CHINA SECURITY & SURVEILLANCE TECHNOLOGY, INC.
Form 424B3
November 14, 2006

PROSPECTUS

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-137752

CHINA SECURITY & SURVEILLANCE TECHNOLOGY, INC.

30,977,265 shares of common stock
$0.0001 par value per share

China Security & Surveillance Technology, Inc. or CSST Delaware, a Delaware corporation, is registering 30,977,265 shares of its common stock, or the Common Stock (including 1,768,006 shares of common stock which are issuable upon the exercise of warrants for the purchase of common stock of China Security and Surveillance Technology Inc. or CSST BVI, a British Virgin Islands company, that are being assumed by CSST Delaware, for issuance to the stockholders and warrantholders of CSST BVI, pursuant to the merger agreement between CSST Delaware and CSST BVI).

Common stock of CSST BVI, is traded on the OTC Bulletin Board under the symbol “CSSTF.OB”. The last reported bid price of the common stock of CSST BVI, on November 3, 2006 was $8.24 per share.

Investing in the common stock involves a high degree of risk. See “Risk Factors” beginning on page 8 to read about certain risks you should consider before investing in shares of our common stock.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory authority, has approved or disapproved any of these securities nor have any of the foregoing authorities passed upon or endorsed the merits of this plan of merger or the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.

Our principal executive offices are located at 4/F, East 3/B, Saige Science & Technology Park, Huaqiang, Shenzhen, China 518028 and the telephone number is (86) 755-83765666.

The date of this prospectus is November 14, 2006.

ABOUT THIS PROSPECTUS

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge to you upon written or oral request. Requests for information should be made to Guoshen Tu, CEO and President, 4/F, East 3/B, Saige Science & Technology Park, Huaqiang, Shenzhen, China 518028, telephone number (86) 755-83765666. To obtain timely delivery, you must request the information no later than November 27, 2006, which is five business days before the date you must make your investment decision.

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ANNEXES

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain or may contain "forward-looking statements." These forward-looking statements include, without limitation, those statements as to:

- the anticipated closing date of the reincorporation;
- the anticipated tax treatment of the reincorporation;
- the benefits expected to result from the reincorporation;
- our future business activity, performance and financial condition following the reincorporation;
- the perceived advantages resulting from the reincorporation; and
- the ability to retain key personnel before and after the reincorporation.

Any statements contained herein, including, without limitation, statements to the effect that we or our management "believe," "expect," "anticipate," "plan," "may," "will," "project," "continue," "estimate" or statements concerning "potential" "opportunity" or other variations thereof or comparable terminology or the negative thereof, that are not statements of historical fact should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially and adversely from those anticipated in the forward-looking statements as a result of several factors, including those set forth in "Risk Factors" beginning on page 8, which you should review carefully.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. We do not undertake any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, except as required by law.

USE OF CERTAIN TERMS

In this prospectus, all references to "we," "us," "our," "our Company," "the Company" or "CSST" are to China Security & Surveillance Technology, Inc., a Delaware corporation, and China Security and Surveillance Technology Inc., a British Virgin Islands corporation, when the distinction between the two companies is not important to the discussion. When the distinction between the two companies is important to the discussion, we use the term "CSST Delaware" to refer to China Security & Surveillance Technology, Inc., a Delaware corporation, and the term "CSST BVI" to refer to China Security and Surveillance Technology Inc., a British Virgin Islands corporation. Unless the context otherwise requires, all references to (i) "Safetech" are to China Safetech Holdings Limited, a British Virgin Islands corporation; (ii) "Golden" are to Golden Group Corporation (Shenzhen) Limited, a corporation incorporated in the People's Republic of China; (iii) "BVI" are to British Virgin Islands; (iv) "PRC" and "China" are to People's Republic of China; (v) "U.S. dollar," "$" and "US$" are to United States dollars; (vi) "RMB" are to Yuan Renminbi of China; (vii) "IBC Act" are to the BVI International Business Companies Ordinance Cap. 291; (viii) "Securities Act" are to Securities Act of 1933, as amended; and (ix) "Exchange Act" are to the Securities Exchange Act of 1934, as amended.

SUMMARY

The following is a summary that highlights information contained in this prospectus. This summary may not contain all of the information that may be important to you and it is qualified in its entirety by the more detailed information appearing elsewhere in this document or that is incorporated by reference or attached as Annexes to this document. Page references are included in parentheses to direct you to a more complete description of the items presented in this summary. You may obtain the information incorporated by reference into this prospectus without charge by following the instructions in the section entitled “Where You Can Find More Information” beginning on page 58 of this prospectus.

The Companies

CHINA SECURITY AND SURVEILLANCE TECHNOLOGY INC., A BVI CORPORATION

China Security and Surveillance Technology Inc.
4/F, East 3/B, Saige Science & Technology Park
Huaqiang, Shenzhen, China 518028
(86) 755-83765666

CSST BVI was incorporated in the BVI on April 8, 2002 under the name “Apex Wealth Enterprises Limited” as a corporation under the International Business Companies Ordinance, Cap. 291. In February 2006, it changed its name to China Security and Surveillance Technology Inc. Prior to its reverse acquisition of Safetech, which was consummated on September 12, 2005, CSST BVI was a development stage enterprise and had not yet generated any revenues. At that time, CSST BVI provided business advisory and management consulting services in greater China, initially concentrating on the Hong Kong market. The focus of these services was on small to medium size enterprises.

On September 12, 2005, CSST BVI acquired 50,000 shares of the issued and outstanding capital stock of Safetech, constituting all of the issued and outstanding capital stock of Safetech. The 50,000 shares of Safetech were acquired from the individual shareholders of Safetech in a share exchange transaction in return for the issuance of 8,138,000 shares of common stock of CSST BVI. As a result of this transaction, Safetech became a wholly-owned subsidiary of CSST BVI, and Golden became an indirect wholly-owned subsidiary of CSST BVI. Completion of the transaction resulted in a change in control of CSST BVI. After the transaction, CSST BVI was no longer a shell company and CSST BVI’s business became the business of its indirect wholly-owned subsidiary, Golden. Golden was incorporated in January 1995 in the PRC, and is engaged in the business of manufacturing, distributing, installing and maintaining security and surveillance systems, with its headquarters in Shenzhen, China.

CSST BVI’s common stock is quoted on the Over-The-Counter Bulletin Board or OTCBB in the United States under the symbol “CSSTF.OB”. CSST BVI has not appointed an agent for service of process in the United States.

CHINA SECURITY & SURVEILLANCE TECHNOLOGY, INC., A DELAWARE CORPORATION

China Security & Surveillance Technology, Inc.
4/F, East 3/B, Saige Science & Technology Park
Huaqiang, Shenzhen, China 518028
(86) 755-83765666

CSST Delaware was formed as a wholly-owned subsidiary of CSST BVI solely for the purpose of changing the domicile of CSST BVI from the BVI to the state of Delaware. CSST Delaware had no assets or operations other than incident to its formation. After the reincorporation, CSST BVI will merge with and into CSST Delaware, with CSST Delaware as the surviving company, and the current stockholders of CSST BVI will become stockholders of CSST

Delaware.

It is anticipated that the shares of common stock of CSST BVI will cease to trade on the OTCBB and the shares of common stock of CSST Delaware will begin trading under the same trading symbol on or about the effective date of the reincorporation.

The Business Combination

THE REINCORPORATION
(See page 16)

On September 30, 2006, CSST BVI and its wholly owned subsidiary CSST Delaware entered into a plan of merger, pursuant to which CSST BVI will merge with and into CSST Delaware, with CSST Delaware as the surviving corporation. The reincorporation is subject to various conditions and rights of termination described in this prospectus and the merger agreement. We have attached a copy of the merger agreement as Annex A to this prospectus. We encourage you to read carefully the merger agreement in its entirety because it is the legal document that governs the reincorporation.

WHAT YOU WILL RECEIVE IN THE REINCORPORATION
(See page 18)

In the reincorporation, each outstanding whole share of common stock of CSST BVI will convert automatically into one share of common stock of CSST Delaware. In addition, each of the outstanding warrants to purchase shares of CSST BVI common stock, if not exercised before the completion of the reincorporation, will become warrants to acquire, at the same exercise price, an identical number of shares of CSST Delaware common stock.

On the record date, there were outstanding 29,209,259 shares of CSST BVI common stock. There were also outstanding warrants to purchase a total of 1,768,006 shares of CSST BVI common stock.

CONDITIONS TO COMPLETION OF THE REINCORPORATION
(See page 18)

The completion of the merger depends on the satisfaction of a number of conditions, including, but not limited to, the following:

- approval of the merger agreement by CSST BVI’s shareholders;
- approval of the merger agreement by the board of directors of both CSST BVI and CSST Delaware;
- absence of any temporary restraining order, preliminary or permanent injunction or other legal restraints preventing consummation of the reincorporation;
- absence of any event that has or would result in the triggering of any right or entitlement of any security holder of CSST BVI that would not have been triggered absent the consummation of the reincorporation; and
- receipt of approval for quotation on the OTCBB of the shares of common stock of CSST Delaware common stock to be issued in the reincorporation.

AMENDMENT AND TERMINATION OF THE MERGER AGREEMENT
(See page 19)

The merger agreement can be terminated, even after approval by its shareholders, if the board of directors of CSST BVI determines to do so. The plan of merger can also be amended by the board of directors of CSST BVI and CSST Delaware at any time prior to its being filed with one or more of the appropriate authorities. However, under the BVI laws, if the amendment is made after shareholders of CSST BVI have approved, then the amended merger agreement should be brought before the members of CSST BVI for their approval again.

REASONS FOR THE REINCORPORATION
(See page 16)

On April 4, 2006, CSST BVI entered into a stock purchase agreement with certain investors pursuant to which CSST BVI covenanted to change its domicile from BVI to a jurisdiction within the U.S. The CSST BVI board of directors determined that the reincorporation is fair to, and in the best interests of, CSST BVI and its stockholders and has approved the merger agreement and the reincorporation based on a number of factors, including, without limitation, the following:

- perceived credibility and enhanced corporate image of being a Delaware company;
- greater flexibility of Delaware corporate law and the substantial body of case law;
- attractiveness of Delaware law to directors and officers; and
- compliance with the stock purchase agreement dated April 4, 2006, which would impose a penalty for failure to timely effect the reincorporation of CSST BVI to a jurisdiction within the U.S.

APPROVAL OF THE SHAREHOLDERS

The approval of the reincorporation requires the affirmative votes of the holders of a majority of the outstanding shares of the common stock of each of CSST BVI and CSST Delaware on the record date, which has been fixed as September 29, 2006. CSST BVI expects to receive written consent approving the merger from shareholders holding a majority of the outstanding shares of CSST BVI common stock. Approximately 65% shares of CSST BVI common stock is held by its directors, executive officers and affiliates.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES
(See page 19)

The reincorporation will qualify as a reorganization for United States federal income tax purposes. Accordingly, no gain or loss should be recognized by CSST BVI stockholders as a result of their exchange of CSST BVI common stock for the common stock of CSST Delaware.

ACCOUNTING TREATMENT

For U.S. accounting purposes, the reincorporation of our company from a BVI company to a Delaware company represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at historical cost.

REGULATORY MATTERS

The reincorporation is not subject to any federal or state regulatory requirement or approval in the United States or BVI, except for filings necessary to effectuate the transactions contemplated by the reincorporation proposals with the State of Delaware and the BVI.

DISSENTERS' RIGHTS OF APPRAISAL
(See page 29)

The laws of the BVI provide you, as a shareholder, with the right to dissent from the proposal to approve the merger agreement and with appraisal rights in relation to the value of your CSST BVI ordinary shares in the context of the reincorporation. This means that you are entitled to have the fair value of your shares determined by a committee of three appraisers and to receive payment based on that valuation. The ultimate amount you receive for your CSST BVI ordinary shares as a dissenting shareholder in an appraisal proceeding may be more or less than, or the same as, the amount you would have received under the merger agreement. Your failure to follow exactly the procedures specified under the laws of the BVI will result in the loss of your appraisal rights. See "Dissenters' Rights of Appraisal" beginning on page 29 and Annex D—Section 83 of the IBC Act.

COMPARISON OF RIGHTS OF SECURITY HOLDERS
(See page 24)

Upon completion of the reincorporation, CSST BVI stockholders will be holders of shares of CSST Delaware common stock. After that time, their rights will be governed by the Delaware General Corporation Law, which we refer to as DGCL, as well as CSST Delaware's certificate of incorporation and bylaws. The material differences between the rights of CSST BVI stockholders and those of CSST Delaware stockholders are described, beginning on page 24.

QUOTATION OF CSST DELAWARE COMMON STOCK ON THE OTCBB; REMOVAL FROM QUOTATION AND DE-REGISTERING OF CSST BVI COMMON STOCK

The completion of the merger is conditioned on the approval for quotation of the shares of CSST Delaware stock issuable in the merger (and other shares to be reserved for issuance in connection with the merger) on the OTCBB. We expect that CSST Delaware common stock will trade on the OTCBB under the symbol "CSST.OB". In addition, CSST Delaware will become a reporting company under the Exchange Act.

Following the reincorporation, CSST BVI's common stock will no longer be quoted on the OTCBB and will no longer be registered under the Exchange Act.

CERTAIN FINANCIAL INFORMATION

We have not included complete pro forma financial comparative per share information concerning CSST BVI that gives effect to the reincorporation because, immediately after the completion of the reincorporation, the consolidated financial statements of CSST Delaware will be identical to CSST BVI's financial statements immediately prior to the reincorporation, and the reincorporation will result in the conversion of each share of CSST BVI common stock into the right to receive one share of CSST Delaware common stock. In addition, we have not provided financial statements of CSST Delaware because, prior to the reincorporation, it has no assets, liabilities or operations other than incident to its formation. Following completion of the reincorporation, CSST Delaware will assume all liabilities and obligations of CSST BVI.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following selected historical financial data of CSST BVI for the years ended December 31, 2003, 2004 and 2005 have been derived from the audited consolidated financials statements of CSST BVI. The selected historical financial data of CSST BVI for the years ended December 31, 2001 and 2002 and the six months ended June 30, 2005 and 2006 were unaudited. The selected historical financial data information is only a summary and should be read in conjunction with CSST BVI's historical consolidated financials statements and related notes contained elsewhere herein.

We have not included complete pro forma financial comparative per share information that gives effect to the reincorporation because, immediately after the completion of the reincorporation, the consolidated financial statements of CSST Delaware will be identical to CSST BVI's financial statements immediately prior to the reincorporation, and the reincorporation will result in the conversion of each share of CSST BVI common stock into the right to receive one share of CSST Delaware common stock. In addition, we have not provided financial statements of CSST Delaware because, prior to the reincorporation, it has no assets, liabilities or operations other than incident to its formation. Following completion of the reincorporation, CSST Delaware will assume all liabilities and obligations of CSST BVI.

(In US Dollar)

Statement of Income Data	**Years Ended December 31,**					**Six Months Ended June 30,**	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
Revenues	$ 4,045,098	$ 10,330,847	$ 11,794,869	$ 16,055,704	$ 32,688,582	$ 12,729,441	$ 22,609,172
Income From Operations	302,445	2,234,128	3,262,057	6,130,779	7,478,842	2,441,937	6,279,225
Net Income	257,078	1,899,009	2,752,123	5,724,026	7,265,957	2,618,780	6,036,481
Weighted Average Shares (Basic & Diluted)	17,000,000	17,000,000	17,000,000	17,000,000	18,521,479	17,000,000	23,046,766
Basic & Diluted Net Income per Share	0.015	0.11	0.16	0.34	0.39	0.15	0.26

Balance Sheet Data	**Years Ended December 31,**					**Six Months Ended June 30,**
	2001	**2002**	**2003**	**2004**	**2005**	**2006**
Total Assets	$ 10,687,966	$ 13,581,661	$ 16,976,999	$ 22,008,920	$ 29,116,672	$ 59,150,650
Total Current Liabilities	1,766,061	4,126,166	5,900,469	5,208,364	4,504,926	20,076,451
Net Assets	8,921,905	9,455,495	11,076,530	16,800,556	24,611,746	39,074,198

Total Shareholders' Equity	8,592,637	8,849,715	11,076,530	16,800,556	24,611,746	39,074,198

Exchange Rate Information

We prepare our financial statements in Renminbi. This report contains translations of Renminbi amounts into U.S. dollars, and U.S. dollars into Renminbi, at RMB 8.0702 to US$1.00, the noon buying rate on December 30, 2005 in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. You should not assume that Renminbi amounts could actually be converted into U.S. dollars at these rates or at all.

Until July 20, 2005, the People's Bank of China had set and published daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. The People's Bank of China also took into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.0% against the U.S. dollar. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The People's Bank of China announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investments, loans or securities, requires the approval of the Chinese State Administration for Foreign Exchange and other relevant Chinese authorities.

The noon buying rates in The City of New York for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York were US$1.00 to RMB 7.9538, on August 31, 2006. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars for each of the periods shown.

The following table sets forth various information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve Bank of New York.

	Average	**High**	**Low**	**Period-end**
		(RMB per U.S. $1.00)		
2001 (1)	8.2770	8.2786	8.2676	8.2766
2002 (1)	8.2770	8.2800	8.2669	8.2800
2003 (1)	8.2770	8.2800	8.2765	8.2769
2004 (1)	8.2768	8.2774	8.2764	8.2765
2005 (1)	8.1900	8.2765	8.0702	8.0702
November 2005 (2)	8.0839	8.0877	8.0796	8.0796
December 2005 (2)	8.0764	8.0808	8.0709	8.0709

January 2006 (2)	8.0668	8.0705	8.0608	8.0608
February 2006 (2)	8.0500	8.0608	8.0420	8.0420
March 2006 (2)	8.0345	8.0503	8.0170	8.0170
April 2006 (2)	8.0155	8.0248	8.0040	8.0165
May 2006 (2)	8.0131	8.0300	8.0005	8.0215
June 2006 (2)	8.0042	8.0225	7.9943	7.9943
July 2006 (2)	7.9897	8.0018	7.9690	7.9690
August 2006 (2)	7.9722	7.9538	8.0000	7.9538

(1) Annual averages are calculated by averaging the rates on the last business day of each month during the relevant period.

(2) Monthly average is calculated by averaging the daily rates during the relevant period.

MARKET PRICE AND DIVIDEND INFORMATION

CSST BVI. CSST BVI's common stock has been quoted on the OTCBB since June 2005 and currently trades under the symbol "CSSTF.OB." The CUSIP number is G21161 10 7.

In February 2006, CSST BVI submitted an application for listing on the American Stock Exchange, which is pending. No assurances can be given as to whether or when the application will be approved.

The following table sets forth the quarterly high and low bid prices of a share of CSST BVI common stock as reported by the OTCBB for the periods indicated. The quotations listed below reflect inter-dealer prices, without retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

	Price (US $)	
	High	**Low**
Annual Information		
2001	N/A	N/A
2002	N/A	N/A
2003	N/A	N/A
2004	N/A	N/A
2005	4.50	0.05
Quarterly Information		
1st quarter 2004	N/A	N/A
2nd quarter 2004	N/A	N/A
3rd quarter 2004	N/A	N/A
4th quarter 2004	N/A	N/A
1st quarter 2005	N/A	N/A
2nd quarter 2005 (from June 23, 2005)	0.25	0.05
3rd quarter 2005	4.50	0.05
4th quarter 2005	3.00	1.85
1st quarter 2006	4.40	3.50
2nd quarter 2006	8.10	3.60
3rd quarter 2006	6.50	4.00
Monthly Information		
December 2005	3.00	2.25
January 2006	N/A	N/A
February 2006	4.40	3.50
March 2006	4.20	3.50
April 2006	7.25	3.60
May 2006	8.10	6.10
June 2006	6.00	5.10
July 2006	5.55	4.35
August 2006	4.85	4.00

September 2006	6.50	4.45

On September 29, 2006, the last full trading day before the announcement of the execution of the merger agreement, the closing per share sales price for the CSST BVI common stock was $6.70 on the OTCBB. As of September 29, 2006, there were approximately 53 holders of record of CSST BVI common stock.

CSST Delaware. CSST Delaware common stock is not publicly traded, and market price information is therefore not available. We expect that CSST Delaware common stock will trade on the OTCBB under the symbol "CSST.OB" immediately after the consummation of the reincorporation.

HOLDERS

The number of holders of record for CSST BVI's common stock as of September 29, 2006 was approximately 53. This number excludes the 4,483,000 shares of CSST BVI common stock owned by individual stockholders holding stock under nominee security position listings.

DIVIDEND INFORMATION

CSST BVI has never declared or paid cash dividends on its shares of common stock. CSST Delaware anticipates that any earnings will be retained for development and expansion of its business and does not anticipate paying any cash dividends in the near future. CSST Delaware's board of directors has sole discretion to pay cash dividends based on its financial condition, results of operation, capital requirements, contractual obligations and other relevant factors.

RISK FACTORS

The following factors should be considered together with the other information included in this prospectus, including the Annexes. Any of the following risks could materially adversely affect our business, operating results and financial condition. You should consider these factors in conjunction with the other information contained in this prospectus and the Annexes.

RISKS FACTORS RELATING TO THE REINCORPORATION

The rights of CSST BVI stockholders will differ from their rights as CSST Delaware security holders, which could provide less protection to the CSST BVI stockholders following the reincorporation.

Upon the consummation of the reincorporation, CSST BVI stockholders will become holders of CSST Delaware common stock. Material differences exist between the rights of CSST Delaware stockholders under CSST Delaware's charter documents, bylaws, and Delaware law and the rights of CSST BVI stockholders under CSST BVI's charter documents, bylaws and BVI law, which differences could provide less protection to CSST BVI stockholders and give more discretion to the officers and directors of CSST Delaware.

Upon the completion of the reincorporation, shares eligible for future sale could impact the price of CSST Delaware common stock.

A large portion of CSST BVI's common stock is "restricted securities" as that term is defined in Rule 144 under the Securities Act. Upon the completion of the reincorporation, substantially all of the outstanding shares of our common stock, other than shares held by our officers, directors and other affiliates, will become freely tradable. The shares held by officers, directors and other affiliates will be subject to the transfer restrictions imposed by Rule 145 of the Securities Act. In order to remove the transfer restrictions arising under Rule 145 of the Securities Act from the shares of CSST Delaware common stock that will be held by persons who may be treated as affiliates and are not officers or directors of CSST Delaware after the reincorporation, we are filing a separate registration statement on Form S-1 that will relate to the resale of these shares. Approximately, 4,883,334 shares will be covered by the S-1 registration statement. The price of our common stock may be subject to significant fluctuation in the future, including as a result of the availability of shares for future sale.

As of November 3, 2006, there were 29,209,259 shares of CSST BVI common stock outstanding. In addition, CSST BVI has 1,768,006 shares of common stock reserved for issuance under existing warrants with exercise prices varying from $1.85 to $4.80 per share. Under the merger agreement, all shares of CSST BVI common stock will automatically convert into shares of CSST Delaware common stock and CSST Delaware will assume the existing CSST BVI warrants. Sales of any shares of CSST Delaware common stock and common stock underlying the warrants, depending on the volume, could adversely affect the trading price of our common stock after the completion of the reincorporation.

The proposed reincorporation may result in substantial direct and indirect costs whether or not completed.

The reincorporation may result in substantial direct costs. These costs and expenses are expected to consist primarily of attorneys' fees, accountants' fees, filing fees, mailing expenses and financial printing expenses. The reincorporation may also result in certain indirect costs by diverting the attention of our management and employees from our business with resulting increased administrative costs and expenses. In addition, upon the consummation of the reincorporation, we will become a U.S. domestic issuer and will incur more costs and expenses in compliance with our public company reporting obligations because a U.S. domestic issuer is subject to more stringent obligations as compared that of a foreign private issuer. For example, we will be required to issue quarterly reports and proxy statements and will be required to file annual reports within three months of the close of our fiscal year instead of six months.

RISKS FACTORS RELATING TO OUR COMPANY

Risks Related to Our Business

Due to the nature of our business, we do not have significant amounts of recurring revenues from our existing customers and we are highly dependent on new business development.

Most of our revenues derive from the installation of security and surveillance systems which are generally non-recurring. Our customers are mainly government entities, non-profit organizations and commercial entities (including airports, customs agencies, hotels, real estate developments, banks, mines, railways, supermarkets, and entertainment enterprises). We manufacture and install security systems for these customers and generate revenues from the sale of these systems to our customers and, to a lesser extent, from maintenance of these systems for our customers. After we have manufactured and installed a system at any particular customer site, we have generated the majority of revenues from that particular client. We would not expect to generate significant revenues from any existing client in future years unless that client has several possible installation sites. Therefore, in order to maintain a level of revenues each year that is at or in excess of the level of revenues we generated in prior years, we must identify and be retained by new clients. If our business development, marketing and sales techniques do not result in an equal or greater number of projects of at least comparable size and value for us in a given year compared to the prior year, then we may be unable to increase our revenues and earnings or even sustain current levels in the future.

In order to grow at the pace expected by management, we will require additional capital to support our long-term business plan. If we are unable to obtain additional capital in future years, we may be unable to proceed with our long-term business plan and we may be forced to curtail or cease our operations.

We will require additional working capital to support our long-term business plan, which includes identifying suitable targets for horizontal or vertical mergers or acquisitions, so as to enhance the overall productivity and benefit from economies of scale. Our working capital requirements and the cash flow provided by future operating activities, if any, will vary greatly from quarter to quarter, depending on the volume of business during the period and payment terms with our customers. We may not be able to obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities. In addition, we may grant registration rights to investors purchasing our equity or debt securities in the future. If we are unable to raise additional financing, we may be unable to implement our long-term business plan, develop or enhance our products and services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail or cease operations.

Our future success depends in part on attracting and retaining key senior management and qualified technical and sales personnel.

Our future success depends in part on the contributions of our management team and key technical and sales personnel and our ability to attract and retain qualified new personnel. In particular, our success depends on the continuing employment of our Chief Executive Officer Mr. Guoshen Tu, our Chief Technical Officer Dr. Yong Zhao, our Chief Operating Officer Shufang Yang, our Vice President Jianguo Jiang and our Vice President Terence Yap. There is significant competition in our industry for qualified managerial, technical and sales personnel and we cannot assure you that we will be able to retain our key senior managerial, technical and sales personnel or that we will be able to attract, integrate and retain other such personnel that we may require in the future. We also cannot assure you that our employees will not leave and subsequently compete against us. If we are unable to attract and retain key personnel in the future, our business, financial condition and results of operations could be adversely affected.

Our growth strategy includes making acquisitions in the future, which could subject us to significant risks, any of which could harm our business.

Our growth strategy includes identifying and acquiring or investing in suitable candidates on acceptable terms. We recently completed the acquisition of the assets of Shenzhen Yuan Da Wei Shi Technology Limited, or Yuan Da and have entered into an agreement with the shareholders of Shanghai Chengfeng Digital Technology Co. Ltd., or Chengfeng to acquire 100% ownership of Chengfeng. We also acquired the security and surveillance business of the Jian Golden An Ke Technology Co. Ltd. or Jian An Ke, Shenzhen Golden Guangdian Technology Co. Ltd. or Shenzhen Guangdian, Shenyang Golden Digital Technology Co. Ltd. or Shenyang Golden and Jiangxi Golden Digital Technology Co. Ltd. or Jiangxi Golden. We refer to these four companies in this prospectus as the Four-Related Companies. In addition, over time, we may acquire or make investments in other providers of products that complement our business and other companies in the security industry.

Acquisitions involve a number of risks and present financial, managerial and operational challenges, including:

- diversion of management’s attention from running our existing business;
- increased expenses, including travel, legal, administrative and compensation expenses resulting from newly hired employees;
- increased costs to integrate personnel, customer base and business practices of the acquired company with our own;
- adverse effects on our reported operating results due to possible write-down of goodwill associated with acquisitions;
- potential disputes with sellers of acquired businesses, technologies, services, products and potential liabilities; and
- dilution to our earnings per share if we issue common stock in any acquisition.

Moreover, performance problems with an acquired business, technology, product or service could also have a material adverse impact on our reputation as a whole. In addition, any acquired business, technology, product or service could significantly under-perform relative to our expectations, and we may not achieve the benefits we expect from our acquisitions. For all of these reasons, our pursuit of an acquisition and investment strategy or any individual acquisition or investment, could have a material adverse effect on our business, financial condition and results of operations.

Our limited ability to protect our intellectual property may adversely affect our ability to compete.

We rely on a combination of patents, trademarks, copyrights, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. A successful challenge to the ownership of our technology could materially damage our business prospects. Our technologies may infringe upon the proprietary rights of others. We may be required to obtain from others licenses that may not be available on commercially reasonable terms, if at all. Our competitors may assert that our technologies or products infringe on their patents or proprietary rights. Problems with patents or other rights could increase the cost of our products or delay or preclude our new product development and commercialization. If infringement claims against us are deemed valid, we may not be able to obtain appropriate licenses on acceptable terms or at all. Litigation could be costly and time-consuming but may be necessary to protect our technology license positions or to defend against infringement claims.

We sometimes extend credit to our customers. Failure to collect the trade receivables or untimely collection could affect our liquidity.

We extend credit to a large number of our customers while generally requiring no collateral. Generally, our customers pay in installments, with a portion of the payment upfront, a portion of the payment upon receipt of our products by our customers and before the installation, and a portion of the payment after the installation of our products and upon satisfaction by our customer. Sometimes, a small portion of the payment will not be paid until after a certain period following the installation. We perform ongoing credit evaluations of those customers' financial condition and generally have no difficulties in collecting our payments. However, if we encounter future problems collecting amounts due from our clients or if we experience delays in the collection of amounts due from our clients, our liquidity could be negatively affected.

If our subcontractors fail to perform their contractual obligations, our ability to provide services and products to our customers, as well as our ability to obtain future business may be harmed.

Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services that we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor. A failure by one or more of our subcontractors to satisfactorily perform the agreed-upon services may materially and adversely impact our ability to perform our obligations to our customers, expose us to liability and could have a material adverse effect on our ability to compete for future contracts and orders.

Safetech is a BVI company, while Golden is a PRC company, and all of our officers and directors reside outside the United States. Therefore, certain judgments obtained against our Company by our shareholders may not be enforceable in the BVI or China.

Safetech is a BVI company and our operating subsidiary Golden is a PRC company. All of our officers and directors reside outside of the United States. All or substantially all of our assets and the assets of these persons are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon our Company or such persons or to enforce against it or these persons the United States federal securities laws, or to enforce judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States, including the Securities Act and the Exchange Act.

Risks Related to Our Industry

Seasonality affects our operating results.

Our sales are affected by seasonality. Our revenues are usually higher in the second half of the year than in the first half of the year because fewer projects are undertaken during and around the Chinese spring festival.

Our success relies on our management's ability to understand the highly evolving surveillance and security industry.

The Chinese surveillance and security industry is an immature and highly evolving industry. Therefore, it is critical that our management is able to understand industry trends and make good strategic business decisions. If our management is unable to identify industry trends and act in response to such trends, our business will suffer.

If we are unable to respond to the rapid technological changes in our industry and changes in our customers' requirements and preferences, our business, financial condition and results of operation could be adversely affected.

If we are unable, for technological, legal, financial or other reasons, to adapt in a timely manner to changing market conditions or customer requirements, we could lose customers and market share. The electronic security systems industry is characterized by rapid technological change. Sudden changes in customer requirements and preferences, the frequent introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products, services and systems obsolete. The emerging nature of products and services in the electronic security systems industry and their rapid evolution will require that we continually improve the performance, features and reliability of our products and services. Our success will depend, in part, on our ability to:

- enhance our existing products and services;
- anticipate changing customer requirements by designing, developing, and launching new products and services that address the increasingly sophisticated and varied needs of our current and prospective customers; and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

The development of additional products and services involves significant technological and business risks and requires substantial expenditures and lead time. If we fail to introduce products with new technologies in a timely manner, or adapt our products to these new technologies, our business, financial condition and results of operations could be adversely affected. We cannot assure you that even if we are able to introduce new products or adapt our products to new technologies that our products will gain acceptance among our customers. In addition, from time to time, we or our competitors may announce new products, product enhancements or technological innovations that have the potential to replace or shorten the life cycles of our existing products and that may cause customers to defer purchasing our existing products, resulting in inventory obsolescence.

We may not be able to maintain or improve our competitive position because of strong competition in the electronic security systems industry, and we expect this competition to continue to intensify.

The electronic security systems industry is highly competitive. There are about 9,000 companies in China that engage in the business of manufacturing, designing and building surveillance and security products. In addition, since China joined the World Trade Organization ("WTO"), we also face competition from international competitors. Some of our international competitors are larger than we and possess greater name recognition, assets, personnel, sales and financial resources. These entities may be able to respond more quickly to changing market conditions by developing new products and services that meet customer requirements or are otherwise superior to our products and services and may be able to more effectively market their products than we can because they have significantly greater financial, technical and marketing resources than we do. They may also be able to devote greater resources than we can to the development, promotion and sale of their products. Increased competition could require us to reduce our prices, result in our receiving fewer customer orders, and result in our loss of market share. We cannot assure you that we will be able to distinguish ourselves in a competitive market. To the extent that we are unable to successfully compete against existing and future competitors, our business, operating results and financial condition would be materially adversely affected.

Our business and reputation as a manufacturer of high quality surveillance and security equipment may be adversely affected by product defects or substandard performance.

We believe that we offer high quality products that are reliable and competitively priced. If our products do not perform to specifications, we might be required to redesign or recall those products or pay substantial damages. Such an event could result in significant expenses, disrupt sales and affect our reputation and that of our products. In addition, product defects could result in substantial product liability. We do not have product liability insurance. If we face significant liability claims, our business, financial condition, and results of operation would be adversely affected.

Our product offerings involve a lengthy sales cycle and we may not anticipate sales levels appropriately, which could impair our profitability.

Some of our products and services are designed for medium to large commercial, industrial and government facilities desiring to protect valuable assets and/or prevent intrusion into high security facilities in China. Given the nature of our products and the customers that purchase them, sales cycles can be lengthy as customers conduct intensive investigations and deliberate between competing technologies and providers. For these and other reasons, the sales cycle associated with some of our products and services is typically lengthy and subject to a number of significant risks over which we have little or no control. If sales in any period fall significantly below anticipated levels, our financial condition and results of operations could suffer.

Risks Related to Doing Business in China

Economic, political, legal and social uncertainties in China could harm our future interests in China.

All of our future business projects and plans are expected to be located in China. As a consequence, the economic, political, legal and social conditions in China could have an adverse effect on our business, results of operations and financial condition. The legislative trend in China over the past decade has been to enhance the protection afforded to foreign investment and to allow for more active control by foreign parties of foreign invested enterprises. There can be no assurance, however, that legislation directed towards promoting foreign investment will continue. More restrictive rules on foreign investment could adversely affect our ability to expand our operations into China or repatriate any profits earned there. Some of the changes that could adversely affect us include:

- level of government involvement in the economy;
- control of foreign exchange;
- methods of allocating resources;
- balance of payments position;
- international trade restrictions; and
- international conflict.

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development ("OECD"), in many ways. As a result of these differences, we may not develop in the same way or at the same rate as might be expected if the Chinese economy were similar to those of the OECD member countries.

The legal environment in China is uncertain and your ability to legally protect your investment could be limited.

The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which precedents set in earlier legal cases are not generally used. The overall effect of legislation enacted over the past 20 years has been to enhance the protections afforded to foreign-owned enterprises in China. However, these laws, regulations and legal requirements are relatively recent and are evolving rapidly, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to foreign investors, such as the right of foreign-invested enterprises to hold licenses and permits such as requisite business licenses. In addition, all of our executive officers and our directors are residents of China and not of the United States, and substantially all the assets of these persons are located outside the United States. As a result, it could be difficult for investors to effect service of process in the United States, or to enforce a judgment obtained in the United States against us or any of these persons.

The Chinese government exerts substantial influence over the manner in which we must conduct our business activities.

China only recently has permitted provincial and local economic autonomy and private economic activities. The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

Future inflation in China may inhibit our activity to conduct business in China.

In recent years, the Chinese economy has experienced periods of rapid expansion and high fluctuating rates of inflation. During the past ten years, the rate of inflation in China has been as high as 20.7% and as low as -2.2%. These factors have led to the adoption by the Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products.

Public health problems that may uniquely affect the Chinese population may disrupt our operations.

A renewed outbreak of severe acute respiratory syndrome or another widespread public health problem in China, where our operations are conducted, could have a negative effect on our operations.

Our operations may be impacted by a number of other health-related factors, including the following:

- quarantines or closures of some of our offices which would severely disrupt our operations;
- the sickness or death of our key officers and employees; and
- a general slowdown in the Chinese economy.

Any of the foregoing events or other unforeseen consequences of public health problems could damage our operations.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

The majority of our revenues will be settled in Renminbi, and any future restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the Renminbi for current account transactions, significant restrictions still remain, including the restriction that foreign-invested enterprises may only buy, sell or remit foreign currencies after providing valid commercial documents, and only at those banks in China authorized to conduct foreign exchange business. In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the Renminbi.

The value of our securities will be affected by the foreign exchange rate between the U.S. Dollars and Renminbi.

The value of our common stock will be affected by the foreign exchange rate between U.S. dollars and Renminbi, and between those currencies and other currencies in which our sales may be denominated. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operational needs, should the Renminbi appreciate against the U.S. dollar at that time, our financial position, the business of the company, and the price of our common stock may be harmed. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of declaring dividends on our common stock or for other business purposes, should the U.S. dollar appreciate against the Renminbi, the U.S. dollar equivalent of our earnings from our subsidiaries in China would be reduced.

Risks Related to the Market for Our Stock

We expect CSST Delaware common stock to be quoted only on the OTC Bulletin Board, which may have an unfavorable impact on stock price and liquidity.

CSST BVI common stock is quoted only on the OTCBB, and we expect CSST Delaware common stock to be quoted only on the OTCBB as well. The OTCBB is a significantly more limited market than the New York Stock Exchange or NASDAQ system. The quotation of our shares on the OTCBB may result in a less liquid market available for existing and potential stockholders to trade shares of the common stock, could depress the trading price of the common stock and could have a long-term adverse impact on our ability to raise capital in the future.

We are subject to penny stock regulations and restrictions.

The SEC has adopted regulations which generally define so-called “penny stock” to be an equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. As of November 3, 2006, the closing sales price for our common stock was $8.24 per share, respectively. Although our share price is currently above the penny stock level, there is no assurance, given the volatility of the OTC market, that the CSST Delaware share price can be maintained above the penny stock level all the time. Although since September 2005, we have met the net worth exemption from the “penny stock” definition, no assurance can be given that CSST Delaware will maintain such exemption. As a “penny stock,” the common stock may become subject to Rule 15g-9 under the Exchange Act, or the “Penny Stock Rule.” This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and receive the purchaser’s written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell CSST Delaware securities and may affect the ability of purchasers to sell CSST Delaware securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the Exchange Act rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that CSST Delaware common stock will qualify for exemption from the Penny Stock Rule. In any event, even if CSST Delaware common stock were exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

Provisions in CSST Delaware's certificate of incorporation and bylaws or Delaware law might discourage, delay or prevent a change of control of CSST Delaware or changes in its management and, therefore depress the trading price of the common stock.

Delaware corporate law and CSST Delaware's certificate of incorporation and bylaws contain provisions that could discourage, delay or prevent a change in control of CSST Delaware or changes in its management that the stockholders of CSST Delaware may deem advantageous. These provisions:

- deny holders of CSST Delaware common stock cumulative voting rights in the election of directors, meaning that stockholders owning a majority of CSST Delaware outstanding shares of common stock will be able to elect all of CSST Delaware's directors;

- any stockholder wishing to properly bring a matter before a meeting of stockholders must comply with specified procedural and advance notice requirements; and

- any vacancy on the board of directors, however the vacancy occurs, may only be filled by the directors.

In addition, Section 203 of the Delaware General Corporation Law generally limits our ability to engage in any business combination with certain persons who own 15% or more of our outstanding voting stock or any of our associates or affiliates who at any time in the past three years have owned 15% or more of our outstanding voting stock. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirors at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock.

THE REINCORPORATION

This section of the prospectus describes the reincorporation proposal. Although we believe that the description in this section covers the material terms of the reincorporation proposal, this summary may not contain all of the information that is important to you. The summary of the material provisions of the merger agreement provided below is qualified in its entirety by reference to the merger agreement, which we have attached as Annex A to this prospectus and which we incorporate by reference into this prospectus. You should carefully read the entire prospectus and the merger agreement for a more complete understanding of the reincorporation proposal.

Reasons for the Reincorporation; Recommendation of our Board

On April 4, 2006, CSST BVI entered into a stock purchase agreement with certain investors under which CSST BVI covenanted, among other things, to change its domicile from BVI to a jurisdiction within the United States. A copy of the stock purchase agreement was filed as Exhibit 10.1 to CSST BVI's current report on Form 6-K filed on April 5, 2006.

After careful consideration, the CSST BVI board decided to choose Delaware as its new domicile and concluded that the reincorporation and changing CSST BVI's domicile from BVI to Delaware are advisable, determined that the terms of the merger agreement are fair to and in the best interest of CSST BVI and its shareholders and adopted and approved the merger agreement.

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During the course of its deliberations, our board considered a number of positive factors, including the following:

- *Attractiveness to Potential Investors*. We believe that our stockholders will benefit from the well established principles of corporate governance that Delaware law affords. We believe that the well established principles of corporate governance offered by Delaware law will make CSST Delaware, as a Delaware corporation, more attractive to potential investors. In addition, as a U.S. domestic issuer, CSST Delaware will be subject to more stringent reporting obligations under the Exchange Act which may result in increased visibility in the financial community. We believe our status as a U.S. domestic public reporting company will result in improved transparency of operations and an enhanced corporate image.

- *Predictability, Flexibility and Responsiveness of Delaware Law to Corporate Needs***.** For many years, Delaware has followed a policy of encouraging incorporation in that state and has adopted comprehensive, modern and flexible corporate laws, which are updated regularly to meet changing business needs. As a result of this deliberate policy to provide a hospitable climate for corporate development, many major public corporations have chosen Delaware for their domicile. In addition, the Delaware courts have developed considerable expertise in dealing with corporate issues relating to public companies. Thus, a substantial body of case law has developed construing Delaware corporate law and establishing legal principles and policies regarding publicly-held Delaware corporations. We believe that, for these reasons, Delaware law will provide greater legal predictability with respect to our corporate legal matters than we have under the BVI law. We believe that Delaware law will provide greater efficiency, predictability and flexibility in our public company's legal affairs than is presently available under BVI law.

- *Attractiveness of Delaware Law to Directors and Officers***.** We believe that organizing our company under Delaware law will enhance our ability to attract and retain qualified directors and officers. The corporate law of Delaware, including its extensive body of case law, offers directors and officers of public companies more certainty and stability. Under Delaware law, the parameters of director and officer liability are more clearly defined and better understood than under BVI law. To date, we have not experienced difficulty in retaining directors or officers, but directors of public companies are exposed to significant potential liability. We therefore believe that providing the benefits afforded directors by Delaware law will enable us to compete more effectively with other public companies in the recruitment of talented and experienced directors and officers. At the same time, we believe that Delaware law regarding corporate fiduciary duties provides appropriate protection for our stockholders from possible abuses by directors and officers. In addition, under Delaware law, directors' personal liability cannot be eliminated for:

i. any breach of the director's duty of loyalty to the corporation or its stockholders;

ii. acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

iii. unlawful payment of dividends or unlawful repurchases or redemptions of stock; or

iv. any transactions from which the director derived an improper personal benefit.

In addition to the positive factors described above, our board also considered the following potential negative factors associated with the reincorporation proposal.

- *Increased Costs and Expenses Associated with Implementing the Reincorporation Proposal and Administering a U.S. Domestic Public Reporting Company***.** The reincorporation may result in substantial direct costs. These costs and expenses are expected to consist primarily of attorneys' fees, accountants' fees, filing fees and financial printing expenses and will be substantially incurred prior to the vote of our shareholders. The reincorporation may also result in certain indirect costs by diverting the attention of our management and employees from our business and resulting in increased administrative costs and expenses. In addition, we will incur more costs and expenses in compliance with our public company reporting obligations because a U.S. domestic issuer is subject to more stringent obligations as compared to that of a foreign private issuer. For example, we will be required to issue quarterly reports or proxy statements and will be allowed three months to issue annual reports instead of six months.

After careful consideration, our board of directors has determined that the change of domicile from the BVI to Delaware offers a net benefit to our shareholders. The board has approved the merger proposal, determined that the terms of the merger agreement and the merger are advisable and in the best interest of our shareholders, and has adopted the merger agreement.

Reorganization Procedure

CSST BVI currently owns all of the issued and outstanding common stock of CSST Delaware. Following the approval of the merger agreement by the CSST BVI shareholders and the satisfaction or waiver of the other conditions specified in the merger agreement (which are described below), CSST BVI will merge with and into CSST Delaware. As a result of this reincorporation:

- CSST Delaware will be the surviving corporation, and the separate corporate existence of CSST BVI will cease;
- each outstanding share of CSST BVI common stock will automatically convert into one share of CSST Delaware common stock and the current shareholders of CSST BVI will become the stockholders of CSST Delaware;
- each warrant to purchase share of CSST BVI common stock, if not exercised before the completion of the reincorporation, will automatically convert into a warrant to purchase, at the same exercise price, an identical number of shares of CSST Delaware common stock; and
- each share of CSST Delaware common stock now held by CSST BVI will be cancelled.

The result of the reincorporation will be that your current company, CSST BVI, will cease to exist, and you will own CSST Delaware common stock, instead of CSST BVI common stock. A copy of the CSST Delaware certificate of incorporation is included as Annex B to this prospectus, and a copy of the CSST Delaware bylaws is included as Annex C to this prospectus. For more information regarding your rights as a shareholder before and after the reincorporation, see "Description of CSST Delaware Capital Stock," "Description of CSST BVI Capital Stock" and "Comparative Rights of CSST Delaware Capital Stock and CSST BVI Capital Stock."

In all other respects, the company will remain the same. The current directors and officers of CSST BVI will continue as directors and officers of CSST Delaware. In addition, our business and operations will remain the same.

What CSST BVI Shareholders Will Receive in the Merger

Each share of CSST BVI common stock will convert into one share of CSST Delaware common stock. After the completion of the reincorporation, you will own the same number and percentage of shares of CSST Delaware common stock as you currently own of CSST BVI common stock.

CSST BVI Stock Warrants to Receive CSST BVI Stock

Each of the outstanding warrants to acquire shares of CSST BVI common stock in the aggregate will become warrants to acquire, on the same terms and conditions as before the reincorporation, an identical number of shares of CSST Delaware common stock. There were outstanding warrants representing an aggregate of 1,768,006 shares of CSST BVI common stock on the record date.

Exchange of Stock Certificates

In the reincorporation, your shares of CSST BVI common stock will be converted automatically into shares of CSST Delaware common stock. Your certificates of CSST BVI common stock will represent, from and after the reincorporation, an equal number of shares of CSST Delaware common stock, and no action with regard to stock certificates will be required on your part. **Do not destroy your current stock certificate issued by CSST BVI**.

If you have lost your certificate, you can contact our transfer agent, Manhattan Transfer Registrar Company, 57 Eastwood Road, Miller Place, NY 11764, telephone: (631) 928-7655 to have a new certificate issued. You may be requested to post a bond or other security to reimburse us for any damages or costs if the lost certificate is later delivered for sale or transfer.

Conditions to Reorganization

We will complete the reincorporation only if each of the following conditions is satisfied or waived:

- the merger agreement has been duly approved by the affirmative votes required of the shareholders of CSST BVI common stock;
- the approval of the merger agreement by CSST BVI as the sole stockholder of CSST Delaware;
- the approval of the merger agreement by the board of directors of both CSST BVI and CSST Delaware;
- the approval for quotation on the OTCBB of the shares of common stock of CSST Delaware immediately upon the effective time of the reincorporation;
- the absence of any temporary restraining order, preliminary or permanent injunction or other legal restraints preventing consummation of the reincorporation; and
- the absence of any event that has or would result in the triggering of any right or entitlement of any security holder of CSST BVI that would not have been triggered absent the consummation of the reincorporation.

Effectiveness of Reincorporation

The merger will become effective on the date CSST Delaware files a certificate of merger with the State of Delaware. CSST BVI will also file articles of merger with the BVI Registry of Corporate Affairs. We will file the certificate of merger and articles of merger when the conditions to the reincorporation described above have been satisfied or waived.

Amendment and Termination of Merger Agreement

The merger agreement can be terminated, even after approval by its shareholders, if the board of directors of CSST BVI determines to do so. The merger agreement can also be amended by the boards of directors of CSST BVI and CSST Delaware at any time prior to its being filed with one or more of the appropriate authorities. However, under the BVI laws, if the amendment is made after stockholders of CSST BVI have approved, then the amended merger agreement should be brought before the stockholders of CSST BVI for their approval again.

Anticipated Accounting Treatment

For U.S. accounting purposes, the reincorporation of our company from a BVI company to a Delaware company represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at historical cost in accordance with the guidance for transactions between entities under common control in Statement of Financial Accounting Standards No. 141, Business Combinations. The historical comparative figures of CSST BVI will be those of CSST Delaware.

Material U.S. Federal Income Tax Consequences

In General

The following discussion is a general summary of the U.S. federal income tax considerations in connection with the merger anticipated to be material to a holder of CSST BVI common stock who is a U.S. person (a “CSST BVI Holder”). Generally, a U.S. person is:

- an individual citizen or resident of the United States;
- a corporation (including an entity other than a corporation which is treated as a corporation for U.S. federal income tax purposes), a partnership or a limited liability company, that is created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

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- a trust if, in general, a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or a trust in existence on August 20, 1996 if such trust has elected to continue to be treated as a U.S. person and met certain other requirements.

THE TAX CONSEQUENCES TO CSST BVI HOLDERS WHO ARE NOT U.S. PERSONS (INCLUDING INDIVIDUALS WHO WERE U.S. PERSONS IN THE PAST) INVOLVE TAX CONSIDERATIONS THAT ARE BEYOND THE SCOPE OF THIS DISCUSSION. IT IS THEREFORE ADVISED THAT EACH SUCH HOLDER CONSULT ITS TAX ADVISOR TO DETERMINE THE U.S. FEDERAL, STATE AND LOCAL, AS WELL AS FOREIGN, TAX CONSEQUENCES OF THE MERGER AND OWNERSHIP OF CSST DELAWARE STOCK APPLICABLE TO SUCH HOLDER.

The discussion herein does not intend to be exhaustive of all possible tax considerations; for example, the discussion does not contain a description of any state, local or foreign tax considerations. In addition, this summary discussion is intended to address only those U.S. federal income tax considerations that are generally applicable to a CSST BVI Holder who holds common stock as a capital asset (within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code")), and this summary does not discuss all aspects of U.S. federal income taxation that might be relevant to a specific CSST BVI Holder in light of such person's particular investment or tax circumstances.

In particular, the discussion does not purport to deal with all aspects of taxation that may be relevant to CSST BVI Holders that are subject to special treatment under the U.S. federal income tax laws, including, without limitation, individual retirement and other tax-deferred accounts; banks and other financial institutions; insurance companies; tax-exempt organizations; dealers, brokers or traders in securities or currencies; persons subject to the alternative minimum tax; persons who hold their CSST BVI stock as part of a straddle, hedging, synthetic security, conversion transaction or other integrated investment consisting of CSST BVI stock, and one or more other investments; persons whose functional currency is other than the U.S. dollar; persons who received their CSST BVI stock as compensation in connection with the performance of services or on exercise of options received as compensation in connection with the performance of services; persons eligible for tax treaty benefits; and foreign corporations, foreign partnerships, other foreign entities and individuals who are not citizens or residents of the United States.

The information in this discussion is based on the federal income tax laws as of the date of this document, which include:

- the Code;
- current, temporary and proposed treasury regulations promulgated under the Code (the "Treasury Regulations");
- the legislative history of the Code;
- current administrative interpretations and practices of the Internal Revenue Service (the "IRS"), including its practices and policies as expressed in private letter rulings, which are not binding on the IRS except with respect to the taxpayer that receives such a ruling; and
- court decisions.

There is a risk that future legislation, Treasury Regulations, administrative interpretations and/or court decisions may change the current law or adversely affect existing interpretations of the U.S. federal income tax laws. Any change could apply retroactively to transactions preceding the date of the change and CSST Delaware does not undertake to inform CSST BVI Holders of any change. In addition, there is a risk that the statements set forth in this summary discussion (which do not bind the IRS or the courts) may be challenged by the IRS and may not be sustained by a court if so challenged.

THE DISCUSSION HEREIN IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED BY ANY CSST BVI HOLDER AS BEING, TAX ADVICE. THEREFORE, EACH CSST BVI HOLDER IS URGED TO CONSULT WITH ITS TAX ADVISOR TO DETERMINE THE U.S. FEDERAL, STATE AND LOCAL, AS WELL AS FOREIGN, TAX CONSEQUENCES OF THE MERGER AND THE OWNERSHIP OF CSST DELAWARE STOCK OR SECURITIES, INCLUDING THE PARTICULAR FACTS AND CIRCUMSTANCES THAT MAY BE UNIQUE TO SUCH HOLDER.

U.S. Federal Income Tax Consequences to CSST BVI Holders

At closing, CSST BVI will be merged with and into CSST Delaware and CSST BVI common stock will be converted into CSST Delaware common stock as set forth in the merger agreement.

Provided the transactions described herein are completed in accordance with the terms of the merger agreement, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. Subject to the limitations and qualifications referred to herein, the merger described in the preceding paragraph should result in the following U.S. federal income tax consequences:

(1) neither CSST Delaware nor CSST BVI will recognize any gain or loss as a result of the merger;

(2) a CSST BVI Holder will not recognize gain or loss on the conversion of its CSST BVI common stock into shares of CSST Delaware common stock at closing;

(3) the basis of the CSST Delaware common stock owned by each CSST BVI Holder following the merger will be the same as the basis of the CSST BVI common stock converted in the merger;

(4) the holding period of the CSST Delaware common stock owned by each CSST BVI Holder following the merger will include such holder's holding period for the CSST BVI common stock converted in the merger; and

(5) a CSST BVI Holder who (i) perfects its dissenters' rights under applicable law and receives a cash payment for its CSST BVI common stock and (ii) does not own any CSST Delaware common stock or securities (either actually or constructively within the meaning of Section 318 of the Code) following the receipt of the cash, will generally recognize capital gain or loss measured by the difference between the amount of cash received and the holder's adjusted tax basis in the surrendered CSST BVI common stock.

Each CSST BVI Holder will be required to attach a statement to its federal individual income tax return for the taxable year in which the merger takes place. Such statement must contain the information listed in Treasury Regulation section 1.368-3(b). The statement must include, among other things, the holder's adjusted tax basis in its CSST BVI common stock and the number of shares of CSST Delaware stock received.

The treatment of the merger for U.S. federal income tax purposes summarized immediately above cannot be guaranteed by CSST Delaware, and it is possible that the IRS may take a different position. If the IRS were to successfully assert that the merger is not a reorganization within the meaning of Section 368(a) of the Code, each CSST BVI Holder would be required to recognize gain or loss in the year of the merger closing based on the difference between the fair market value of the CSST Delaware stock received by such holder, and the holder's adjusted tax basis in the surrendered CSST BVI stock. In such an event, each CSST BVI Holder's aggregate basis in any CSST Delaware stock received would equal the fair market value of the stock at the time of receipt and the holding period for the stock would begin on the date of receipt.

Under the Code, a CSST BVI Holder in some circumstances may be subject to backup withholding with respect to the amount of cash, if any, received in the merger, unless the holder provides proof of an applicable exemption or a correct taxpayer identification number to CSST Delaware and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and may be credited against the CSST BVI Holder's U.S. federal income tax liability for the appropriate taxable year, provided the required information is furnished to the IRS.

Thelen Reid & Priest LLP has delivered an opinion to CSST BVI incorporating the preceding discussion. The opinion has been filed as an exhibit to the registration statement of which this prospectus is a part. The opinion is based, in part, on assumptions and on representations made by CSST BVI's management.

An opinion of counsel only represents counsel's best legal judgment, and has no binding effect or official status of any kind. No assurance can be given that contrary positions will not be taken by the IRS or a court considering the issues. Neither CSST BVI nor CSST Delaware has requested or will request a ruling from the IRS with regard to the U.S. federal income tax consequences of the merger.

Restrictions on the Sale of CSST Delaware Shares

The shares of CSST Delaware common stock to be issued in the reincorporation will be registered under the Securities Act. These shares will be freely transferable under the Securities Act, except for CSST Delaware common stock issued to any person who is deemed to be an "affiliate" of CSST Delaware after the reincorporation.

Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by or are under common control with us and include our directors and executive officers.

Our affiliates may not sell their CSST Delaware common stock acquired in the reincorporation except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;
- an exemption under paragraph (d) of Rule 145 under the Securities Act; or
- any other applicable exemption under the Securities Act.

DESCRIPTION OF CSST DELAWARE CAPITAL STOCK

CSST Delaware is incorporated in the State of Delaware. The rights of stockholders of CSST Delaware will generally be governed by Delaware law and CSST Delaware's certificate of incorporation and bylaws. This summary is not a complete discussion of, and is qualified by reference to, Delaware law, including the DGCL and the common and constitutional law of the State of Delaware, and the full texts of CSST Delaware's certificate of incorporation and bylaws, which may be found as Annexes B and C to this prospectus.

General

Upon the completion of the reincorporation, the authorized capital of CSST Delaware will be 100 million shares of common stock, par value $0.0001 per share. No preferred stock is authorized. All of the shares issued and outstanding upon completion of the reincorporation will be fully paid and nonassessable.

Upon completion of the reincorporation, the number of shares of CSST Delaware common stock that will be outstanding will be equal to the number of shares of CSST BVI common stock outstanding immediately prior to the reincorporation.

Common Stock

Dividends and Distributions. The holders of outstanding shares of CSST Delaware common stock will be entitled to receive dividends and other distributions out of assets legally available at times and in amounts as the board of directors of CSST Delaware may determine from time to time. All shares of CSST Delaware common stock are entitled to participate ratably with respect to dividends or other distributions.

Liquidation Rights. If CSST Delaware is liquidated, dissolved or wound up, voluntarily or involuntarily, holders of CSST Delaware's common stock are entitled to share ratably in all assets of CSST Delaware available for distribution to CSST Delaware's stockholders.

Voting Rights. Holders of CSST Delaware common stock are entitled to one vote per share on all matters to be voted upon by stockholders. There are no cumulative voting rights. Stockholders may vote by proxy.

Other. There are no preemption, redemption, sinking fund or conversion rights applicable to the CSST Delaware common stock.

Limitation of Director Liability and Indemnification.

CSST Delaware's certificate of incorporation provides, to the full extent permitted by Delaware law, that directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Delaware law currently provides that this waiver may not apply to liability:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL (governing distributions to stockholders); or
- for any transaction from which the director derived any improper personal benefit.

However, in the event the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. The certificate of incorporation and bylaws of CSST Delaware further provide that we will indemnify each of our directors and officers to the full extent permitted by Delaware law and may indemnify other persons as authorized by the DGCL. These provisions do not eliminate any monetary liability of directors under the federal securities laws.

Stockholders

- Stockholder meetings may be at any place designated by resolution of the board of directors.
- Stockholders' meetings must be held annually for the election of directors and the transaction of other business.
- CSST Delaware's board may fix a record date for stockholder meetings that will be not be more than 60 days nor less than 10 days before the meeting. Should CSST Delaware's board fail to do so, the record date will be either the close of business on the day preceding the day on which notice of the stockholder meeting was given, or the close of business on the day on which CSST Delaware's board adopts a resolution for the payment of dividends or distributions.
- Notice of any stockholder meeting must be provided to stockholders not less than 10 nor more than 60 days before the date of the meeting.
- Where notice is required to be given, a waiver of notice has the same effect as notice. Waiver of notice includes attendance by a stockholder at a meeting, unless the stockholder attends the meeting for the express purpose of objecting that the meeting was not lawfully called due to the lack of notice.
- The secretary of CSST Delaware must prepare and make available to any stockholder a list of all stockholders entitled to vote at a meeting at least 10 days before every meeting.
- Stockholders may vote by proxy and may revoke any proxy that is revocable by attending the meeting and voting in person or by delivering to the Secretary a revocation of the proxy.
- At meetings for the election of directors, a majority of the votes cast is necessary to elect directors.
- Any director may be removed from office with or without cause by the holders of a majority of the combined voting power of the outstanding shares of voting stock, voting together as a single class.

DESCRIPTION OF CSST BVI CAPITAL STOCK

CSST BVI is incorporated in BVI. The rights of shareholders of CSST BVI are generally governed by CSST BVI's Memorandum of Association and Articles of Association and by BVI statutory and common law. The following is a summary of the material provisions of CSST BVI's Memorandum of Association and Articles of Association. This summary is not complete and is qualified by reference to BVI statutory and common law and the full texts of CSST BVI's Memorandum of Association and Articles of Association.

Under CSST BVI's Memorandum of Association, as amended, CSST BVI is authorized to issue 100 million shares of common stock, $.01 par value per share. The outstanding shares of CSST BVI's stock are fully-paid and non-assessable.

As of November 3, 2006, CSST BVI had 29,209,259 shares of common stock outstanding held of record by approximately 47 shareholders. There were also outstanding warrants to purchase a total of 1,768,006 shares of CSST BVI common stock.

Each holder of CSST BVI common stock is entitled to one vote for each share of common stock held on all matters as to which holders of common stock are entitled to vote and do not have cumulative voting rights. The holders of CSST BVI common stock have exclusively all other rights of shareholders of the company, including (i) the right to receive dividends, when, as and if declared by CSST BVI's board of directors out of funds legally available for such dividends; and (ii) in the event of any distribution of assets upon CSST BVI's dissolution and liquidation, the right to receive ratably and equally all of CSST BVI's assets remaining after payment of indebtedness and other liabilities and the satisfaction of any liquidation preferences granted to the holders of any outstanding shares of equity securities ranking senior to the common stock.

Holders of CSST BVI common stock have no preemptive rights and no conversion rights. There are no redemption or sinking fund provisions applicable to CSST BVI common stock. All the outstanding shares of common stock are validly issued, fully paid and nonassessable.

COMPARATIVE RIGHTS OF HOLDERS OF CSST DELAWARE CAPITAL STOCK AND CSST BVI CAPITAL STOCK

Upon the completion of the reincorporation, the certificate of incorporation and bylaws of CSST Delaware will become the governing documents of the surviving corporation. Although the corporate statutes of Delaware and the British Virgin Islands are similar, certain differences exist. The most significant differences, in the judgment of our management, are summarized below. Stockholders should refer to Annexes B and C and to the Delaware corporate law and corporate law of the BVI, including the IBC Act to understand how these laws apply to CSST BVI and CSST Delaware and may affect you. Neither Delaware law nor the certificate of incorporation and bylaws of CSST Delaware impose any limitations on the right of nonresident or foreign owners to hold or vote securities.

Provision	CSST Delaware	CSST BVI
Authorized Shares	The authorized capital stock of CSST Delaware consists of 100 million shares of common stock, $.0001 par value per share. No preferred stock is authorized. Following the completion of the reincorporation, a total of 29,209,259 shares of common stock will be issued and an additional 1,768,006 shares will be reserved for issuance under the warrants assumed by CSST Delaware from CSST BVI.	The authorized capital stock of CSST BVI consists of 100 million shares of common stock, $.01 par value per share. No preferred stock is authorized. A total of 29,209,259 shares of common stock have been issued and an additional 1,768,006 shares are reserved for issuance under outstanding warrants.
Par Value	Stated in U.S. dollars. Changes in capital generally require stockholder approval.	Stated in U.S. dollars. Changes in capital may be made upon resolution of members* or directors, but will not be effective until filed at the BVI regulatory.

Registered Shares	Shares of capital stock of CSST Delaware to be registered shares.	CSST BVI is authorized to issued registered or bearer shares.
Purpose of Corporation	To engage in any lawful act not prohibited by law.	Same as CSST Delaware subject to the prohibition of conducting certain business activities in the BVI (*i.e.,* banking, insurance and local BVI businesses).

Amendment of Certificate of Incorporation	Requires stockholder vote and, except in limited circumstances, approval of the board of directors.	The Memorandum of Association and Articles of Association may be amended by a resolution of members* or directors.
Registered Office	Corporate Service Company 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808	Offshore Incorporations Centre P.O.Box 957 Road Town Tortola, British Virgin Islands
Transfer Agent	Manhattan Transfer Registrar Company.	Same as CSST Delaware.
Voting Rights	Common stock: holders of common stock are entitled to one vote per share and vote together as a single class on all matters to be voted on by the stockholders. Directors elected by plurality, all other matters either by majority of issued and outstanding shares or majority of those present and entitled to vote as specified by law.	Common stock: Same as CSST Delaware. Directors may be elected by the members* or directors of the Company as set out in the Articles of Association.
Redemption of Equity	Shares may be repurchased or otherwise acquired, provided the capital of the company will not be impaired by the acquisition. Company may hold or sell treasury shares.	Shares may be repurchased or otherwise acquired in accordance with the specific rules set out in the IBC Act.
Stockholder/Member* consent	Permitted as required for a vote at a meeting.	Same as CSST Delaware.
Notice Requirements for Stockholder/Member* Nomination and Other Proposals	In general, to bring a matter before an annual meeting or to nominate a candidate for director, a stockholder must give notice of the proposed matter or nomination not less than 60 days and not more than 90 days prior to public disclosure of the date of the annual meeting. In the event that less than 70 days notice or prior public disclosure of the date of the meeting is given or	The directors shall give not less than 7 days notice of a meeting of members* to those persons whose names are on the share register of the company on the date that notice is given. A meeting of members* may be called at short notice if holders of not less than 90% of the total number of shares

	made by stockholder, to be timely, the notice must be received by the company no later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure was made, whichever first occurs.	entitled to vote have agreed to short notice of the meeting or if all the members* holding shares entitled to vote on all the matters to be considered at the meeting have waived notice of the meeting.
Meetings of Stockholders/Members* - Presence	In person or by proxy or other appropriate electronic means.	In person or by proxy or by any teleconference means where all persons participating in the meeting can hear one another.

Meeting of Stockholder/Member* - Notice	Not less than 10 days or more than 60 days.	The directors shall give not less than 7 days notice of a meeting of members* to those persons whose names are on the share register of the Company on the date that notice is given. A meeting of members* may be called at short notice if members* holding not less than 90% of the total number of shares entitled to vote have agreed to short notice of the meeting or if all the members* holding shares entitled to vote on all the matters to be considered at the meeting have waived notice of the meeting.
Meeting of Stockholders/Members* - Call of Meeting	Regular and annual meetings shall be called by the directors. Special meetings may be called only by majority of board of directors, president or by a majority of the issued and outstanding capital stock entitled to vote.	Upon the written request of members* holding 10% or more of the outstanding voting shares in the company, the directors shall convene a meeting of members*. Meetings on short notice may be called upon waiver or presence of all the members* holding shares entitled to vote or holders of 90% of the total number of shares entitled to vote agree to short notice.
Meeting of Stockholders /Members* - Place	Within or without Delaware.	Within or outside the BVI as the directors consider necessary or desirable.
Meeting of Stockholders/Members* - Quorum	Majority of the capital stock issued and outstanding and entitled to vote at meeting. Meeting may be adjourned for up to 30 days without additional notice to stockholders.	One-half of the votes of the shares of each class or series entitled to vote. If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members*,

	shall be dissolved; in any other case it shall stand adjourned to the next business day at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares or each class or series of shares entitled to vote on the resolutions to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.

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Meeting of Stockholders/Members* - Record Date	As fixed by the directors, no more than 60 days and no less than 10 days before the meeting. If not fixed, the day before notice of meeting is given.	As fixed by the directors.
Directors - Election	By the stockholders as entitled by their terms, including the holders of common stock.	By the members* or the directors of the Company as specified in the Articles of Association.
Directors - Term	Annual term.	Until death, resignation or removal or as specified by a resolution of members*.
Directors - Removal	By the stockholders for cause or without cause by the holders of a majority of the shares then entitled to vote at an election of directors.	A director may be removed with or without cause by a resolution of members* or with cause by a resolution of directors.
Directors - Vacancy	May be filled by majority of remaining directors (unless they are the result of the action of stockholders).	The directors may at any time appoint any person to fill a vacancy.
Directors - Number	Five directors unless otherwise determined by the board.	No fewer than one, no more than 12.
Directors - Quorum and Vote Requirements	A majority of the entire board. The affirmative vote of a majority of directors present at a meeting at which there is a quorum constitutes action by the board of directors.	One-half of the total number of directors, present in person or by alternate, unless there are only two directors in which case the quorum is two. Sole directors pass written resolutions.
Directors - Managing Director	Not applicable.	Provision for the board to select one or more directors to be managing directors, provide for special remuneration and assign such powers as the board determines so long as it is not a power that requires board approval.
Directors - Powers	All powers to govern the corporation not reserved to the stockholders.	Same as CSST Delaware.
		Same as CSST Delaware.

Directors - Committees	Directors may establish one or more committees with the authority that the board determines.

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Directors - Consent Action	Directors may take action by written consent of all directors, in addition to action by meeting.	By written consent in same manner as if at a meeting in person, by directors or by alternate.
Director - Alternates	Not permitted.	Directors may, by written instrument, appoint an alternate who need not be a director, who may attend meetings in the absence of the director and vote and consent in the place of the directors.
Directors - Appoint Officers	Directors appoint the officers of the corporation, subject to the by-laws, with such powers as they determine.	Same as CSST Delaware, subject to the articles of association.
Director - Limitation of Liability	Directors liability is limited, except for (i) breach of loyalty, (ii) act not in good faith or which involves intentional misconduct or a knowing violation of law, (iii) willful violation of law in respect of payment of dividend or redeeming shares, or (iv) actions in which director receives improper benefit.	Duty to act honestly and in good faith with a view to the best interests of the company and exercise care, diligence and skill of a reasonably prudent person acting in comparable circumstances. No provisions in the memorandum, articles or other agreements may relieve a director, officer, or agent from the duty to act in accordance with the memorandum or articles or from personal liability arising from the management of the business or affairs of the company.
Director - Indemnification Insurance	Company may purchase insurance in relation to any person who is or was a director or officer of the Company. Under Delaware law, a person seeking indemnification is generally required to have acted in a manner he or she reasonably believes to be in, or not opposed to, the best interests of the Company.	Same as CSST Delaware, extends to a liquidator of the company.
Amendments to Organizational	Amendments must be approved by the board of directors and by a	Amendments to the memorandum and articles

Documents	majority of the outstanding stock entitled to vote on the amendment, and if applicable, by a majority of the outstanding stock of each class or series entitled to vote on the amendment as a class or series. By-laws may be amended by the stockholders entitled to vote at any meeting or, if so provided by the certificate of incorporation, by the board of directors.	may be made by resolution of the members* or by the directors.

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Sale of Assets	The sale of all or substantially all the assets of the company requires stockholder approval.	Subject to the Memorandum and Articles of Association, the sale of more than 50% of the assets of the company requires member* approval.
Dissenters Rights	Delaware law provides appraisal rights only in the case of stockholder objection to certain mergers or consolidations. Thus, under Delaware law, stockholders have no appraisal rights in a sale, lease or exchange of all or substantially all of a corporation's assets. Appraisal rights in Delaware are available to record holders only.	Provision is made under the IBC Act to dissent and obtain fair value of shares in connection with certain corporate actions that require member* approval or consent.
Franchise Tax	The DGCL requires corporations to pay franchise tax annually (the current maximum is $165,000 a year and we do not expect that CSST Delaware will pay the maximum franchise tax each year).	There is no franchise tax in BVI.

* Under the BVI law, holders of a company's stock are referred to as members, as opposed to stockholders.

Under the law of the British Virgin Islands, there is little statutory law for the protection of minority shareholders. Such protections relate primarily to transactions where the directors of a BVI Company are interested in a particular transaction.

There are common law rights for the protection of shareholders that may be invoked. The BVI generally follows English Common Law. Under the general rule pursuant to English company law known as the rule in *Foss v. Harbottle*, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority of the board of directors. However, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum of association or articles, then the courts will grant relief in certain circumstances. Generally, the areas in which the courts will intervene are the following: (i) an act complained of which is outside the scope of the authorized business or is illegal or not capable of ratification by the majority, (ii) acts that constitute fraud on the minority where the wrongdoers control the company, (iii) acts that infringe on the personal rights of the shareholders, such as the right to vote, and (iv) where the company has not complied with provisions requiring approval of a special or extraordinary majority of shareholders.

Under the law of Delaware, the rights of minority shareholders are similar to those applicable to the shareholders of CSST BVI. The principal difference will be the methodology and the forum for bringing such an action. It is also generally the case that the Delaware courts can exercise a wide latitude in interpretation and wide discretion in fashioning remedies as they think fits the circumstances for the regulation of the company. Under English precepts of the law of minority shareholders, there is generally a more restricted approach to the enforcement of the rights through the interpretation of the law, articles and memorandum.

Dissenters' Rights of Appraisal

The following summary of the rights of dissenting shareholders is qualified in its entirety by the provisions of Section 83 of the IBC Act. The text of Section 83 is set out in full as Annex D to this prospectus. The right to dissent is applicable only to our shareholders as of the record date. Any shareholder wishing to avail himself of his rights to dissent provided by Section 83 of the IBC Act should seek his own legal advice, as failure to comply strictly with the provisions of Section 83 of the IBC Act may prejudice such shareholder's right of dissent.

- Under the IBC Act, a shareholder can invoke the right to receive payment of the fair value of his or her shares if the shareholder dissents, under Section 83 (1)(a) of the IBC Act, from a proposal by CSST BVI to merge.

Any shareholder wishing to dissent, and obtain payment in cash of the fair value of his shares, must adhere to the following procedure:

- He or she must give written notice to CSST BVI before the meeting of shareholders at which the merger is submitted to a vote, or at the meeting but before the vote on the merger, that he or she objects to the merger proposal and that the shareholder proposes to demand payment for his or her shares if the merger proposal is approved.

- Within 20 days immediately following the date on which shareholders approve the merger, CSST BVI shall give written notice to the dissenting shareholder(s) that the merger proposal was approved.

- Within 20 days of the date of the notice referred to above, the dissenting shareholder(s) must give to CSST BVI written notice of their decision to dissent, such notice to state their name and address, the number and class of share in respect of which they dissent and a demand for payment of fair value of their shares.

A shareholder who dissents shall do so in respect of all shares that he holds in CSST BVI.

Once the written notice is given, a dissenting shareholder ceases to have any rights as a shareholder of CSST BVI except the right to be paid the fair value of their shares.

- Within seven (7) days immediately following the date of expiration of the period within which a shareholder may give his or her written notice of election to dissent, or within seven (7) days immediately following the date on which the merger takes effect (i.e. after registration of the merger under the laws of the State of Delaware) whichever is later, CSST Delaware, as surviving corporation, must make a written offer to each dissenting shareholder for the purchase of their shares at a specified price which CSST Delaware, as surviving corporation, determines to be their fair value. If CSST Delaware, as surviving corporation, and the dissenting shareholder can agree on a price within 30 days of the date on which CSST Delaware, as surviving corporation, makes its offer, then CSST Delaware, as surviving corporation, must pay the price to the shareholder in exchange for the surrender by the shareholder of his or her share certificate(s). In the event that the parties fail, within the period of 30 days, to agree on price, then within 20 days immediately following the date on which the 30-day period expires, CSST Delaware, as surviving corporation, and the shareholder must both appoint an appraiser. Those two appraisers will then appoint a third appraiser. The appraisers together will then fix a fair value for the shares using the following benchmark:

(i) the value is fixed as at the close of business on the day prior to the date on which the vote of shareholders approving the merger was taken, excluding any appreciation or depreciation directly or indirectly induced by the merger or its proposal; and

(ii) that value is binding on the surviving corporation and the dissenting shareholders for all purposes.

CSST Delaware, as surviving corporation, shall pay to the dissenting shareholder the amount representing the appraised fair value in money upon the surrender by him to CSST Delaware, as surviving corporation, of certificates representing his shares.

INFORMATION ABOUT OUR COMPANY

Since CSST Delaware was formed solely for the purpose of the reincorporation of CSST BVI from the BVI to the state of Delaware and has no assets or operations other than incidental to its formation, the discussion below is related to CSST BVI only.

Our Business

History and Development of the Company

We were incorporated in the BVI on April 8, 2002 under the name “Apex Wealth Enterprises Limited” as a corporation under the International Business Companies Ordinance of 1984. In February 2006, we changed our name to China Security and Surveillance Technology Inc. Prior to our reverse acquisition of Safetech, discussed in more detail below which was consummated on September 12, 2005, we were a development stage enterprise and had not yet generated any revenues. Prior to the reverse acquisition, we provided business advisory and management consulting services in greater China, initially concentrating on the Hong Kong market. The focus of these services was on small to medium size enterprises.

From and after the reverse acquisition, our business became the business of our indirect, wholly-owned subsidiary, Golden. Golden is a corporation incorporated in the PRC which is engaged in the business of manufacturing, distributing, installing and maintaining security and surveillance systems. Golden was organized in the PRC in January 1995. We are headquartered in Shenzhen, China.

Reverse Acquisition with Safetech

On September 12, 2005, we acquired 50,000 shares of the issued and outstanding capital stock of Safetech, constituting all of the issued and outstanding capital stock of Safetech. The 50,000 shares of Safetech were acquired from the individual shareholders of Safetech in a share exchange transaction in return for the issuance of 8,138,000 shares of our common stock. As a result of this transaction, Safetech became our wholly-owned subsidiary, and Golden became our indirect wholly-owned subsidiary. Completion of the transaction resulted in a change in control of our Company. After the transaction, we were no longer a shell company. The contracts relating to this transaction have been filed as exhibits to our current report on Form 6-K that was filed with the SEC on July 22, 2005 and are incorporated herein by reference.

Upon the closing of the reverse acquisition, our sole director Szetang Li submitted his resignation letter pursuant to which he resigned from all offices of our Company that he then held, effective immediately, and from his position as our director, effective as of September 27, 2005.

For accounting purposes, the transaction was treated as a reverse acquisition, with Safetech as the acquirer and our Company as the acquired party. When we refer in this prospectus to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of Golden on a consolidated basis unless otherwise specified.

Recent Acquisitions and Transactions

On October 25, 2005, we entered into an agreement with the equity owners of Yuan Da, which was subsequently amended in April and May 2006. Pursuant to the amended agreement, we acquired all of the assets of Yuan Da. Yuan Da is a limited liability company established in Shenzhen, China and was principally engaged in the sales and development of security and surveillance systems. Under the amended agreement with Yuan Da, the purchase price consisted of (i) a cash payment of RMB 1,000,000 (approximately $125,000) and (ii) the issuance of 200,000 unregistered shares of our common stock valued at $500,000 (based upon the average closing market price during the twenty days before the date of the agreement).

On July 6, 2006, we entered into a stock transfer agreement with the shareholders of Chengfeng pursuant to which our subsidiary Safetech will acquire 100% ownership of Chengfeng, a leader in security surveillance software development and manufacturing in China. Chengfeng owns advanced video technology which integrates with other software and hardware applications. Proprietary software owned by Chengfeng includes the Security Resource Integration Management Platform and the Security Integration Platform, which are designed to integrate all security installations, both hardware and software, onto a single operating platform to greatly improve the management of the entire security system. Chengfeng has an established brand name and 22 valuable distribution channels across China. Under the agreement, we will pay consideration of RMB 120 million (approximately $15 million), consisting of RMB 60 million (approximately $7.5 million) in cash and RMB 60 million (approximately $7.5 million) in shares of our common stock. RMB 10 million (approximately $1.25 million) has been paid as of October 20, 2006. The balance of the cash portion of the purchase price, RMB 50 million (approximately $6.3 million), is due upon receipt of acknowledgement of the stock transfer by the Shanghai Industry & Commerce Bureau. The number of shares issuable in satisfaction of the equity portion of the purchase price is 1,331,376 (based upon the average of the closing price of our common stock on the OTCBB for the 20 trading days prior to the date of the execution of the agreement). The shares must be issued within 90 days following the receipt of the aforementioned approval from the Shanghai Industry & Commerce Bureau. We expect that we will obtain the necessary approval from the Shanghai Industry & Commerce Bureau before December 31, 2006. Please see our current report on Form 6-K filed on July 7, 2006 for more details.

On September 5, 2006, we entered into agreements to purchase the security and surveillance business of the Four-Related Companies. We were required to acquire the Four-Related Companies pursuant to a covenant contained in a securities purchase agreement with certain accredited investors, dated April 4, 2006. The covenant contained in the securities purchase agreement required us to acquire these four companies on or before October 4, 2006. Mr. Tu will not receive any consideration for the acquisition of his interest in the Four-Related Companies. However, his wife Zhiqun Li is a 20% shareholder of Jian An Ke and will receive 100,000 shares of our common stock as part of the transaction. The minority shareholders of these four companies, including Mr. Tu's wife, will receive in aggregate 850,000 shares of our common stock. Shenzhen Guangdian is engaged in the business of manufacturing and distributing security and surveillance products. The other three companies are engaged in the business of distributing security and surveillance products.

Business Overview

Through Golden, we are engaged in the business of manufacturing, distributing, installing and maintaining security and surveillance systems. Our customers are located throughout China.

Golden's customers are mainly government entities, non-profit organizations and commercial entities. Golden's marketing network divides China into nine geographic regions. Golden has 37 branch offices. Golden derives most of its revenues from the installation of security and surveillance systems as well as the sales of products including embedded digital video recorders, PC digital video recorders, mobile digital video recorders, digital cameras and auxiliary apparatus.

We have established a partnership with Beijing University to conduct our research and development on security and surveillance technology and the development of new products.

Opportunities for Growth

Currently, there are a number of formal and planned regulatory drivers which we believe offer significant growth opportunities. These include the estimated $6 billion to $12 billion that the Chinese government expects to spend for security infrastructure in preparation for the 2008 Olympics, along with the planned investment by Shanghai for the 2010 World's Fair. In addition, several ordinances have been passed by the Chinese government which require security surveillance systems to be installed in: (1) 660 cities throughout China for street surveillance; (2) all entertainment locations; (3) all Justice Departments and Courts; and (4) all coal mines in China by the end of 2008 (currently estimated to be 28,000 coal mines).

We recently acquired the security and surveillance business of the Four-Related Companies and entered into an agreement with the shareholders of Chengfeng to acquire 100% ownership of Chengfeng. We are actively pursuing near-term acquisition prospects and other strategic opportunities.

Our Industry

The Chinese surveillance and security industry was established at the beginning of the 1980's, and the surveillance and security products were used primarily by government agencies, financials institutions, transportation companies and mega-size companies. Since then, the industry has experienced significant growth and is growing at an annual rate of approximately 40%, according to the China Public Security Guide published by the Chinese Security and Protection Association**,** which also predicts that the industry will grow by 20-30% annually in the near future and that the Chinese market for security and surveillance products and services will reach RMB 1 trillion by 2020.

In 2006, the Chinese government promulgated Ordinance 458 which requires all entertainment locations to install surveillance systems. In addition, the booming Chinese real estate market and the increasing focus on the security of the Chinese mining industry provide great opportunities for the surveillance and security industry.

At present, video surveillance is estimated to have a market of about RMB 60 billion and accounts for about 40% of the surveillance and security market. It is expected that the video surveillance market share will increase to approximately 60% of the whole industry, according to the China Public Security Guide published by the China Security and Protection Association.

Our Strategy

Our primary business strategy is to achieve annual growth in revenue by building our brand and reputation. We intend to focus significant efforts on promoting our brand and improving our brand recognition.

Our research and development efforts are aimed at finding new varieties of products, improving existing products, improving overall product quality and reducing production costs. We cooperate with Beijing University and have established a joint lab for the research of video surveillance technology. Our research and development efforts are led by Dr. Yong Zhao, who worked for the research and development department of a large international surveillance and security company and has extensive research experience.

In addition, Shenzhen is one of the biggest and most concentrated bases for electronic products in China. We are headquartered in Shenzhen, which allows us to take advantage of the resources of Shenzhen's numerous electronic product manufacturers and benefit from economies of scale.

Over the last several years, we have established one of the largest surveillance and security product distribution networks in China. Our distribution network covers nine regions and includes 33 branches, which allows us to provide timely services and specially tailored solutions to our customers throughout China.

Our growth strategy also includes identifying and acquiring businesses engaged in similar or complementary industries. However, we may not be able to consummate any additional acquisitions, and any businesses that we do acquire may not be successful. In addition, the acquisition of a business through the issuance of our securities, which is the most likely consideration for any acquisition that we pursue, will result in dilution of our earnings per share affecting our existing stockholders.

Products and Services

We engage in the business of manufacturing, distributing, installing and maintaining surveillance and security products.

Installation Services

In the past three years, we derived approximately 90% of our revenues from the supply and installation of security and surveillance systems for various projects involving railways, schools, banks, highways, commercial buildings, and public security and government entities, among others. Generally, our installation projects involve the following steps:

Bidding

We receive most of our installation projects through a bidding process. In a typical bidding process, our potential client will send us and our competitors a request for proposal that outlines the work to be performed and the specifications of the equipment to be installed. We then prepare and submit our bid and the potential client chooses the winning contractor from among all the bids submitted. On some projects, we also act as a subcontractor where a third party has submitted a winning bid.

System Design

Upon winning a project, we provide the final project design for approval. System design is generally conducted through the joint efforts of our research and development personnel, sales department, project service department and quality control department.

Purchase of Security and Surveillance Products

The major products used in our installation projects include computer accessories, decoders, video capture cards, recorders and computer cases. We use equipment manufactured by us in most of the installation projects, but also use products from other manufacturers. Generally, approximately 60% of the equipment used in any given project is equipment we have manufactured.

Installation

We have a project service department which performs installations. We use subcontractors for non-technical labor intensive work. We usually assign a project group with 5-10 members who are in charge of the technical components of the project and manage the progress of each project.

System Software Design and Integration

System software design and integration services are usually conducted by our technical department. We design software for our customers' security and surveillance systems in accordance with our customers' specifications. We generally test the software on our own computer system before integrating it into our customer's computer system. We then assign our technicians to the site of each project to assist in the integration of the security and surveillance system with our customers' computer system.

Testing

Upon integration, our technical department will test and examine the system to ensure the proper functioning of the installed security and surveillance system.

Our Products

In the past three years, we have derived approximately 10% of our revenues from sales of our products, excluding products sold in connection with the installation projects described above. We manufacture the key components of the security and surveillance products and rely on third party electronic assembling companies to assemble the final products utilizing our technology. The final products are sold under our brand names. Our main products include embedded digital video recorders, PC digital video recorders, mobile digital video recorders, digital cameras and auxiliary apparatus.

Embedded digital video recorders (Embedded DVR)

The Embedded DVR stores digital images captured via the security cameras. It also controls the recording functions of the cameras and manages the storage of the data. This product has a pre-installed Golden surveillance software system which will enable it to perform access control and recording functions. It also has an upgradable hard drive which will allow clients to customize the digital storage capacity, network server functions which will allow the clients to access the digital images via Internet, MPEG-4 video compression which will allow a more efficient compression of the images and higher image quality and 4-16 signal input channels which will allow 4 to 16 cameras to be connected to the Embedded DVR. This product has the competitive features of small size, low cost and high reliability. The targeted markets for this product are small to medium size businesses, non-profit organizations and home use. It is suitable for small sized security and surveillance needs.

PC digital video recorders (PC DVR)

Similar to the Embedded DVR, the PC DVR provides recording and compression functions. It has pre-installed Golden surveillance software system, upgradable hard drive, network server function, MPEG-4 Video compression method and 4-36 signal input channels and uses Windows operating system. The main difference is that the PC DVR has expanded capacity to accommodate recording functions for a greater number of cameras compared to the Embedded DVR. In addition, it is operated via Microsoft's Windows Operating System. The targeted markets for these products are large projects and community security projects.

Mobile digital video recorders (Mobile DVR)

Similar to the Embedded DVR, the Mobile DVR is smaller in size and has a maximum of 4 ports. The Mobile DVR, which can be installed in a vehicle, enables recording of digital video images within the cabin. This product is easily installed, supports GPS/GPRS and has 1 to 4 signal input channels and MPEG-4 video compression. The targeted markets for this product are the transportation industry and governmental agencies.

Digital Camera

Digital cameras can be easily installed within the customer's site. The range of cameras that we produce and sell includes color Charge Coupled Device ("CCD") cameras, indoor color CCD dome cameras, color/black and white CCD flying saucer cameras, Infra Red CCD multi-function cameras, mini Digital Signal Processing ("DSP") cameras, indoor stand alone sphere CCD cameras and network high speed sphere CCD cameras.

Auxiliary apparatus

Auxiliary apparatus includes DVR compression cards, decoders, alarm notification switches, digital video fiber optics systems and matrix switch/control systems.

As discussed above, we recently acquired the security and surveillance business of Shenzhen Guangdian, a manufacturer and distributor of security and surveillance system products. In addition, our acquisition of Chengfeng is expected to close before December 31, 2006. The addition of Shenzhen Guangdian and Chengfeng will significantly improve the manufacturing capacity and sales of the above products.

Distribution and Marketing

We have developed a multi-tiered marketing plan, allowing us to effectively market products and services to our clients. We sell most of our products and services through our own distribution network. Our distribution network covers all of China.

We have approximately 160 engineers and sales personnel. We divide our market into 9 geographic regions and have 37 branch offices in provincial capital cities throughout China. Each region is managed by a regional manager who is responsible for technical support and management within the region as well as client relations. 22 more distribution points will be added into our distribution network upon the consummation of the acquisition of Chengfeng.

In addition to our own branch offices and employees, we cooperate with independent sales agents and have established close relationships with these sales agents in order to take advantage of their regional resources and provide products and services that are tailored to the needs of our customers in those regions.

Through this distribution and marketing network, we believe we can continue to promote our brand recognition, strengthen the management of our distribution network and improve our sales revenue and market share.

We have also been marketing and promoting our products through the following means:

· participating in various industrial shows to display our products;

- advertising in industrial magazines and periodicals to introduce and promote our products;
- publishing our own magazine which is distributed to our suppliers and sales agents so that they can better understand our company and strengthen their confidence in us; and
- utilizing the Internet to promote our products, such as the public safety network, Chinese Security Association network and HuiChong Network.

Employees

We have approximately 480 full-time employees, 75 of them are administrative and accounting staff, 70 of them are research and development staff and 170 of them are engineers and sales staff.

Approximately 152 employees are located in Shenzhen, and the rest of the employees are located in various branches throughout China.

Approximately 80% of our employees have bachelor degrees and most of those majored in computer sciences.

Our employees have trade unions which protect employees' rights, aim to assist in the fulfillment of our economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. We believe that we maintain a satisfactory working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

As required by applicable Chinese law, we have entered into employment contracts with all of our officers, managers and employees. Our employees in China participate in a state pension plan organized by Chinese municipal and provincial governments. We are required to contribute monthly to the plan at the rate of 23% of the average monthly salary. As of the date of this report, we have complied with the regulation and have paid the state pension plan as required by the law.

In addition, we are required by Chinese law to cover employees in China with various types of social insurance. We have purchased social insurance for part of our employees. For those whom we have not purchased social insurance, the premium has been added into their salary so that they can purchase social insurance in their individual capacity at the location of their recorded residences.

With the expansion of our business operations and the acquisition of Chengfeng, we expect that the number of our employees will increase in the next 12 months.

Seasonality

Our sales are affected by seasonality. Our revenue is usually higher in the second half of the year than in the first half of the year because fewer projects are undertaken during and around the Chinese spring festival.

Customers

Our customers are mainly government entities (customs agencies, courts, public security bureaus and prisons), non-profit organizations (including schools, museums, sports arenas and libraries) and commercial entities (including airports, hotels, real estate developments, banks, mines, railways, supermarkets, hospitals and entertainment venues), which account for approximately 40%, 10% and 50% of our sales revenues, respectively.

Our revenues are not concentrated in any one customer or group of customers because a large portion of our sales revenue derives from the installation of projects. After we have manufactured and installed a system at any particular customer site, we have generated the majority of revenues from that particular client. We would not expect to generate significant revenues from any existing client in future years unless that client has several possible installation sites. In addition, we have 37 branch offices all over China and we do not rely on customers located in one particular geographic area. As a result, in order to maintain a level of revenues each year that is at or in excess of the level of revenues we generated in prior years, we must identify and be retained by new clients. If our business development, marketing and sales techniques do not result in an equal or greater number of projects of at least comparable size and value for us in a given year compared to the prior year, then we may be unable to increase our revenues and earnings or even sustain current levels in the future.

Raw Materials

We use manufactured electronic components in our products. The main components of our products include camcorders, monitors, frames, decoders, lenses, outdoor hoods and digital video recorders (“DVR”).

Shenzhen is one of the biggest and most concentrated bases for electronic products in China. As a result, there are numerous suppliers and vendors of the components needed for our products. Because of the fierce competition among the suppliers, the prices of our principal components are not volatile and we are able to purchase these raw materials at reasonable prices. We have entered into written contracts with several suppliers and vendors. Our main suppliers are Shenzhen Ronghen Co. Ltd., Shenzhen Dongxun Shidai Technology Co. Ltd., Shenzhen Kerui Electronic Co. Ltd., Shenzhen Huichuang Computer Technology Co. Ltd. and Shenzhen Jingfeiya Electronic Co. Ltd. We believe we are not dependent on any of these suppliers and will be able to replace them, if necessary, without material difficulties.

Our Competition

There are many companies in China engaged in the business of manufacturing surveillance and security products and designing and installing security and surveillance systems. The surveillance and security industry in China is still an immature industry and no company has monopolized the industry. In the surveillance and security industry, it is difficult for very large companies to reap benefits from their size, because most of the projects require the product to be specially tailored to meet customers’ individual requirements.

In the security and surveillance industry, we compete based upon price, product quality, ability to distribute products, and ability to provide after sales service.

Our major competitor in China is Hangzhou Haikang Weishi Digital Technology Co. Ltd. Hangzhou Haikang Weishi Digital Technology Co. Ltd. focuses on the development of video and audio decoding technology and the development and manufacture of digital video compression cards. Its most successful product is a digital video compression card which accounts for approximately 50% of the market.

Another group of competitors is international companies. Some of our international competitors are larger than we and possess greater name recognition, assets, personnel, sales and financial resources. However, these competitors generally have higher prices for their products, and most of them do not have strong distribution networks in China.

We believe that the range of our product and service offerings, our brand recognition by the market, our relatively low labor cost and our extensive distribution channels enable us to compete favorably in the market for the security and surveillance products and services that we offer in China.

Regulation

All security and surveillance products produced in China must satisfy testing by the China Public Security Bureau, and manufacturers of such products must receive the Security Technology Protection Product Manufacturing Permit from the provincial agency. We satisfactorily completed this testing in 2002 and also received a permit from Guangdong province in May 2003. In addition, we have a license from the Guangdong province for the design, installation and repair of security protection systems.

We believe that we are in material compliance with all registrations and requirements for the issuance and maintenance of all licenses required by the governing bodies, and that all license fees and filings are current.

Intellectual Property

We have registered with the Trademark office of the State Administration for Industry and Commerce of China the following trademarks:

	Name	Trademark No.	Type	Expiration Date	Status
1	Golden Group	4108508	Word (Chinese)	July 2014	Approved
2	DVR	4108509	Word	July 2014	Approved
3		4108511	Word and Logo	July 2014	Approved
4		4108510	Logo	July 2014	Approved
5		3814725	Word and logo	December 2013	Approved
6	JDR	N/A	Word	N/A	Pending

In addition, our subsidiary Golden has registered the domain name www.goldengroup.cn.

We hold no patents under our own name. We protect our trade secrets through confidentiality provisions of the employment contracts we enter into with our employees. In addition, our engineers are generally divided into different project groups, each of which generally handles only a portion of the project. As a result, any one engineer generally has no access to the entire design process and documentation.

Organizational Structure

CSST BVI owns all of the issued and outstanding shares of Safetech. Safetech owns all of the issued and outstanding shares of Golden and China Security & Surveillance Technology (HK) Ltd., a Hong Kong corporation. Currently, Golden is the sole operating subsidiary of our Company. Upon the consummation of the acquisition of Chengfeng, Chengfeng will become another operating subsidiary of our Company. China Security & Surveillance Technology (HK) Ltd. was established in September 2006 for the sole purpose of being the holding company of Chengfeng. We expect to transfer all the equities of Cheng Feng to China Security & Surveillance Technology (HK) Ltd. after the closing of the acquisition.

Property, Plant, and Equipment

All land in China is owned by the State. Individuals and companies are permitted to acquire rights to use land or land use rights for specific purposes. In the case of land used for industrial purposes, the land use rights are granted for a period of 50 years. This period may be renewed at the expiration of the initial and any subsequent terms. Granted land use rights are transferable and may be used as security for borrowings and other obligations.

We currently have land use rights to approximately 119,245 square meters consisting of manufacturing facilities and office buildings in various parts of China, including Shenzhen and Jiangxi province. We have fully paid the land use fees. The chart below lists all facilities owned by us.

Location	Type of Facility	Size of the Land (Square Meters)	Size of the Building (Square Meters)
Shangtian, Taihe County, Jiangxi Province	Manufacturing	64,533	45,877.5
No. 45 Jifu Road, Jiangxi Province	Manufacturing	28,592.66	5,224.34
Jishui County, Jiangxi Province	Manufacturing	24,866.52	10,404.67
4th Floor, Building 3, Shaige Technology Park, Futian District, Shenzhen	Office and Manufacturing	1,252.47	1,252.47
Total		119,244.65	62,758.98

In addition, in April 2006, we entered into a lease agreement with Shenzhen Huiye Technology Co. Ltd. (“Huiye”) pursuant to which we lease 3,288 square meters of office space and manufacturing facilities from Huiye. The lease has a two-year term which runs from April 16, 2006 to April 15, 2008. The rent was free from April 16, 2006 to June 15, 2006. The monthly rent is now approximately $1.38 (RMB 11) per square meter.

We believe our property is sufficient to meet our current needs. As our business expands, we will consider acquiring additional property rights.

Legal Proceedings

From time to time, we have disputes that arise in the ordinary course of its business. Currently, there are no material legal proceedings to which we are a party, or to which any of our property is subject, that will have a material adverse effect on our financial condition.

Exchange Controls

(1) BVI and Hong Kong

There are no material exchange controls restrictions on payment of dividends, interest or other payments to the holders of our common stock or on the conduct of our operations in the BVI, where it is incorporated. There are no material BVI laws which impose any material exchange controls on us or that affect the payment of dividends, interest or other payments to nonresident holders of our common stock. BVI law and our Memorandum and Articles of Association impose no material limitations on the right of non-residents or foreign owners to hold or vote our common stock.

(2) China

China imposes control over the convertibility of Renminbi into foreign currencies. Under the current unified floating exchange rate system, the People’s Bank of China (“PBOC”) publishes a daily exchange rate for Renminbi (the “PBOC Exchange Rate”) based on the previous day's dealings in the inter-bank foreign exchange market. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the PBOC Exchange Rate according to market conditions.

Pursuant to the Foreign Exchange Control Regulations issued by the State Council on April 1, 1996 and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations which came into effect on July 1, 1996 regarding foreign exchange control (the "Regulations") conversion of Renminbi into foreign exchange by foreign investment enterprises for current account items, including the distribution of dividends and profits to foreign investors of joint ventures, is permissible. Foreign investment enterprises are permitted to remit foreign exchange from their foreign exchange bank account in China on the basis of, inter alia, the terms of the relevant joint venture contracts and the board resolutions declaring the distribution of the dividend and payment of profits. Conversion of Renminbi into foreign currencies and remittance of foreign currencies for capital account items, including direct investment, loans, security investment, is still subject to the approval of the State Administration of Foreign Exchange, or SAFE, in each such transaction. On January 14, 1997, the State Council amended the Foreign Exchange Control Regulations and added, among other things, Article 5, which provides that the Chinese Government shall not impose restrictions on recurring international payments and transfers.

Under the Regulations, foreign investment enterprises are required to open and maintain separate foreign exchange accounts for different types of foreign exchange transactions, and the permitted scope of receipts and expenditures for such accounts is limited to the type of foreign exchange transactions designated for such accounts. In addition, foreign investment enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business upon the production of valid commercial documents and, in the case of capital account item transactions, document approval from the SAFE.

Currently, foreign investment enterprises ("FIEs") are required to apply to the SAFE for foreign exchange registration certificates. These certificates are subject to review and renewal by the SAFE on an annual basis, Once an FIE obtains this certificate or a foreign exchange sales notice from the SAFE (which is obtained on a transaction-by-transaction basis), upon fulfilling certain other conditions, the FIE may enter into foreign exchange transactions at banks authorized to conduct foreign exchange business to obtain foreign exchange for their needs. The above requirements will not limit our ability to declare dividends in the future, if ever declared.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We manufacture, distribute, install and service security and surveillance products and systems. We generate revenues from the sale of products to, the installation of our products for, and the delivery of after sales/installation services to, our customers. Our customers are mainly government entities (customs agencies, courts, public security bureaus and prisons), non-profit organizations (including schools, museums, sports arenas and libraries) and commercial entities (including airports, hotels, real estate developments, banks, mines, railways, supermarkets, hospitals and entertainment venues), which account for approximately 40%, 10% and 50% of our sales revenues, respectively.

Our revenues are not concentrated in any one customer or group of customers because a large portion of our sales revenue derives from the installation of projects. After we have manufactured and installed a system at any particular customer site, we have generated the majority of revenues from that particular client. We would not expect to generate significant revenue from any existing client in future years unless that client has several possible installation sites. In addition, we have 37 branch offices all over China and we do not rely on customers located in particular geographic areas. As a result, in order to maintain a level of revenues each year that is at or in excess of the level of revenue we generated in prior years, we must identify and be retained by new clients. If our business development, marketing and sales techniques do not result in an equal or greater number of projects of at least comparable size and value for us in a given year compared to the prior year, then we may be unable to increase our revenues and earnings or even sustain current levels in the future.

Material Opportunities and Challenges

Regulations promulgated by governmental agencies in China relating to security and surveillance often create opportunities for us. Currently, there are a number of formal and planned regulatory drivers which we believe offer significant growth opportunities. These include the estimated $6 billion to $12 billion that the Chinese government expects to spend for security infrastructure in preparation for the 2008 Olympics, along with the planned investment by Shanghai for the 2010 World's Fair. In addition, several ordinances have been passed by the Chinese government which require security surveillance systems to be installed in: (1) 660 cities throughout China for street surveillance; (2) all entertainment locations; (3) all Justice Departments and Courts; and (4) all coal mines in China by the end of 2008 (currently estimated to be 28,000).

We are actively pursuing near-term acquisition prospects and other strategic opportunities, including the acquisition of Chengfeng that is pending government approval from Shanghai Industry & Commerce Bureau.

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

We believe that in order to compete effectively in this market, we need to constantly improve the quality of our products and deliver new products. As such, we face the challenge of expanding our research and development capacity. We need to maintain a strong and sufficient research and development team and identify the right directions for our research and development.

We also face the long-term challenge of maintaining our rapid growth. In addition to maintaining the growth of our existing business, we will also employ an acquisition strategy to ensure growth in future years.

Results of Operation

Three Months Ended June 30, 2006 and 2005

The following table summarizes the results of our operations during the three months ended June 30, 2006 and 2005 and provides information regarding the dollar and percentage increase from the 2005 fiscal period to the 2006 fiscal period:

All amounts, other than percentages, in millions of U.S. dollars

	Three Months Ended June 30,			
Item	**2006**	**2005**	**Increase**	**% Increase**
Revenue	$ 8.0	$ 5.5	$ 2.5	46.3%
Cost of Goods Sold	5.0	4.1	0.9	20.3%
Gross Profit	3.0	1.3	1.7	126.9%
Operating Expenses	0.6	0.5	0.1	29.5%
Other Income (expense)	0.4	0.1	0.3	279%
Provision for Taxes	0.3	(0.2)	0.5	-
Net Income	2.5	1.2	1.3	109.6%

Revenue

Revenue for the three months ended June 30, 2006 increased by 46.3% to $8.0 million against $5.5 million for the same period in 2005. The increase was mainly due to several reasons. First, the entire security and surveillance market in China has been expanding rapidly since the end of 2005. As the population in China in general has become wealthier, the demand for security products has grown. As a result, the demand from various industries and organizations has been increasing significantly. Second, the Chinese government began to require many public places, including city-wide surveillance systems, traffic surveillance systems, critical government locations, cyber cafés, bars and discotheques, to install security systems, which has also contributed to the increase of the demand for our products and services. Third, our strategic efforts to increase our distribution channels in 2004 and 2005 turned out to be a highly successful way to capture the wave of this growth in market demand. Finally, after we became a public reporting company in the U.S. through a reverse merger, we were able to raise sufficient working capital to facilitate our capturing more business.

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During the second quarter of 2006, we signed 32 new contracts, 7 of which were completed by June 30, 2006. Based on Staff Accounting Bulletin (SAB) No. 104, we deferred the entire contract revenue for these 25 contracts at June 30, 2006 to the third fiscal quarter. The total value of the contracts signed and in progress in the second quarter was approximately $23 million. $5.7 million of this $23 million was recognized as revenue in the second quarter of 2006. Management expects that the remaining $17.9 million of revenue will be recognized in the third quarter of 2006.

Components of Revenues

The following table shows the different components comprising our total revenues over the three month periods ended June 30, 2006 and 2005.

All amounts in millions of U.S. dollars

	Three months ended June 30, 2006	2005
Security systems and installation	$ 6.5	$ 5.2
Sales of parts	1.5	0.3
Total		