parent ("**Merger Sub**") providing for the merger of Merger Sub with and into the Company (the "**merger**"), with the Company surviving the merger as a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of funds managed by Bain Capital Partners, LLC; and

2. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

For more information about the merger and the other transactions contemplated by the merger agreement, please review the accompanying proxy statement and the merger agreement attached thereto as Annex A.

A special committee of our board of directors, consisting entirely of independent directors, reviewed and considered the terms and conditions of the merger agreement and the transactions contemplated by the merger agreement, including the merger. This special committee determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable, fair (both substantively and procedurally) to and in the best interests of the Company and its unaffiliated shareholders, recommended that our board of directors approve, adopt and declare the advisability of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommend that our shareholders approve the merger agreement. Our board of directors, after careful consideration and acting on the unanimous recommendation of the special committee, deemed it advisable and in the best interests of the Company and our shareholders that the Company enter into the merger agreement, determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable, fair (both substantively and procedurally) to and in the best interests of the Company and its unaffiliated shareholders, approved and adopted the merger agreement and recommended that our shareholders approve the merger agreement at the special meeting. **Our board of directors recommends that you vote "FOR" the proposal to approve the merger agreement**.

Certain special purpose companies (collectively, the "**Rollover Investors**") controlled by Mr. Weigang Li (our chairman of the board of directors) in whole or in part, Mr. Brian Lin (our chief executive officer and one of our directors) and Mr. Weishe Zhang (our vice president of strategic planning and one of our directors) have agreed with Parent and Merger Sub to contribute to Parent a portion of the shares of the Company's common stock, par value $0.001 ("**Company common stock**") owned by them, aggregating approximately 19.9% of the outstanding shares of Company common stock as of June 8, 2011 (the "**Rollover Shares**"), in exchange for a certain equity interest in Parent at the same price per share as is paid by the shareholders of Parent affiliated with the Sponsors at closing. In addition, Li Brothers Holdings Inc. ("**Li Brothers**"), a Rollover Investor controlled in part by Mr. Weigang Li, agreed to contribute an additional portion of the Company common stock owned by it, representing approximately 4.3% of the outstanding shares of Company common stock as of June 8, 2011 (the "**Cashed-Out Shares**"), to Merger Sub in exchange for a per share amount equal to the per share merger consideration, which will be paid after our shareholders generally receive their merger consideration. The surviving corporation is required to pay Li Brothers the consideration for the Cashed-Out Shares as soon as practicable following such time as it has funds sufficient to make such

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payment and to use its reasonable best efforts to make such payment within three months following the completion of the merger. Messrs. Weigang Li and Brian Lin will also enter into new three-year employment agreements (with two conditional one-year extensions) with Parent or one of its subsidiaries following the merger.

Only shareholders of record at the close of business on [ ], 2011 are entitled to notice of and to vote at the special meeting and at any and all adjournments or postponements thereof.

The approval of the merger agreement requires the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, certain holders of Company common stock who have entered into voting agreements with Parent and Merger Sub, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger). The approval of the adjournment of the special meeting requires the affirmative vote of the holders of at least a majority of the shares of the Company common stock present and entitled to vote at the special meeting as of the record date, whether or not a quorum is present. Notice of the adjourned meeting need not be given if the time and place to which the meeting is adjourned is announced at the meeting before an adjournment is taken and our board of directors does not fix a new record date for the adjourned meeting.

Regardless of the number of shares of Company common stock you own, your vote is important. The failure to vote will have the same effect as a vote against the proposal to approve the merger agreement. Whether or not you plan to attend the special meeting, please take the time to submit a proxy by following the instructions on your proxy card as soon as possible. If your shares of Company common stock are held in an account at a broker, dealer, commercial bank, trust company or other nominee, you should instruct your broker, dealer, commercial bank, trust company or other nominee how to vote in accordance with the voting instruction form furnished by your broker, dealer, commercial bank, trust company or other nominee.

Company common shareholders who do not vote in favor of approval of the merger agreement will have the right to seek appraisal and receive the fair value of their shares in lieu of receiving the per share merger consideration if the merger closes but only if they perfect their appraisal rights by complying with the required procedures under Florida law, which are summarized in the accompanying proxy statement. The procedure for dissent and appraisal is described in Sections 607.1301 to 607.1333 of the Florida Business Corporation Act, which are attached as Annex C to the proxy statement accompanying this notice. We are providing this notice and a copy of such sections pursuant to Section 607.1320 of the Florida Business Corporation Act. Florida law requires strict adherence to the procedures set forth therein, and failure to do so may result in the loss of all dissenters' appraisal rights. Accordingly, each shareholder who might desire to exercise dissenter's appraisal rights should carefully consider and comply with the provisions of those sections and consult his or her legal advisor.

If you plan to attend the special meeting, please note that you may be asked to present valid photo identification, such as a driver's license or passport. If you wish to attend the special meeting and your shares of Company common stock are held in an account at a broker, dealer, commercial bank,

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trust company or other nominee (i.e., in "street name"), you will need to bring a copy of your voting instruction card or statement reflecting your share ownership as of the record date.

By Order of the Board of Directors,
Weigang Li
Chairman
Beijing, China
[ ], 2011

Important Notice of Internet Availability

This proxy statement for the special meeting to be held on [ ], 2011, is available free of charge at http://www.myproxyonline.com/chinafire

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, YOU ARE ENCOURAGED TO VOTE AS SOON AS POSSIBLE. YOU MAY VOTE YOUR SHARES OF COMPANY COMMON STOCK BY TELEPHONE, OVER THE INTERNET, OR IF YOU RECEIVED A PAPER COPY OF THE PROXY CARD, BY SIGNING AND DATING IT AND RETURNING IT PROMPTLY. VOTING BY PROXY WILL NOT PREVENT YOU FROM ATTENDING THE MEETING AND VOTING IN PERSON IF YOU SO DESIRE.

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SUMMARY VOTING INSTRUCTIONS

Ensure that your shares of Company common stock can be voted at the special meeting by submitting your proxy or contacting your broker, dealer, commercial bank, trust company or other nominee.

If your shares of Company common stock are registered in the name of a broker, dealer, commercial bank, trust company or other nominee: check the voting instruction card forwarded by your broker, dealer, commercial bank, trust company or other nominee to see which voting options are available or contact your broker, dealer, commercial bank, trust company or other nominee in order to obtain directions as to how to ensure that your shares of Company common stock are voted at the special meeting.

If your shares of Company common stock are registered in your name: submit your proxy as soon as possible by telephone, via the Internet or by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope, so that your shares of Company common stock can be voted at the special meeting.

Instructions regarding telephone and Internet voting are included on the proxy card.

The failure to vote will have the same effect as a vote against the proposal to approve the merger agreement. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the proposal to approve the merger agreement and the proposal to adjourn the special meeting, if necessary and appropriate, to solicit additional proxies.

If you have any questions, require assistance with voting your proxy card,
or need additional copies of proxy material, please call Okapi Partners LLC
at the phone numbers listed below.

Toll Free: (877) 869-0171
Collect: (212) 297-0720

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CHINA FIRE & SECURITY GROUP, INC.

SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON [ ], 2011

PROXY STATEMENT

This proxy statement contains information related to a special meeting of shareholders of China Fire & Security Group, Inc. which will be held at [ ], local time, on [ ], 2011, at [ ] and any adjournments or postponements thereof. We are furnishing this proxy statement to shareholders of China Fire & Security Group, Inc. as part of the solicitation of proxies by the Company's board of directors for use at the special meeting. This proxy statement is dated [ ], 2011 and is first being mailed to shareholders on or about [ ], 2011.

SUMMARY TERM SHEET

This summary term sheet, together with the section of this proxy statement entitled "*Questions and Answers About the Special Meeting and the Merger*" beginning on page 15 of this proxy statement, highlights selected information in this proxy statement and may not contain all of the information about the merger that is important to you. We have included page references in parentheses to direct you to more complete descriptions of the topics presented in this summary term sheet. You should carefully read this proxy statement in its entirety, including the annexes and the other documents to which we have referred you, for a more complete understanding of the matters being considered at the special meeting. In addition, this proxy statement incorporates by reference important business and financial information about the Company. You are encouraged to read all of the documents incorporated by reference into this proxy statement and you may obtain without charge copies of such documents incorporated by reference into this proxy statement by following the instructions under "*Where You Can Find More Information*" beginning on page 102.

In this proxy statement, the terms "**we**," "**us**," "**our**," "**CFSG**," or the "**Company**" refer to China Fire & Security Group, Inc. and its subsidiaries. We refer to Bain Capital Partners, LLC as "**Bain Capital**," Bain Capital Asia Fund, L.P. as the "**Guarantor**," and Guarantor and Bain Capital Fund X, L.P. collectively as the "**Sponsors**." We refer to Amber Parent Limited as "**Parent**" and Amber Mergerco, Inc. as "**Merger Sub**." We refer to Li Brothers Holdings Inc. ("**Li Brothers**"), Jin Zhan Limited, Vyle Investment Inc. and Small Special Technology Inc. collectively as the "**Rollover Investors**." We refer to Li Brothers Holdings Inc., China Honour Investment Limited, Jin Zhan Limited, Vyle Investment Inc., Small Special Technology Inc., Mr. Weigang Li, Mr. Brian Lin and Mr. Weishe Zhang collectively as the "**Voting Shareholders**." We refer to Messrs. Weigang Li, Brian Lin and Weishe Zhang collectively as the "**Management Shareholders**." When we refer to the "**merger agreement**," we mean the Agreement and Plan of Merger, dated as of May 20, 2011, among the Company, Parent and Merger Sub.

The Parties (page 20)

China Fire & Security Group, Inc. is a Florida corporation, engaged primarily in the design, development, manufacturing and sale of fire protection products and services for large industrial firms in China and international markets. We have developed a proprietary product line that addresses all aspects of industrial fire safety from fire detection to fire system control and extinguishing.

Parent is a Cayman exempted limited company newly formed for the purpose of entering into and consummating transactions of the type contemplated by the merger agreement. Merger Sub was formed for the sole purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. Both Parent and Merger Sub are affiliates of the Sponsors.

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The Rollover Investors are a group of special purpose companies controlled by Mr. Weigang Li (our chairman of the board of directors) in whole or in part, Mr. Brian Lin (our chief executive officer and one of our directors) and Mr. Weishe Zhang (our vice president of strategic planning and one of our directors). The Rollover Investors have agreed with Parent and Merger Sub to contribute to Parent a portion of the shares of the Company's common stock, par value $0.001 ("**Company common stock**") owned by them, aggregating approximately 19.9% of the outstanding shares of Company common stock as of June 8, 2011 (the "**Rollover Shares**"), in exchange for a certain equity interest in Parent at the same price per share as is paid by the shareholders of Parent affiliated with the Sponsors at closing. In addition, Li Brothers, a Rollover Investor controlled in part by Mr. Weigang Li, agreed to contribute an additional portion of the Company common stock owned by it representing approximately 4.3% of the outstanding shares of Company common stock as of June 8, 2011 (the "**Cashed-Out Shares**") to Merger Sub in exchange for a per share amount equal to the per share merger consideration, which will be paid after our shareholders generally receive their merger consideration. The surviving corporation is required to pay Li Brothers the consideration for the Cashed-Out Shares as soon as practicable following such time as it has funds sufficient to make such payment and to use its reasonable best efforts to make such payment within three months following the completion of the merger.

Overview of the Transaction (page 72)

The Company, Parent and Merger Sub entered into the merger agreement on May 20, 2011. Under the terms of the merger agreement, Merger Sub will be merged with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent. The following will occur pursuant to the merger:

- each share of Company common stock issued and outstanding immediately prior to the closing (other than (a) shares owned by the Company, any subsidiary of the Company, Parent or Merger Sub, (b) shares that the Rollover Investors (as defined below) have agreed to contribute to Parent and/or Merger Sub, and (c) shares owned by shareholders who have perfected and not withdrawn a demand for, or lost the right to, appraisal rights under the Florida Business Corporation Act (the "**FBCA**")) will be converted into the right to receive the per share merger consideration, as described below; and

- all shares of Company common stock so converted will, at the closing of the merger, be canceled, and each holder of a certificate representing any shares of Company common stock shall cease to have any rights with respect thereto, except the right to receive the per share merger consideration upon surrender of such certificate (if such shares are certificated).

Following and as a result of the merger:

- holders of Company common stock (other than the Rollover Investors), will no longer have any interest in, and will no longer be shareholders of, the Company, and will not participate in any of the Company's future earnings or growth;

- shares of Company common stock will cease to be listed on The NASDAQ Capital Market (the "**NASDAQ**"), and price quotations with respect to shares of Company common stock in the public market will no longer be available; and

- the registration of shares of Company common stock under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), will be terminated.

The Special Meeting (page 67)

Place, Date and Time of the Special Meeting

The special meeting will be held at [ ], local time, on [ ], 2011, at [ ].

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Purpose of the Special Meeting

At the special meeting, you will be asked to, among other things, approve the merger agreement and to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. A copy of the merger agreement is attached as Annex A to this proxy statement.

Votes Required for Approval of the Proposals

Approval of the merger agreement requires the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, the Voting Shareholders, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger).

Approval of any proposal to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement requires the affirmative vote of holders representing a majority of the shares present in person or represented by proxy and entitled to vote at the special meeting. Notice of the adjourned meeting need not be given if the time and place to which the meeting is adjourned is announced at the meeting before an adjournment is taken and our board of directors does not fix a new record date for the adjourned meeting.

Record Date and Quorum

You may vote at the special meeting if you owned any shares of Company common stock at the close of business on [ ], 2011, the record date for the special meeting. On that date, there were [ ] shares of Company common stock outstanding and entitled to vote at the special meeting. You may cast one vote for each share of Company common stock that you owned on that date. Shareholders who held a majority of the outstanding shares of Company common stockon the record date must be present in person or represented by proxy in order to constitute a quorum to conduct business at the special meeting.

Procedure for Voting

If you are a shareholder of record and submit a proxy, your shares will be voted at the special meeting as you indicate on your proxy card. If no instructions are indicated on your proxy card, your shares of Company common stockwill be voted for the approval of the merger agreement and for adjournment of the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

If your shares of Company common stock are held in "street name," you will receive instructions from your broker, dealer, commercial bank, trust company or other nominee that you must follow in order to have your shares voted. Your broker, dealer, commercial bank, trust company or other nominee will be entitled to vote your shares only if you provide instructions on how to vote by filling out the voting instruction form sent to you by your broker, dealer, commercial bank, trust company or other nominee with this proxy statement or by submitting a proxy or voting instructions by telephone or the Internet if that option is offered by your broker, dealer, commercial bank, trust company or other nominee.

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Revocability of Proxies

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must (1) prior to the vote at the special meeting, advise the Company's corporate secretary of the revocation by delivering a notice of revocation to B-2508 TYG Center, C2, Dongsanhuanbeilu, Chaoyang District, Beijing 100027, People's Republic of China, Attention: Corporate Secretary, (2) prior to the vote at the special meeting, properly deliver a later-dated proxy either by mail, the Internet, or telephone, or (3) attend the special meeting and vote your shares in person. Attendance at the special meeting will not by itself constitute revocation of a proxy.

If you hold your shares in street name and you have instructed your broker, dealer, commercial bank, trust company or other nominee to vote your shares, the options for revoking your proxy described in the preceding paragraph do not apply and instead you must follow the directions provided by your broker, dealer, commercial bank, trust company or other nominee to revoke your proxy.

Merger Consideration (page 72)

If the merger is completed, each share of Company common stock, other than as provided below, will be converted into the right to receive $9.00 in cash, without interest and less any applicable withholding taxes. We refer to this amount as the "**per share merger consideration**." Common stock owned by Parent or Merger Sub (including the Rollover Shares and the Cashed-Out Shares) will be canceled without payment of the per share merger consideration. Shares of Company common stock owned by shareholders who have perfected and not withdrawn a demand for appraisal rights under the FBCA will be canceled without payment of the per share merger consideration and such shareholders will instead be entitled to appraisal rights under the FBCA.

A paying agent will send written instructions for surrendering your certificates representing shares of Company common stock (if your shares of Company common stock are certificated) and obtaining the per share merger consideration after we have completed the merger. Do not return your stock certificates with your proxy card and do not forward your stock certificates to the paying agent prior to receipt of the written instructions. If you hold uncertificated shares of Company common stock (i.e., you hold your shares in book entry), you will automatically receive your per share merger consideration as soon as practicable after the effective time of the merger without any further action required on your part.

Rollover Commitment (Annex D)

Concurrently with the execution and delivery of the merger agreement, the Rollover Investors entered into a rollover agreement, which we refer to as the "**rollover agreement**," with Parent and Merger Sub, pursuant to which the Rollover Investors have agreed, among other things, to contribute to Parent the Rollover Shares, aggregating approximately 19.9% of the outstanding shares of Company common stock as of June 8, 2011, immediately prior to the effective time of the merger and such shares will be cancelled and will not be converted into the right to receive the merger consideration. As consideration, each of the Rollover Investors will receive a certain equity interest in Parent at the same price per share paid by the shaderholders of Parent affiliated with the Sponsors at closing. In addition, Li Brothers, a Rollover Investor controlled in part by Mr. Weigang Li, agreed to contribute to Merger Sub the Cashed-Out Shares, representing approximately 4.3% of the outstanding shares of Company common stock as of June 8, 2011, in exchange for a per share amount equal to the per share merger consideration, which will be paid after our shareholders generally receive their merger consideration. Messrs. Weigang Li and Brian Lin will also enter into new three-year employment agreements (with two conditional one-year extensions) with Parent or one of its subsidiaries following the merger. The rollover agreement automatically terminates upon the termination of the merger agreement. A copy of the rollover agreement is attached as Annex D to this proxy statement.

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Voting Agreement (Annex E)

Concurrently with the execution and delivery of the merger agreement, each of the Voting Shareholders entered into a voting agreement, which we refer to collectively as the "**voting agreements**," with Parent and Merger Sub, pursuant to which the Voting Shareholders, from and after the date of the merger agreement and until the earlier of the effective time or the termination of the merger agreement pursuant to its terms, irrevocably and unconditionally granted to, and appointed Parent or its designee, such Voting Shareholder's proxy and attorney-in-fact, to vote or cause to be voted 16,789,100 shares of Company common stock and 127,500 shares of restricted stock owned by them, aggregating approximately 59.1% of the outstanding voting securities of the Company as of June 8, 2011, among other things, in favor of the approval of the merger agreement and the transactions contemplated by the merger agreement and against any acquisition proposal from any third party without regard to its terms. If for any reason the proxy granted therein is not irrevocable, the Voting Shareholders have also agreed to, among other things, vote the shares of Company common stock and shares of restricted stock subject to the voting agreements in favor of the approval of the merger agreement and the transactions contemplated by the merger agreement, and against any acquisition proposal from any third party without regard to its terms. The voting agreements automatically terminate upon the termination of the merger agreement. A form of such voting agreements is attached as Annex E to this proxy statement.

Treatment of Common Stock, Options and Restricted Stock (page 73)

At the effective time of the merger, each outstanding stock option will be canceled in exchange for a cash payment equal to the excess, if any, of the per share merger consideration over the exercise price per share of such stock option, less any required withholding taxes. Payment to holders of a vested outstanding stock option will be made at the effective time, and payment(s) to holders of an unvested outstanding stock option will be made on the dates such unvested stock options would have vested (subject to the same conditions on vesting as applied to the unvested stock options immediately prior to the effective time if such unvested stock options had not been cancelled at the effective time), without any crediting of interest for the period from the effective time until vesting.

At the effective time of the merger, each outstanding share of restricted stock will be converted into the right to receive, on the date such share of restricted stock would have vested (subject to the same conditions on vesting as applied to each share of restricted stock immediately prior to the effective time if such share of restricted stock had not been converted at the effective time), an amount in cash equal to the per share merger consideration, less any required withholding taxes and without any crediting of interest for the period from the effective time until vesting.

Recommendation of Our Board of Directors and Special Committee; Reasons for Recommending the Approval of the Merger Agreement; Fairness of the Merger (page 28)

Our board of directors, after careful consideration and acting on the unanimous recommendation of the special committee composed entirely of independent directors, recommends that our shareholders vote "**FOR**" the proposal to approve the merger agreement and "**FOR**" the proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. Our board of directors and the special committee believe that the merger is fair (both substantively and procedurally) to our unaffiliated shareholders. For a discussion of the material factors considered by our board of directors and the special committee in determining to recommend the approval of the merger agreement and in determining that the merger is fair (both substantively and procedurally) to our unaffiliated shareholders, see "*Special Factors Recommendation of Our Board of Directors and Special Committee; Reasons for Recommending the Approval of the Merger Agreement; Fairness of the Merger*" beginning on page 28 for additional information.

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Opinion of Barclays Capital, Financial Advisor to the Special Committee (page 36 and Annex B)

Barclays Capital Asia Limited, or "**Barclays Capital**," rendered its oral opinion, subsequently confirmed in writing, to the special committee that, on May 20, 2011, and based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations set forth in the opinion, the $9.00 cash per share merger consideration to be received by the holders of shares of Company common stock (other than the Rollover Investors) in the merger was fair, from a financial point of view, to such holders.

The full text of Barclays Capital's written opinion, dated May 20, 2011, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Barclays Capital, is attached as Annex B and is incorporated by reference herein. Holders of shares of Company common stock are urged to read the opinion carefully and in its entirety. The opinion does not address the Company's underlying business decision to proceed with or effect the merger or the likelihood of consummation of the merger. In addition, Barclays Capital expressed no opinion on, and its opinion did not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the per share merger consideration to be offered to the holders of the Company common stock (other than the Rollover Investors) in connection with the merger.

Positions of Sponsors, Parent and Merger Sub Regarding the Fairness of the Merger (page 47)

Each of the Sponsors, Parent and Merger Sub believes that the merger is fair (both substantively and procedurally) to our unaffiliated shareholders. However, none of the Sponsors, Parent or Merger Sub has performed, or engaged a financial advisor to perform, any valuation or other analysis for the purposes of assessing the fairness of the merger to our unaffiliated shareholders. Their belief is based upon the factors discussed under the captions, "*Special Factors Positions of the Sponsors, Parent and Merger Sub Regarding the Fairness of the Merger*" beginning on page 47 of this proxy statement.

Positions of the Management Shareholders and the Rollover Investors Regarding the Fairness of the Merger (page 50)

Each Rollover Investor believes that the merger is both procedurally and substantively fair to our unaffiliated shareholders. The Rollover Investors' belief is based upon their knowledge and analysis of the Company, as well as the other factors discussed under the captions, "*Special Factors Positions of the Management Shareholders and the Rollover Investors Regarding the Fairness of the Merger*" beginning on page 50 of this proxy statement.

Recent Prices of Company Common Stock (page 28)

Our common stock is traded on NASDAQ under the symbol "CFSG." The merger consideration of $9.00 per share represents a 44% premium over the Company's closing price on March 4, 2011 (which represents the "undisturbed" share price prior to the Company's announcement regarding receipt of a "going private" proposal), a 24% premium over the closing price of our common stock of $7.26 on May 19, 2011 (the last trading day prior to the public announcement of the execution of the merger agreement) and a 38% premium over the Company's 90-trading day volume weighted average price calculated as of May 19, 2011.

Financing of the Merger (page 57)

The Company and Parent estimate that the total amount of funds required to complete the merger and related transactions, including payment of fees and expenses in connection with the merger, is anticipated to be approximately $290,400,000. This amount is expected to be provided through a

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combination of (i) equity contributions from the Sponsors totaling approximately $160,700,000, (ii) rollover financing from the Rollover Investors totaling approximately $51,300,000, (iii) debt financing of approximately $60,000,000 and (iv) cash of the Company totaling approximately $18,400,000.

Limited Guarantee (page 59)

The Guarantor has agreed to guarantee the obligation of Parent under the merger agreement to pay, if and when due and subject to the conditions and limitations set forth therein and in the merger agreement, a reverse termination fee to the Company.

Interests of the Company's Directors and Executive Officers in the Merger (page 59)

In considering the recommendation of our board of directors, you should be aware that certain of our executive officers and directors have interests in the merger that may be different from, or in addition to, your interests as a shareholder. These interests include, among others:

- cash payments with respect to stock options that have an exercise price of less than $9.00 per share;
- cash payments with respect to shares of restricted stock and other Company common stock held by them;
- the expected ownership of equity interests in Parent by the Rollover Investors;
- the fact that Messrs. Weigang Li and Brian Lin will also enter into new three-year employment agreements (with two conditional one-year extensions) with Parent or one of its subsidiaries following the merger;
- the compensation of members of the special committee in exchange for their services in such capacity of $5,000 per month for the chairman of the special committee and RMB15,000 per month for each other member of the special committee, or approximately $2,300 per month based on a rate of RMB6.671 to $1.00 as of October 8, 2010 as set forth in the H.10 statistical release of the Federal Reserve Board, see "*Special Factors Interests of the Company's Directors and Executive Officers in the Merger Special Committee Compensation,*" and
- continued indemnification and liability insurance for directors and officers following completion of the merger.

Conditions to the Completion of the Merger (page 88)

The respective obligations of each of the Company, Parent and Merger Sub to consummate the merger are subject to the satisfaction or waiver of certain conditions. For a description of these conditions, please see "*The Merger Agreement Conditions to the Completion of the Merger*" beginning on page 88.

Regulatory Approvals (page 62)

Pursuant to the PRC Anti-Monopoly Law, the Company and Parent are required to make a pre-closing competition filing with the Ministry of Commerce of the PRC, which we refer to as "**MOFCOM**." The filing with MOFCOM was made on May 23, 2011.

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Solicitation of Acquisition Proposals (page 80)

Until 11:59 p.m., New York City time, on July 14, 2011, the Company is permitted to:

- solicit, initiate, facilitate and encourage any acquisition proposal from any third party, including by way of providing access to information pursuant to one or more acceptable confidentiality agreements, (provided that the Company promptly make any material non-public information provided to any such third party available to Parent and Merger Sub if not previously made available to Parent or Merger Sub); and

- enter into, continue or otherwise participate in any discussions or negotiations with respect to any acquisition proposal or otherwise cooperate with or assist or participate in or facilitate any such discussions or negotiations or any effort or attempt to make any acquisition proposal.

Except as may relate to any continuing party (as defined below), from and after 12:00 a.m., New York City time, on July 15, 2011, the Company is required to immediately cease all discussions and negotiations with any persons that may be ongoing with respect to an acquisition proposal, and must deliver a written notice to each such person to the effect that the Company is ending all discussions and negotiations with such person with respect to any acquisition proposal, and the notice shall also request such person to promptly return or destroy all confidential information concerning the Company and the Company's subsidiaries. Until the effective time or, if earlier, the termination of the merger agreement, the Company, its subsidiaries and its representatives may not:

- initiate, solicit, propose or knowingly encourage or facilitate any inquiries or the making of an acquisition proposal;

- engage in, continue or otherwise participate in any discussions or negotiations regarding, or provide any non-public information concerning the Company relating to, any acquisition proposal with or to any person;

- grant any waiver, amendment or release under any standstill or confidentiality agreement or takeover statutes;

- approve, endorse, recommend, execute or enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement or other similar agreement with respect to any acquisition proposal, or that requires the Company to abandon the merger agreement or the merger; or

- resolve, agree or publicly announce an intention to do any of the foregoing.

Notwithstanding the foregoing, until 11:59 p.m., New York City time, on July 29, 2011, the Company may continue to engage in the activities permitted during the period prior to 11:59 p.m., New York City time, on July 14, 2011 as described above with respect to any acquisition proposal submitted by a continuing party (as defined below) on or before 11:59 p.m., New York City time, on July 14, 2011.

At any time from and after 12:00 a.m., New York City time, on July 15, 2011 and prior to the time the Company's shareholders approve the merger agreement, if the Company receives an unsolicited written acquisition proposal from any other person, the Company may contact such person to clarify the terms and conditions of such proposal, to the extent the special committee has determined in good faith that such contact is necessary to determine whether such acquisition proposal constitutes or is reasonably likely to result in a superior proposal. The merger agreement also contains a customary "window-shop" exception to non-solicitation which provides that, prior to the time the Company's shareholders approve the merger agreement, the Company may provide information in response to the request of such person pursuant to an acceptable confidentiality agreement (provided that the Company promptly makes such information available to Parent and Merger Sub if not previously made

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available to Parent or Merger Sub), or engage or participate in any discussions or negotiations with such person who has made such acquisition proposal, if, and only if, prior to taking such action, the special committee has determined in good faith, (i) after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable laws, and (ii) based on the information then available and after consultation with its independent nationally recognized financial advisor and outside legal counsel, that such acquisition proposal either constitutes a superior proposal or is reasonably likely to result in a superior proposal.

Notwithstanding anything contained in the merger agreement, at any time prior to the obtaining of the shareholder approval, the special committee may effect a company adverse recommendation change (as defined below) and/or authorize the Company to terminate the merger agreement (i) in response to an intervening event or (ii) if the Company has received an acquisition proposal from any person that is not withdrawn and that the special committee concludes in good faith constitutes a superior proposal; provided that prior to effecting a company adverse recommendation change or terminating the merger agreement pursuant to (ii), the Company is required to provide prior written notice to Parent at least five (5) business days in advance and cause its advisors to negotiate with Parent to make necessary adjustments to the merger agreement so that the acquisition proposal would cease to constitute a superior proposal. The Company shall have paid a termination fee prior to or concurrently with the termination of the merger agreement under clause (i) or (ii) of the preceding sentence.

Pursuant to the voting agreements, the Voting Shareholders, in their capacities as shareholders of the Company, may not, among other things, initiate, solicit, propose, encourage or knowingly facilitate any inquiries, proposals or offers with respect to an acquisition proposal from any third party or engage, continue or participate in any discussions concerning, or provide any non-public information relating to the Company in connection with any person relating to, an acquisition proposal, except that the Voting Shareholders may engage or participate in discussions with any person who has submitted a bona fide written acquisition proposal during the permitted go-shop period; if, prior to any Voting Shareholder taking any such action, the special committee has confirmed in writing to such Voting Shareholders that it has determined in good faith, (x) after consultation with outside legal counsel, that, if such acquisition proposal had been submitted after the permitted go-shop period failure by the Company to engage or participate in discussions with the person who has made such acquisition proposal would have been inconsistent with the directors' fiduciary duties under applicable laws, and (y) based on the information then available and after consultation with its independent nationally recognized financial advisor and outside legal counsel, that such acquisition proposal either constitutes a superior proposal or is reasonably likely to result in a superior proposal.

In this proxy statement, a "**continuing party**" refers to any person (i) that submits (x) an acquisition proposal after the execution of the merger agreement and prior to 11:59 p.m., New York City time, on July 14, 2011 that the special committee determines, as of July 14, 2011, in good faith (after consultation with its independent financial advisor and outside legal counsel) is bona fide and would reasonably be expected to result in a superior proposal; and (y) a written representation by such person to the effect that such person will provide at least 50% of the equity financing (measured by both voting power and value) at all times from the date of the making of the acquisition proposal through the consummation of the acquisition proposal, and (ii) that is engaged in good faith discussions with the Company with respect to such acquisition proposal immediately prior to 11:59 p.m., New York City time, on July 14, 2011.

In this proxy statement, a "**company adverse recommendation change**" refers to any of the following actions of the Board: (i) withhold, withdraw, qualify or modify, in a manner adverse to Parent or Merger Sub, its recommendation with respect to the merger, (ii) adopt, approve or recommend or propose to adopt, approve or recommend (publicly or otherwise) an acquisition proposal from a third party, (iii) publicly take, disclose a position with regard to or issue any statement referencing an acquisition proposal (other than a "stop, look and listen" communication or a statement that the board

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of directors has received and is currently evaluating such acquisition proposal) that is not an express rejection of any applicable acquisition proposal or an express reaffirmation of its recommendation in favor of the transactions contemplated by the merger agreement, (iv) fail to include its recommendation in this proxy statement, (v) cause or permit the Company or any of its subsidiaries to enter into any letter of intent, memorandum of understanding or similar document or contract relating to any acquisition proposal.

Termination of the Merger Agreement (page 90)

The Company and Parent may, by mutual written consent duly authorized by, in the case of the Company, the special committee, and in the case of Parent, its board of directors, terminate the merger agreement and abandon the merger at any time prior to the effective time, whether before or after the approval of the merger agreement by the Company's shareholders.

The merger agreement may also be terminated at any time (whether before or after the approval of the merger agreement by the Company's shareholders, except as specified below) under the following circumstances, subject to the terms and conditions specified in the merger agreement regarding any such termination:

by either Parent or the Company, if:

- the merger has not been completed on or before 11:59 p.m., Hong Kong time, on November 15, 2011, provided that a party may not terminate the merger agreement for this reason if the failure to complete the merger by that date was primarily due to such party's material breach of any of its obligations under the merger agreement;

- (i) any order of any governmental entity having competent jurisdiction is entered enjoining the Company, Parent or Merger Sub from consummating the merger and such order has become final and nonappealable or (ii) a law has been enacted or promulgated or become applicable to the parties or the transactions contemplated by the merger agreement that makes consummation of the merger illegal or otherwise prohibited;

- our shareholders do not approve the merger agreement at the special meeting or any adjournment thereof at which the merger agreement has been voted upon;

by the Company, if:

- Parent or Merger Sub has breached any of its representations, warranties or covenants contained in the merger agreement, such that its breach would result in the failure of a condition to the Company's obligation to complete the merger and subject to specified notice and cure rights, so long as the Company has not breached any of its representations, warranties or covenants contained in the merger agreement, which would result in the failure of the closing condition relating to the Company's representations, warranties or covenants to be satisfied;

- all of the conditions to closing have been satisfied or waived by Parent, and Parent and Merger Sub fail to complete the closing within two (2) business days following the date the closing should have occurred pursuant to the merger agreement (depending on the circumstances, the amount of the termination fee paid by Parent shall be $8.5 million or $10.7 million);

- prior to the obtaining of the shareholder approval, (i) the board of directors has, upon recommendation of the special committee, authorized the Company to enter into an alternative acquisition agreement with respect to a superior proposal and (ii) the Company has concurrently with the termination of the merger agreement entered into, or immediately after the termination of the merger agreement, enters into an alternative acquisition agreement with respect to such superior proposal, provided that the Company has paid the termination fee concurrently or in advance of termination; or

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prior to the obtaining of the shareholder approval, the Company has effected a company adverse recommendation change, provided that the Company has paid the termination fee concurrently or in advance of termination.

by Parent, if:

the Company has breached any of its representations, warranties or covenants contained in the merger agreement such that the closing condition relating to the Company's representations, warranties or covenants would not be satisfied and subject to specified notice and cure rights, so long as Parent or Merger Sub has not breached any of its representations, warranties or covenants contained in the merger agreement, which would result in the failure of the closing condition relating to Parent and Merger Sub's representations, warranties or covenants to be satisfied;

the board of directors of the Company or any committee thereof has effected a company adverse recommendation change.

Termination Fees and Reimbursement of Expenses (page 91)

Upon the termination of the merger agreement under specified circumstances, the Company will be required to pay Parent a termination fee of $8.5 million or $6.4 million. The merger agreement also provides that Parent will be required to pay the Company a reverse termination fee of $10.7 million or $8.5 million, depending on specified circumstance.

Under certain circumstances, the Company will be required to reimburse Parent for reasonably documented out-of-pocket fees and expenses actually incurred in connection with the transactions contemplated by the merger agreement. The expense reimbursement is subject to a cap of $3 million, and any expenses reimbursed will be off-set against the termination fee subsequently payable by the Company, if any. In addition, Parent or Merger Sub will be required to reimburse the Company for reasonably documented out-of-pocket fees and expenses actually incurred by the Company or its subsidiaries or of their respective representatives in connection with financing cooperation requested by Parent.

See "*The Merger Agreement Termination Fees; Reimbursement of Expenses*" beginning on page 91 of this proxy statement for a more detailed description of the circumstances in connection with the termination fees and reimbursement of expenses provided under the merger agreement.

Limitations on Liabilities (page 93)

The Company's right to receive the reverse termination fee from Parent (or the Guarantor, pursuant to the limited guarantee) will be, subject to certain rights to equitable relief, including specific performance, described below, the sole and exclusive remedy of the Company Group (as defined below) against the Parent Group (as defined below) for any loss or damage suffered as a result of any breach of any representation, warranty, covenant or agreement or failure to perform under the merger agreement or other failure of the merger to be consummated. Other than the reverse termination fee, neither Parent nor any member of the Parent Group will have any liability for monetary damages of any kind or nature or arising in any circumstance in connection with the merger agreement or any of the transactions contemplated thereby. While the Company may pursue both a grant of specific performance as and only to the extent expressly permitted by the merger agreement and the payment of the reverse termination fee from Parent, under no circumstances will the Company (or any member of the Company Group or any other person) be permitted or entitled to receive both such grant of specific performance and payment of the reverse termination fee (or any other money damages).

Parent's right to receive payment from the Company of the applicable termination fee and certain permitted expenses will be, subject to certain rights to equitable relief, including specific performance,

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described below, the sole and exclusive remedy of any member of the Parent Group against the Company Group (other than the Rollover Investors pursuant to the terms of the rollover agreement and/or the Voting Shareholders pursuant to the terms of the voting agreements) for any loss or damage suffered as a result of any breach of any representation, warranty, covenant or agreement or failure to perform under the merger agreement or other failure of the merger to be consummated. Other than the applicable termination fee and certain permitted expenses, neither the Company nor any member of the Company Group (other than the Rollover Investors pursuant to the terms of the rollover agreement and/or the Voting Shareholders pursuant to the terms of the voting agreements) will have any liability for monetary damages of any kind or nature or arising in any circumstance in connection with the merger agreement or any of the transactions contemplated thereby (including the financing and the limited guarantee) and in no event shall any of the members of the Parent Group seek, or permit to be sought, any monetary damages from any member of the Company Group (other than the Rollover Investors pursuant to the terms of the rollover agreement and/or the Voting Shareholders pursuant to the terms of the voting agreements) in connection with the merger agreement or any of the transactions contemplated thereby (including the financing and the limited guarantee). While Parent may pursue both a grant of specific performance and the payment of the applicable termination fee and certain expenses as permitted by the merger agreement, respectively, under no circumstances will Parent (or any member of the Parent Group or any other person) be permitted or entitled to receive both such grant of specific performance and payment of the termination fee and/or the permitted expenses (or any other money damages).

The parties are entitled to an injunction or injunctions, specific performance or other equitable relief to prevent breaches of the merger agreement and to enforce specifically the terms and provisions thereof, in addition to any other remedy to which they are entitled under the merger agreement. However, the right of the Company to seek an injunction, specific performance or other equitable remedies to prevent breaches of the merger agreement is limited to seeking (i) an injunction, specific performance or other equitable remedies to enforce Parent's obligation to cause the equity financing to be funded at the effective time, but only in the event that (A) Parent and Merger Sub are required to consummate the closing under the merger agreement, (B) the debt financing has been funded or the lenders party to the debt financing commitment letter have irrevocably confirmed in writing that all conditions to funding of the debt financing commitment letter have been satisfied (other than funding of the equity financing), (C) the Company has irrevocably confirmed in writing that if the financing is funded, then it would take such actions that are within its control to cause the consummation of the transactions contemplated by the merger agreement to occur, and (D) the equity financing has not been funded and Parent and Merger Sub have not consummated the merger; and (ii) an injunction to specifically enforce certain obligations of Parent and Merger Sub relating to arranging the financing as provided in the merger agreement. In no event will the Company be entitled to enforce or seek to enforce specifically Parent's right to cause the equity financing to be funded if the debt financing has not been funded (or will not be funded at the effective time if the equity financing is funded at the effective time).

In this proxy statement, the "**Company Group**" refers to, collectively, the Company, its subsidiaries, the direct or indirect shareholders of the Company or any other person, or any of their respective affiliates or representatives.

In this proxy statement, the "**Parent Group**" refers to, collectively, (A) Parent, Merger Sub or the Sponsors, (B) the former, current and future holders of any equity, partnership or limited liability company interest, controlling persons, directors, officers, employees, agents, attorneys, affiliates, members, managers, general or limited partners, shareholders, assignees of Parent, Merger Sub or the Sponsors, (C) any lender or prospective lender, lead arranger, arranger, agent or representative of or to Parent, Merger Sub or the Sponsors, or (D) any holders or future holders of any equity, stock, partnership or limited liability company interest, controlling persons, directors, officers, employees,

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agents, attorneys, affiliates, members, managers, general or limited partners, shareholders, assignees of any of the foregoing.

Appraisal Rights (page 98 and Annex C)

Each shareholder who satisfies the requirements of Sections 607.1301 through 607.1333 of the FCBA is entitled to appraisal rights under Florida law in connection with the merger. These requirements are summarized in this proxy statement and the full text of Sections 607.1301 through 607.1333 of the Florida Business Corporation Act is set forth in Annex C to this proxy statement. The judicially determined fair value of the shareholder's shares resulting from an appraisal proceeding could be greater than, equal to or less than the $9.00 per share that our shareholders are entitled to receive in the merger. Any shareholder who intends to exercise appraisal rights must, among other things, submit to us a written notice of intent to demand payment of fair value prior to the vote by our shareholders on the merger agreement and must NOT vote or submit a proxy in favor of the approval of the merger agreement. Failure to follow exactly the statutory procedures set forth in Sections 607.1301 through 607.1333 of the Florida Business Corporation Act regarding the exercise of appraisal rights may result in a termination or waiver of your appraisal rights. Accordingly, each shareholder who might desire to exercise dissenter's appraisal rights should carefully consider and comply with the provisions of those sections and consult his or her legal advisor.

Litigation Relating to the Merger (page 65)

The Company and certain officers and directors of the Company were named as defendants in nine putative class action lawsuits filed in Florida courts by shareholders of the Company in connection with the proposed merger. The lawsuits allege, among other things, that the members of the board of directors breached their fiduciary duties owed to the Company's public shareholders and seek, among other things, to enjoin the consummation of the merger. The Company and the board of directors believe that the claims in these lawsuits are without merit and intend to defend against them vigorously.

One of the conditions to the closing of the merger is that no order by a court or other governmental entity shall be in effect that prohibits the consummation of the merger or that makes the consummation of the merger illegal. As such, if the plaintiffs are successful in obtaining an injunction prohibiting the defendants from completing the merger on the agreed-upon terms, then such injunction may prevent the merger from becoming effective, or from becoming effective within the expected timeframe.

Material United States Federal Income Tax Consequences (page 62)

A U.S. Holder (as defined under "*Special Factors Certain Material United States Federal Income Tax Consequences*") generally will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received in the merger and the U.S. Holder's adjusted tax basis in the shares of Company common stock exchanged. A non-U.S. Holder (as defined under "*Special Factors Certain Material United States Federal Income Tax Consequences*") generally will not be subject to United States federal income tax in respect of cash received in the merger, unless such non-U.S. Holder has certain connections to the United States. Shareholders of Company common stock should consult their tax advisors to determine the particular tax consequences to them (including the application and effect of any state, local or foreign income and other tax laws) of the merger.

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Additional Information (page 102)

You can find more information about the Company in the periodic reports and other information we file with the SEC. The information is available at the website maintained by the SEC at www.sec.gov. For a more detailed description of the additional information available, please see the section entitled "*Where You Can Find More Information*" beginning on page 102.

For additional questions about the merger, assistance in submitting proxies or voting shares of the Company's common stock, or to request additional copies of the proxy statement or the enclosed proxy card, please contact our proxy solicitor Okapi Partners LLC at 437 Madison Avenue, 28th Fl., New York, NY 10022, U.S.A., toll free number at 1-877-869-0171, collect at 1-212-297-0720 or by e-mail to info@okapipartners.com.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the special meeting. These questions and answers may not address all questions that may be important to you as a shareholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents that we have incorporated by reference into this proxy statement, all of which you should read carefully.

Q: Why am I receiving this proxy statement?

A:

On May 20, 2011, we entered into the merger agreement, with Parent and Merger Sub providing for the merger of Merger Sub with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent. Both Parent and Merger Sub are affiliates of funds managed by Bain Capital. You are receiving this proxy statement in connection with the solicitation of proxies by the board of directors of the Company in favor of the approval of the merger agreement.

Q: What matters will be voted on at the special meeting?

A:

You will be asked to consider and vote on the following proposals:

Approval of the merger agreement; and

Approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

Q: As a shareholder, what will I receive in the merger?

A:

If the merger is completed, unless you properly exercise appraisal rights, you will be entitled to receive $9.00 in cash, without interest thereon and less any required withholding taxes, for each share of Company common stock that you own immediately prior to the effective time of the merger as described in the merger agreement.

See "*Special Factors Certain Material United States Federal Income Tax Consequences*" beginning on page 62 for a more detailed description of the United States federal tax consequences of the merger. You should consult your own tax advisor for a full understanding of how the merger will affect your federal, state, local and/or non-U.S. taxes.

Q: When and where is the special meeting of our shareholders?

A:

The special meeting of shareholders will be held at [ ], local time, on [ ], 2011, at [ ].

Q: What vote of our shareholders is required to approve the merger agreement?

A:

For us to complete the merger, both (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, the Voting Shareholders, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger) must vote "**FOR**" the proposal to approve the merger agreement. At the close of business on [ ], 2011, the record date, [ ] shares of Company common stock were outstanding and entitled to vote at the special meeting.

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Q: How will votes be counted?

A:

Votes will be counted by the inspector of election appointed for the special meeting, who will separately count "for" and "against" votes, abstentions and broker non-votes. A "broker non-vote" occurs when a broker, bank or other nominee holding shares does not vote because it has no discretionary authority to vote shares it holds for a beneficial owner and does not receive voting instructions with respect to the proposal from the beneficial owner. The failure to vote, broker non-votes and abstentions will have the same effect as votes against the approval of the merger agreement. However, with respect to the proposal to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement, the failure to vote and broker non-votes will have no effect on the proposal, while abstentions will have the same effect as votes against the proposal. You have one vote for each share of common stock that you owned as of the close of business on the record date of [ ], 2011.

Q: Who can attend and vote at the special meeting?

A:

All shareholders of record as of the close of business on [ ], 2011, the record date for the special meeting, are entitled to receive notice of and to attend and vote at the special meeting, or any postponement or adjournment thereof. If you wish to attend the special meeting and your shares of Company common stock are held in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in "street name"), you will need to bring a copy of your voting instruction card or statement reflecting your share ownership as of the record date. "Street name" holders who wish to vote at the special meeting will need to obtain a proxy from the broker, dealer, commercial bank, trust company or other nominee that holds their shares of Company common stock.

Q: How does our board of directors recommend that I vote?

A:

Our board of directors, after careful consideration and acting on the unanimous recommendation of the special committee composed entirely of independent directors, recommends that our shareholders vote "**FOR**" the proposal to approve the merger agreement and "**FOR**" the proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement. In connection with the approval of the merger agreement by the Company's board of directors, Mr. Weigang Li, Mr. Brian Lin and Mr. Weishe Zhang recused themselves from the voting.

You should read "*Special Factors Recommendation of Our Board of Directors and Special Committee; Reasons for Recommending the Approval of the Merger Agreement; Fairness of the Merger*" beginning on page 28 for a discussion of the factors that our special committee and our board of directors considered in deciding to recommend the approval of the merger agreement. In addition, in considering the recommendation of the special committee and the board of directors with respect to the merger agreement, you should be aware that some of the Company's directors and executive officers may have interests that are different from, or in addition to, the interests of our shareholders generally. See "*Special Factors Interests of the Company's Directors and Executive Officers in the Merger*," beginning on page 59.

Q: How will our directors and executive officers vote on the proposal to approve the merger agreement?

A:

Our directors and current executive officers who are also holders of Company common stock have informed us that, as of the date of this proxy statement, they intend to vote all of their shares of

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Company common stock in favor of the approval of the merger agreement. As of [ ], 2011, the record date for the special meeting, our directors (including Mr. Weigang Li, Mr. Brian Lin and Mr. Weishe Zhang) and current executive officers owned, in the aggregate, [ ] shares of Company common stock, or collectively approximately [ ]% of the outstanding shares of Company common stock, including shares they have or share the power to vote.

Q: Am I entitled to exercise appraisal rights instead of receiving the per share merger consideration for my shares of Company common stock?

A:

Holders of Company common stock who do not vote in favor of approval of the merger agreement will have the right to seek appraisal and receive the fair value of their shares of Company common stock in lieu of receiving the per share merger consideration if the merger closes but only if they exercise and perfect their appraisal rights by complying with the required procedures under Florida law. If a shareholder properly exercises appraisal rights, the shareholder would have the right to litigate a proceeding in court, at the conclusion of which the shareholder will receive the judicially determined fair value of their shares of our common stock. The fair value of our common stock may be more than, equal to or less than the merger consideration to be paid to non-dissenting shareholders in the merger. **To preserve your appraisal rights, if you wish to exercise them, you must NOT vote in favor of the approval of the merger agreement and you must follow specific procedures, including, but not limited to, delivering to us at China Fire & Security Group, Inc., B-2502 TYG Center, C2 Dongsanhuanbeilu, Chaoyang District, Beijing 100027, People's Republic of China, attention: Company Secretary, before the vote is taken at the special meeting (i.e., before [ ], 2011) a written notice of intent to demand payment of fair value pursuant to Section 607.1321 of the Florida Business Corporation Act.** Failure to follow the steps required by law for perfecting appraisal rights may lead to the loss of those rights, in which case the dissenting shareholder will be treated in the same manner as a non-dissenting shareholder. See "Appraisal Rights" beginning on page 98. For the full text of Sections 607.1301 through 607.1333 of the Florida Business Corporation Act, please see Annex C hereto. **Because of the complexity of the law relating to appraisal rights, shareholders who are considering objecting to the merger are encouraged to read these provisions carefully and consult their own legal advisors.**

Q: How do I cast my vote if I am a holder of record?

A:

If you were a holder of record on [ ], 2011, you may vote in person at the special meeting or by submitting a proxy for the special meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage paid envelope. Holders of record may also vote by telephone or the Internet by following the instructions on the proxy card.

If you properly transmit your proxy, but do not indicate how you want to vote, your proxy will be voted "FOR" the approval of the merger agreement and "FOR" the proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

Q: How do I cast my vote if my shares of Company common stock are held in "street name" by my broker, dealer, commercial bank, trust company or other nominee?

A:

If you hold your shares in "street name," which means your shares of Company common stock are held of record on [ ], 2011 by a broker, dealer, commercial bank, trust company or other nominee, you must provide the record holder of your shares of Company common stock with instructions on how to vote your shares of Company common stock in accordance with the voting directions provided by your broker, dealer, commercial bank, trust company or other nominee. **If you do not provide your broker, dealer, commercial bank, trust company or other nominee with**

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instructions on how to vote your shares, your shares of Company common stock will not be voted, which will have the same effect as voting "AGAINST" the proposal to approve the merger agreement. Please refer to the voting instruction card used by your broker, dealer, commercial bank, trust company or other nominee to see if you may submit voting instructions using the Internet or telephone.

Q: What will happen if I abstain from voting or fail to vote on the proposal to approve the merger agreement?

A:

If you abstain from voting, fail to cast your vote in person or by proxy or fail to give voting instructions to your broker, dealer, commercial bank, trust company or other nominee, it will have the same effect as a vote against the approval of the merger agreement.

Q: Can I change my vote after I have delivered my proxy?

A:

Yes. If you are a record holder, you may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must (1) prior to the vote at the special meeting, advise the Company's corporate secretary of the revocation by delivering a notice of revocation to B-2508 TYG Center, C2, Dongsanhuanbeilu, Chaoyang District, Beijing 100027, People's Republic of China, Attention: Corporate Secretary, (2) prior to the vote at the special meeting, properly deliver a later-dated proxy either by mail, the Internet or telephone, or (3) attend the special meeting and vote your shares in person.

Attendance at the special meeting will not by itself constitute revocation of a proxy. If your shares of Company common stock are held in street name, you must contact your broker, dealer, commercial bank, trust company or other nominee to revoke your proxy.

Q: What should I do if I receive more than one set of voting materials?

A.

You may receive more than one set of voting materials, including multiple copies of this proxy statement or multiple proxy or voting instruction cards. For example, if you hold your shares of Company common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of Company common stock. If you are a holder of record and your shares of Company common stock are registered in more than one name, you will receive more than one proxy card. **Please submit each proxy and voting instruction card that you receive**.

Q: If I am a holder of certificated shares of Company common stock, should I send in my share certificates now?

A:

No. Promptly after the merger is completed, each holder of record as of the time of the merger will be sent written instructions for exchanging their stock certificates for the per share merger consideration. These instructions will tell you how and where to send in your stock certificates in order to receive your cash consideration. You will receive your cash payment after the paying agent receives your share certificates and any other documents requested in the instructions. Please do not send stock certificates with your proxy.

Holders of uncertificated shares of Company common stock (i.e., holders whose shares are held in book entry) will automatically receive their cash consideration as soon as practicable after the effective time of the merger without any further action required on the part of such holders.

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Q: What happens if the merger is not completed?

A:

If the merger agreement is not approved by our shareholders, or if the merger is not completed for any other reason, our shareholders will not receive any payment for their Company common stock pursuant to the merger agreement. Instead, we will remain as a public company and our common stock will continue to be registered under the Exchange Act and listed and traded on the NASDAQ. Under specified circumstances, we may be required to pay an affiliate of Parent a termination fee of $8.5 million or $6.4 million or reimburse an affiliate of Parent for up to $3 million of Parent's reasonably documented out-of-pocket fees and expenses which will be off-set against the termination fee subsequently payable by the Company, if any, or Parent may be required to pay us a reverse termination fee of $10.7 million or $8.5 million. See "*The Merger Agreement Termination Fees and Reimbursement of Expenses*."

Q: Will a proxy solicitor be used?

A:

We have retained Okapi Partners LLC ("**Okapi**") to assist in the solicitation of proxies for the special meeting.

Q: When is the merger expected to be completed?

A:

The merger agreement may be terminated by either Parent or the Company, subject to certain conditions under the merger agreement, if the merger is not consummated by 11:59 p.m., Hong Kong time, on November 15, 2011. We are working to complete the merger as quickly as possible. We currently expect the transaction to close in the third quarter of 2011; however, we cannot predict the exact timing of the merger. In order to complete the merger, we must obtain shareholder approvals and the other closing conditions under the merger agreement must be satisfied or waived.

Q: What is householding and how does it affect me?

A:

The Securities and Exchange Commission ("**SEC**") permits companies to send a single set of certain disclosure documents to any household at which two or more shareholders reside, unless contrary instructions have been received, but only if the company provides advance notice and follows certain procedures. In such cases, each shareholder continues to receive a separate notice of the meeting and proxy card. This householding process reduces the volume of duplicate information and reduces printing and mailing expenses. We have instituted householding for shareholders of record. Only one copy of this proxy statement will be delivered to an address where two or more shareholders reside unless we have received contrary instructions from a shareholder at the address. A separate proxy card will be delivered to each shareholder at the shared address. If you are a shareholder who lives at a shared address and you would like additional copies of this proxy statement, contact the Company Secretary at B-2508 TYG Center, C2 Dongsanhuanbeilu, Chaoyang District, Beijing 100027, People's Republic of China, telephone number 86-10-8441-7400, or Okapi at 437 Madison Avenue, 28th Fl., New York, NY 10022, U.S.A., toll free number at 1-877-869-0171, collect at 1-212-297-0720 or by e-mail to info@okapipartners.com and we or Okapi will promptly mail you copies.

Q: Who can help answer my questions?

A:

If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact Okapi toll-free at (877) 869-0171, collect at (212) 297-0720, by email at info@okapipartners.com or at 437 Madison Avenue, 28th Fl., New York, NY 10022.

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SPECIAL FACTORS

The Parties

China Fire & Security Group, Inc.

China Fire & Security Group, Inc., which is referred to as the "Company," "us" or "we," is a Florida corporation, engaged primarily in the design, development, manufacturing and sale of fire protection products and services for large industrial firms in China and international markets. We have developed a proprietary product line that addresses all aspects of industrial fire safety from fire detection to fire system control and extinguishing. The Company's principal executive offices are located at B-2502 TYG Center, C2 Dongsanhuanbeilu, Chaoyang District, Beijing 100027, People's Republic of China. Our telephone number is +8610.8441.7400.

Amber Parent Limited

Amber Parent Limited, which we refer to as "**Parent**," is an exempted company incorporated in the Cayman Islands and an affiliate of the Sponsors. Parent was formed for the purpose of entering into and consummating transactions of the type contemplated by the merger agreement. The principal executive offices of Parent are located at c/o Bain Capital Partners, LLC, 111 Huntington Avenue, Boston, MA, 02199. The telephone number of Parent is +1.617.516.2000.

Bain Capital Asia Integral Investors, L.P., a Cayman Islands limited partnership, which we refer to as "**Asia Integral**," owns all of the interest in Parent. Bain Capital Investors, LLC, a Delaware limited liability company, which we refer to as "**Bain Capital Investors**," is the general partner of Asia Integral. Asia Integral is principally engaged in the business of investment in securities. Bain Capital investors is principally engaged in the business of acting as the general partner of persons primarily engaged in the business of making private equity or other types of investments. The principal executive office for each of Asia Integral and Bain Capital Investors is c/o Bain Capital Partners, LLC, 111 Huntington Avenue, Boston, MA, 02199. The telephone number for each of Asia Integral and Bain Capital Investors is +1 617.516.2000.

Amber Mergerco, Inc.

Amber Mergerco, Inc., which we refer to as "**Merger Sub**," is a Florida corporation and was formed by an affiliate of Parent solely for the purpose of completing the merger. Merger Sub is wholly owned by Parent and has not engaged in any business except for activities incidental to its formation and in connection with the merger and the other transactions contemplated by the merger agreement. Upon the completion of the merger, Merger Sub will cease to exist. The principal executive offices of Merger Sub are located at c/o Bain Capital Partners, LLC, 111 Huntington Avenue, Boston, MA, 02199. The telephone number of Merger Sub is +1.617.516.2000.

Sponsors

Bain Capital Asia Fund, L.P. and Bain Capital Fund X, L.P., which we collectively refer to as the "**Sponsors**," are both Cayman Islands limited partnerships and private equity funds managed by Bain Capital Partners, LLC. Each of Bain Capital Asia Fund, L.P., whose general partner is Bain Capital Partners Asia, L.P., and Bain Capital Fund X, L.P., whose general partner is Bain Capital Partners X, L.P., are principally engaged in the business of investment in securities. The principal executive offices of the Sponsors are located at c/o Bain Capital Partners, LLC, 111 Huntington Avenue, Boston, MA, 02199. The telephone number of the Sponsors is +1.617.516.2000.

The general partner for both Bain Capital Partners Asia, L.P., which we refer to as "**Bain Capital Asia**," and Bain Capital Partners X, L.P., which we refer to as "**Bain Capital X**," is Bain Capital Investors, LLC. Both Bain Capital Asia and Bain Capital X are Cayman Islands limited partnerships

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principally engaged in the business of investment in securities. The principal executive offices for each of Bain Capital Asia and Bain Capital X is c/o Bain Capital Partners, LLC, 111 Huntington Avenue, Boston, MA, 02199. The telephone number for each of Bain Capital Asia and Bain Capital X is +1.617.516.2000.

Bain Capital Partners, LLC, which we refer to as **"Bain Capital,"** is a Delaware limited liability company. Bain Capital is a subsidiary of Bain Capital, LLC. The principal executive offices of Bain Capital are located at 111 Huntington Avenue, Boston, MA, 02199. The telephone number of Bain Capital is +1.617.516.2000.

Bain Capital and Bain Capital, LLC are principally engaged in the business of investment in securities.

Rollover Investors

The Rollover Investors are a group of special purpose companies which are controlled by the chairman of our board of directors and certain other members of senior management of the Company, namely Li Brothers, Jin Zhan Limited, Vyle Investment Inc. and Small Special Technology Inc.

Li Brothers

Li Brothers is a holder of approximately 41.9% of the total number of outstanding shares of Company common stock as of June 8, 2011. Mr. Weigang Li, our chairman of the Board, beneficially owned 46.8% of Li Brothers through LWG Family Trust, a trust for the family of Mr. Weigang Li, in which Mr. Weigang Li has 100% voting power. The remaining 53.2% of Li Brothers was beneficially owned by LGJ Family Trust, a trust for the family of Mr. Gangjin Li, Mr. Weigang Li's late brother and our former chairman of the board, over which Mr. Weigang Li shares voting control with his sister Ms. Jincai Li, as co-trustees. The business address of Li Brothers is P.O.Box 3321, Drake Chambers, Road Town, Tortola, British Virgin Islands and their telephone number is +86-10-84417400.

Jin Zhan Limited

Jin Zhan Limited is a holder of approximately 2.7% of the total number of outstanding shares of Company common stock as of June 8, 2011. Jin Zhan Limited is 100% beneficially owned by Mr. Weigang Li, our chairman of the Board. The business address of Jin Zhan Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and their telephone number is +86-10-84417400.

Vyle Investment Inc.

Vyle Investment Inc. is a holder of approximately 2.7% of the total number of outstanding shares of Company common stock as of June 8, 2011. Vyle Investment Inc. is 100% beneficially owned by Mr. Brian Lin, our chief executive officer and one of our directors. The business address of Vyle Investment Inc. is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and their telephone number is +86-10-84417400.

Small Special Technology Inc.

Small Special Technology Inc. is a holder of approximately 1.8% of the total number of outstanding shares of Company common stock as of June 8, 2011, was 100% beneficially owned by Mr. Weishe Zhang, our vice president of strategic planning and one of our directors. The business address of Small Special Technology Inc. is Morgan & Morgan Building, Pasea Estate, Road Town, Tortola, British Virgin Islands and their telephone number is +86-10-84417400.

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Each of Li Brothers, Vyle Investment Inc. and Small Special Technology Inc. is a British Virgin Islands corporation and Jin Zhan Limited is an exempted company incorporated in the British Virgin Islands.

Each of the Rollover Investors' principal business is to act as a holding company in order to engage in strategic business operations and activities.

Background of the Merger

Our board of directors and management have periodically reviewed and assessed strategic alternatives for the Company with the goal of maximizing shareholder value. From time to time over the last two years, a number of parties approached the Company with respect to possible transactions involving the Company.

On January 14, 2010, Mr. Brian Lin, our chief executive officer and one of our directors, was first introduced to Mr. Danny Lee of Bain Capital via email by a mutual friend of Mr. Lin and Mr. Lee. On January 18, 2010, Mr. Lin and Mr. Lee had their first face-to-face meeting. The purpose of the meeting was to determine whether Bain Capital would be interested in investing in the Company as a strategic minority investor. Bain Capital expressed interest in exploring the opportunity and requested more information. Mr. Lin and Mr. Lee did not discuss any specific issues, including deal structure or price, at the meeting.

On January 29, 2010, the Company and Bain Capital signed a non-disclosure agreement and subsequently, the Company provided Bain Capital with an information memorandum regarding its business, products, financial condition and results of operations. There was no further discussion between the Company and Bain Capital after the non-disclosure agreement was signed.

At about the same time in January 2010, the Company had similar discussions with two other private equity firms, both of which signed non-disclosure agreements with the Company and were provided with an information memorandum containing the same information previously provided to Bain Capital. The discussions with those two private equity firms ended in the middle of 2010.

In April 2010, the Company received an expression of interest letter from a multinational company to acquire all of the outstanding shares of the Company. Under a then-effective non-disclosure agreement, this company commenced due diligence. During the due diligence process, this company terminated discussions without providing a reason.

In August 2010, Party A, a company listed on the Hong Kong Stock Exchange, contacted the Company and expressed its interest in acquiring a controlling interest in the Company, including possibly all of the outstanding shares of the Company. The Company and Party A executed a non-disclosure agreement in August 2010 and Party A was granted the right to negotiate with the Company on an exclusive basis for eight weeks. Party A commenced its business, financial and legal due diligence following the execution of the non-disclosure agreement.

In September 2010, the Company engaged Barclays Capital as its financial advisor and engaged Shearman & Sterling LLP ("**Shearman & Sterling**") as its legal counsel in connection with a possible transaction with Party A.

On October 7, 2010, our board of directors decided, by written resolution, that it was in the best interest of the Company and its shareholders to form a special committee (the "**special committee**"), consisting of Messrs. Albert McLelland, Xianghua Li and Guoyou Zhang, each an independent director of the Company, to consider and take further actions with respect to the proposed transaction with Party A. Our board of directors authorized the special committee to, among other things, (i) explore, review and determine the best course or courses of action for the Company in order to maximize the Company's value in the best interest of the Company and its shareholders; (ii) review and evaluate the terms and conditions and determine the advisability of the transaction proposed by Party A or any

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alternative proposals from other interested parties; (iii) negotiate the price, structure, form, terms and conditions of the proposed transaction with Party A or any alternative proposals; (iv) determine whether the proposed transaction with Party A or any alternative proposal is fair to, and in the best interest of, the Company and its public shareholders that are unaffiliated with the Rollover Investors; (v) disapprove the proposed transaction or any alternative proposals on behalf of the Company if the special committee deemed it appropriate in its sole discretion; and (vi) recommend to our board of directors what action, if any, should be taken by the Company with respect to the proposed transaction with Party A or any alternative proposal.

On October 8, 2010, Party A submitted to the special committee a term sheet regarding the proposed transaction with a proposed offering price range of US$10.00 to 13.00 per share.

On October 10, 2010, the special committee held its first meeting via teleconference. Barclays Capital and Shearman & Sterling also attended the meeting. During the meeting, Mr. Albert McLelland was elected as the chairman of the special committee. The special committee also ratified the appointment of Barclays Capital and Shearman & Sterling as its independent financial advisor and lead legal counsel, respectively, and appointed Bilzin Sumberg Baena Price & Axelrod LLP as its Florida legal counsel.

During the next several days, Mr. Albert McLelland, the Chairman of the special committee, discussed extensively the possible next steps in the process with Barclays Capital and Shearman & Sterling via telephone and decided to engage Party A in further discussions and conduct a concurrent market check.

On October 19, 2010, Barclays Capital commenced a market check upon the request of the special committee, and contacted nine potential strategic buyers and one potential financial buyer over the course of that week. Four potential buyers signed non-disclosure agreements. Of these four potential buyers, only one proceeded to conduct significant due diligence on the Company (via an online data-room), and following due diligence this potential buyer decided not to proceed with a transaction with the Company.

On October 20, 2010, Party A submitted a revised term sheet to the special committee with the same proposed price range as previously offered. During the next several weeks, Barclays Capital and Shearman & Sterling, on behalf of the special committee, discussed key terms of the term sheet with Party A and its financial and legal advisors.

On November 1, 2010, the special committee held a face-to-face meeting with Barclays Capital and Shearman & Sterling to discuss Party A's proposal and the status of the market check.

In the middle of November 2010, Party A ceased discussions in connection with the proposed transaction without providing a reason.

During the week of December 6, 2010, Sheng Wu, Managing Director of Barclays Capital, called Ms. Lihong Wang of Bain Capital to assess Bain Capital's interest in a potential transaction. On December 16, 2010, Ms. Wang had a face-to-face meeting with Mr. Lin in Beijing. Mr. Lin briefly introduced the business of the Company and indicated that the Company was still interested in new investors. Ms. Wang and Mr. Lin agreed to sign a non-disclosure agreement before any further discussion. No specific issues, including deal structure or price, were discussed at that meeting.

On December 24, 2010, the Company and Bain Capital entered into a confidentiality agreement. Subsequently, the Company provided Bain Capital with a management presentation on its business, products, financial condition and results of operations, and the Company granted Bain Capital access to the online data-room in order for Bain Capital to access the Company's due diligence materials.

On January 6, 2011, representatives from Bain Capital had an in-person meeting with certain members of our management to gather basic information about our business. Since January 6, 2011,

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Bain Capital, PricewaterhouseCoopers LLP, the accounting firm engaged by Bain Capital, Kirkland & Ellis International LLP ("**K&E**"), the legal counsel engaged by Bain Capital, and six potential financing sources for the potential transaction have conducted accounting, financial, business and legal due diligence on the Company, including document review, site visits, supplier and customer interviews and management interviews.

On January 27, 2011, Mr. Jonathan Zhu, Ms. Wang and Mr. Frank Su from Bain Capital met with Mr. Weigang Li, the chairman of our board of directors, and Mr. Brian Lin, our chief executive officer and one of our directors, to discuss a possible transaction.

On February 9, 2011, the special committee received a non-binding proposal from Bain Capital to acquire all of the outstanding shares of the Company common stock at a price of $9.00 per share, in cash, subject to the satisfaction of a number of conditions, including satisfactory completion of Bain Capital's due diligence and negotiation and execution of a definitive merger agreement and other customary agreements. The proposal letter also stated that Bain Capital would be willing to structure the proposed transaction to allow the Rollover Investors to exchange all or part of their current equity interest in the Company into equity interest in the post-acquisition company. The proposal letter further noted that Bain Capital requested that due diligence and negotiations be conducted on an exclusive basis for six weeks with no solicitation of other proposals or negotiation with other bidders, which request was granted by the special committee.

Following discussions with Barclays Capital and Shearman & Sterling regarding Bain Capital's proposal, the special committee believed that it was in the best interest of the Company's shareholders to publicly disclose that the Company had received a proposal. On March 7, 2011, the Company issued a press release announcing that it had received a proposal from a private equity fund to acquire all of the outstanding shares of the Company common stock.

On April 1, 2011, the special committee received from Bain Capital another non-binding proposal letter, as well as a draft merger agreement and a debt financing commitment letter executed by Bank of America, N.A. and The Hongkong and Shanghai Banking Corporation Limited. In this proposal letter, Bain Capital restated its desire to acquire all of the outstanding shares of the Company at a price of $9.00 per share. The proposal letter also stated that Bain Capital had completed its due diligence investigation of the Company and its proposal was not contingent upon any further due diligence. Bain Capital further requested in this proposal letter that negotiations with the Company be conducted on an exclusive basis for an additional three weeks with no solicitation of other proposals or negotiation with other bidders.

Over the next three weeks, the special committee, Barclays Capital and Shearman & Sterling held various meetings via teleconference to discuss the material issues arising from the draft merger agreement and determine the proposed positions of the special committee with respect to those issues. During these meetings, the special committee discussed Bain Capital's proposed $9.00 offer price and key transaction terms extensively with Barclays Capital and Shearman & Sterling. The special committee also proposed, among other things, to (i) add a meaningful "go shop" period to allow the Company to actively solicit alternative transaction proposals for a certain period following execution of the merger agreement, (ii) add a "majority of the minority" voting requirement to better protect the public shareholders unaffiliated with the Rollover Investors and the Voting Shareholders, (iii) modify the "fiduciary out" provision to give the special committee more latitude to terminate the merger agreement or withdraw, withhold or modify its recommendation in favor of the proposal if it, in the exercise of its fiduciary duty, determined to pursue a superior proposal, (iv) provide for a substantial reverse termination fee payable by Parent to create a disincentive for Parent to terminate the merger agreement and increase the level of certainty that the transaction would close, and (v) reduce the amount of the termination fee payable by the Company.

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During the same time, Barclays Capital submitted preliminary valuation materials to the special committee to assist the special committee in evaluating Bain Capital's $9.00 offer price. These preliminary valuation materials were essentially identical in all material respects to the final presentation that Barclays Capital made to the special committee on May 20, 2011, except that the preliminary valuation presentation necessarily used market data covering an earlier period of time, and it included a preliminary illustrative leveraged buyout analysis that Barclays Capital later determined was not relevant or appropriate for purposes of its fairness opinion since a leveraged buyout analysis performed in this situation is necessarily illustrative in nature depending on potentially highly uncertain assumptions as to Bain Capital's eventual exit strategy and Bain Capital's own internal projections and financial models relating to the Company, and is not considered an intrinsic valuation methodology. The special committee had a number of discussions with Barclays Capital regarding the valuation materials and the offer price. Shearman & Sterling also had a number of conference calls with K&E to discuss the other material issues. On April 17, 2011, following discussions with Barclays Capital, the special committee decided to ask Bain Capital to increase the offer price to $10.00 per share in order to maximize value for the Company's shareholders.

On April 18, 2011, Shearman & Sterling sent a list of material issues to Bain Capital and K&E, setting forth the special committee's positions on certain key issues, including the request to increase the offer price to $10.00 per share. Later on the same day, Bain Capital indicated to Barclays Capital that Bain Capital would not increase the offer price because it believed that the offer price of $9.00 per share would represent a fair and attractive price for the Company's shareholders.

On April 19, 2011, the special committee, Barclays Capital and Shearman & Sterling had a conference call to discuss Bain Capital's unwillingness to increase its offer price, as well as the respective positions of the special committee and Bain Capital on other key outstanding deal terms. The special committee indicated that it would be agreeable to the $9.00 per share offer price, subject to Bain Capital's acceptance of the special committee's positions on the other key outstanding issues in the draft merger agreement.

On April 20, 2011, the parties reached agreement with respect to most of these key issues, including, among others, the offer price, the duration of the "go shop" period and the amount of the termination fees payable by the Company and Parent. The special committee and Bain Capital also executed an exclusivity letter to grant Bain Capital the right to negotiate with the Company on an exclusive basis until May 9, 2011.

On April 21, 2011, K&E distributed a revised draft merger agreement and the initial drafts of the equity commitment letter and the limited guarantee. The special committee also permitted Bain Capital to commence discussions with the Rollover Investors and the Voting Shareholders on the rollover and voting arrangements. Soon thereafter, Mr. Weigang Li engaged DLA Piper UK LLP ("**DLA Piper**") to represent his personal interests including in connection with the rollover and voting arrangements. In anticipation of face-to-face negotiation sessions among all parties scheduled in early May, Shearman & Sterling and K&E conducted several rounds of negotiations on the draft merger agreement. The special committee was actively involved in these negotiations and had a number of conference calls with Shearman & Sterling discussing the outstanding issues in the draft merger agreement.

From May 2 through May 4, 2011, the parties held face-to-face meetings in Beijing to negotiate the terms of the draft merger agreement, equity commitment letter and limited guarantee, while Bain Capital and the Rollover Investors along with their respective advisors negotiated the terms of the rollover and voting arrangements. Mr. Albert McLelland, the chairman of the special committee, traveled to Beijing to attend these meetings in person together with other members of the special committee. During the same time, the Rollover Investors also held face-to-face meetings with Bain Capital in Beijing to separately negotiate the terms of the draft rollover agreement and the draft voting agreements. By the end of May 4, 2011, the parties reached agreement in principle on all major issues in the draft merger agreement, including, among others, adding a "majority of the minority" voting

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requirement. The parties also reached consensus on most of the issues in the draft limited guarantee and the draft equity commitment letter. By May 9, 2011, the draft merger agreement was largely finalized while the draft rollover agreement and voting agreements were still under negotiation.

On May 10, 2011, the financial advisor to Party A sent an email to Barclays Capital and Shearman & Sterling stating that Party A proposed an acquisition of all of the outstanding shares of the Company at $9.05 per share. Party A's financial advisor indicated that Party A's proposed offer was subject to the completion of confirmatory due diligence. The email also included certain draft transaction documents prepared by Party A's legal counsel, including a draft merger agreement (the "**Party A Merger Agreement**"), a draft share exchange agreement that would allow the Rollover Investors to exchange their shareholding in the Company into the shares of Party A, a draft voting agreement to be executed by certain shareholders of the Company and a draft voting agreement to be executed by the controlling shareholder of Party A.

On May 11, 2011, the special committee, Barclays Capital and Shearman & Sterling held a meeting via teleconference to discuss the proposal received from Party A. During the meeting, Barclays Capital explained to the special committee that, based on the $9.05 per share price and the terms of the share exchange agreement, as well as publicly available information regarding Party A's financial position, Party A's existing available sources of funding may be insufficient to pay the total amount of cash consideration at closing and therefore there would be enhanced risks for Party A to consummate the proposed merger. At the conclusion of the meeting, given that the exclusivity period granted to Bain Capital expired on May 9, 2011, the special committee decided to take the following actions:

Given that Party A's proposed offer price was slightly higher than Bain Capital's offer price, the special committee and its advisors would engage Party A in further discussions. The special committee and its advisors would simultaneously continue to negotiate with Bain Capital and to finalize all transaction documents as soon as possible.

Barclays Capital would discuss with Party A's financial advisor and get clarification on Party A's sources of funds and request Party A to provide more certainty with respect to its funding capabilities.

Shearman & Sterling would revise the Party A Merger Agreement to reflect the key terms agreed upon with Bain Capital.

On May 12, 2011, Party A executed a confidentiality agreement and started confirmatory due diligence.

From May 12, 2011 through May 17, 2011, the special committee, Barclays Capital and Shearman & Sterling negotiated extensively with Party A and its financial and legal advisors through conference calls and face-to-face meetings. These negotiations focused on Party A's funding sources and financing arrangement and certain key issues relating to the Party A Merger Agreement, including, among other things, the "go shop", a majority of the minority approval condition and the amount of termination fees payable by the Company and Party A in certain circumstances. During the same time, the Rollover Investors engaged in separate negotiations with Party A on the draft share exchange agreement and voting agreements. By the end of May 17, 2011, the special committee and Party A reached agreement on substantially all of the material issues in the Party A Merger Agreement, and Party A confirmed that they were satisfied with the results of the confirmatory due diligence. However, Party A was unable to provide any evidence to demonstrate that it had sufficient funds to close the proposed transaction. Furthermore, certain material issues remained unresolved on the share exchange and voting arrangements between the Rollover Investors and Party A. On the same day, the draft merger agreement between the Company and Bain Capital was finalized and the draft rollover agreement and voting agreements were largely finalized.

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On May 18, 2011, all members of the special committee, Barclays Capital, Shearman & Sterling and DLA Piper held a meeting via teleconference to discuss Bain Capital's offer. DLA Piper, which had represented the interests of Mr. Weigang Li in the transaction, summarized the key terms of the draft voting agreements and rollover agreement and explained to the special committee the conflict of interest between the public shareholders and the Rollover Investors. DLA Piper left the meeting after its presentation. Shearman & Sterling summarized the key terms of the draft merger agreement, equity commitment letter, debt commitment letter and limited guarantee. Barclays Capital then made a financial presentation to the special committee regarding the $9.00 per share merger consideration that would be paid to the Company's shareholders upon the consummation of Bain Capital's offer and delivered its oral opinion to the special committee as to the fairness, from a financial point of view, of the per share merger consideration to the Company's shareholders (excluding the Rollover Investors).

From May 18, 2011 through May 20, 2011, the Rollover Investors continued to work with Bain Capital to finalize the rollover agreement and the voting agreements. During that time, the special committee and the Rollover Investors continued their negotiations with Party A and Party A, upon the special committee's request for evidence of financing and enhanced deal certainty, agreed to provide a debt commitment letter for a $60 million loan facility to the special committee before close of business on May 20, 2011 (Beijing time).

Before close of business on May 20, 2011 (Beijing time), all transaction documents in connection with Bain Capital's offer were finalized while Party A failed to deliver a debt commitment letter to the special committee.

On May 20, 2011, Barclays Capital informed Bain Capital of a competing offer and requested Bain Capital to increase its offer price. Later on the same day, Bain Capital informed Barclays Capital that after internal discussions Bain Capital had decided not to increase its offer price. Bain Capital also indicated that it was ready to sign the transaction documents immediately and was not prepared to wait any further. All members of the special committee, Barclays Capital, Shearman & Sterling and DLA Piper held a meeting via teleconference at 8:30 pm (Beijing time) on May 20, 2011. Barclays Capital updated the special committee on the status of the negotiations, including the request for a price increase that had been declined by Bain Capital and Party A's failure to provide a debt commitment letter before close of business on that day. Thereafter, DLA Piper described certain changes that were made to the rollover agreement since it had last briefed the special committee on May 18, 2011, after which DLA Piper was excused from the meeting. Shearman & Sterling summarized the material differences between the Party A Merger Agreement and the draft merger agreement with Bain Capital. Barclays Capital then delivered its oral opinion to the special committee as to fairness, from a financial point of view, of the per share merger consideration to the Company's shareholders (excluding the Rollover Shareholders). After considering the proposed terms of these two agreements and other transaction documents and the facts that (i) Party A failed to provide adequate evidence to demonstrate that it had sufficient funds to complete the merger, (ii) the draft merger agreement with Bain Capital included a full and robust "go shop" provision that would allow the Company to continue its discussions with Party A during the "go shop" period, (iii) Party A's offer price did not represent a material premium over Bain Capital's offer price, (iv) all the transaction documents in connection with Bain Capital's offer were finalized and Bain Capital was ready to sign the transaction documents immediately, and (v) certain key issues in connection with the share exchange and voting arrangements between Party A and the Rollover Investors remained unresolved and the Rollover Investors indicated their preference to enter into an agreement with Bain Capital over Party A, the special committee unanimously resolved to recommend that the Company's board of directors adopt and approve the merger agreement and the limited guarantee with Bain Capital and the transactions contemplated thereby.

Separately, the Management Shareholders and the Rollover Investors evaluated the relative merits of the Bain Capital and the Party A transactions. The Management Shareholders and Rollover

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Investors noted that while Party A's offer price was marginally higher, the Bain Capital transaction still represented a more attractive alternative for the following reasons: (i) the uncertainty surrounding Party A's financial ability to complete the merger, (ii) the fact that any material adverse effect Party A could suffer, which would diminish the value of the merger, would be more likely to arise out of Party A's own business operation, (iii) the fact that such operations would be an integral part of the surviving entity after merger and over which the Management Shareholders and Rollover Investors have no control, and the inability of the Management Shareholders and the Rollover Investors to terminate their obligations to complete the merger if such material adverse event happens prior to the merger, (iv) given Party A's consideration to the Rollover Investors would be in the form of stock, the additional risk associated with adverse changes to the trading price of Party A's stock, (v) the Management Shareholders and certain Rollover Investors' greater ability to achieve partial liquidity in the Bain Capital transaction and (vi) Bain Capital's willingness to give the Management Shareholders a greater degree of management control versus a more limited role within Party A's business.

Following the meeting of the special committee, all members of our board of directors, Barclays Capital, Shearman & Sterling and DLA Piper held a meeting via teleconference. At the beginning of the meeting, the special committee presented its recommendation of Bain Capital's offer to our board of directors. Shearman & Sterling and DLA Piper summarized the key terms of the transaction documents and explained the conflict of interests between the Rollover Investors and the public shareholders. Barclays Capital made a financial presentation to the board of directors and delivered its oral opinion as to the fairness, from a financial point of view, of the $9.00 per share merger consideration to the Company's shareholders (excluding the Rollover Investors). Messrs. Weigang Li, Brian Lin and Weishe Zhang and DLA Piper were then excused from the meeting. The other members of our board of directors discussed the terms of the proposed merger and unanimously approved and declared fair and advisable the merger agreement and the transactions contemplated thereby, and resolved to recommend the approval of the merger agreement by the Company's shareholders. See "*Special Factors Reasons for the Merger and Recommendation of the Special Committee and Our Board of Directors*" for a description of the resolutions of our board of directors at this meeting. Immediately after the meeting, Barclays Capital delivered to the special committee a written opinion as to the fairness, from a financial point of view, of the $9.00 per share merger consideration to the Company's shareholders (excluding the Rollover Investors), confirming the oral opinion delivered to the special committee and our board of directors during the special committee meeting and the board meeting, respectively.

After the conclusion of the board meeting, Parent, Merger Sub, the Rollover Investors, the Voting Shareholders and the Company executed all transaction documents, including the merger agreement, the rollover agreement and the voting agreements.

Recommendation of Our Board of Directors and Special Committee; Reasons for Recommending the Approval of the Merger Agreement; Fairness of the Merger

The recommendation of the Special Committee

The special committee, at a meeting held on May 20, 2011, unanimously determined that the proposed merger agreement, the merger and the other transactions contemplated by the merger agreement were advisable, fair to and in the best interest of the Company and its unaffiliated shareholders, and recommended that our board of directors adopt a resolution adopting and approving the merger agreement, the merger and the other transactions contemplated by the merger agreement and recommending that the shareholders of the Company vote for the approval of the merger agreement and the consummation of the merger and all other transactions contemplated in the merger agreement.

In reaching its determination, the special committee consulted with and received the advice of its financial and legal advisors, discussed certain issues with the Company's senior management team, and

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considered a number of factors that it believed supported its determination and recommendation, including, but not limited to, the following material factors (not in any relative order of importance):

the current and historical market prices of the Company common stock, including the fact that the per share merger consideration of $9.00 represented (i) a 24% premium over the closing price of $7.26 per share on May 19, 2011, the last trading day before the merger agreement was signed, (ii) a 44% premium over the closing price of $6.26 per share on March 4, 2011, the last trading day prior to the Company's announcement regarding receipt of a "going private" proposal, and (iii) a 38% premium over the Company's 90-trading day volume weighted average price calculated as of May 19, 2011;

the fact that the per share merger consideration of $9.00 represented a valuation of the Company at a 12.9 multiple to the Company's EBITDA for the 12 months ended December 31, 2010;

the possibility that it could take a considerable period of time before the trading price of the Company common stock would reach and sustain at least the per share merger consideration of $9.00, as adjusted for present value, taking into consideration Company management's outlook of the business based on management's projected financial information;

the fact that the consideration to be paid in the proposed merger is all cash, which provides certainty of value and liquidity to the Company's shareholders, and the shareholders will not be exposed to the risks and uncertainties relating to the Company's prospects (including the prospects described in management's projections summarized under "*Special Factors Management's Projected Financial Information*");

the financial analyses presented to the special committee by Barclays Capital, as well as the opinion of Barclays Capital delivered to the special committee to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein, the $9.00 per share merger consideration to be received by the Company's shareholders (other than the Rollover Investors) pursuant to the merger agreement was fair, from a financial point of view, to such shareholders. The full text of the written opinion of Barclays Capital is attached as Annex B to this proxy statement;

the facts that Party A failed to provide adequate evidence of sufficient funding to complete a transaction in a timely manner, that the Company is permitted to continue its discussion with Party A during the go shop period (as defined below), that Party A's offer price did not represent a material premium over Bain Capital's offer price, and that certain key issues in connection with the share exchange and voting arrangements between Party A and the Rollover Investors remained unresolved and the Rollover Investors indicated their preference to enter into an agreement with Bain Capital over Party A, as described under "*Special Factors Background of the Merger,*";

the possible alternatives to a sale to Bain Capital, including continuing as a standalone company, which alternatives the special committee, upon consultation with Barclays Capital and Shearman & Sterling, determined were less favorable to the Company's shareholders than the proposed merger given the potential risks, rewards and uncertainties associated with those alternatives;

the likelihood that the merger would be completed based on, among other things:

Bain Capital's reputation, financial resources and proven experience in completing similar transactions;

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the fact that Parent and Merger Sub had obtained committed debt and equity financing commitment letters for the transaction, the limited number and nature of the conditions to the debt and equity financings, the reputation of the financing sources and the obligation of Parent to use its reasonable best efforts to obtain the debt financing, each of which, in the reasonable judgment of the special committee, increases the likelihood of such financings being completed;

the absence of a financing condition in the merger agreement;

the fact that the merger agreement provides that, in the event of a failure of the proposed merger to be consummated under certain circumstances, Parent will pay the Company a termination fee of $10.7 million or $8.5 million, as applicable, without the Company having to establish any damages, and the guarantee of such payment obligation by the Guarantor pursuant to the limited guarantee;

the Company's ability, under certain circumstances pursuant to the merger agreement and the equity commitment letter, to seek specific performance of Parent's obligation to cause the equity financing to be funded and the Sponsors' obligation to fund the equity financing; and

the other terms of the merger agreement and related agreements, including:

the Company's ability during the period beginning on the date of the merger agreement and continuing until 11:59 p.m., New York City time, on July 14, 2011 (the "**go shop period**") to initiate, solicit and encourage any alternative acquisition proposals from third parties, and to provide non-public information to and engage in discussions or negotiations with third parties with respect to alternative acquisition proposals;

the Company's ability to continue discussions after the end of the go shop period until 11:59 p.m., New York City time, on July 29, 2011 (the "**cut-off date**"), with parties from whom the Company has received during the go shop period an acquisition proposal that the special committee determines in good faith, as of the end of the go shop period, would reasonably be expected to result in a superior proposal;

the Voting Shareholders' ability to engage in discussions with potential bidders during the go shop period under certain limited circumstances;

the Company's ability, at any time from and after the end of the go shop period but prior to the time the Company shareholders approve the merger agreement, to provide information to third parties with respect to unsolicited alternative acquisition proposals under certain circumstances and participate in discussions or negotiations with the third party that submitted such acquisition proposal, if the special committee determines that any such acquisition proposal constitutes or is reasonably likely to result in a superior proposal;

the ability of our board of directors (acting upon the recommendation of the special committee), under certain circumstances, to withhold, withdraw, qualify or modify its recommendation that the Company's shareholders vote to approve the merger agreement;

the fact that our board of directors is not required to submit the merger proposal to a vote of the Company's shareholders if the board of directors or the special committee were to withdraw, withhold or modify its recommendation in favor of the merger agreement;

the Company's ability, under certain circumstances, to terminate the merger agreement and to enter into an agreement providing for a superior proposal, provided that the Company prior to or concurrently with the termination of the merger agreement pays to Parent a termination fee of $6.4 million, in connection with an agreement for a superior proposal

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entered into prior to the end of the go shop period or with a continuing party prior to the cut-off date, or $8.5 million in all other circumstances;

the termination fee and expenses payable by the Company to Parent under certain circumstances, which the special committee concluded were reasonable in the context of termination fees and expenses payable in comparable transactions and in light of the overall terms of the merger agreement including the per share merger consideration; and

the availability of appraisal rights under Florida law to holders of Company common stock who comply with all of the required procedures under Florida law, which allows such holders to seek appraisal of the fair value of their shares of Company common stock as determined by the appropriate court in and for Broward County, Florida (i.e., as required under Section 607.1330(2) of the Florida Business Corporation Act, the county in which the Company's registered office in Florida is located).

The special committee noted that the opinion of Barclays Capital addressed fairness with respect to the Company's shareholders other than the Rollover Investors rather than to the Company's unaffiliated shareholders. The special committee also noted that the Company's shareholders other than the Rollover Investors include all unaffiliated shareholders and, to the extent that the Company's shareholders other than the Rollover Investors may also include one or more affiliated shareholders that are not Rollover Investors, the consideration to be received by such affiliated shareholders is identical in all respects as the consideration to be received by the unaffiliated shareholders. The special committee believed that there was no meaningful distinction to be drawn between the concepts of "fairness to the unaffiliated shareholders of the Company" and "fairness to the Company's shareholders other than the Rollover Investors." As a result, the special committee believed that, even though the opinion of Barclays Capital addressed fairness with respect to the Company's shareholders other than the Rollover Investors rather than to the unaffiliated shareholders directly, it is still reasonable and appropriate to consider the fairness opinion of Barclays Capital as a material factor in its determination as to the fairness of the transaction to the unaffiliated shareholders of the Company.

The special committee believed that in the Company's current state, the U.S. public equity markets do not provide an adequate platform for the Company to raise capital on reasonable terms nor do the U.S. public equity markets provide the existing shareholders with adequate levels of liquidity while imposing regulatory and other market burdens, both in terms of the expense and the management resources needed for the maintenance of a U.S. public company, that are not sufficiently justifiable in light of the benefits received by the Company as a U.S. public company. As a result, the special committee believed that it is appropriate for the Company to undertake the merger and the going private transaction at this time and it is in the long-term best interest of the Company to operate as a privately held entity in order to allow greater operational flexibility and to focus on its long-term growth and continuing improvements to its business absent the regulatory burden imposed upon public companies and the distractions caused by the public equity market's valuation of the Company common stock.

The special committee also believed that sufficient procedural safeguards were and are present to ensure the fairness of the proposed merger and to permit the special committee to represent effectively the interests of the Company's unaffiliated shareholders. These procedural safeguards include:

the fact that the special committee is comprised of three independent directors who are not affiliated with either the Rollover Investors, the Voting Shareholders, Bain Capital, the Guarantor, the Sponsors, Parent, Merger Sub or any direct or indirect wholly owned subsidiary of Parent (together with Parent and Merger Sub, the "**Parent Affiliates**") and are not employees of the Company or any of its subsidiaries;

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the fact that, other than their receipt of compensation as members of the board of directors and the special committee (which are not contingent upon the consummation of the merger or the special committee's recommendation of the merger) and their interests described under "*Special Factors Interests of the Company's Directors and Executive Officers in the Merger*," members of the special committee do not have interests in the merger different from, or in addition to, those of the Company's unaffiliated shareholders;

the fact that the determination to engage in discussions related to the proposed merger and the consideration and negotiation of the price and other terms of the proposed merger was conducted entirely under the oversight of the members of the special committee and without any limitation on the authority of the special committee to act with respect to any alternative transaction or any related matters, the Rollover Investors commenced discussions on the rollover and voting arrangements after the special committee and Bain Capital had reached agreement on material commercial terms of the merger agreement, the Rollover Investors were not present at most meetings between the special committee and Bain Capital, and the Rollover Investors recused themselves from voting at and from a part of the board meeting held on May 20, 2011 to give the other members of our board of directors an opportunity to fully discuss and approve the merger agreement and the transactions contemplated by the merger agreement;

the recognition by the special committee that it had the authority not to recommend the approval of the merger or any other transaction;

extensive negotiations between the special committee and Bain Capital, which resulted in significantly better contractual terms to the Company and its shareholders than initially proposed by Bain Capital;

the fact that the special committee was advised by Barclays Capital, as financial advisor, and Shearman & Sterling, as legal advisor, each an internationally recognized firm, and the fact that the special committee requested and received from Barclays Capital an opinion (based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein), dated May 20, 2011, with respect to the fairness of the per share merger consideration to be received by the holders of Company common stock (other than the Rollover Investors);

the fact that the merger agreement must be approved by the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, the Voting Shareholders and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011);

the fact that the terms and conditions of the merger agreement were designed to encourage a superior proposal, including a 55-day go-shop period during which the Company may solicit and consider alternative proposals, which may be extended with respect to any continuing parties, and the Company's ability, at any time from and after the end of the go-shop period but prior to the time the Company shareholders approve the merger agreement, to provide information to third parties with respect to unsolicited alternative acquisition proposals under certain circumstances and participate in discussions or negotiations with the third party that submitted such acquisition proposal, if the special committee determines that any such acquisition proposal constitutes or is reasonably likely to result in a superior proposal.

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In the course of its deliberations, the special committee also considered a variety of risks and other countervailing factors related to entering into the merger agreement and the proposed merger, including:

the risk that the proposed merger might not be completed in a timely manner or at all, including the risk that the proposed merger will not occur if the financings contemplated by the equity and debt financing commitments, described under "*Special Factors Financing of the Merger*," are not obtained;

the fact that Party A had submitted to the Company a firm offer to acquire all of the outstanding shares of Company common stock at $9.05 per share, described under "*Special Factors Background of the Merger;*"

the fact that the shareholders of the Company (other than the Rollover Investors) will have no ongoing equity in the surviving corporation following the proposed merger, meaning that the shareholders (other than the Rollover Investors) will cease to participate in the Company's future earnings or growth of, or to benefit from any increases in, the value of the Company common stock;

the restrictions on the conduct of the Company's business prior to the completion of the proposed merger, which may delay or prevent the Company from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of the Company pending completion of the proposed merger;

the risks and costs to the Company if the proposed merger does not close, including the diversion of our management and employee attention, the potential negative impact on our ability to attract and retain key employees and the potential disruptive effect on our business and customer relationships;

the fact that the Company will be required to, under certain circumstances, pay Parent a termination fee of $6.4 million or $8.5 million, as applicable, or reimburse Parent's expenses (up to $3 million), which could discourage other potential acquirers from making a competing bid to acquire the Company;

the fact that if the proposed merger is not completed, the Company will be required to pay its own expenses associated with the merger agreement, the merger and the other transactions contemplated by the merger agreement as well as, under certain circumstances, pay Parent a termination fee of $6.4 million or $8.5 million, as applicable, or reimburse Parent's expenses (up to a $3 million), in connection with the termination of the merger agreement;

the fact that Parent and Merger Sub are newly formed corporations with essentially no assets other than the equity commitments of the Sponsors, that the Company's remedy in the event of breach of the merger agreement by Parent or Merger Sub may be limited to receipt of a termination fee of $8.5 million or $10.7 million, as applicable, which is guaranteed by the Guarantor, and that under certain circumstances the Company may not be entitled to a termination fee at all;

the fact that an all cash transaction would be taxable to the Company's shareholders that are U.S. holders for U.S. federal income tax purposes; and

the terms of the Rollover Investors' participation in the merger and the fact that the Rollover Investors and our other executive officers and directors may have interests in the transaction that are different from, or in addition to, those of our unaffiliated shareholders; see "*Special Factors Interests of the Company's Directors and Executive Officers in the Merger.*"

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In the course of reaching its determination and recommendation regarding the fairness of the merger and its decision to recommend to the board of directors that it approve the merger, the special committee considered valuation analyses presented by Barclays Capital related to the going concern value of the Company. These analyses included, among others, a selected publicly traded comparable company analysis, a discounted cash flow analysis and a selected comparable transaction analysis. These analyses are summarized under "Special Factors *Opinion of Barclays Capital, Financial Advisor to the Special Committee*." The special committee expressly adopted the analyses and the opinion of Barclays Capital, among other factors considered, in reaching its determination as to the fairness of the transactions contemplated by the merger agreement. In the course of reaching its determination, the special committee did not consider the liquidation value of the Company's assets because it considers the Company to be a viable going concern business where value is derived from cash flows generated from its continuing operations. In addition, the special committee believed that the value of the Company's assets that might be realized in a liquidation would be significantly less than its going concern value. Further, the special committee did not consider the Company's net book value as a factor because it believed that net book value is not a material indicator of the value of the Company as a going concern but rather is indicative of historical costs. The Company's net book value per common share as of March 31, 2011, was $4.77, which is substantially below the $9.00 per share merger consideration. In addition, the special committee did not consider the prices paid by us for past purchases of our common stock because no such purchases have been made during the last two years other than in connection with our equity incentive plans.

The foregoing discussion of the information and factors considered by the special committee is not intended to be exhaustive, but includes the material factors considered by the special committee. In view of the wide variety of factors considered by the special committee in evaluating the merger agreement and the merger, the special committee did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weights to the foregoing factors in reaching its conclusion. In addition, individual members of the special committee may have given different weights to different factors and may have viewed some factors more positively or negatively than others. The special committee recommended that our board of directors adopt and approve the merger agreement based upon the totality of the information presented to and considered by it.

Recommendation of the Company's Board of Directors

Our board of directors, acting upon the unanimous recommendation of the special committee, at a meeting held on May 20, 2011:

- determined that the merger and the other transactions contemplated by the merger agreement were substantively and procedurally fair and advisable to and in the best interest of the Company and its unaffiliated shareholders, approved and adopted the merger agreement and the consummation of the transactions contemplated by the merger agreement and resolved to recommend the approval of the merger agreement by the Company's shareholders; and

- directed the merger agreement be submitted to the Company' shareholders for their approval at a meeting of the Company's shareholders.

In reaching these determinations, our board of directors considered and adopted:

- the special committee's analysis, conclusions and unanimous determination that the merger agreement, the merger and the other transactions contemplated by the merger agreement were fair and advisable to and in the best interest of the Company and its shareholders; and

- the special committee's unanimous recommendation that the board of directors adopt and approve the merger agreement, submit the merger agreement to the Company's shareholders for approval at a meeting of the Company's shareholders and recommend that the shareholders vote

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for the approval of the merger agreement and the consummation of the merger and other transactions contemplated by the merger agreement.

Our board of directors also considered a number of other factors, including the following material factors:

the fact that, other than their receipt of compensation as members of the board of directors and the special committee (which are not contingent upon the consummation of the merger or the special committee's recommendation of the merger) and their interest described under "*Special Factors Interests of the Company's Directors and Executive Officers in the Merger*," members of the special committee do not have interests in the merger different from, or in addition to, those of the Company's unaffiliated shareholders;

the opinion of Barclays Capital, dated May 20, 2011, to the special committee to the effect that, based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations set forth therein, the $9.00 per share merger consideration to be received by the holders of shares of Company common stock (other than the Rollover Investors) pursuant to the merger agreement was fair, from a financial point of view, to such holders;

the process undertaken by the special committee and its advisors in connection with evaluating the proposed merger, as described in "*Special Factors Background of the Merger;*"

the availability of appraisal rights under Florida law for our shareholders who oppose the merger.

Our board of directors noted that the opinion of Barclays Capital addressed fairness with respect to the Company's shareholders other than the Rollover Investors rather than to the Company's unaffiliated shareholders. Our board of directors also noted that the Company's shareholders other than the Rollover Investors include all unaffiliated shareholders and, to the extent that the Company's shareholders other than the Rollover Investors may also include one or more affiliated shareholders that are not Rollover Investors, the consideration to be received by such affiliated shareholders is identical in all respects as the consideration to be received by the unaffiliated shareholders. Our board of directors believed that there was no meaningful distinction to be drawn between the concepts of "fairness to the unaffiliated shareholders of the Company" and "fairness to the Company's shareholders other than the Rollover Investors." As a result, our board of directors believed that, even though the opinion of Barclays Capital addressed fairness with respect to the Company's shareholders other than the Rollover Investors rather than to the unaffiliated shareholders directly, it is still reasonable and appropriate to consider the fairness opinion of Barclays Capital as a material factor in its determination as to the fairness of the transaction to the unaffiliated shareholders of the Company.

The Rollover Investors recused themselves from the foregoing determination and approval due to their interests in the merger different from, or in addition to, those of the Company's unaffiliated shareholders resulting from the agreements they have entered into with the Parent Affiliates.

The foregoing discussion of the information and factors considered by our board of directors is not intended to be exhaustive, but includes a number of the material factors considered by our board of directors. In view of the wide variety of factors considered by our board of directors in evaluating the merger agreement and the merger, our board of directors did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weights to the foregoing factors in reaching its conclusion. In addition, individual members of our board of directors may have given different weights to different factors and may have viewed some factors more positively or negatively than others. Our board of directors approved the merger agreement and recommends it to the Company's shareholders based upon the totality of the information presented to and considered by it.

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In connection with the consummation of the merger, certain of the Company's directors and officers may receive benefits and compensation that may differ from the per share merger consideration you would receive. See "*Special Factors Interests of the Company's Directors and Executive Officers in the Merger."*

The Board recommends that the shareholders of the Company vote "FOR" the approval of the merger agreement and "FOR" the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of Barclays Capital, Financial Advisor to the Special Committee

Pursuant to an engagement letter dated September 17, 2010, the special committee retained Barclays Capital to render an opinion to the special committee as to the fairness, from a financial point of view, to the unaffiliated holders of the Company common stock of the consideration to be received in connection with the merger by such shareholders.

On May 20, 2011, Barclays Capital rendered its oral opinion, subsequently confirmed in writing, to the special committee that, as of such date, and based upon and subject to the various assumptions made, procedures followed, matters considered and qualifications and limitations set forth in the opinion, the $9.00 cash per share merger consideration to be received by the holders of shares of Company common stock (other than the Rollover Investors) in the merger was fair, from a financial point of view, to such holders.

The full text of Barclays Capital's written opinion, dated May 20, 2010, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Barclays Capital, is attached as Annex B and is incorporated by reference herein. Holders of shares of Company common stock are urged to read the opinion carefully and in its entirety. The opinion does not address the Company's underlying business decision to proceed with or effect the merger or the likelihood of consummation of the merger. In addition, Barclays Capital expressed no opinion on, and its opinion did not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the per share merger consideration to be offered to the holders of the Company common stock (other than the Rollover Investors) in connection with the merger.

In arriving at its opinion, Barclays Capital reviewed and analyzed:

- the final draft of merger agreement dated May 20, 2011 and the specific terms of the merger agreement;
- certain publicly available information concerning the Company that it believed to be relevant to its analysis, including the Company's financial statements;
- financial and operating information with respect to the business, operations and prospects of the Company furnished to it by the Company, including financial projections of the Company prepared by management of the Company dated April 7, 2011;
- estimates of independent broker research analysts with respect to the future price targets of the Company common stock and financial projections of the Company;
- a comparison of the trading history of the Company common stock with that of securities of certain publicly-traded companies that it deemed to be generally relevant;
- a comparison of the financial performance of the Company with that of certain publicly-traded companies that it deemed to be generally relevant;

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a comparison of the financial terms of the merger with the financial terms of certain other recent transactions that it deemed to be generally relevant; and

the premia paid in certain publicly available transactions that it deemed to be generally relevant.

In addition, Barclays Capital discussed with the management of the Company concerning our business, operations, assets, liabilities, financial condition and prospects and undertook such other studies, analyses and investigations as it deemed appropriate.

In arriving at its opinion, Barclays Capital assumed and relied upon the accuracy and completeness of the financial and other information used by the Company without any independent verification of such information and further relied upon the assurances of the management of the Company that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections provided by the management, upon the advice of the Company, Barclays Capital assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of the Company and it has relied upon such projections in performing its analysis.

In arriving at its opinion, Barclays Capital did not conduct a physical inspection of the properties and facilities of the Company and did not make or obtain any evaluations or appraisals of the assets or liabilities of the Company. Barclays Capital's opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of the date of its opinion. Barclays Capital assumes no responsibility for updating, revising or reaffirming its opinion based on events or circumstances that may occur thereafter.

In arriving at its opinion, Barclays Capital assumed that the final executed merger agreement will not differ in any material respect from the final draft merger agreement it reviewed and that the merger will be consummated in accordance with the terms set forth in the merger agreement, without material modification, waiver or delay. Barclays Capital also assumed that the representations and warranties made by the Company in the merger agreement are and will be true and correct in all respects material to its analysis. Barclays Capital has further assumed, upon advice of the Company, that all material governmental, regulatory or other consents or approvals necessary for the consummation of the merger will be obtained as contemplated by the merger agreement. Barclays Capital is not legal, regulatory or tax expert and has relied on the assessments made by advisors to the Company with respect to such issues. Barclays Capital did not express any opinion as to any tax or other consequences that might result from the merger, nor does its opinion address any legal, tax, regulatory or accounting matters, as to which the Company has obtained such advice as it deemed necessary from qualified professionals.

Barclays Capital's opinion addressed only the fairness from a financial point of view, as of the date thereof, of the $9.00 cash per share merger consideration to be received by the holders of shares of Company common stock (other than the Rollover Investors) in the proposed transaction is fair to such shareholders. The issuance of Barclays Capital's opinion was approved by a fairness opinion committee of Barclays Capital.

Summary of Material Financial Analysis

The following is a summary of the material financial analyses performed by Barclays Capital and reviewed by the special committee in connection with Barclays Capital' opinion relating to the merger and does not purport to be a complete description of the financial analyses performed by Barclays Capital. The order of analyses described below does not represent the relative importance or weight given to those analyses by Barclays Capital. Some of the summaries of the financial analyses include information presented in tabular format. In order to fully understand Barclays Capital' financial

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analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Barclays Capital' financial analyses.

In performing its analyses, Barclays Capital made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Company or any other parties to the merger agreement. None of the Company, Parent, Merger Sub, Barclays Capital or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below.

Analyses of Implied Premia and Multiples. Barclays Capital analyzed the implied premia based on the merger consideration of $9.00 per share as compared to the following:

- the closing price of the Company common stock on March 4, 2011 ("**Undisturbed Share Price**"), the last trading day prior to the announcement of a "going private" proposal received by the Company; and

- the volume weighted average price ("**VWAP**") of the Company common stock for each of the one-month, three-month, six-month and twelve-month periods ended on May 13, 2011 (referred to herein as the "**Reference Date**"). May 13, 2011 was selected as the Reference Date as it was the latest practicable date for Barclays Capital to update the financial presentation before it was presented to the special committee on May 18, 2011.

The results of this analysis are summarized in the following table:

Time Period	Price for Period Ended on the Reference Date	Implied Premium / (Discount)
March 4, 2011 (Undisturbed Share Price)	$ 6.26	43.8%
1-month VWAP	$ 6.94	29.7%
3-month VWAP	$ 6.53	37.7%
6-month VWAP	$ 6.62	36.0%
12-month VWAP	$ 8.20	9.8%

Barclays Capital also analyzed the implied historical and forecast multiples of the Company's enterprise value (calculated as the aggregate value of the Company's fully diluted equity based on the total number of fully diluted outstanding shares of Company common stock, plus debt at book value, less cash and cash equivalents) to earnings before interest, taxes, depreciation and amortization, or EBITDA, based on the share price as of the Reference Date and based on the merger consideration of $9.00 per share. Barclays Capital also calculated the implied historical and forecast earnings per share multiples (commonly referred to as a price earnings ratio, or P/E) based on the share price as of the Reference Date and based on the merger consideration of $9.00 per share. Where relevant, Barclays Capital used Company balance sheet information and last twelve month (LTM) EBITDA and earnings as of December 31, 2010. The estimated EBITDA and earnings for fiscal years 2011 and 2012 are based on the consensus forecasts available in the Institutional Brokers' Estimate System, or I/B/E/S, and management projections provided by the Company's management on April 7, 2011 ("**Management**

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Plan"), as referred separately where relevant below. The results of these analyses are summarized in the table below:

Financial Multiple	Price on the Reference Date ($7.25 per share)	Merger Consideration ($9.00 per share)
EV/ EBITDA LTM	10.0x	12.9x
P/E LTM	13.8x	17.2x
I/B/E/S Consensus Estimates		
EV/EBITDA FY2011E	9.7x	12.5x
EV/EBITDA FY2012E	8.0x	10.3x
P/E FY2011E	13.1x	16.4x
P/E FY2012E	11.0x	13.8x
Management Plan		
EV/EBITDA FY2011E	9.4x	12.2x
EV/EBITDA FY2012E	8.2x	10.5x
P/E FY2011E	12.5x	15.7x
P/E FY2012E	10.9x	13.6x

Historical Share Price Analysis. Barclays Capital reviewed the historical trading price per share of the Company common stock for the twelve month period ended on the Reference Date and compared such data with the relative stock price performances during the same periods of the NASDAQ Index, Hang Seng China Enterprise Index and Shanghai Composite Index, and a composite of the selected companies listed under the caption "*Selected Publicly Traded Comparable Company Analysis*" below.

Barclays Capital noted that the Company common stock had fallen by 50% over the last twelve months, compared to: the NASDAQ Index, which increased 21%; the Hang Seng China Enterprise Index, which increased 11%; the Shanghai Composite Index, which increased 7%; selected China industrial technology companies, namely China Automation Group, China Security & Surveillance Technology and Hollysys Automation Technologies, which increased 2%, 3% and 12%, respectively; the equal weighted index of selected U.S.-listed Chinese stocks, which was down 41%; and the equal weighted index of global fire products and services companies, which increased 17%.

Equity Research Analyst Price Targets. Barclays Capital reviewed the most recent publicly available research analyst price targets for the Company common stock prepared and published by equity research analysts prior to the Reference Date. Barclays Capital noted that there is only one equity research analyst covering the Company for which its research report is available to Barclays Capital, and the price target was $8.00 per share which had assumed certain buy-out premium per the equity research analyst's commentaries.

The public market trading price targets published by equity research analysts do not necessarily reflect current market trading prices for shares of the Company common stock and these estimates are subject to uncertainties, including future financial performance of the Company and future financial market conditions. Furthermore, the public market trading price targets published by equity research analysts typically represent price targets to be achieved over a six to twelve month period.

Barclays Capital noted that the per share merger consideration of $9.00 was higher than the latest research analyst price target available prior to the Reference Date.

Selected Publicly Traded Comparable Company. In order to assess how the public market values shares of similar publicly traded companies, Barclays Capital reviewed and compared certain financial information relating to the Company with selected companies, which, in the exercise of its professional judgment and based on its knowledge of the industry, Barclays Capital deemed relevant to the Company. Although none of the selected companies is identical to the Company, Barclays Capital

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selected these companies because they had publicly traded equity securities and were deemed to be similar to the Company in one or more respects including the nature of their business, size, financial performance, geographic concentration and listing jurisdiction. For the Company and each of the selected companies, Barclays Capital calculated and compared various financial multiples and ratios of the Company and the selected comparable companies based on each respective company's public filings for historical information and third-party research estimates from I/B/E/S for forecasted information. The selected comparable companies were:

	EV (US$mm)	EV/EBITDA FY2011E	P/E FY2011E
Selected China Industrial Technology Companies			
China Automation Group	814	10.7x	14.8x
China Security & Surveillance Technology	757	5.2x	5.7x
Hollysys Automation technologies	529	10.0x	14.0x
Range		*5.2x - 10.7x*	*5.7x - 14.8x*
Median		*10.0x*	*14.0x*
Selected U.S.-listed Chinese Companies			
China Information Technology	209	3.6x	3.1x
China Sunergy	286	3.6x	4.0x
China Valves Technology	116	1.7x	3.0x
China XD Plastics	205	3.3x	4.4x
Fushi Copperweld	170	2.4x	6.5x
Jinpan International	234	9.0x	11.5x
Lihua International	149	1.9x	4.3x
Range		*1.7x - 9.0x*	*3.0x - 11.5x*
Median		*3.3x*	*4.3x*
Selected Global Fire Products and Services Companies			
Honeywell International	51,722	8.5x	15.3x
Tyco International	23,813	7.2x	15.7x
United Technologies Corp.	88,806	9.1x	16.4x
Range		*7.2x - 9.1x*	*15.3x - 16.4x*
Median		*8.5x*	*15.7x*
China Fire & Security Group (closing price as of Reference Date)	184	9.7x	13.1x
China Fire & Security Group (merger consideration $9.00 per share)	237	12.5x	16.4x

With respect to the Company and each of the selected companies, Barclays Capital reviewed EV/EBITDA and P/E for fiscal year 2011, in each case as of the Reference Date. Barclays Capital believed that it would be more appropriate to consider FY2011 multiples, rather than FY2012 multiples, to calculate an implied valuation range for the Company common share based on the

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Selected Publicly Traded Comparable Company analysis because the valuation was performed in the first half of FY2011. The results of these analyses are summarized in the following table:

	EV/EBITDA FY2011E	P/E FY2011E
Selected China Industrial Technology Companies		
Range	5.2x - 10.7x	5.7x - 14.8x
Median	10.0x	14.0x
Selected U.S.-listed Chinese Companies		
Range	1.7x - 9.0x	3.0x - 11.5x
Median	3.3x	4.3x
Selected Global Fire Products and Services Companies		
Range	7.2x - 9.1x	15.3x - 16.4x
Median	8.5x	15.7x
China Fire & Security Group (closing price as of Reference Date)	9.7x	13.1x
China Fire & Security Group (merger consideration $9.00 per share)	12.5x	16.4x

Barclays Capital noted that this analysis implied a per share equity reference range for the Company common stock of $5.16-$8.32, based on selected range of 7.0x - 10.0x EV/EBITDA FY2011E and 9.0x - 14.5x P/E FY2011E and applied such ranges to the Management Plan forecasts. Barclays Capital noted that although the selected companies were used for comparison purposes, no business of any selected company was either identical or directly comparable to the Company's business. Accordingly, Barclays Capital's comparison of selected companies to the Company and analyses of the results of such comparisons was not purely mathematical, but instead necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and the Company. In particular, Barclays Capital is of the view that setting the high end of the range at 14.5x P/E FY2011E is reasonable and appropriate because it is at the high end of the 5.7-14.8x P/E FY2011E range for selected China Industrial Technology Companies, and higher than the 3.0-11.5x P/E FY2011E range for selected U.S.-listed Chinese companies; the multiples for selected Global Fire Products and Services Companies are considered by Barclays Capital to be less relevant as comparables to the Company (but nonetheless an appropriate reference benchmark for the Company) because fire products and services only represent a relatively small portion of these global companies' overall business activities and/or their exposures in China are not significant.

Barclays Capital noted that the per share merger consideration of $9.00 was higher than the high end of the implied value per share range calculated pursuant to the selected publicly traded comparable company analysis.

Discounted Cash Flow Analysis. Barclays Capital conducted a discounted cash flow analysis on the Company to calculate indicative value per share for the Company common stock assuming a valuation date of June 30, 2011. Barclays Capital combined the total present value of the estimated standalone unlevered free cash flows of the Company for the period fiscal year 2011 and 2015, and the present value of terminal values based on estimated EBITDA for fiscal year ending 2015 and using a range of terminal LTM EBITDA multiples of 8.0x to 12.0x. The range of terminal multiples was estimated by Barclays Capital utilizing its professional judgment and experience, taking into account the historical trading multiples of the Company. Note that this range is lower than the LTM EBITDA multiple range used in the Selected Comparable Transaction analysis below since in the discounted cash flow analysis this multiple is utilized to derive the terminal value of the Company in 2015 assuming the business would grow at a perpetual growth rate for 2015 onward, whereas in the Selected Comparable

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Transaction analysis this multiple is used to derive the value of the Company at the present time, rather than in 2015. Barclays Capital believes that, as is the case with growing companies generally, there is an inherent possibility that the Company's growth prospects over the next several years may not persist indefinitely into the future and that its future perpetual growth rate may be lower than its nearer-term growth rate. As a result, Barclays Capital believes that it is appropriate to use a lower multiple range to derive the Company's terminal value in 2015 in the discounted cash flow analysis to reflect the Company's perpetual growth prospects and a higher multiple range in the Selected Comparable Transaction analysis to reflect the Company's current growth prospects. Estimates of unlevered free cash flows and EBITDA used for this analysis are based on the Management Plan, which is disclosed on page 52 under the section "*Special Factors Management's Projected Financial Information*".

The calculation of the unlevered free cash flow for the fiscal years from 2011 to 2015 is set forth in the table below:

	(US$ in Millions)				
Year ending December 31	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**
EBITDA	**$ 19.5**	**$ 22.6**	**$ 23.5**	**$ 24.6**	**$ 25.9**
Add: Other Income	0.8	0.8	0.8	0.8	0.8
Less: Depreciation and Amortization	(0.9)	(1.1)	(1.2)	(1.2)	(1.3)
Adjusted EBIT	**$ 19.4**	**$ 22.3**	**$ 23.1**	**$ 24.2**	**$ 25.4**
Less: Taxes	(2.9)	(3.3)	(3.5)	(3.6)	(3.8)
After-tax Adjusted EBIT	**$ 16.5**	**$ 19.0**	**$ 19.7**	**$ 20.6**	**$ 21.6**
Add: Depreciation and Amortization	0.9	1.1	1.2	1.2	1.3
Add: Stock-based Compensation	4.0	4.0	4.0		
Less: Change in Working Capital	(5.4)	(16.8)	(7.0)	(5.2)	(5.4)
Less: Change in Other Net Assets	(1.3)	(2.8)	(1.2)	(0.9)	(0.9)
Less: Capital Expenditure	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Estimated Unlevered Free Cash Flow	**$ 13.2**	**$ 3.0**	**$ 15.1**	**$ 14.3**	**$ 15.0**

The significant decline in estimated unlevered free cash flows from FY2011 to FY2012 is primarily due to the expected significant increase in net working capital caused by the expected high revenue growth for FY2012. For FY2012 to FY2013 and through FY2015, the annual revenue growth is projected to be relatively lower than FY2012 and therefore correspondingly the annual change in net working capital is projected to be significantly smaller, contributing to an increase in the estimated unlevered free cash flow in FY2013 which is maintained at a similar level through FY2015.

Barclays Capital calculated the present value of both the unlevered free cash flows and the terminal values using discount rates ranging from 10.0% to 12.0%, reflecting Barclays Capital's estimates of the Company's weighted-average cost of capital. The weighted-average cost of capital is determined by the sum of (a) the market value of equity as a percentage of the total market value of the Company's capital multiplied by the Company's estimated cost of equity, and (b) the market value of debt as a percentage of the total market value of the Company's capital multiplied by the Company's estimated after-tax market cost of debt. The Company's estimated cost of equity was calculated using the Capital Asset Pricing Model which took into account the Company's beta, betas of comparable companies, the risk-free rate and a historical equity market risk premium which was sourced from the Ibbotson SBBI Valuation Yearbook.

Combining the total present value of the estimated unlevered free cash flows and the present value of the terminal values resulted in a range of implied enterprise values for the Company. Barclays Capital then deducted outstanding debt and added outstanding cash and cash equivalents from the Company balance sheet as of December 31, 2010 to determine a range of implied equity values of the Company. The discounted cash flow analysis implied an equity value range for the Company common

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stock of $6.80 to $9.59 per share. The low end of the range was derived based on a discount rate of 12.0% and a terminal LTM EBITDA multiple of 8.0x, and the high end of the range was derived based on a discount rate of 10.0% and a terminal LTM EBITDA multiple of 12.0x.

Barclays Capital noted that the per share merger consideration of $9.00 was within the range of implied values per share calculated based on the discounted cash flow analysis.

Selected Comparable Transaction Analysis. Barclays Capital reviewed and compared the purchase prices and financial multiples paid in selected transactions primarily in the fire and safety sector from 1999 to present that Barclays Capital, in the exercise of its professional judgment, determined to be relevant. Barclays Capital selected transactions where purchase prices and financial multiples were publicly disclosed by the parties who entered into the transaction. For each of the selected transactions, Barclays Capital calculated and compared the resulting enterprise value in the transaction as a multiple of LTM EBITDA. Such multiples for the selected transactions were based on publicly available information at the time of the relevant transaction and where applicable EBITDA were adjusted for one-time and nonrecurring events. The selected transactions analyzed and the results of these analyses are set out the in the following table:

Date Announced	Acquirer	Target	Implied EV (for 100%) (US $mm)	EV/LTM EBITDA
November 2009	United Technologies	GE Security	1,820	9.0x
August 2009	United Technologies	GST Holdings	271	8.9x
August 2007	Schneider Electric	Pelco	1,220	22.0x
March 2007	United Technologies	Initial Electronic Security	1,160	11.8x
May 2006	Assa Abloy	Fargo Electronics	300	18.6x
March 2005	United Technologies	Lenel	400	20.0x
March 2005	Axsys Technologies	Diop	55	14.3x
November 2004	General Electric	Edwards Systems Technology	1,395	12.8x
May 2004	Schneider Electric	Andover Controls	403	11.8x
March 2004	General Electric	Invision Technologies	1,039	9.8x
October 2003	Honeywell	Silent Witness	57	9.1x
December 2001	General Electric	Interlogix	983	9.7x
August 2001	Tyco International	Sensormatic	2,300	14.1x
December 2000	Kaba Holding	Unican Security Systems	594	9.1x
December 2000	Tyco International	Simplex	1,150	N/A
November 2000	Assa Abloy	HID	250	N/A
December 1999	Honeywell	Pittway	2,200	10.3x
Average				**12.8x**
Median				**11.8x**
1st Quartile				**9.4x**
3rd Quartile				**14.2x**

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The reasons for and the circumstances surrounding each of the selected comparable transactions analyzed were diverse and there are inherent differences in the business, operations, financial conditions and prospects of the Company and the companies included in the selected comparable transaction analysis. Accordingly, Barclays Capital believed that a purely quantitative selected comparable transaction analysis would not be particularly meaningful in the context of considering the merger. Barclays Capital therefore made qualitative judgments concerning differences between the characteristics of the selected comparable transactions and the merger which would affect the acquisition values of the selected target companies and the Company. Based upon these judgments, Barclays Capital selected a range of 9.0x to 14.0x LTM EBITDA and applied such range to the Company's LTM EBITDA as of December 31, 2010 to calculate an implied valuation range for the Company common stock of $6.55 to $9.67 per share.

Barclays Capital noted that the per share merger consideration of $9.00 was within the range of implied values per share calculated based on the selected comparable transaction analysis.

Illustrative Premia Paid Analysis. In order to assess the premia offered to the shareholders of the Company in the merger relative to the premia offered to shareholders in other transactions, Barclays Capital reviewed the premia paid in transactions involving U.S.-listed targets with deal consideration between $100 million and $500 million and where a more than 50% stake was acquired in cash since January 1, 2006. For each transaction, Barclays Capital calculated the premium per share paid by the acquirer by comparing the announced transaction value per share to the target company's closing stock price one day, one week and one month prior to the announcement of the transaction. For the merger, premia paid were calculated against one day, one week and one month prior to March 7, 2011, when the Company announced receipt of a "going private" proposal. The results of these transaction premia analyses are summarized below:

	Selected Transactions Premia Paid		
	1 Day Prior	**1 Week Prior**	**1 Month Prior**
Average	32%	33%	35%
Implied premia based on merger consideration of $9.00 per share	44%	56%	57%

Barclays Capital analyzed the average premia paid for the selected transactions for each year from 2006 to 2011 year to date and, accordingly, selected and applied a range of 25% to 40% to the Undisturbed Share Price, to calculate a range of implied prices per share of the Company. The illustrative premia paid analysis yielded an implied valuation range for the Company common stock of $7.83 to $8.76 per share.

Barclays Capital noted that the per share merger consideration of $9.00 was higher than the high end of the implied value per share range based on the illustrative premia paid analysis.

General. Barclays Capital is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. The Company's special committee of the board of directors selected Barclays Capital because of its familiarity with the Company and its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally, as well as substantial experience in transactions comparable to the merger.

Barclays Capital is acting as financial advisor to the special committee of the board of directors of the Company in connection with the merger, including in connection with the solicitation of third party indications of interest in the possible acquisition of all or a part of the Company's business for a specified period after the date of the merger agreement as permitted by the provisions thereof. As

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compensation for its services in connection with the merger, a fee of $750,000 became payable to Barclays Capital by the Company upon the delivery of Barclays Capital's opinion. An additional fee of $2,250,000 will be payable on completion of the merger; however, such additional fee, if any, will be reduced by the amount of the fee previously paid by the Company to Barclays Capital upon delivery of its opinion. In addition, the Company has agreed to reimburse Barclays Capital for a portion of its reasonable expenses incurred in connection with the merger and to indemnify Barclays Capital for certain liabilities that may arise out of its engagement by the special committee and the rendering of Barclays Capital's opinion. Apart from such arrangements, no material relationships have existed between Barclays Capital or any of its affiliates, on the one hand, and the Company or any of its affiliates, on the other hand, during the past two years, and no such material relationship is mutually contemplated at this time. Barclays Capital and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of its business, Barclays Capital and its affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of the Company or Parent or any of their respective affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments. Barclays Capital and its affiliates have had commercial or investment banking relationships with the sponsor and certain of its portfolio companies and other affiliates, for which Barclays Capital and such affiliates have received customary compensation. In addition, Barclays Capital's commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of certain portfolio companies and other affiliates of the sponsor, for which it receives customary compensation or other financial benefits.

Purposes and Reasons of the Sponsors, Parent and Merger Sub for the Merger

Each of Parent and Merger Sub is required to express its reasons for the merger to the Company's unaffiliated shareholders. Parent and Merger Sub are making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

Parent and Merger Sub believe that, if the Company is a privately held entity, the Company's management will have greater flexibility to focus on improving the Company's long-term profitability without the constraints caused by the public equity market's valuation of the Company and emphasis on short-term period-to-period performance. As a privately-held entity, the Company will have greater flexibility to make decisions that might negatively affect short-term results but that could increase the Company's value over the long term. In contrast, as a publicly-traded entity, the Company currently faces pressure from public shareholders and investment analysts to make decisions that might produce improved short-term results, but which are not necessarily beneficial in the long term.

As a privately-held entity, the Company will be relieved of many of the other expenses, burdens and constraints imposed on companies that are subject to the public reporting requirements under the federal securities laws of the United States, including the Exchange Act and Sarbanes-Oxley Act of 2002. The need for the management of the Company to be responsive to unaffiliated shareholders' concerns and to engage in dialogue with unaffiliated shareholders can also at times distract management's time and attention from the effective operation and improvement of the business.

For Parent and Merger Sub, the purpose of the merger is to enable Parent to acquire control of the Company, in a transaction in which the unaffiliated shareholders will be cashed out for $9.00 per share, so Parent will bear the rewards and risks of the ownership of the Company after shares of Company common stock cease to be publicly traded.

Parent and Merger Sub observed and reviewed the Company's common stock share price leading up to the announcement of the proposed merger and beyond. On March 4, 2011, the Company's common stock closed at a price of $6.26 per share (which represents the "undisturbed" share price

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prior to the Company's announcement regarding receipt of a "going private" proposal). On May 19, 2011 (the last trading day prior to the public announcement of the execution of the merger agreement), the Company's common stock closed at a price of $7.26 per share. Following the Merger, the Company would be relieved of the various expenses, burdens and constraints imposed on companies that are subject to public reporting requirements, many of which are ongoing, comprise a significant component of the Company's corporate overhead expense, and are difficult to reduce. As a result, Parent and Merger Sub view the Company as an excellent investment opportunity at this time.

Purposes and Reasons of the Management Shareholders and the Rollover Investors for the Merger

Each of the Management Shareholders and each of the Rollover Investors are deemed to be affiliates of the Company and, therefore, required to express their reasons for the Merger to the Company's unaffiliated shareholders, as defined in Rule 13e-3 of the Exchange Act. The Management Shareholders and the Rollover Investors are making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

The Management Shareholders and the Rollover Investors believe that in the Company's current state, the U.S. public equity markets do not provide an adequate platform for the Company to raise capital on reasonable terms nor do the U.S. public equity markets provide the existing shareholders with adequate levels of liquidity while imposing regulatory and other market burdens, both in terms of the expense and the management resources needed for the maintenance of a U.S. public company, that are not sufficiently justifiable in light of the benefits received as a U.S. public company. As a result, the Management Shareholders and the Rollover Investors believe it is in the long-term best interest of the Company to operate as a privately held entity in order to allow greater operational flexibility and to focus on its long-term growth and continuing improvements to its business absent the regulatory burden imposed upon public companies and the distractions caused by the public equity market's valuation of the Company common stock. While the Company began exploring its strategic alternatives, including potential sales of control, as early as 2009, prior opportunities did not mature into viable transactions and/or were deemed not to be in the best interest of the Company and its shareholders. The conversations with Bain Capital and with Party A offered the Management Shareholders and the Rollover Investors viable strategic alternatives that would address the concerns mentioned above, and coincided with a particularly negative outlook for Chinese companies accessing the U.S. public equity markets.

The Management Shareholders and the Rollover Investors further believe that the merger provides the unaffiliated shareholders, the Management Shareholders, the Rollover Investors and certain other entities that are deemed affiliates of the Company the opportunity to achieve significant liquidity at a substantial premium over the price of the Company common stock prior to the announcement of the transaction.

In addition, with respect to the Rollover Investors, the merger will allow the Rollover Investors to maintain a portion of their investment in the Company through their respective commitments to hold continuing equity interest in Parent. At the same time, under the terms of the rollover agreement, the merger will enable Messrs. Weigang Li, Brian Lin and potentially other members of management to maintain a leadership role with the surviving corporation, while also leveraging the expertise, reputation and other resources of Bain Capital. As a result, each of the Management Shareholders and the Rollover Investors has decided to undertake the merger and the going-private transaction at this time.

For the Management Shareholders and Rollover Investors, the purpose of the merger is to enable Parent to acquire control of the Company, in a transaction in which the unaffiliated shareholders will be cashed out for $9.00 per share, the same price at which the Management Shareholders and the Rollover Investors and certain parties that are deemed affiliates will receive for their portion of the shares that they will not be exchanging for securities of Parent. Following the merger, Parent will bear

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the rewards and risks of the ownership of the Company after shares of Company common stock cease to be publicly traded.

Position of the Sponsors, Parent and Merger Sub Regarding the Fairness of the Merger

Under SEC rules governing going-private transactions, each of the Sponsors, Parent and Merger Sub is required to express their beliefs as to the fairness of the proposed merger to the Company's unaffiliated shareholders. Each of the Sponsors, Parent and Merger Sub is making the statements included in this section solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

Each of the Sponsors, Parent and Merger Sub believes the interests of the Company's unaffiliated shareholders were represented by the special committee, which negotiated the terms and conditions of the merger agreement with the assistance of its independent legal and financial advisors. The Sponsors, Parent and Merger Sub attempted to negotiate a transaction that would be most favorable to them, and not to the Company's unaffiliated shareholders and, accordingly, did not negotiate the merger agreement with a goal of obtaining terms that were substantively and procedurally fair to such shareholders. The Sponsors, Parent and Merger Sub did not participate in the deliberations of the special committee regarding, and did not receive any advice from the special committee's independent legal or financial advisors as to, the fairness of the proposed merger to the Company's unaffiliated shareholders. The Sponsors, Parent and Merger Sub did not perform, or engage a financial advisor to perform, any independent valuation or other analysis to assist them in assessing the substantive and procedural fairness of the proposed merger to the Company's unaffiliated shareholders.

Based on their knowledge and analysis of available information regarding the Company, as well as discussions with the Company's senior management regarding the Company and its business and the factors considered by, and findings of, the special committee and the Company's board of directors discussed in "*Special Factors Recommendation of Our Board of Directors and Special Committee; Reasons for Recommending the Approval of the Merger Agreement; Fairness of the Merger*" beginning on page 28 of this proxy statement, the Sponsors, Parent and Merger Sub believe the proposed merger is substantively and procedurally fair to the Company's unaffiliated shareholders based upon the following factors:

- the special committee, consisting entirely of directors who are not officers or employees of the Company and who are not affiliated with the Sponsors, Parent and Merger Sub, was established and given authority to, among other things, review, evaluate and negotiate the terms of the proposed merger and to recommend to the Company's board of directors what action should be taken by the Company, including not to engage in the merger;

- the members of the special committee do not have any interests in the proposed merger different from, or in addition to, those of the Company's unaffiliated shareholders, other than the members' receipt of the board of directors and special committee compensation (which are not contingent upon the consummation of the proposed merger or special committee's or the board of directors' recommendation of the proposed merger);

- the special committee retained and was advised by its independent legal and financial advisors who are experienced in advising committees such as the special committee in similar transactions;

- the special committee and the Company's board of directors had no obligation to recommend the approval of the merger agreement and the transactions contemplated thereby, including the merger, or any other transaction;

- the merger was unanimously approved by each member of the special committee and the board of directors although neither the special committee nor the board of directors had any obligation

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to recommend approval of the merger or approval of the merger agreement or any other transaction;

the special committee had the opportunity to negotiate with and consider the competing offer from Party A and unanimously determined that the proposed merger agreement, the merger and the other transactions contemplated by the merger agreement were advisable, fair to and in the best interest of the Company and its unaffiliated shareholders;

the fact that Party A had failed to provide the Company adequate evidence of sufficient funding to complete a transaction in a timely manner, as described under "*Special Factors Background of the Merger*," and that the Company is permitted to continue its discussion with Party A during the "go-shop" period;

the per share merger consideration of $9.00 represents a premium over the current and historical market prices of the Company common stock, including a premium of approximately 22.8% over the $7.33 closing price of the Company common stock on March 20, 2010, the date on which the merger agreement was signed by parties thereto;

the merger consideration and other terms and conditions of the merger agreement were the result of extensive negotiations over an extended period of time between the special committee and its advisors and Bain Capital;

the merger agreement must be approved by the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, the Voting Shareholders, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger);

that the terms and conditions of the merger agreement were designed to encourage a superior proposal, including a negotiated 55-day "go-shop" period during which the Company may solicit and consider alternative proposals, which may be extended with respect to any continuing parties, and the Company's ability, at any time from and after the end of the go-shop period but prior to the time the Company shareholders approve the merger agreement, to provide information to third parties with respect to unsolicited alternative acquisition proposals under certain circumstances and participate in discussions or negotiations with the third party that submitted such acquisition proposal, if the special committee determines that any such acquisition proposal constitutes or is reasonably likely to result in a superior proposal;

the special committee received from its financial advisor an opinion, dated May 20, 2011, with respect to the fairness of the per share merger consideration to be received by the holders of Company common stock (other than the Rollover Investors);

the opinion received by the special committee from its financial advisor took into consideration various factors, including, among others: (i) certain relevant financial and operating information concerning the Company's business and prospects of the Company; (ii) independent broker research analysis with respect to the future price targets of the Company's common stock and financial projections of the Company; (iii) a trading history of the Company's common stock, and compared with that of securities of certain publicly-traded companies that the financial advisor deemed to be generally relevant; (iv) a comparison of the financial performance of the Company with that of certain publicly-traded companies that the financial advisor deemed to be generally relevant; and (v) the premia paid in certain publicly available transactions that the financial advisor deemed to be generally relevant;

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under the terms of the merger agreement, in certain circumstances prior to obtaining the requisite shareholder approvals of the merger, the Company is permitted to provide information to third parties with respect to unsolicited alternative acquisition proposals;

the ability of the Company to terminate the merger agreement (in accordance with the terms of the merger agreement) upon acceptance of a superior proposal; and

the availability of appraisal rights to the unaffiliated shareholders who comply with all of the required procedures under Florida law for exercising appraisal rights, which allow such holders to seek appraisal of the fair value of their stock in lieu of receiving the merger consideration.

In addition to the foregoing, the Sponsors, Parent and Merger Sub considered the primary detriments of the merger to the Company's unaffiliated shareholders (as described in further detail below), which included, without limitation, the following:

that such shareholders would cease to have an interest in the Company; and

that, in general, the receipt of the merger consideration will be a taxable transaction under applicable United States federal, state, local, foreign and other tax laws.

The Sponsors, Parent and Merger Sub did not consider whether the per share merger consideration offered to unaffiliated security holders constituted fair value in relation to the liquidation value of the Company's assets because they considered the Company to be a viable going concern business where value is derived from cash flows generated from its continuing operations. In addition, the Sponsors, Parent and Merger Sub believed that the value of the Company's assets that might be realized in a liquidation would be significantly less than its going concern value. Further, the Sponsors, Parent and Merger Sub did not consider whether the per share merger consideration offered to unaffiliated security holders constituted fair value in relation to the Company's net book value because they believed that net book value is not a material indicator of the value of the Company as a going concern but rather is indicative of historical costs. The Company's net book value per common share as of March 31, 2011, was $4.77, which is substantially below the $9.00 per share merger consideration. In addition, the Sponsors, Parent and Merger Sub did not consider the prices paid by the Company for past purchases of its common stock because no such purchases were made during the last two years other than in connection with its equity incentive plans.

The foregoing discussion of the information and factors considered and given weight by the Sponsors, Parent and Merger Sub in connection with their evaluation of the substantive and procedural fairness to the Company's unaffiliated shareholders of the merger agreement and the transactions contemplated by the merger agreement, including the proposed merger, is not intended to be exhaustive, but is believed by the Sponsors, Parent and Merger Sub to include all material factors considered by them. The Sponsors, Parent and Merger Sub did not find it practicable to and did not quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the substantive and procedural fairness of the merger agreement and the proposed merger to the Company's unaffiliated shareholders. Rather, the Sponsors, Parent and Merger Sub made the fairness determinations after considering all of the foregoing as a whole.

The Sponsors, Parent and Merger Sub believe these factors provide a reasonable basis for their belief that the proposed merger is both substantively and procedurally fair to the Company's unaffiliated shareholders. This belief, however, is not intended to be and should not be construed as a recommendation by the Sponsors, Parent and Merger Sub to any shareholder of the Company as to how such shareholder should vote with respect to the approval of the merger agreement.

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Position of the Management Shareholders and the Rollover Investors Regarding the Fairness of the Merger

Under the SEC rules governing "going-private" transactions, each of the Management Shareholders and the Rollover Investors is deemed to be affiliates of the Company, and thus required to express their beliefs as to the fairness of the merger to the unaffiliated shareholders of the Company.

The unaffiliated shareholders of the Company were represented by the special committee, which negotiated the terms and conditions of the merger agreement on their behalf, with the assistance of the special committee's financial and legal advisors. Accordingly, none of the Management Shareholders or the Rollover Investors has performed, or engaged a financial advisor to perform any independent valuation or other analysis for the purpose of assessing the fairness of the merger to the Company's unaffiliated shareholders.

Each of the Management Shareholders and the Rollover Investors believes, however, that the merger agreement and the merger are substantively and procedurally fair to the unaffiliated shareholders on the basis of the following factors:

- the current and historical market prices of the Company's common stock, including the fact that the estimated merger consideration of $9.00 per share represents a premium of (i) approximately 44% over the $6.26 closing price of the Company common stock on March 4, 2011, the last trading day prior to the public announcement of Bain Capital's going-private proposal; (ii) approximately 24% over the $7.26 closing price of the Company common stock on May 19, 2011, the date on which the merger agreement was signed by parties thereto; (iii) approximately 89% over the $4.77 book value per common share based on the historical financial data for the period ended March 31, 2011; (iv) approximately 38% over the Company's 90-trading day volume weighted average price calculated as of May 13, 2011; (v) approximately 36% over the Company's six-month volume weighted average price calculated as of May 13, 2011; and (vi) approximately 10% over the Company's 12-month volume weighted average price calculated as of May 13, 2011;

- the fact that the competing offer the Company received from Party A does not provide as much certainty as to Party A's ability to finance the acquisition;

- the belief of the Management Shareholders and the Rollover Investors that the Company may face similar pressures as those faced by many small- and medium-cap Chinese companies listed on U.S. exchanges from short sellers, negative press, rumors and innuendos and other related risks, which may present a short-term drag on the trading price of the Company common stock;

- the fact that the Company has not received any other offers (including from Party A) that value the Company at a materially higher price;

- the special committee, consisting entirely of directors who are not officers or employees of the Company and who are not affiliated with the Management Shareholders or the Rollover Investors, was established and given authority to, among other things, review, evaluate and negotiate the terms of the proposed merger and to recommend to the Company's board of directors what action should be taken by the Company, including not to engage in the merger;

- the members of the special committee do not have any interests in the proposed merger different from, or in addition to, those of the Company's unaffiliated shareholders, other than the members' receipt of the board of directors and special committee compensation (which are not contingent upon the consummation of the proposed merger or special committee's or the board of directors' recommendation of the proposed merger);

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the special committee retained and was advised by its independent legal and financial advisors who are experienced in advising committees such as the special committee in similar transactions;

the fact that the merger agreement contains a "go-shop" provision permitting the special committee and its advisors to test the market and thus verifying the substantive fairness of the transaction;

the financial and other terms and conditions of the merger agreement were the product of arm's-length negotiations between the special committee and its advisors, on the one hand, and the Bain Capital and its advisors, on the other hand;

none of the Management Shareholders or the Rollover Investors participated in the deliberations of the special committee or the Board regarding, or received advice from the special committee's legal or financial advisor as to, the fairness of the merger;

each member of the special committee and the Board unanimously determined that the merger agreement and the merger are fair to and in the best interests of the Company and its unaffiliated shareholders;

neither the special committee nor the Board had any obligation to recommend approval of the merger or adoption of the merger agreement or any other transaction;

each of the Management Shareholders and the Rollover Investors has interests in the merger, directly or indirectly, that are the same as those of the unaffiliated shareholders of the Company by virtue of the receipt of the per share merger consideration for a portion of the Management Shareholders and/or the Rollover Investors' equity interests in the Company that are not to be exchanged for equity interests in the Parent upon completion of the merger;

the belief of the Management Shareholders that in the short-term, after analyzing all available information, a more viable offer that also presents a higher price is less likely than not;

the structure of the merger as an all-cash transaction for the unaffiliated shareholders will provide certainty of value to the unaffiliated shareholders;

the merger agreement must be approved by the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, the Voting Shareholders, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger); and

the availability of appraisal rights to the unaffiliated shareholders who comply with all of the required procedures under Florida law for exercising appraisal rights, which allow such holders to seek appraisal of the fair value of their stock in lieu of receiving the merger consideration.

In addition to the foregoing, the Management Shareholders and the Rollover Investors considered the primary detriments of the merger to the Company's unaffiliated shareholders, which included, without limitation, the following:

that such shareholders would cease to have an interest in the Company; and

that, in general, the receipt of the merger consideration will be a taxable transaction under applicable United States federal, state, local, foreign and other tax laws.

Each of the Management Shareholders and the Rollover Investors did not consider whether the per share merger consideration offered to unaffiliated security holders constituted fair value in relation

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to the liquidation value of the Company's assets because they considered the Company to be a viable going concern business where value is derived from cash flows generated from its continuing operations. In addition, the Management Shareholders and the Rollover Investors believed that the value of the Company's assets that might be realized in a liquidation would be significantly less than its going concern value. Further, the Management Shareholders and the Rollover Investors did not consider the prices paid by the Company for past purchases of its common stock because no such purchases were made during the last two years other than in connection with its equity incentive plans.

The foregoing discussion of the information and factors considered and given weight by the Management Shareholders or the Rollover Investors in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by them. The Management Shareholders or the Rollover Investors did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the merger agreement and the merger. Rather, the Management Shareholders and the Rollover Investors made the fairness determinations after considering all of the foregoing as a whole. The Management Shareholders and the Rollover Investors believe these factors provide a reasonable basis upon which to form their belief that the merger is fair to the Company's unaffiliated shareholders. This belief should not, however, be construed as a recommendation to any Company shareholder to approve the merger agreement. The Management Shareholders and the Rollover Investors do not make any recommendation as to how shareholders of the Company should vote their shares of Company common stock relating to the merger.

Management's Projected Financial Information

The Company does not, as a matter of course, publicly disclose financial forecasts as to future financial performance, earnings or other results (other than guidance regarding revenues, net income and EPS for current fiscal years and certain long term guidance) and is especially cautious of making financial forecasts because of unpredictability of the underlying assumptions and estimates. However, in connection with the evaluation of a possible transaction, the Company provided the special committee and its financial advisor with the Management Plan, which contained certain non-public financial forecasts that were prepared by the management.

A summary of the financial forecasts included in the Management Plan has been included below in this proxy statement. This summary is not being included in this document to influence your decision whether to vote for or against the proposal to approve the merger agreement, but is being included because these financial forecasts were made available to the special committee and its financial advisor. The inclusion of this information should not be regarded as an indication that the special committee or its financial advisor or any other person considered, or now considers, such financial forecasts to be material or to be necessarily predictive of actual future results, and these forecasts should not be relied upon as such. Our management's internal financial forecasts, upon which the financial forecasts were based, are subjective in many respects. There can be no assurance that these financial forecasts will be realized or that actual results will not be significantly higher or lower than forecasted.

In addition, the financial forecasts were not prepared with a view toward public disclosure or toward complying with generally accepted accounting principles, which we refer to as GAAP, the published guidelines of the SEC regarding projections and the use of non-GAAP financial measures or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither our independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the financial forecasts contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

These financial forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond our control. We believe the assumptions that our management used as a

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basis for this projected financial information were reasonable at the time our management prepared these financial forecasts, given the information our management had at the time. Important factors that may affect actual results and cause these financial forecasts not to be achieved include, but are not limited to, risks and uncertainties relating to our business (including its ability to achieve strategic goals, objectives and targets over the applicable periods), industry performance, the regulatory environment, general business and economic conditions and other factors described or referenced under "*Cautionary Statement Regarding Forward-Looking Statements*" beginning on page 66 of this proxy statement. In addition, the forecasts also reflect assumptions that are subject to change and do not reflect revised prospects for our business, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the financial forecasts were prepared. Accordingly, there can be no assurance that these financial forecasts will be realized or that our Company's future financial results will not materially vary from these financial forecasts.

No one has made or makes any representation to any shareholder regarding the information included in the financial forecasts set forth below. Readers of this proxy statement are cautioned not to rely on the forecasted financial information. Some or all of the assumptions which have been made regarding, among other things, the timing of certain occurrences or impacts, may have changed since the date such forecasts were made. We have not updated and do not intend to update, or otherwise revise the financial forecasts to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions on which such forecasts were based are shown to be in error. We have made no representation to Parent or Merger Sub in the merger agreement concerning these financial forecasts.

The financial forecasts are forward-looking statements. For information on factors that may cause the Company's future financial results to materially vary, see "*Cautionary Statement Regarding Forward-Looking Statements*" beginning on page 66.

The following is a summary of the Management Plan financial forecasts for the Company prepared by our management and provided to the special committee's financial advisor:

	(US$ in Millions)				
Year ending December 31	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**
Revenues	$ 88.9	$ 107.6	$ 115.5	$ 121.3	$ 127.4
Gross Profit	$ 44.2	$ 50.7	$ 53.3	$ 56.0	$ 58.8
EBITDA[(1)]	$ 19.5	$ 22.6	$ 23.5	$ 24.6	$ 25.9
Depreciation and Amortization	$ 0.9	$ 1.1	$ 1.2	$ 1.2	$ 1.3
Operating Income	$ 18.6	$ 21.5	$ 22.3	$ 23.4	$ 24.6
Other Income	$ 0.8	$ 0.8	$ 0.8	$ 0.8	$ 0.8
Tax Rate	15%	15%	15%	15%	15%
Net Income	$ 16.9	$ 19.5	$ 20.3	$ 21.4	$ 22.6
Capital Expenditure	$ 1.5	$ 1.5	$ 1.5	$ 1.5	$ 1.5
Stock-based Compensation	$ 4.0	$ 4.0	$ 4.0		
Working Capital	$ 79.7	$ 96.5	$ 103.6	$ 108.8	$ 114.2

(1) "EBITDA" refers to earnings before interest, taxes, depreciation and amortization.

EBITDA is a non-GAAP measure that is used by management as supplemental financial measures to evaluate the Company's operational trends. It should not be relied upon as an alternative to net income. EBITDA is not defined under U.S. GAAP and, accordingly, it may not be comparable measurements to those used by other companies.

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Pursuant to the requirements of Regulation G, the Company sets forth below a reconciliation of projected EBITDA to the most comparable financial measure prepared in accordance with GAAP.

	(US$ in Millions)				
Year ending December 31	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**
Operating Income	$ 18.6	$ 21.5	$ 22.3	$ 23.4	$ 24.6
Add					
Depreciation and Amortization	$ 0.9	$ 1.1	$ 1.2	$ 1.2	$ 1.3
EBITDA	$ 19.5	$ 22.6	$ 23.5	$ 24.6	$ 25.9

Certain Effects of the Merger

Private Ownership

If the merger agreement is approved by our shareholders and the other conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent.

Directors and Management of the Surviving Corporation

After the effective time of the merger, the directors of Merger Sub immediately prior to the effective time of the merger will become the directors of the Company, and the officers of the Company immediately prior to the effective time of the merger will remain the officers of the Company, in each case until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

At the effective time, the articles of incorporation and by-laws of the surviving corporation will be in the form of the certificate of incorporation and by-laws of Merger Sub (except with respect to the name of the Company), until amended in accordance with their terms or by applicable law.

Primary Benefits and Detriments of the Merger

As a result of the merger, we will be a privately-owned company and there will be no public market for our common stock. Following the completion of the merger, the shares of Company common stock will be delisted from the NASDAQ and deregistered under the Exchange Act.

The primary benefits of the merger to the Company's unaffiliated shareholders include, without limitation, the following:

- the receipt by such shareholders of $9.00 per share in cash, representing a substantial premium (44%) over the Company's closing price on March 4, 2011 (which represents the "undisturbed" share price prior to the Company's announcement regarding receipt of a "going private" proposal), and a 38% premium over the Company's 90-trading day volume weighted average price calculated as of May 19, 2011.

- the avoidance of the risk associated with any possible decrease in our future revenues and free cash flow, growth or value, the risks associated with fire protection solutions industry, such as the avoidance of the risk associated with any possible decrease in our future revenues and free cash flow, growth or value, the risks associated with fire protection solutions industry, such as market cyclicality and competition, and the risks related to our substantial leverage, following the merger.

The primary detriments of the merger to the Company's unaffiliated shareholders include, without limitation, the following:

- such shareholders will cease to have an interest in the Company and, therefore, will no longer benefit from possible increases in the future revenues and free cash flow, growth or value of the Company or payment of dividends on the Company common stock, if any.

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in general, the receipt of cash pursuant to the merger will be a taxable transaction for United States federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign and other tax laws. As a result, a U.S. Holder (as defined under "*Special Factors Certain Material United States Federal Income Tax Consequences*") generally will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received in the merger and the U.S. Holder's adjusted tax basis in the shares of Company common stock exchanged. A non-U.S. Holder (as defined under "*Special Factors Certain Material United States Federal Income Tax Consequences*") generally will not be subject to United States federal income tax in respect of cash received in the merger, unless such non-U.S. Holder has certain connections to the United States.

The primary benefits of the merger to the Sponsors, the Management Shareholders and the Rollover Investors include, without limitation, the following:

if the Company successfully executes its business strategies, the value of their respective investment could increase because of possible increases in future revenues and free cash flow, increases in the underlying value of the Company or the payment of dividends, if any, that will accrue to Parent.

the Company will no longer have continued pressure to meet quarterly forecasts set by analysts. In contrast, as a publicly-traded company, the Company currently faces public shareholder and investment analyst pressure to make decisions that may produce better short term results, but which may not over the long term lead to a maximization of its equity value.

the Company will have more freedom to focus on long-term strategic planning in a highly competitive business with increasing competition and regulation.

the Company will have more flexibility to change its capital spending strategies without public market scrutiny or analysts' quarterly expectations.

the Company will be able to deploy new services or change its pricing strategies to attract customers without public market scrutiny or the pressure to meet quarterly forecasts set by analysts.

The primary detriments of the merger to the Sponsors, the Management Shareholders and the Rollover Investors include, without limitation, the following:

all of the risk of any possible decrease in the Company's revenues, free cash flow or value following the merger will be borne by them.

the business risks facing the Company, including increased competition, will be borne by them.

an equity investment in the surviving corporation by them following the merger will involve substantial risk resulting from the limited liquidity of such an investment.

following the merger, there will be no trading market for the surviving corporation's equity securities.

Messrs. Weigang Li and Brian Lin will have lock-up commitments in connection with their employment agreements with Parent that will further limit their mobility.

the change of controlling shareholder in the surviving entity (i.e., Parent) may have an adverse effect on the Management Shareholders' flexibility in making key decisions with respect to the future business.

The Company's Net Book Value and Net Earnings

Parent does not currently own any interest in the Company. Following consummation of the merger, Parent will directly own 100% of our outstanding common stock and will have a corresponding interest in our net book value and net earnings. Our net income for the fiscal year ended

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December 31, 2010 was approximately $15,437,935 and our net book value as of December 31, 2010 was approximately $127,979,666.

Each shareholder of Parent will have an interest in our net book value and net earnings in proportion to such shareholder's ownership interest in Parent.

The table below sets forth the interests in our voting shares and the interest in our net book value and net earnings for the Sponsors and the Rollover Investors before and after the merger, based on our historical net book value as of December 31, 2010 of approximately $127.98 million and our historical net earnings for the year ended December 31, 2010 of approximately $15.44 million. All dollar figures are in the thousands and rounded to the nearest dollar amount.

	Ownership of the Company Prior to the Merger			Fully Diluted Ownership of the Company After the Merger(1)		
	% Ownership	Net earnings for the fiscal year ended December 31, 2010 (in thousands)	Net book value as of December 31, 2010 (in thousands)	% Ownership	Net earnings for the fiscal year ended December 31, 2010 (in thousands)	Net book value as of December 31, 2010 (in thousands)
Sponsors(2)	0%	$ 0	$ 0	75.8%	$ 11,702	$ 97,011
Rollover Investors(3)	49.16%	$ 7,589	$ 62,915	24.2%	$ 3,736	$ 30,969
Total	49.16%	$ 7,589	$ 62,915	100.0%	$ 15,438	$ 127,980

	Fully Diluted Ownership of Parent After the Merger(1)(2)		
	% Ownership	Net earnings for the fiscal year ended December 31, 2010 (in thousands)	Net book value as of December 31, 2010 (in thousands)
Sponsors(2)	75.8%	$ 11,702	$ 97,011
Rollover Investors(3)	24.2%	$ 3,736	$ 30,969
Total	100%	$ 15,438	$ 127,980

(1) Interest in net earnings and net book value of the Company after the merger does not take into account the effect of the transaction (other than the change in ownership percentage) and does not take into account any additional debt that may be incurred by the Company or any resulting interest expense, which would have the effect of decreasing net earnings and net book value of the Company after the merger.

(2) Following the merger, (i) Parent will directly or indirectly own 100% of the capital stock of the Company, (ii) Sponsors will own approximately 75.8% of Parent, and (iii) the Rollover Investors will own approximately 24.2% of Parent. These ownership percentages are subject to change as a result of each of the Sponsors' respective equity commitments being increased or decreased by amounts required to be paid pursuant to the merger agreement and related fees and expenses pursuant to the merger agreement.

(3) The aggregate number of shares of Company common stock beneficially owned by the Rollover Investors as of June 8, 2011, includes shares of restricted stock. The aggregate share ownership percentage of the Rollover Investors prior to the merger is based on the 28,640,321 shares outstanding as of June 8, 2011.

Effects on the Company if Merger is not Completed

If our shareholders do not approve the merger agreement or if the merger is not completed for any other reason, our shareholders will not receive any payment for their shares of Company common stock unless the Company is sold to a third party. Instead, unless the Company is sold to a third party, we will remain an independent public company, our common stock will continue to be listed and traded on the NASDAQ, and our shareholders will continue to be subject to similar risks and opportunities as

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they currently are with respect to their ownership of our common stock. If the merger is not completed, there is no assurance as to the effect of these risks and opportunities on the future value of your shares of Company common stock, including the risk that the market price of our common stock may decline to the extent that the current market price of our stock reflects a market assumption that the merger will be completed. From time to time, the board of directors will evaluate and review the business operations, properties, dividend policy and capitalization of the Company and, among other things, make such changes as are deemed appropriate and continue to seek to maximize shareholder value. If our shareholders do not approve the merger agreement or if the merger is not completed for any other reason, there is no assurance that any other transaction acceptable to the Company will be offered or that the business, prospects or results of operations of the Company will not be adversely impacted. Pursuant to the merger agreement, under certain circumstances the Company is permitted to terminate the merger agreement and recommend an alternative transaction. See "*The Merger Agreement Termination of the Merger Agreement*."

Under certain circumstances, if the merger is not completed, the Company may be obligated to pay to Parent a termination fee and/or reimburse certain of Parent's expenses. See "*The Merger Agreement Termination Fees; Reimbursement of Expenses*."

Plans for the Company

After the effective time of the merger, Parent anticipates that the Company will continue its current operations, except that it will (i) cease to be an independent public company and will instead be a wholly owned subsidiary of Parent and (ii) have substantially more debt than it currently has. There are no current plans to repay the debt taken out to finance the merger. After the effective time of the merger, the directors of Merger Sub immediately prior to the effective time of the merger will become the directors of the Company, and the officers of the Company immediately prior to the effective time of the merger will remain the officers of the Company, in each case until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be. At the effective time, the articles of incorporation and by-laws of the surviving corporation will be in the form of the certificate of incorporation and bylaws of Merger Sub (except with respect to the name of the Company), until amended in accordance with their terms or by applicable law.

Financing of the Merger

The Company and Parent estimate that the total amount of funds required to complete the merger and related transactions and pay related fees and expenses will be approximately $290,400,000 assuming no exercise of appraisal rights by shareholders of the Company. Parent expects this amount to be provided through a combination of the proceeds of: (i) equity contributions from the Sponsors totaling approximately $160,700,000, which are described below under the subheading "Equity Financing"; (ii) the contribution of 5,700,000 shares of Company common stock to Parent (the equivalent of an investment of approximately $51,300,000 based upon the per share merger consideration of $9.00) immediately prior to the effective time of the merger by the Rollover Investors, which is described below under the subheading "Rollover Financing"; (iii) debt financing of approximately $60,000,000, which is described below under the subheading "Debt Financing"; and (iv) cash of the Company totaling approximately $18,400,000.

Equity Financing

Concurrently with the execution of the merger agreement, the Sponsors entered into an equity commitment letter with Parent and Merger Sub, pursuant to which the Sponsors have committed, simultaneously with the closing of the merger, that they would purchase, or cause the purchase of, equity interests of Parent for an aggregate amount equal to $160,700,000, and cause Parent, upon receipt of such commitment, to purchase equity interests of Merger Sub for an aggregate amount equal

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to such commitment. The equity commitment is conditioned upon (i) the satisfaction or waiver at the closing of each of the conditions to Parent's and Merger Sub's obligations to consummate the transactions contemplated by the merger agreement, (ii) the contemporaneous consummation of the closing and (iii) the contemporaneous funding of the debt financing on the terms and conditions described in the debt financing commitment letter. The obligation of the Sponsors to fund the commitment will automatically terminate upon the earliest to occur of (a) the valid termination of the merger agreement, (b) the closing of the merger (subject to performance of the Sponsors' obligation to contribute the equity commitment), and (c) the Company or any of its affiliates asserting a claim against the Sponsors or certain of their related parties under the merger agreement or ancillary agreements, other than certain specified retained claims. The Company is an express third-party beneficiary of the equity commitment letter having the right to enforce the Sponsors' obligation to fund the equity financing, but only in the event that (A) Parent and Merger Sub are required to consummate the closing under the merger agreement, (B) the debt financing has been funded or the lenders party to the debt financing commitment letter have irrevocably confirmed in writing that all conditions to funding of the debt financing commitment letter have been satisfied (other than funding of the equity financing), (C) the Company has irrevocably confirmed in writing that if the financing is funded, then it would take such actions that are within its control to cause the consummation of the transactions contemplated by the merger agreement to occur, and (D) the equity financing has not been funded and Parent and Merger Sub have not consummated the Merger.

Rollover Financing

Concurrently with the execution of the merger agreement, the Rollover Investors entered into a rollover agreement with Parent and Merger Sub pursuant to which the Rollover Investors have agreed, among other things, to contribute to Parent the Rollover Shares (aggregating approximately 19.9% of the outstanding shares of Company common stock as of June 8, 2011, which is the equivalent of a $51,300,000 investment based upon the per share merger consideration of $9.00) immediately prior to the effective time of the merger and such shares will be cancelled and will not be converted into the right to receive the merger consideration. As consideration, each of the Rollover Investors will receive a certain equity interest in Parent at the same price per share as is paid by the shareholders of Parent affiliated with the Sponsors at closing. The consummation of the contribution by each Rollover Investor of the Rollover Shares held by it is subject to the satisfaction or (in the case of clauses (i), (ii) and (iii)), waiver by such Rollover Investor, of each of the following conditions: (i) the execution and delivery by Parent of a copy of a shareholders' agreement governing the relationship among the shareholders of Parent after the closing; (ii) that the representations and warranties of Parent contained in the rollover agreement be true and correct in all material respects as of the closing; (iii) that Parent have performed or complied with in all material respects all covenants required to be performed or complied with by it under the rollover agreement; (iv) the issuance of equity securities of Parent to which the Rollover Investor is entitled concurrently with such contribution; and (v) the consummation of the merger immediately following such contribution. The rollover agreement automatically terminates upon the termination of the merger agreement.

Debt Financing

In connection with Parent's entry into the merger agreement, Merger Sub entered into a debt financing commitment letter with Bank of America N.A., The Hong Kong and Shanghai Banking Corporation Limited and Citigroup Global Markets Asia Limited. The debt financing commitment letter provides an aggregate of $80,000,000 in debt financing to Merger Sub, consisting of a $60,000,000 term loan facility and a $20,000,000 revolving credit facility, the former to be used to finance the merger and related transactions and the latter of which will be used for general corporate purposes and to finance the working capital needs of the Company following the closing of the merger. The revolving credit facility may be utilized by way of (i) drawing of loans or rollover drawings, (ii) issuing bank guarantees and documentary credits and (iii) ancillary facilities.

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Interest under the facilities will be payable for all drawings (other than in RMB) at LIBOR plus a margin and will be payable at the end of each interest period set forth in the credit agreement. Until December 31, 2011, the margin will be 5.0% and, after December 31, 2011 the margin will vary according to the ratio of total gross debt to EBITDA of the Company and its subsidiaries, but will never exceed 5.0%. For all drawings in RMB, the agreed rate shall be no more than 100% to 120% of the People's Bank of China rate.

The borrower under the facilities will be Merger Sub, and upon consummation of the merger, the rights and obligations under the facilities will be assumed by the Company. The facilities will be guaranteed and secured by the relevant borrower, save that an onshore guarantor will grant guarantees and security to secure borrowings of any onshore borrower only. Due to certain regulatory restrictions, Merger Sub will provide security over no more than 65% of the Company's directly owned subsidiary's shares.

Limited Guarantee

Concurrently with the execution of the merger agreement, the Guarantor entered into a limited guarantee with the Company, pursuant to which the Guarantor agreed to guarantee the obligations of Parent under the merger agreement to pay, if and when due and subject to the conditions and limitations set forth therein and in the merger agreement, a reverse termination fee to the Company. The limited guarantee will terminate on the earliest of (a) the effective time of the merger, (b) the termination of the merger agreement in accordance with its terms in circumstances in which Parent would not be obligated to pay the reverse termination fee, and (c) the 120th day after the termination of the merger agreement in circumstances in which a reverse termination fee is due and owing by Parent, unless the Company has commenced a legal proceeding against Parent or Merger Sub alleging a reverse termination fee is due and owning or against the Guarantor alleging amounts payable by the Guarantor pursuant to the terms of the limited guarantee. However, if the Company or any of its affiliates institutes any suit, action or proceeding or makes any claim (A) asserting that any of the provisions of the limited guarantee are illegal, invalid or unenforceable in whole or in part or that the Guarantor is liable in excess of or to a greater extent than the amount of the termination fee or (B) arising under, or in connection with, the equity commitment letter, the merger agreement or any other document or agreement entered into in connection with the merger agreement (other than for certain retained claims), then (1) the obligation of the Guarantor under the limited guarantee will terminate ab initio and be null and void, (2) if the Guarantor has previously made any payments under the limited guarantee, it will be entitled to recover such payments from the Company, and (3) neither the Guarantor, Parent, Merger Sub nor certain specified non-recourse parties will have any liability to the Company or any of its affiliates with respect to the transactions contemplated by the merger agreement, the equity commitment letter or under the limited guarantee.

Interests of the Company's Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors with respect to the merger agreement, you should be aware that certain of the Company's directors and executive officers have interests in the merger that are different from or in addition to, the interests of our shareholders generally, as more fully described below. Our board of directors and the special committee were aware of these interests and considered them, among other matters, in reaching the decision to approve the merger agreement and recommend that the Company's shareholders vote in favor of approving the merger agreement. See "*Special Factors Background of the Merger*" and "*Special Factors Recommendation of Our Board of Directors and Special Committee; Reasons for Recommending the Approval of the Merger Agreement; Fairness of the Merger*" for a further discussion of these matters.

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Post-merger Employment

Messrs. Weigang Li and Brian Lin will also enter into new three-year employment agreements (with two conditional one-year extensions) with Parent or one of its subsidiaries following the merger. The employment agreements are expected to provide for an aggregate compensation package substantially consistent, in all material respects, with Mr. Li's and Mr. Lin's current aggregate compensation with the Company. The titles for each of Messrs. Li and Lin with Parent shall not be changed nor shall their duties or responsibilities be materially diminished without the consent of Mr. Weigang Li other than for cause. Messrs. Li and Lin are also expected to become subject to non-compete obligations in favour of Parent.

Special Committee Compensation

In consideration of the expected time and effort that would be required of the members of the special committee in evaluating the proposed merger, including negotiating the terms and conditions of the merger agreement, the board of directors determined that each member of the special committee shall receive a compensation of RMB 15,000 per month for the duration of their service on the special committee, or approximately $2,300 per month based on a rate of RMB 6.6710 to $1.00 as of October 8, 2010 as set forth in the H.10 statistical release of the Federal Reserve Board. The compensation of the chairman of the special committee was increased from RMB 15,000, or approximately $2,300, per month to $5,000 per month in April 2011 because the board felt that the chairman had more responsibilities and was, and would remain, more involved in the process as compared to the other members of the special committee. Such fees are payable whether or not the merger is completed and were approved by the board of directors prior to our receipt of Parent's proposal. No other meeting fees or other compensation (other than reimbursement for out-of-pocket expenses in connection with attending special committee meetings or negotiations) will be paid to the members of the special committee in connection with their service on the special committee.

Treatment of Outstanding Stock Options

As described in "The Merger Agreement Treatment of Common Stock, Options and Restricted Stocks" beginning on page 73, the merger agreement provides that, at the effective time of the merger, each outstanding stock option will be canceled in exchange for a cash payment equal to the excess, if any, of the per share merger consideration over the exercise price per share of such stock option, less any required withholding taxes. Payment to holders of a vested outstanding stock option will be made at the effective time, and payment to holders of an unvested outstanding stock option will be made on the dates such unvested stock options would have vested (subject to the same conditions on vesting as applied to the unvested stock options immediately prior to the effective time if such unvested stock options had not been cancelled at the effective time), without any crediting of interest for the period from the effective time until vesting.

The following table sets forth, for each of our directors and executive officers holding stock option as of June 8, 2011, (a) the aggregate number of shares of Company common stock subject to vested stock options, (b) the value of such vested stock options on a pre-tax basis, calculated by multiplying (i) the excess, if any, of the $9.00 per share merger consideration over the respective per share exercise prices of those stock options by (ii) the number of shares of Company common stock subject to those stock options, (c) the aggregate number of unvested stock options, which will vest subject to the same conditions on vesting as applicable prior to the effective time, (d) the value of those unvested stock options on a pre-tax basis, calculated by multiplying (i) the excess, if any, of the $9.00 per share merger consideration over the respective per share exercise prices of those stock options by (ii) the number of shares of Company common stock subject to those stock options, (e) the aggregate number of shares of Company common stock subject to vested stock options and unvested stock options for such individual as of the effective time of the merger, assuming the director or executive officer remains employed by

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the Company at that date, and (f) the aggregate amount of consideration that we expect to offer for all such stock options in connection with the merger.

	Vested Stock Options		Unvested Stock Options		Aggregate Offer Consideration for All Stock Options	
Name	Shares	Value	Shares	Value	Shares	Value
Weigang Li	184,375	$ 959,781.3	65,625	$ 143,718.75	250,000	$ 1,103,500
Brian Lin	318,750	1,532,063	131,250	287,437.5	450,000	1,819,500
Tongzhou Qin	0	0	0	0	0	0
Weishe Zhang	188,750	524,562.5	131,250	287,437.5	320,000	812,000
Xianghua Li	0	0	0	0	0	0
Yinqing Li	0	0	0	0	0	0
Guoyou Zhang	2,000	8,980	0	0	2,000	8,980
Albert McLelland	0	0	0	0	0	0

Treatment of Restricted Stocks

As described in "*The Merger Agreement Treatment of Common Stock, Options and Restricted Stock*" beginning on page 73, the merger agreement provides that, at the effective time of the merger, each outstanding share of restricted stock will be converted into the right to receive, on the date such share of restricted stock would have vested (subject to the same conditions on vesting as applied to each share of restricted stock immediately prior to the effective time if such share of restricted stock had not been converted at the effective time), an amount in cash equal to the per share merger consideration, less any required withholding taxes and without any crediting of interest for the period from the effective time until vesting.

The following table identifies, for each of our directors and executive officers holding shares of restricted stock, the aggregate number of shares of restricted stock as of June 8, 2011, the pre-tax value of such shares of restricted stock as calculated by multiplying the $9.00 per share merger consideration by the number of shares of restricted stock.

Name	Aggregate Number of Shares of Restricted Stock	Value of Shares of Restricted Stock
Weigang Li	52,500	$ 472,500
Brian Lin	75,000	675,000
Tongzhou Qin	15,000	135,000
Weishe Zhang	0	0
Xianghua Li	0	0
Yinqing Li	0	0
Guoyou Zhang	0	0
Albert McLelland	0	0

Dividends

Pursuant to the merger agreement, we are prohibited from declaring or paying any dividends without consent from Parent.

Determination of the Per Share Merger Consideration

The per share merger consideration was determined through arm's-length negotiations between Parent, Merger Sub and the Company (acting through the special committee).

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Regulatory Matters

In connection with the merger, we are required to make certain filings with, and comply with certain laws of, various federal and state governmental agencies, including:

- filing the certificate of merger with the Secretary of State of the State of Florida in accordance with the FBCA after the approval of the merger agreement by our shareholders; and
- complying with U.S. federal securities laws.

Pursuant to the PRC Anti-Monopoly Law, Parent was required to make a pre-closing competition filing with MOFCOM. The filing with MOFCOM was made on May 23, 2011. MOFCOM may ask for additional materials and is expected to complete its review within 30 calendar days from the date on which it deems the application to be complete. This initial review period may be extended for an additional 90 days and, under certain circumstances, a maximum of an additional 60 days.

Although we do not expect MOFCOM to raise any significant concerns in connection with their review of the proposed merger, there is no assurance that the parties will obtain the required regulatory approval, or that the approval will not be subject to conditions or restrictions that may have an adverse effect on either the Company or Parent after the completion of the merger.

None of the parties is aware of any other regulatory approvals required to consummate the merger.

Estimated Fees and Expenses

The Company estimates that it will incur the following fees and expenses in connection with the merger agreement, the merger, the solicitation of proxies and the other transactions contemplated in the merger agreement.

Description		Amount (in thousands)
Financing fees and expenses and related professional fees	$	0
Financial advisory fee and expenses	$	2,250,000
Legal and accounting fees and expenses	$	1,700,000
Printing, proxy solicitation, filing fees and mailing costs	$	75,000
Special committee fees	$	68,000
Miscellaneous	$	0

Certain Material United States Federal Income Tax Consequences

The following is a general summary of certain United States federal income tax consequences to shareholders that are U.S. Holders or are non-U.S. Holders (each as defined below) that exchange shares of Company common stock for cash pursuant to the merger. The discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), existing Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect as of the date hereof and all of which are subject to change (possibly with retroactive effect). This discussion is for general information only and does not purport to consider all aspects of United States federal income taxation that may be relevant to shareholders. In particular, this discussion does not address United States federal income tax considerations that would apply to holders that hold shares of Company common stock acquired pursuant to the exercise of employee stock options or holders of shares of Company common stock that were otherwise received as compensation, holders that validly exercise their rights under Florida law to object to the merger, shares of Company common stock held as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment, or certain types of shareholders (including, without limitation, financial

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institutions, insurance companies, tax-exempt organizations, U.S. Holders that have a "functional currency" other than the U.S. dollar, regulated investment companies, tax-deferred accounts, real estate investment trusts, taxpayers subject to the alternative minimum tax and dealers in securities) that may be subject to special United States federal income tax rules not discussed herein. In addition, this discussion does not discuss any consequences to Rollover Investors or other holders of Company common stock that will directly or indirectly hold an ownership interest in Parent or the Company after the merger, to holders of options or warrants to purchase shares of Company common stock, any aspect of state, local or foreign tax law that may be applicable to any holder of shares of Company common stock, or any United States federal tax considerations other than United States federal income tax considerations. This discussion is also limited to shareholders that hold shares of Company common stock as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment).

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of shares of Company common stock that is (1) an individual citizen or resident of the United States; (2) a corporation (including any entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision of the United States; (3) an estate the income of which is subject to United States federal income taxation regardless of its source; or (4) a trust if it (i) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable Treasury regulations to be treated as a United States person. A "non-U.S. Holder" is a beneficial owner of shares of Company common stock that is not a U.S. Holder and is not treated as a partnership for United States federal income tax purposes.

In the case of a shareholder that is treated as a partnership for United States federal income tax purposes, the tax consequences of the merger to a partner of the partnership generally will depend upon the tax status of the partner and the activities of the partnership. Shareholders who are partners of a partnership holding Company common stock should consult their own tax advisors.

THIS DISCUSSION DOES NOT CONSIDER THE EFFECT OF ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS OR ANY FEDERAL TAX LAWS OTHER THAN INCOME TAX LAWS. EACH SHAREHOLDER SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO IT OF THE MERGER, INCLUDING THE APPLICATION AND EFFECT OF FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS AND POSSIBLE CHANGES IN TAX LAWS.

U.S. Holders

The exchange by a U.S. Holder of shares of Company common stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. Such a U.S. Holder generally will recognize capital gain or loss equal to the difference (if any) between the amount of cash received in exchange for such shares and the U.S. Holder's adjusted tax basis in the shares of Company common stock exchanged. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder had held such shares of Company common stock for more than one year. Long-term capital gain of non-corporate U.S. Holders (including individuals) generally is subject to preferential rates of United States federal income tax. There are limitations on the deductibility of capital losses.

Payments for shares of Company common stock may be subject to "backup withholding" at a rate of 28% unless a U.S. Holder (1) provides a correct TIN (which, for an individual U.S. Holder, generally is such U.S. Holder's social security number) and any other required information or (2) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, and otherwise complies with applicable requirements of the backup withholding rules. U.S. Holders generally may prevent backup withholding by delivering a properly completed and executed

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IRS Form W-9. Any amount paid as backup withholding does not constitute an additional tax and will be creditable against the U.S. Holder's United States federal income tax liability, provided that the required information is timely provided to the Internal Revenue Service ("**IRS**"). If backup withholding results in an overpayment of tax, a refund may be obtained from the IRS. Each U.S. Holder should consult its tax advisor as to such U.S. Holder's qualification for exemption from backup withholding and the procedure for obtaining such exemption.

Non-U.S. Holders

Any gain on the exchange by a non-U.S. Holder of shares of Company common stock pursuant to the merger generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States (and, if required by an applicable United States income tax treaty, is attributable to the non-U.S. Holder's permanent establishment in the United States);

- the non-U.S. Holder is an individual who was present in the United States for 183 days or more in the taxable year of the exchange and certain other conditions are met; or

- the non-U.S. Holder owned (actually or constructively) more than five percent of the Company common stock at any time during the five years preceding the merger, and the Company is or has been a "United States real property holding corporation" for United States federal income tax purposes during such time.

A non-U.S. Holder whose gain is described in the first bullet point above generally will be subject to tax on its net gain in the same manner as if it were a U.S. Holder. In addition, such a non-U.S. Holder that is a corporation may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits (including such gain) or such lower rate as many be specified by an applicable tax treaty. An individual non-U.S. Holder described in the second bullet point above will be required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by United States source capital losses. The Company does not believe that it currently is a United States real property holding corporation or that it has been a United States real property holding corporation during the past five years.

In general, a non-U.S. Holder will not be subject to backup withholding and information reporting with respect to a payment made with respect to shares of Company common stock exchanged for cash in the merger if the non-U.S. Holder has provided an IRS Form W-8BEN (or an IRS Form W-8ECI if the non-U.S. Holder's gain is effectively connected with the conduct of a United States trade or business). If shares of Company common stock are held through a foreign partnership or other flow-through entity, certain other documentation requirements may also apply to the partnership or other flow-through entity. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a non-U.S. Holder's United States federal income tax liability, if any, provided that such non-U.S. Holder furnishes the required information to the IRS in a timely manner.

The United States federal income tax discussion set forth above is a summary and is included for general information only and is based upon current United States tax law. Company shareholders are urged to consult their tax advisors with respect to the specific tax consequences of the merger to them, including the application and effect of state, local and foreign tax laws.

Accounting Treatment of the Merger

The merger will be accounted for as a "purchase transaction" for financial accounting purpose.

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Delisting and Deregistration of the Company Common Stock

If the merger is completed, the shares of Company common stock will be delisted from the NASDAQ and deregistered under the Exchange Act, and shares of Company common stock will no longer be publicly traded.

Litigation Relating to the Merger

We are aware of nine putative class action complaints related to the merger (each a "**Shareholder Action**") filed in various Florida state and federal courts against, among others, the Company and certain officers and directors of the Company. Six Shareholder Actions were filed in the Circuit Court for the 17th Judicial Circuit In and For Broward County, Florida, and have been consolidated under the caption *In re China Fire & Security Group, Inc. Shareholder Litigation*, Case No. 11745 (07). One of the Shareholder Actions, *Kashef v. China Fire & Security Group, Inc., et al.*, Case No. 50-2011 CA 007884, is currently pending in the Circuit Court for the 15th Judicial Circuit in and For Palm Beach County, Florida. The final two Shareholder Actions, *Fuller v. China Fire & Security Group, Inc., et al.*, 11-cv-61400-WPD, and *James P. Tessitore v. China Fire & Security Group, Inc. et al.* 11-cv-61580-WPD, are currently pending in the United States District Court for the Southern District of Florida. The two federal Shareholder Actions were consolidated by an order of the federal court issued on August 2, 2011. On August 3, 2011, the served defendants filed a motion to stay the consolidated federal actions pending resolution of the consolidated state actions. All complaints allege among other things, that the Company and certain officers and directors of the Company breached their fiduciary duties, and seek, among other things, to enjoin consummation of the merger. The operative complaints also allege aiding and abetting claims against the Sponsors, Parent and Merger Sub.

The Company and our board of directors believe that the claims in these Shareholder Actions are without merit and intend to defend against them vigorously.

One of the conditions to the closing of the merger is that no order by a court or other governmental entity shall be in effect that prohibits the consummation of the merger or that makes the consummation of the merger illegal. As such, if the plaintiffs are successful in obtaining an injunction prohibiting the defendants from completing the merger on the agreed-upon terms, then such injunction may prevent the merger from becoming effective, or from becoming effective within the expected timeframe.

Provisions for Unaffiliated Shareholders

No provision has been made to grant our unaffiliated shareholders access to the corporate files of the Company, any other party to the merger or any of their respective affiliates or to obtain counsel or appraisal services at the expense of the Company or any other such party or affiliate. Furthermore, the special committee believes that sufficient procedural safeguards were present, and will be present, to ensure the fairness of the merger to our unaffiliated shareholders without retaining an unaffiliated representative to act solely on behalf of such shareholders for purposes of negotiating a transaction or preparing a report concerning the fairness of the merger. The special committee believes that the independence of the members of the special committee and the retention by the special committee of its own legal counsel and financial advisor permitted the special committee to effectively represent the interests of unaffiliated shareholders. The special committee did consider the fact that the merger agreement requires the approval by the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, the Voting Shareholders and/or any holders of Company common

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stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements that involve risks, uncertainties and assumptions. If such risks or uncertainties materialize or such assumptions prove incorrect, the results of the Company and its consolidated subsidiaries could differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. In many cases you can identify forward-looking statements by the use of words such as "believe," "anticipate," "intend," "plan," "estimate," "may," "could," "predict," or "expect" and similar expressions, although the absence of such words does not necessarily mean that a statement is not forward-looking.

You should be aware that forward-looking statements involve known and unknown risks and uncertainties. We cannot assure you that the actual results or developments reflected in these forward-looking statements will be realized or, even if they are realized, that they will have the expected effects on the merger or on our business or operations. These forward-looking statements speak only as of the date on which the statements were made, and we assume no obligation and do not intend to update these forward-looking statements, except as required by law.

Risks, uncertainties and assumptions include the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the possibility that various closing conditions for the merger (including the shareholder approvals) may not be satisfied or waived; the possibility that alternative acquisition proposals will or will not be made; the failure to obtain sufficient funds to close the merger; the failure of the merger to close for any other reason; the amount of fees and expenses related to the merger; the diversion of management's attention from ongoing business concerns; the effect of the announcement of the merger on our business relationships, operating results and business generally, including our ability to retain key employees; the merger agreement's contractual restrictions on the conduct of our business prior to the completion of the merger; the possible adverse effect on our business and the price of our common stock if the merger is not completed in a timely matter or at all; the outcome of any legal proceedings, regulatory proceedings or enforcement matters that have been or may be instituted against us and others relating to the merger and other risks that are set forth in the Company's filings with the SEC, which are available without charge at www.sec.gov.

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THE SPECIAL MEETING

We are furnishing this proxy statement to the Company's shareholders as part of the solicitation of proxies by the board of directors for use at the special meeting.

Date, Time and Place

We will hold the special meeting at [ ], local time, [ ], 2011, at [ ]. If you plan to attend the special meeting, please note that you may be asked to present valid photo identification, such as a driver's license or passport. Shareholders owning stock in brokerage accounts must bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Purpose of the Special Meeting

The special meeting is being held for the following purposes:

- to approve the merger agreement (see "*The Merger Agreement*" beginning on page 72); and
- to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

A copy of the merger agreement is attached as Annex A to this proxy statement.

Recommendation of Our Board of Directors and Special Committee

Our board of directors, after careful consideration and acting on the unanimous recommendation of the special committee composed entirely of independent directors, deemed it advisable and in the best interests of the Company and its unaffiliated shareholders that the Company enter into the merger agreement, determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable, fair (both substantively and procedurally) to and in the best interest of the Company and its unaffiliated shareholders and recommended that the Company's shareholders approve the merger agreement at the special meeting. The board of directors recommends that our shareholders vote "**FOR**" the approval of the merger agreement. In connection with the approval of the merger agreement by the board of directors, Mr. Weigang Li, Mr. Brian Lin and Mr. Weishe Zhang recused themselves from voting.

Record Date; Shareholders Entitled to Vote; Quorum

Only holders of record of Company common stock at the close of business on [ ], 2011, the record date, are entitled to notice of and to vote at the special meeting. On the record date, [ ] shares of Company common stock were issued and outstanding and held by [ ] holders of record. Holders of record of shares of Company common stock on the record date are entitled to one vote per share of Company common stock at the special meeting on each proposal. For ten days prior to the meeting, a complete list of shareholders entitled to vote at the meeting will be available for examination by any shareholder, for any purpose relating to the meeting, during ordinary business hours at our offices located at China Fire & Security Group, Inc., B-2502 TYG Center, C2 Dongsanhuanbeilu, Chaoyang District, Beijing 100027, People's Republic of China.

A quorum will be present at the special meeting if the holders of a majority of the shares of Company common stock outstanding and entitled to vote on the record date are present, in person or by proxy. In the event that a quorum is not present, or if there are insufficient votes to approve the merger agreement at the time of the special meeting, it is expected that the meeting will be adjourned or postponed to solicit additional proxies.

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Abstentions and "Broker Non-votes"

Shares of Company common stock represented by proxies reflecting abstentions and properly executed broker non-votes will be counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a broker, dealer, commercial bank, trust company or other nominee does not vote on a particular matter because such broker, dealer, commercial bank, trust company or other nominee does not have the discretionary voting power with respect to that proposal and has not received voting instructions from the beneficial owner. Brokers, dealers, commercial banks, trust companies and other nominees will not have discretionary voting power with respect to the proposal to approve the merger agreement.

Vote Required

Approval of the Merger Agreement

The approval of the merger agreement by our shareholders requires the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, the Voting Shareholders, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger). Failure to vote your shares of Company common stock will have the same effect as a vote "**AGAINST**" the proposal to approve the merger agreement.

Concurrently with the execution and delivery of the merger agreement, the Voting Shareholders entered into voting agreements with Parent and Merger Sub, pursuant to which, among other things, they have agreed to vote [ ] shares of Company common stock owned by them, aggregating approximately [ ]% of the outstanding shares of Company common stock as of [*record date*], 2011, in favor of the approval of the merger agreement and the transactions contemplated by the merger agreement, and against any acquisition proposal without regard to its terms. From and after the date of the merger agreement and until the earlier of the effective time or the termination of the merger agreement pursuant to its terms, each of the Voting Shareholders has irrevocably and unconditionally granted to, and appointed Parent or its designee, such Voting Shareholder's proxy and attorney-in-fact, to vote or cause to be voted the shares of Company common stock subject to the voting agreements, among other things, in favor of the approval of the merger agreement and the transactions contemplated by the merger agreement.

Approval of the Adjournment of the Special Meeting

The approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement requires the affirmative vote of the holders of at least of a majority of the shares of Company common stock present and entitled to vote at the special meeting as of the record date, whether or not a quorum is present. Notice of the adjourned meeting need not be given if the time and place to which the meeting is adjourned is announced at the meeting before an adjournment is taken and our board of directors does not fix a new record date for the adjourned meeting.

Stock Ownership and Interests of Certain Persons

As of [ ], 2011, the record date for the special meeting, our directors (including Mr. Weigang Li, Mr. Brian Lin and Mr. Weishe Zhang) and current executive officers owned, in the aggregate, [ ] shares of Company common stock, or collectively approximately [ ]% of the outstanding shares of

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Company common stock. Our directors and current executive officers have informed us that they intend, as of the date hereof, to vote all of their shares of Company common stock in favor of the approval of the merger agreement.

Certain members of our management and our board of directors have interests that may be different from, or in addition to, those of our shareholders generally. Messrs. Weigang Li and Brian Lin have agreed to enter into a new three-year employment agreement, effective as of the closing of the merger, with Parent and the surviving corporation. For more information, please read "*Special Factors Interests of the Company's Directors and Executive Officers in the Merger*" beginning on page 59.

Voting Procedures

Ensure that your shares of Company common stock can be voted at the special meeting by submitting your proxy or contacting your broker, dealer, commercial bank, trust company or other nominee.

If your shares of Company common stock are registered in the name of a broker, dealer, commercial bank, trust company or other nominee: check the voting instruction card forwarded by your broker, dealer, commercial bank, trust company or other nominee to see which voting options are available or contact your broker, dealer, commercial bank, trust company or other nominee in order to obtain directions as to how to ensure that your shares of Company common stock are voted at the special meeting.

If your shares of Company common stock are registered in your name: submit your proxy as soon as possible by telephone, via the Internet or by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope, so that your shares of Company common stock can be voted at the special meeting.

Instructions regarding telephone and Internet voting are included on the proxy card.

The failure to vote will have the same effect as a vote against the proposal to approve the merger agreement. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the proposal to approve the merger agreement and the proposal to adjourn the special meeting, if necessary and appropriate, to solicit additional proxies.

Voting by Proxy or in Person at the Special Meeting

Holders of record can ensure that their shares of Company common stock are voted at the special meeting by completing, signing, dating and delivering the enclosed proxy card in the enclosed postage-paid envelope. Submitting by this method or voting by telephone or the Internet as described below will not affect your right to attend the special meeting and to vote in person. If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares of Company common stock are held in "street name" by a broker, dealer, commercial bank, trust company or other nominee and you wish to vote at the special meeting, you must bring to the special meeting a proxy from the record holder of those shares of Company common stock authorizing you to vote at the special meeting.

If you vote your shares of Company common stock by submitting a proxy, your shares will be voted at the special meeting as you indicated on your proxy card or Internet or telephone proxy. If no instructions are indicated on your signed proxy card, all of your shares of Company common stock will be voted "**FOR**" the approval of the merger agreement and approval to postpone or adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the proposal to approve the merger agreement. You should return a proxy by mail, by telephone or via the Internet even if you plan to attend the special meeting in person.

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Electronic Voting

Our holders of record and many shareholders who hold their shares of Company common stock through a broker, dealer, commercial bank, trust company or other nominee will have the option to submit their proxy cards or voting instruction cards electronically by telephone or the Internet. Please note that there are separate arrangements for voting by telephone and Internet depending on whether your shares of Company common stock are registered in our records in your name or in the name of a broker, dealer, commercial bank, trust company or other nominee. If you hold your shares of Company common stock through a broker, bank or other nominee, you should check your voting instruction card forwarded by your broker, dealer, commercial bank, trust company or other nominee to see which options are available.

Please read and follow the instructions on your proxy card or voting instruction card carefully.

Other Business

We do not expect that any matter other than (a) the proposal to approve the merger agreement and (b) the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement, will be brought before the special meeting. If, however, other matters are properly presented at the special meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

Revocation of Proxies

Submitting a proxy on the enclosed form does not preclude a shareholder from voting in person at the special meeting. A shareholder of record may revoke a proxy at any time before it is voted by filing with our corporate secretary a duly executed revocation of proxy, by properly submitting a proxy by mail, the Internet or telephone with a later date or by appearing at the special meeting and voting in person. A shareholder of record may revoke a proxy by any of these methods, regardless of the method used to deliver the shareholder's previous proxy. Attendance at the special meeting without voting will not itself revoke a proxy. If your shares of Company common stock are held in street name, you must contact your broker, dealer, commercial bank, trust company or other nominee to revoke your proxy.

Rights of Shareholders Who Object to the Merger

Holders of Company common stock who do not vote in favor of approval of the merger agreement will have the right to seek appraisal and receive the fair value of their shares of Company common stock in lieu of receiving the per share merger consideration if the merger closes but only if they perfect their appraisal rights by strictly complying with the required procedures under Florida law. This means that, if you properly exercise appraisal rights, you are entitled to have the value of your shares of Company common stock determined by the appropriate court in and for Broward County, Florida (i.e., as required under Section 607.1330(2) of the Florida Business Corporation Act, the county in which the Company's registered office in Florida is located), **and to receive** payment based on judicially determined fair value instead of receiving the merger consideration. The ultimate amount you would receive in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the merger agreement.

To preserve your appraisal rights, if you wish to exercise them, you must NOT vote in favor of the approval of the merger agreement and you must follow specific procedures, including, but not limited to, delivering to us at China Fire & Security Group, Inc., B-2502 TYG Center, C2 Dongsanhuanbeilu, Chaoyang District, Beijing 100027, People's Republic of China, attention: Company Secretary, before the vote is taken at the special meeting (i.e., before [ ], 2011) a written notice of intent to demand payment of fair value pursuant to Section 607.1321 of the Florida Business Corporation Act.

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Your failure to follow exactly the procedures specified under Florida law will result in the loss of your appraisal rights, in which case the dissenting shareholder will be treated in the same manner as a non-dissenting shareholder. See "Appraisal Rights" beginning on page 98 and the text of the Florida appraisal rights statute, Sections 607.1301 through 607.1333 of the Florida Business Corporation Act, which is reproduced in its entirety as Annex C to this proxy statement. **Because of the complexity of the law relating to appraisal rights, shareholder who are considering objecting to the merger are encouraged to read these provisions carefully and consult their own legal advisors.**

Solicitation of Proxies

This proxy solicitation is being made by the Company on behalf of the board of directors and will be paid for by the Company. In addition, we have retained Okapi Partners LLC ("**Okapi**") to assist in the solicitation of proxies for the special meeting. The company will pay Okapi a fee of $10,000 for its services plus an additional fee not exceeding $52,000 if the shareholders approve the merger proposal. The Company's directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid additional remuneration for their efforts. The Company will also request brokers, dealers, commercial banks, trust companies and other nominees to forward proxy solicitation material to the beneficial owners of shares of Company common stock that the brokers, dealers, commercial banks, trust companies and other nominees hold of record. Upon request, the Company will reimburse them for their reasonable out-of-pocket expenses.

Availability of Documents Incorporated by Reference

Documents incorporated by reference (excluding exhibits to those documents unless the exhibit is specifically incorporated by reference into those documents) will be provided without charge by first class mail, to each person to whom this proxy statement is delivered, upon written or oral request of such person to Okapi.

Questions and Additional Information

If you need assistance in completing your proxy card or have questions regarding the merger or the special meeting, or to request additional copies of the proxy statement or the proxy card, please contact Okapi toll-free at (877) 869-0171, collect at (212) 297-0720, by email at info@okapipartners.com or at 437 Madison Avenue, 28th Fl., New York, NY 10022.

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THE MERGER AGREEMENT

The following is a summary of the material terms and conditions of the merger agreement. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the Agreement and Plan of Merger, dated as of May 20, 2011, a copy of which is attached as ***Annex A*** *and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to read the merger agreement carefully and in its entirety because it is the legal document that governs this merger.*

Explanatory Note Regarding the Merger Agreement

The merger agreement and this summary of its terms have been included to provide you with information regarding the terms of the merger agreement. Factual disclosures about the Company contained in this proxy statement or in the Company's public reports filed with the SEC may supplement, update or modify the factual disclosures about the Company contained in the merger agreement and described in this summary. The representations, warranties and covenants made in the merger agreement by the Company, Parent and Merger Sub were qualified and subject to important limitations agreed to by the Company, Parent and Merger Sub in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the merger agreement may have the right not to close the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the merger agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to shareholders and reports and documents filed with the SEC and in some cases were qualified by disclosures that were made by each party to the other, which disclosures are not reflected in the merger agreement. Moreover, information concerning the subject matter of the representations and warranties, which does not purport to be accurate as of the date of this proxy statement, may have changed since the date of the merger agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement.

Effects of the Merger; Directors and Officers; Articles of Incorporation; By-laws

The merger agreement provides for the merger of Merger Sub with and into the Company upon the terms, and subject to the conditions, set forth in the merger agreement. Except as otherwise provided in the merger agreement, at the effective time, all the property, rights, privileges, powers and franchises of the Company and Merger Sub will vest in the Company as the surviving corporation, and all debts, liabilities and duties of the Company and Merger Sub will become the debts, liabilities and duties of the surviving corporation.

The board of directors of the surviving corporation will, from and after the effective time, consist of the directors of Merger Sub at the effective time until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal. The officers of the surviving corporation will, from and after the effective time, be the officers of the Company at the effective time until their successors have been duly appointed and qualified or until their earlier death, resignation or removal.

At the effective time, the articles of incorporation and by-laws of the surviving corporation will be in the form of the certificate of incorporation and bylaws of Merger Sub (except with respect to the name of the Company), until amended in accordance with their terms or by applicable law.

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Closing and Effective Time of the Merger

The closing of the merger (which we refer to as the "closing") will take place (a) no later than the second business day following the date on which the last of the conditions to closing (described under "The Merger Agreement Conditions to the Completion of the Merger") has been satisfied or waived (to the extent permitted by applicable law) (other than the conditions that by their nature are to be satisfied at closing, but subject to the satisfaction or waiver of those conditions); provided, however, if the debt financing period has not ended at the time of the satisfaction or waiver (by the party or parties for whose benefit such conditions exist) of all of the conditions to closing (excluding any such conditions which by their terms are not capable of being satisfied until the closing (but subject to their satisfaction or waiver prior to or at the closing)), the closing will not occur until the earlier of (A) a date during the debt financing period specified by Parent on two (2) business days' written notice to the Company and (B) the first (1st) business day immediately fol lowing the final day of the debt financing period (subject in each case to the satisfaction or waiver of all of the conditions to closing as of the date determined pursuant to this proviso); or (b) at such other place, time and/or date as the parties may otherwise agree. The debt financing period is the first period of ten consecutive business days commencing after May 20, 2011, the date of the merger agreement, and throughout which (i) Parent has received certain required financial information, (ii) the conditions to both parties' obligations under the merger agreement have been satisfied or waived by Parent, and (iii) nothing has occurred and no condition exists that would cause any of the conditions to Parent and Merger Sub's obligations to fail to be satisfied, assuming that such conditions were applicable at any time during such 10-consecutive-business-day period.

Treatment of Common Stock, Options and Restricted Stock

Common Stock

At the effective time of the merger, each share of Company common stock issued and outstanding immediately prior to the closing (other than excluded shares described in this subsection) will convert into the right to receive the per share merger consideration. Common stock owned by Parent, Merger Sub, the Company or any Company subsidiary immediately prior to the effective time and shares that the Rollover Investors have agreed to contribute to Parent and/or Merger Sub will be cancelled and extinguished without any conversion or payment of consideration. Common stock owned by shareholders who have perfected and not withdrawn a demand for appraisal rights under the FBCA will be canceled without payment of consideration and such shareholders will instead be entitled to the appraisal rights provided under the FBCA as described under "*Appraisal Rights.*"

Stock Options

At the effective time of the merger, each outstanding stock option will be canceled in exchange for a cash payment equal to the excess, if any, of the per share merger consideration over the exercise price per share of such stock option, less any required withholding taxes. Payment to holders of vested outstanding stock options will be made at the effective time, and payment to holders of unvested outstanding stock options will be made on the dates such unvested stock options would have vested (subject to the same conditions on vesting as applied to the unvested stock options immediately prior to the effective time if such unvested stock options had not been cancelled at the effective time), without any crediting of interest for the period from the effective time until vesting.

Restricted Stock

At the effective time of the merger, each outstanding share of restricted stock will be converted into the right to receive, on the date such share of restricted stock would have vested (subject to the same conditions on vesting as applied to each share of restricted stock immediately prior to the

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effective time if such share of restricted stock had not been converted at the effective time), an amount in cash equal to the per share merger consideration, less any required withholding taxes and without any crediting of interest for the period from the effective time until vesting.

Exchange and Payment Procedures

Prior to the closing, Parent or Merger Sub will appoint a bank or trust company reasonably satisfactory to the Company to act as the paying agent (which we refer to as the "**paying agent**"), and Merger Sub will deposit or will cause to be deposited with the paying agent, for the benefit of the holders of Company common stocks and vested options, cash in U.S. dollars in an amount sufficient to pay the aggregate amount required to be made at the effective time.

Promptly following the effective time (but in no event later than three (3) business days following the effective time), Parent will instruct the paying agent to mail to each holder of record of a certificate or certificates which immediately prior to the effective time represented outstanding Company common stock (i) a letter of transmittal in customary form, and (ii) instructions for use in effecting the surrender of the certificates in exchange for the per share merger consideration.

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

You will not be entitled to receive the per share merger consideration until you surrender to the paying agent your stock certificate or certificates, along with a duly completed and executed letter of transmittal and any other documents as may be required by the letter of transmittal. If your shares of Company common stock are held in book-entry or other uncertificated form, you will only be entitled to receive the per share merger consideration upon the entry through a book-entry transfer agent of the surrender of such shares on a book-entry account statement.

No interest will be paid or accrued on the cash payable as the per share merger consideration as provided above. Parent, the surviving corporation and the paying agent will be entitled to deduct and withhold any applicable taxes from the per share merger consideration. Any sum that is withheld will be deemed to have been paid to the person with regard to whom it is withheld.

At the effective time, the share transfer books of the Company will be closed and thereafter, there will be no further registration of transfers of Company common stock theretofore outstanding on the records of the Company. From and after the effective time, the holders of certificates will cease to have any rights with respect to such Company common stock except as otherwise provided in the merger agreement or by applicable law.

Any portion of the per share merger consideration deposited with the paying agent which remains undistributed to the holders of Company common stock for nine (9) months after the effective time will be delivered to the surviving corporation upon demand, and any holders of Company common stock who have not theretofore complied with the above-described exchange and payment procedures will thereafter only look to the surviving corporation, and the surviving corporation will remain liable, for payment of their claims for the per share merger consideration, without any interest thereon, to which such holders may be entitled.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the per share merger consideration, you will have to make an affidavit of the loss, theft or destruction, and if required by Parent, post a bond in a customary amount as indemnity against any claim that may be made against it with respect to such certificate. These procedures will be described in the letter of transmittal that you will receive, which you should read carefully in its entirety.

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Representations and Warranties

The merger agreement contains representations and warranties made by the Company, Parent and Merger Sub to each other as of specific dates. The statements embodied in those representations and warranties were made for purposes of the merger agreement and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of the merger agreement (including the disclosure schedule delivered by the Company in connection therewith). In addition, some of those representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from that generally applicable to shareholders or may have been used for the purpose of allocating risk between the parties to the merger agreement rather than establishing matters as facts. The representations and warranties made by the Company were qualified by its public disclosure with the SEC since December 31, 2009 and prior to the date of the merger agreement and a Company disclosure schedule attached to the merger agreement. The representations and warranties made by the Company to Parent and Merger Sub include representations and warranties relating to, among other things:

due organization, existence, good standing of the Company and its subsidiaries and authority to carry on their respective businesses;

the Company's capitalization, the absence of preemptive or other similar rights or any debt securities that give its holders the right to vote with the Company's shareholders and the absence of encumbrances on the Company's ownership of the equity interests of its subsidiaries;

the Company's corporate power and authority to execute and deliver, to perform its obligations under and to consummate the transactions under the merger agreement, and the enforceability of the merger agreement against the Company;

the receipt of fairness opinion by and the recommendation from the special committee, the declaration of advisability of the merger agreement, the approval of the merger agreement and the merger by the board of directors;

the absence of violations of, or conflicts with, the governing documents of the Company and its subsidiaries, applicable law and certain agreements as a result of the Company entering into and performing under the merger agreement and consummating the transactions contemplated by the merger agreement;

the required consents and approvals of governmental entities in connection with the transactions contemplated by the merger agreement;

compliance with applicable laws, licenses and permits, including the United States Foreign Corrupt Practices Act and reporting and registration requirements under certain PRC foreign exchange administration rules;

the Company's SEC filings since December 31, 2009 and the financial statements included therein, as well as the Company's disclosure controls and procedures and internal controls over financial reporting;

the absence of certain undisclosed liabilities;

the absence of a Company "material adverse effect" (as defined below) and the absence of certain other changes or events since December 31, 2010;

employee and benefit plans;

labor matters;

the identification of certain material contracts and the absence of any breach, violation, default or termination of the material contracts;

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the absence of legal proceedings and governmental orders against the Company or its subsidiaries;

environmental matters;

intellectual property;

tax matters;

insurance policies;

real property;

the absence of a shareholder rights plan and the inapplicability of any anti-takeover law to the merger;

customers;

the absence of any undisclosed broker's or finder's fees; and

acknowledgment as to absence of any other representations and warranties.

Many of the Company's representations and warranties are qualified as to, among other things, "materiality" or "material adverse effect." For purposes of the merger agreement, "material adverse effect" means any fact, event, circumstance, development, condition, change, occurrence or effect, individually or in the aggregate with all other facts, events, circumstances, developments, conditions, changes, occurrences or effects, that (i) is or reasonably would be expected to be materially adverse to the business, assets, financial condition or results of operations of the Company and its subsidiaries taken as a whole, or (ii) prevents or reasonably would be expected to prevent the consummation of the transactions contemplated by the merger agreement in accordance with its terms; provided that none of the following, either alone or in combination, will constitute or be taken into account in determining whether a "material adverse effect" has occurred:

changes affecting the economic conditions or financial markets generally in any country or region in which the Company or any of its subsidiaries conducts business (it being understood that any fact, event, circumstance, development, condition, change, occurrence or effect giving rise to such changes may be taken into account in determining whether a Company material adverse effect has occurred or reasonably would be expected to occur, to the extent it has a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to the other participants in the industries and geographic markets in which the Company and its subsidiaries conduct their businesses);

changes in (i) GAAP, (ii) any applicable laws, rules or regulations or (iii) directives or policies of a governmental entity of general applicability that are binding on the Company or its subsidiaries other than as a result of any breach by the Company, any of its subsidiaries or any of their representatives of any such directives, policies or other laws or, in the case of (ii) or (iii), any interpretation thereof after the date of the merger agreement (it being understood that any fact, event, circumstance, development, condition, change, occurrence or effect giving rise to such changes may be taken into account in determining whether a Company material adverse effect has occurred or reasonably would be expected to occur, to the extent it has a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to the other participants in the industries and geographic markets in which the Company and its subsidiaries conduct their businesses);

changes that are the result of factors generally affecting the industries in which the Company and its subsidiaries operate (it being understood that any fact, event, circumstance, development, condition, change, occurrence or effect giving rise to such changes may be taken into account in

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determining whether a Company material adverse effect has occurred or reasonably would be expected to occur, to the extent it has a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to the other participants in the industries and geographic markets in which the Company and its subsidiaries conduct their businesses);

effects resulting from the public announcement of the merger agreement and the transactions contemplated thereby, including, without limitation, the initiation of litigation or other legal proceeding by any person with respect to the merger agreement or the transactions contemplated thereby or any losses of employees;

the Company's failure to meet any estimates, forecasts or expectations of the Company's revenue, earnings or other financial performance or results of operation or a change in the Company's credit ratings (it being understood that any fact, event, circumstance, development, condition, change, occurrence or effect causing, contributing to or resulting from such failure to meet any estimates, forecasts or expectations or such change in credit ratings may be taken into account in determining whether a Company material adverse effect has occurred or reasonably would be expected to occur);

natural disasters, declarations of war, acts of sabotage or terrorism or armed hostilities, in each case occurring after the date of the merger agreement (it being understood that any fact, event, circumstance, development, condition, change, occurrence or effect giving rise to such changes may be taken into account in determining whether a Company material adverse effect has occurred or reasonably would be expected to occur, to the extent it has a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to the other participants in the industries and geographic markets in which the Company and its subsidiaries conduct their businesses);

changes in the market price or trading volume of the Company common stock (it being understood that any fact, event, circumstance, development, condition, change, occurrence or effect causing or contributing to such change in market price or trading volume may be taken into account in determining whether a Company material adverse effect has occurred or reasonably would be expected to occur);

actions taken (or omitted to be taken) at the request of Parent; or

effects resulting from the identity of Parent or its affiliates.

The representations and warranties made by Parent and Merger Sub to the Company include representations and warranties relating to, among other things:

their due organization, existence and good standing;

their corporate power and authority to execute and deliver, to perform their obligations under and to consummate the transactions contemplated by the merger agreement, and the enforceability of the merger agreement against them;

the absence of violations of, or conflicts with, their governing documents, applicable law and certain agreements as a result of entering into and performing under the merger agreement and consummating the transactions contemplated by the merger agreement;

governmental consents and approvals;

the absence of legal proceedings against Parent and Merger Sub;

Parent ownership of Merger Sub and the operations of Merger Sub;

sufficiency of funds in the financing contemplated by the debt financing commitment letter, the equity financing commitment letter and the rollover agreement;

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the absence of contingencies related to the funding of the financing other than as set forth in the debt financing commitment letter or the equity financing commitment letter;

Parent not having any reason to believe the conditions to the financing and the rollover agreement will not be satisfied or that the financing and the equity rollover contribution will not be available;

the absence of any default under the debt financing commitment letter, the equity financing commitment letter and the rollover agreement;

the absence of any undisclosed broker's or finder's fees;

the execution and the validity and enforceability of a limited guarantee of certain obligations of Parent and the lack of any default thereunder;

solvency of Parent and the surviving corporation immediately following consummation of the merger;

the absence of ownership or any other economic interests in the Company, other than as result of the merger agreement and the other agreements contemplated thereby;

the absence of certain agreements;

the absence of any side letters or other agreements between the Sponsors or their affiliates and the Rollover Investors or their affiliates relating to the transactions contemplated by the merger agreement;

acknowledgement as to independent investigation, review and analysis of the Company and its subsidiaries and adequate access provided by the Company; and

acknowledgement as to non reliance of any estimates, forecasts, projections, forecasts, plans and budgets provided by the Company.

The representations and warranties of each of the parties to the merger agreement will expire upon the effective time of the merger.

Conduct of Our Business Pending the Merger

Under the merger agreement, the Company has agreed that, subject to certain exceptions in the merger agreement and disclosure schedules delivered by the Company in connection with the merger agreement, between the date of the merger agreement and the effective time, unless Parent gives its prior written consent (which cannot be unreasonably withheld, conditioned or delayed), the Company and its subsidiaries will cause their businesses to be conducted in the ordinary course consistent with past practice in all material respects and the Company and its subsidiaries will use their reasonable best efforts to keep available the services of the current officers, key employees and consultants of the Company and its subsidiaries and to preserve the current relationships of the Company and its subsidiaries with each of the key customers, suppliers and other persons with whom the Company or any of and its subsidiaries has material business relations.

Subject to certain exceptions set forth in the merger agreement and disclosure schedules the Company delivered in connection with the merger agreement, unless the Parent consents in writing (which cannot be unreasonably withheld, conditioned or delayed), neither the Company nor its subsidiaries will, directly or indirectly, take any of the following actions:

amend or otherwise change the governing documents of the Company or its subsidiaries;

issue, deliver, sell, pledge, transfer, encumber or otherwise dispose of, or authorize, propose or agree to the issuance, delivery, sale, pledge, transfer, encumbrance or disposition of, any shares

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of any class or series of its capital stock or other equity interests, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class or series of its capital stock or other equity interests;

declare, set aside, establish a record date for, make or pay any dividend or other distribution with respect to any of its capital stock, or enter into any agreement with respect to the voting of its capital stock;

reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire or offer to acquire any of its capital stock or other equity or securities interests;

acquire any interest in any person or any assets thereof, or make any loan, advance or capital contribution to, or investment in, any person, except any such acquisitions, loans, advances, contributions or investments that are consistent with past practice and are for consideration not in excess of $300,000 individually or $1,000,000 in the aggregate for all such transactions by the Company and its subsidiaries;

redeem, repurchase, prepay, defease, cancel, incur or otherwise acquire, or modify the terms of, any indebtedness or issue any debt securities or other contracts evidencing indebtedness or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person for indebtedness, except for (A) indebtedness incurred under the Company's or any of its subsidiary's existing credit facilities as in effect on the date of the merger agreement in an aggregate amount not to exceed the maximum amount authorized under the contracts evidencing such indebtedness, (B) indebtedness for borrowed money incurred in the ordinary course of business consistent with past practices in a principal amount not in excess of $1,000,000 for all such indebtedness by the Company and its subsidiaries in the aggregate and (C) indebtedness owed by any subsidiary to the Company or any wholly-owned subsidiary of the Company;

grant any lien on the assets of the Company or any of its subsidiaries having a value in excess of $3,500,000;

sell, transfer, lease, license, assign or otherwise dispose of any entity, business, tangible assets or tangible properties of the Company or any of its subsidiaries having a current value in excess of $1,000,000 in the aggregate (other than the sale of inventory in the ordinary course of business consistent with past practice);

sell, transfer, license, assign or otherwise dispose of, abandon, permit to lapse or fail to maintain or enforce any material Company intellectual property owned by the Company or its subsidiaries, or disclose to any person any confidential information;

authorize, or make any commitment with respect to, any single capital expenditure in excess of $100,000 or capital expenditures for the Company and its subsidiaries in excess of $400,000 in the aggregate;

enter into any new line of business outside of its existing business segments;

(A) grant or announce any stock option, equity, equity-linked or incentive awards or change the vesting dates of any Company option or Company restricted stock, (B) grant or announce any increase in the salaries, bonuses or other compensation and benefits payable by the Company or its subsidiaries to any of the employees, officers, directors, shareholders or other service providers of the Company or its subsidiaries having a total annual base salary and incentive compensation opportunity in excess of $100,000, other than in the ordinary course of business consistent with past practice, (C) hire (or enter into any employment agreements with) any employees having a total annual base salary and incentive compensation opportunity in excess of $100,000, (D) pay or agree to pay any pension, retirement allowance, termination or severance pay, bonus or other employee benefit not required by any existing benefit plan or (E) enter into or adopt any new, or materially increase benefits under or renew, amend or terminate any existing benefit plan or benefit arrangement or any

collective bargaining agreement;

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make any change in accounting principles, policies, practices, procedures or methods;

change any method of tax accounting, make or change any tax election, adopt or change any accounting method, file any amended tax return, settle or compromise any tax liability, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of taxes, enter into any closing agreement with respect to any tax, surrender any right to claim a tax refund or fail to pay any material taxes as they become due and payable, except taxes which are being or may be contested in good faith after the date of the merger agreement;

settle, release, waive or compromise any pending or threatened action of or against the Company or any of its subsidiaries (A) for an amount in excess of $500,000 in the aggregate, (B) entailing the incurrence of (x) any obligation or liability of the Company or any of its subsidiaries in excess of such amount, or (y) obligations that would impose any material restrictions on the business or operations of the Company or any of its subsidiaries, or (C) that is brought by or on behalf of any current, former or purported holder of any capital stock or debt securities of the Company or any of its subsidiaries relating to the transactions contemplated by the merger agreement;

(A) enter into, terminate or materially amend or modify any material contract, or (B) waive any material default under, or release, settle or compromise any material claim against the Company or liability or obligation owing to the Company under any material contract, in each case, which would reasonably be expected to adversely impact the Company or any of its subsidiaries in any material respect;

adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries; or

knowingly commit, authorize or agree to take any of the foregoing actions or enter into any letter of intent (binding or non-binding) or similar agreement or arrangement with respect to any of the foregoing actions.

Solicitation of Acquisition Proposals

Until 11:59 p.m., New York City time, on July 14, 2011, the Company is permitted to:

solicit, initiate, facilitate and encourage any acquisition proposal from any third party, including by way of providing access to information pursuant to one or more acceptable confidentiality agreements, (provided that the Company promptly make any material non-public information provided to any such third party available to Parent and Merger Sub if not previously made available to Parent or Merger Sub); and

enter into, continue or otherwise participate in any discussions or negotiations with respect to any acquisition proposal or otherwise cooperate with or assist or participate in or facilitate any such discussions or negotiations or any effort or attempt to make any acquisition proposal.

Notwithstanding the foregoing, the Company should not provide any commercially sensitive non-public information to any competitor in connection with the actions contemplated by the foregoing, except in a manner consistent with the Company's past practice in dealing with the disclosure of such information in the context of considering acquisition proposals prior to the date of the merger agreement.

From and after 12:00 a.m., New York City time, on July 15, 2011, the Company is required to immediately cease all discussions and negotiations with any persons that may be ongoing with respect to an acquisition proposal, except as may relate to any continuing party (as defined below), and must

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deliver a written notice to each such person to the effect that the Company is ending all discussions and negotiations with such person with respect to any acquisition proposal, and the notice will also request such person to promptly return or destroy all confidential information concerning the Company and the Company's subsidiaries. Until the effective time or, if earlier, the termination of the merger agreement, the Company, its subsidiaries and its representatives may not:

- initiate, solicit, propose or knowingly encourage or facilitate any inquiries or the making of an acquisition proposal;
- engage in, continue or otherwise participate in any discussions or negotiations with any person with respect to any acquisition proposal;
- grant any waiver, amendment or release under any standstill or confidentiality agreement or takeover statutes;
- approve, endorse, recommend, execute or enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement or other similar agreement with respect to any acquisition proposal, or that requires the Company to abandon the merger agreement or the merger; or
- resolve, agree or publicly announce an intention to do any of the foregoing.

Notwithstanding the foregoing, until 11:59 p.m., New York City time, on July 29, 2011, the Company may continue to engage in the activities permitted during the period prior to 11:59 p.m., New York City time, on July 14, 2011 as described above with respect to any acquisition proposal submitted by a continuing party (as defined below) on or before 11:59 p.m., New York City time, on July 14, 2011.

At any time from and after 12:00 a.m., New York City time, on July 15, 2011 and prior to the time the Company's shareholders approve the merger agreement, if the Company receives a bona fide written acquisition proposal that did not result from a breach of the Company's "no-shop" obligations in any material respect, the Company and its representatives may, subject to compliance with the other provisions contained in the merger agreement and acting under the direction of the special committee: (i) contact the person who has made such acquisition proposal to clarify and understand the terms and conditions thereof to the extent the special committee will have determined in good faith that such contact is necessary to determine whether such acquisition proposal constitutes a superior proposal or is reasonably likely to result in a superior proposal; (ii) provide information in response to the request of the person who has made such acquisition proposal, if and only if, prior to providing such information, the Company has received from the person so requesting such information an executed acceptable confidentiality agreement, provided that the Company shall promptly make available to Parent any material non-public information concerning the Company and its subsidiaries that is provided to any person making such acquisition proposal that is given such access and that was not previously or concurrently made available to Parent or the Parent's representatives; or (iii) engage or participate in any discussions or negotiations with the person who has made such acquisition proposal; provided that prior to taking any action described in (ii) or (iii) above, (x) the special committee shall have determined in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable laws, and (y) the special committee shall have determined in good faith, based on the information then available and after consultation with its independent nationally recognized financial advisor and outside legal counsel, that such acquisition proposal either constitutes a superior proposal or is reasonably likely to result in a superior proposal. Notwithstanding the foregoing, the Company shall not provide any commercially sensitive non-public information to any competitor in connection with the actions permitted by (ii) above, except in a manner consistent with the Company's past practice in dealing with the

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disclosure of such information in the context of considering acquisition proposals prior to the date of the merger agreement.

Except as permitted by the terms of the merger agreement described below, the Company has agreed in the merger agreement that the board of directors will not (i) withhold, withdraw, qualify or modify, in a manner adverse to Parent or Merger Sub, its recommendation with respect to the merger, (ii) adopt, approve or recommend or propose to adopt, approve or recommend (publicly or otherwise) an acquisition proposal, (iii) publicly take, disclose a position with regard to or issue any statement referencing an acquisition proposal (other than a "stop, look and listen" communication or a statement that the board of directors has received and is currently evaluating such acquisition proposal) that is not an express rejection of any applicable acquisition proposal or an express reaffirmation of its recommendation in favor of the transactions contemplated by the merger agreement, (iv) fail to include its recommendation in this proxy statement, (v) cause or permit the Company or any of its subsidiaries to enter into any letter of intent, memorandum of understanding or similar document or contract relating to any acquisition proposal (any action listed in (i) through (v) is referred to herein as a "**company adverse recommendation change**"); or (vi) cause or permit the Company or any of its subsidiaries to enter into any acquisition agreement, merger agreement or other similar definitive agreement relating to any acquisition proposal.

Prior to the time the Company receives the shareholder approval of the merger agreement, the special committee may (i) in response to certain intervening events, (A) effect a company adverse recommendation change and/or (B) authorize the Company to terminate the merger agreement or (ii) if the Company has received an acquisition proposal from any person (either before or after July 14, 2011) that is not withdrawn and that the special committee concludes in good faith constitutes a superior proposal, (A) effect a company adverse recommendation change with respect to such superior proposal and/or (B) authorize the Company to terminate the merger agreement to enter into an alternative acquisition agreement with respect to such superior proposal, in the case of both clause (i) and (ii), if and only if:

the special committee determines in good faith, after consultation with its independent nationally recognized financial advisor and outside legal counsel, that failure to do so would be inconsistent with the directors' fiduciary duties under applicable laws;

prior to effecting a company adverse recommendation change or terminating the merger agreement to enter into an alternative acquisition agreement in accordance with (ii) above, (A) the Company must have provided prior written notice to Parent at least five (5) business days in advance, to the effect that the Company has received an acquisition proposal that is not withdrawn and that the special committee concludes in good faith constitutes a superior proposal and, absent any revision to the terms and conditions of the merger agreement, the special committee has resolved to effect a company adverse recommendation change and/or to terminate the merger agreement, which notice shall specify the identity of the party making the superior proposal, the material terms thereof and copies of all relevant documents relating to such superior proposal, and (B) the Company must (1) negotiate with Parent and the Parent representatives in good faith (to the extent Parent desires to negotiate) to make such adjustments in the terms and conditions of the merger agreement, so that such acquisition proposal would cease to constitute a superior proposal, and (2) permit Parent and the Parent representatives to make a presentation to the board of directors and the special committee regarding the merger agreement and any adjustments with respect thereto (to the extent Parent desires to make such presentation); provided that in the event of any material revisions to the acquisition proposal that the board of directors has determined to be a superior proposal, the Company shall deliver a new written notice at least two (2) business days in advance to Parent and to comply with the applicable requirements.

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prior to or concurrently with terminating the merger agreement to enter into an alternative acquisition agreement in accordance with (i) B or (ii) (B) above, the Company shall pay a termination fee to Parent.

Nothing in the provisions of the merger agreement relating to acquisition proposals prohibits the Company, the board of directors or the special committee from (i) complying with its disclosure obligations under U.S. federal or state law with regard to an acquisition proposal, including taking and disclosing to its shareholders a position contemplated by Rule 14d-9 or Rule 14e-2(a) under the Exchange Act; provided that any such disclosure that is not an express rejection of any applicable acquisition proposal or an express reaffirmation of its recommendation in favor of the transactions contemplated by the merger agreement shall be deemed to be a company adverse recommendation change, or (ii) making any "stop-look-and-listen" communication of the type contemplated by Rule 14d-9(f) under the Exchange Act.

After July 14, 2011, the Company agrees that it will promptly (and, in any event, within 48 hours) notify Parent if any acquisition proposals are received by, any non-public information is requested from, or any discussions or negotiations are sought to be initiated or continued with, the Company, the board of directors, the special committee or any Company representative indicating, in connection with such notice, the identity of the Person or group of persons making such offer or proposal, the material terms and conditions of any proposals or offers and thereafter shall keep Parent reasonably informed, on a prompt basis (in any event, within 48 hours), of the status and terms of any such proposals or offers (including any amendments thereto that are material in any respect) and the status of any such discussions or negotiations, including any change in the Company's intentions as previously notified.

None of the Company, the board of directors or any committee of the Board shall enter into any binding agreement or Contract with any Person to limit or not to give prior notice to Parent of its intention to effect a company adverse recommendation change or to terminate the merger agreement in light of a superior proposal.

In this proxy statement, a "**continuing party**" refers to any person that submits to the Company (i) an acquisition proposal after the execution of the merger agreement and prior to 11:59 p.m., New York City time, on July 14, 2011 that the special committee determines, as of July 14, 2011, in good faith (after consultation with its independent financial advisor and outside legal counsel) is bona fide and would reasonably be expected to result in a superior proposal; and (ii) a written representation by such person to the effect that such person will provide at least 50% of the equity financing (measured by both voting power and value) at all times from the date of the making of the acquisition proposal through the consummation of the acquisition proposal, and is engaged in good faith discussions with the Company with respect to such acquisition proposal immediately prior to 11:59 p.m., New York City time, on July 14, 2011.

In this proxy statement, an "**acquisition proposal**" means any proposal or offer relating to (i) the acquisition, directly or indirectly, of twenty percent (20%) or more of the outstanding Company common stock by any third party, (ii) any merger, consolidation, business combination, reorganization, share exchange, sale of assets, recapitalization, equity investment, joint venture, liquidation, dissolution or other transaction which would result in any third party directly or indirectly acquiring assets (including capital stock of or interest in any subsidiary or affiliate of the Company) representing twenty percent (20%) or more of the assets of the Company and its subsidiaries, taken as a whole, or to which twenty percent (20%) or more of the Company's consolidated revenues, net income and earnings before interest, taxes and depreciation are attributable, (iii) any tender offer or exchange offer, as such terms are defined under the Exchange Act, that, if consummated, would result in any third party beneficially owning directly or indirectly twenty percent (20%) or more of the outstanding Company common stock, or (iv) any combination of the foregoing, in each case other than the merger.

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In this proxy statement, a "**superior proposal**" means a bona fide written acquisition proposal (with all of the percentages included in the definition of acquisition proposal increased to fifty percent (50%)) that is not obtained in violation of the "go-shop" obligations of the merger agreement and which the board of directors (upon recommendation of the special committee) determines in good faith, if consummated, would result in a transaction more favorable to the shareholders of the Company from a financial point of view than the transactions provided for in the merger agreement after (i) consultation with its independent nationally recognized financial advisor and outside legal counsel and (ii) taking into consideration such factors as the special committee considers appropriate, which shall include, among other things, all of the terms, conditions, financing, regulatory approvals, expected timing and risk and likelihood of consummation and other relevant events and circumstances (in each case taking into account any revisions to the merger agreement made or proposed in writing by Parent prior to the time of determination).

Shareholders' Meeting

The Company is required to take all reasonable action necessary to duly call, give notice of and hold a meeting of its shareholders in accordance with the FBCA and its governing documents as promptly as practicable after the SEC confirms that it has no further comments on this proxy statement for the purpose of obtaining the shareholder approvals required by the merger agreement, unless it is on or before July 14, 2011 or, in the event the Company is continuing to engage in activities with respect to an acquisition proposal submitted by a continuing party on or before July 29, 2011.

The Company may adjourn or postpone the shareholders meeting to the extent necessary to ensure that any supplement or amendment to this proxy statement is provided to its shareholders within a reasonable number of days prior to the shareholders meeting and the Company may adjourn or postpone the shareholders meeting, and Parent may on only one occasion require the Company to, adjourn or postpone the shareholders meeting, if as of the time for which the shareholders meeting is originally scheduled there are insufficient shares of common stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the shareholders meeting or voting in favor of approval of the merger agreement and the transactions contemplated thereby to obtain the shareholder approval; provided that in no event shall any such adjournment or postponement (x) be longer than thirty (30) days after the originally scheduled meeting date or (y) result in the shareholders meeting being held later than November 10, 2011. Subject to the provisions of the merger agreement discussed above under "*The Merger Agreement Solicitation of Acquisition Proposals*", the board of directors will make the recommendation and take all actions reasonably necessary to solicit and obtain the shareholder approvals required by the merger agreement. .

In the event the Company effects a company adverse recommendation change, the Company will not be required to submit the merger agreement to the shareholders for the purpose of obtaining the shareholder approvals.

Reasonable Best Efforts

Subject to the terms and conditions set forth in the merger agreement, Parent, Merger Sub and the Company have agreed to cooperate with each other and use (and shall cause their respective subsidiaries to use) their respective reasonable best efforts to take or cause to be taken all actions and do or cause to be done all things reasonably necessary, proper or advisable on its respective part under the merger agreement and applicable laws to cause the closing conditions to be satisfied and to consummate and make effective the merger and the other transactions contemplated thereby as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, approvals, registrations, authorizations, waivers, permits and orders necessary or advisable to be

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obtained from any third party and/or any governmental entity in order to consummate the merger or any of the other transactions contemplated by the merger agreement.

Financing; Financing Assistance

Each of Parent and Merger Sub agreed to use its reasonable best efforts to arrange the financing in a timely manner, including use its reasonable best efforts to (i) negotiate and enter into definitive debt financing agreements, (ii) satisfy, or cause its representatives to satisfy, all conditions in the debt financing agreements and the equity financing commitment letter that are within its control, (iii) cause the lenders and any other persons providing the debt financing to fund the debt financing at or prior to the closing, (iv) subject to the terms and conditions of the equity financing commitment letter, cause the sponsors to fund the equity financing at or prior to the closing, and (v) subject to the terms and conditions of the debt financing commitment letter and the equity financing commitment letter, draw upon and consummate the financing at or prior to the closing. Each of Parent and Merger Sub will also use its reasonable best efforts to consummate the transactions contemplated by the rollover agreement immediately prior to the closing.

If any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the debt financing commitment letter or the debt financing agreements, (i) Parent shall promptly so notify the Company, and (ii) each of Parent and Merger Sub shall use its reasonable best efforts to arrange to obtain alternative debt financing from the same or alternate sources, as promptly as practicable following the occurrence of such event (and in any event no later than November 1, 2011), on terms and conditions not materially less favorable, in the aggregate, to Parent and Merger Sub than those contained in the debt financing commitment letter, the debt financing agreements and any related fee letter, in an amount sufficient to consummate the merger and other transactions contemplated by the merger agreement, and to enter into new definitive agreements with respect to such alternate financing.

For the purpose of the foregoing, Parent and Merger Sub shall, upon the request of the Company, execute requisite new financing documents or arrange for such alternate financing; provided that the terms and conditions thereof are not materially less favorable to Parent and Merger Sub, in the aggregate, than those included in the debt financing commitment letter and the debt financing agreements that such new financing documents are replacing.

Neither Parent nor Merger Sub shall agree to or permit any amendments or modifications to, or grant any waivers of, any condition or other provision under the financing commitment letters and the debt financing agreements without the prior written consent of the Company (which shall not be unreasonably withheld, conditioned or delayed) if such amendments, modifications or waivers would (i) reduce the aggregate amount of the financing (unless the equity financing or debt financing, as the case may be, is increased by an amount corresponding to such reduction) or (ii) impose new or additional conditions that would reasonably be expected to (A) prevent or materially delay the ability of Parent or Merger Sub to consummate the merger and the other transactions contemplated by the merger agreement or (B) adversely impact the ability of Parent or Merger Sub to enforce its rights against the other parties to the financing commitment letters or debt financing agreements. Neither Parent nor Merger Sub shall release or consent to the termination of the obligations of the lenders or the sponsors under the financing commitment letters or debt financing agreements, except as expressly contemplated thereby.

Each of Parent and Merger Sub acknowledges and agrees that neither the obtaining of the financing or any alternate financing is a condition to the closing, and reaffirms its obligation to consummate the transactions contemplated by the merger agreement irrespective and independently of the availability of the financing or any alternate financing, subject to the applicable conditions set forth in the merger agreement.

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Parent is required to keep the Company informed on a reasonably current basis of the status of Parent and Merger Sub's efforts to arrange the financing or any alternate financing.

Prior to the closing, the Company shall, and shall cause each wholly-owned Company subsidiary to, and shall use its reasonable best efforts to cause its non-wholly-owned subsidiaries and representatives to, at Parent's sole cost and expense, provide to Parent cooperation reasonably requested by Parent in connection with, and customary for, the arrangement of the financing, including:

participating in a reasonable number of meetings, presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies;

assisting with the preparation of materials for rating agency presentations, offering documents, private placement memoranda, bank information memoranda, prospectuses and similar documents required in connection with the financing; provided that any private placement memoranda or prospectuses shall contain disclosure and financial statements reflecting the surviving corporation and/or its subsidiaries as the obligor;

executing and delivering any pledge and security documents, currency or interest hedging arrangements, other definitive financing documents, or other certificates or documents as may be reasonably requested by Parent or otherwise reasonably facilitating the pledging of collateral; provided that such documents will not take effect until the effective rime;

furnishing Parent and its financing sources as promptly as practicable with financial and other pertinent information regarding the Company and its subsidiaries as may be reasonably requested by Parent, including all financial statements and projections and other pertinent information required by the debt financing commitment letter or as otherwise required in connection with the debt financing and the transactions contemplated by the merger agreement customary for the placement, arrangement and/or syndication of loans or distribution of debt contemplated by the debt financing commitment letter to assist in preparation of customary offering or information documents or rating agency or lender or investor presentations relating to such placement, arrangement and/or syndication of loans);

providing financial statements to the extent the Company customarily prepares such financial statements within the time frame such statements are prepared;

taking all actions reasonably necessary to (i) permit the prospective lenders involved in the financing to evaluate the Company and its subsidiaries' current assets, cash management and accounting systems, policies and procedures relating thereto for the purpose of establishing collateral arrangements and (ii) establish bank and other accounts and blocked account agreements and lock box arrangements in connection with the foregoing; provided that such accounts, agreements and arrangements should not become active or take effect until the effective time; and

furnishing Parent and its financing sources promptly with all documentation and other information required by governmental entities with respect to the financing under applicable "know your customer" and anti-money laundering rules and regulations.

However, nothing in the financing cooperation described in the above would (i) require the Company to pay or agree to pay any fees, reimburse any expenses or give any indemnities prior to the effective time (it being understood, however, the Company shall bear all costs and expenses of its annual audit) or (ii) unreasonably interfere with the ongoing operations of the Company or the its subsidiaries.

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Indemnification; Directors' and Officers' Insurance

From and after the effective time, the surviving corporation shall indemnify and hold harmless, to the fullest extent required by the Company's governing documents and, without limiting the foregoing, as required pursuant to any indemnity agreements of the Company or any of its subsidiaries in effect on the date of the merger agreement, each present and former director and officer of the Company and each subsidiary against any costs or expenses (including attorneys' fees and expenses), judgments, fines, losses, claims, settlements, damages or liabilities incurred in connection with any action, whether civil, criminal, administrative or investigative, arising out of or pertaining to such indemnified party's service as a director or officer of the Company or any of its subsidiaries or services performed by such person at the request of the Company or any of its subsidiaries, including (i) any and all matters pending, existing or occurring at or prior to the effective time, whether asserted or claimed prior to, at or after the effective time, and (ii) any claim arising from the transactions contemplated in the merger agreement, and any actions taken by Parent and/or Merger Sub with respect thereto. Out-of-pocket expenses (including attorneys' fees and expenses) actually incurred by any indemnified party in connection with the defense of any action for which indemnification may be available shall, if requested by the indemnified party, be paid by the surviving corporation in advance of the final disposition of such action (and in any event within thirty (30) days of request for reimbursement by such Indemnified Party) upon receipt of an irrevocable undertaking by the indemnified party to repay such amount if it shall ultimately be determined that such indemnified party is not entitled to be indemnified by the surviving corporation.

Parent shall cause the surviving corporation as of the effective time to, obtain and fully pay the premium for the extension of the directors' and officers' liability coverage of the Company's existing directors' and officers' insurance policies, for a claims reporting or discovery period of at least six (6) years from and after the effective time with respect to any claim related to any period or time at or prior to the effective time from an insurance carrier with the same or better credit rating as the Company's current insurance carrier with respect to directors' and officers' liability insurance and fiduciary liability with terms, conditions, retentions and limits of liability that are at least as favorable as the coverage provided under the Company's existing policy with respect to any matter claimed against a director or officer of the Company or any Company Subsidiary by reason of him or her serving in such capacity that existed or occurred at or prior to the effective time (including in connection with the merger agreement or the transactions or actions contemplated hereby); provided that in no event shall Parent or the surviving corporation be required to expend for such policy pursuant to this sentence an annual premium amount in excess of 250% of the annual premiums currently paid by the Company for such insurance; provided, further that if the annual premiums of such insurance coverage exceed such amount, the surviving corporation shall obtain a policy with the greatest coverage available for a cost not exceeding such amount.

Prior to the effective time, the Company may at its option purchase a six-year "tail" prepaid policy on terms and conditions no less advantageous to the indemnified parties than the existing D&O insurance and for a price no greater than $300,000. If such "tail" prepaid policy has been obtained by the Company prior to the effective time, Parent shall cause the surviving corporation to maintain such policy in full force and effect, and continue to honor the respective obligations thereunder.

Other Covenants

The merger agreement contains additional agreements between the Company and Parent and/or Merger Sub relating to, among other things:

- the filing of this proxy statement and the Rule 13e-3 transaction statement on Schedule 13E-3 with the SEC (and cooperation in response to any comments from the SEC with respect to either statement);

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Parent, Merger Sub and their respect representatives' access to the Company's officers, employees, agents, properties, suppliers, customers, offices and other facilities, books, records and other information between the date of the merger agreement and the effective time (subject to all applicable legal or contractual obligations and restrictions);

notification of certain events;

coordination of press releases and other public announcements or filings relating to the merger;

resignation of directors;

matters relating to State takeover statutes;

actions to cause the disposition of our equity securities held by each individual who is a director or officer of the Company pursuant to the transactions contemplated by the merger agreement to be exempt under Rule 16b-3 promulgated under the Exchange Act;

obtaining requisite permits by the Company;

delisting and deregistration of the Company common stock.

Conditions to the Completion of the Merger

The respective obligations of the Company, Parent and Merger Sub to consummate the merger are subject to the satisfaction or waiver (in the case of the Company, upon the approval of the special committee) of the following conditions:

the merger agreement must have been duly approved by the affirmative vote of (i) shareholders holding at least seventy-five percent (75%) of the outstanding shares of the Company common stock at the close of business on the record date and (ii) unaffiliated shareholders holding more than fifty percent (50%) of the outstanding shares of the Company common stock at the close of business on the record date (other than shares owned by the Rollover Investors, Voting Shareholders, and/or any holders of Company common stock who have entered into voting agreements or other similar shareholder support agreements with Parent, Merger Sub or their affiliates following May 20, 2011, agreeing to vote in favor of the merger);

The PRC Anti-Monopoly Bureau must have issued a decision under the PRC Anti-Monopoly Law approving the merger;

No order (whether temporary, preliminary or permanent in nature) issued by any court of competent jurisdiction or other restraint or prohibition of any governmental entity is in effect, and no law has been enacted, entered, promulgated, enforced or deemed applicable by any governmental entity that, in any case, prohibits or makes illegal the consummation of the merger.

The obligations of Parent and Merger Sub to effect the merger are further subject to the satisfaction or waiver by Parent (if permissible under applicable law) as of the closing of the following additional conditions:

the representations and warranties of the Company set forth in the merger agreement (i) (other than regarding the Company's capitalization, corporate authority, compliance with anti-corruption laws, the absence of any company material adverse effect and the absence of any undisclosed broker's or finder's fee) shall be true and correct in all respects when made and as of the closing as if made at such time (or, to the extent such representations and warranties speak as of a specified date, they need only be true and correct in all respects as of such specified date), interpreted without giving effect to the words "materially" or "material" or to any qualifications based on such terms or based on the defined term "company material adverse

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effect," except where the failure of such representations and warranties to be true and correct, in the aggregate, does not constitute a company material adverse effect, (ii) regarding the Company's corporate authority and the absence of any undisclosed broker's or finder's fee, shall be true and correct in all material respects when made and as of the closing as if made at such time (or, to the extent such representations and warranties speak as of a specified date, they need only be true and correct in all material respects as of such specified date) interpreted without giving effect to the words "materially" or "material" or to any qualifications based on such terms or based on the defined term "company material adverse effect," (iii) regarding the Company's capitalization shall be true and correct in all respects when made and as of the closing as if made at such time, except for inaccuracies that do not, individually or in the aggregate, require payments at or after the closing in excess of $100,000, and (iv) regarding the Company's compliance with anti-corruption laws and the absence of any company material adverse effect shall be true and correct in all respects when made and as of the closing as if made at such time;

the Company has performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the closing;

Parent has received a certificate of a duly authorized officer of the Company confirming the satisfaction of the conditions with respect to the representations and warranties and covenants of the Company under the merger agreement described above; and

there shall not have occurred a company material adverse effect since the date of the merger agreement.

The Company's obligation to effect the merger is subject to the satisfaction or waiver by the Company (if permissible under applicable law) as of the closing of the following additional conditions:

The representations and warranties of Parent and Merger Sub contained in the merger agreement shall be true and correct in all respects when made and as of the closing as if made at such time (or, to the extent such representations and warranties speak as of a specified date, they need only be true and correct in all respects as of such specified date) interpreted without giving effect to the words "materially" or "material" or to any qualifications based on such terms, except for such failure to be true and correct which, individually or in the aggregate, have not and would not reasonably be expected to prevent, materially delay or materially impede the performance by Parent or Merger Sub of its obligations under the merger agreement;

Parent and Merger Sub shall have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by Parent and/or Merger Sub on or prior to the closing; and

The Company has received a certificate of a duly authorized officer of Parent confirming the satisfaction of the conditions with respect to the representations and warranties and covenants of the Parent and Merger Sub under the merger agreement described above.

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Termination of the Merger Agreement

The Company and Parent may, by mutual written consent duly authorized by, in the case of the Company, the special committee, and in the case of Parent, its board of directors, terminate the merger agreement and abandon the merger at any time prior to the effective time, whether before or after the approval of the merger agreement by the Company's shareholders.

The merger agreement may also be terminated at any time (whether before or after the approval of the merger agreement by the Company's shareholders, except as specified below) under the following circumstances, subject to the terms and conditions specified in the merger agreement regarding any such termination:

by either Parent or the Company, if:

- the merger has not been completed on or before 11:59 p.m., Hong Kong time, on November 15, 2011, provided that a party may not terminate the merger agreement for this reason if the failure to complete the merger by that date was primarily due to such party's material breach of any of its obligations under the merger agreement;

- (i) any order of any governmental entity having competent jurisdiction is entered enjoining the Company, Parent or Merger Sub from consummating the merger and such order has become final and nonappealable or (ii) a law has been enacted or promulgated or become applicable to the parties or the transactions contemplated by the merger agreement that makes consummation of the merger illegal or otherwise prohibited;

- our shareholders do not approve the merger agreement at the special meeting thereof at which the merger agreement has been voted upon;

by the Company, if:

- Parent or Merger Sub has breached any of its representations, warranties or covenants contained in the merger agreement, such that its breach would result in the failure of a condition to the Company's obligation to complete the merger and subject to specified notice and cure rights, so long as the Company has not breachedany of its representations, warranties or covenants contained in the merger agreement, which would result in the failure of the closing condition relating to the Company's representations, warranties or covenants to be satisfied;

- all of the conditions to closing have been satisfied or waived by Parent and Parent and Merger Sub fail to complete the closing within two (2) business days following the date the closing should have occurred pursuant to the merger agreement (depending on the circumstances, the amount of the termination fee paid by Parent may be different);

- prior to the obtaining of the shareholder approval, (i) the board of directors has, upon recommendation of the special committee, authorized the Company to enter into an alternative acquisition agreement with respect to a superior proposal and (ii) the Company has concurrently with the termination of the merger agreement entered into, or immediately after the termination of the merger agreement, enters into an alternative acquisition agreement with respect to the superior proposal, provided that the Company has paid the termination fee concurrently or in advance of such termination; or

- prior to the obtaining of the shareholder approval, the Company has effected a company adverse recommendation change, provided that the Company has paid the termination fee concurrently or in advance of termination;