

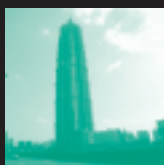
SECURITY SYSTEMS

The China Market 2003 - 2008

The Fastest
Growing and Potentially
Largest Market in the World



Intelligent Controls in Buildings



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All you need to know to plan your marketing strategy in P.R. China & Hong Kong

SECURITY SYSTEMS

The China Market 2003 - 2008



Introduction

This study is part of a series of multi-client reports on the China market for Intelligent Controls in buildings. "The China Market 2003 to 2008" is our second edition on the electronic security business (IBC(s)¹) in China and, based on data from manufacturers representing more than 40% of sales to this market, is the most detailed and accurate report published on this subject. This report also benefits from the fact that we have run it in parallel with two other studies on Environmental Control Systems and Fire Detection Systems and this has allowed us to determine the importance and potential for integration. Support from all the major manufacturers and suppliers over the last eighteen years has enabled us to develop robust business models that take account of sales from all distribution channels. This 724 page report benefits from being in its second edition and

this has allowed sales trends to be charted for numerous market segmentations and compares product and systems cost structure over the last eight years, for three different categories of equipment including Access Control, CCTV and Intruder Alarms. It is split into two volumes, where Volume I comprises the executive summary, comparing findings such as supplier shares and market segmentations and Volume II, provides the detailed analyses using the same format separately for the Special Administrative Region (SAR) Hong Kong and P.R. China. Data on the past, present and future market for IBC(s) is clearly presented in both quantitative and qualitative terms, so that strategies can be developed to fully exploit opportunities for all regions of this vast, underdeveloped and fast growing country.

Market Appreciation

The China market has grown at an average compound rate of 18.4% over the last eight years. The total IBC(s) systems market in 2002 was worth US\$ 583 million and of this, product sales accounted for approximately US\$ 330 million. The main demand drivers have been high and consistent growth in the construction of new buildings, increase in the rate of crime and concern about the risk of terrorism. Some 87% of all sales are restricted to just three regions surrounding Beijing, Guangdong and Shanghai, whilst the rest of the country to the west and north is underdeveloped.

WORLD PERSPECTIVE

The China market accounts for only 2.4% of world sales, but this is the fastest growing, least developed and potentially one of the largest markets in the world. If it continues growing at the same rate that it has consistently achieved in the last eight years it will overtake the UK in 2011 and by 2030 will be approximately the same size as the North American market. It is quite feasible to achieve these levels of growth because the present penetration is only one sixtieth of the UK and still would be only one quarter of North America by 2030. However, this will only be achieved if political stability remains whilst the much needed reforms to the economy are introduced.

SUPPLY STRUCTURE

There are some 50 established suppliers of IBC(s) to the China market and hundreds of suppliers that take a share of less than 1%. This is a fragmented market but a handful of suppliers have achieved shares between 5 and 15% and amongst these are the major global suppliers. Whilst rationalisation will inevitably reduce the number of players in the short term it will not relieve congestion at the bottom end of the market.

DISTRIBUTION CHANNELS

In our 1995 study we identified that the market was being held back by a lack of skills and appropriate distribution

channels. China has the third largest land mass of some 9.6 million square kilometers, much of it having extremes of climate conditions and poor transportation and therefore strong distribution channels are vital. Value Added Retailers (VAR's) are now well established and play an important role, accounting for some 80% of all value add, but lack the application skills to take on the more complex projects.

PRICE PRESSURE

This is a very price competitive market with an abundance of local manufacturers of which many are prepared to drive down price to gain market share. Despite strong growth this will always be a very competitive market and imported products will have to focus on the top end of the market and deliver holistic solutions if they are to succeed.

ROBUSTNESS

Although demand is very much dependent upon new construction at least 35% of the business comes from the refurbishment replacement and extension sectors which make it much more robust than the environmental controls and fire detection systems business.

FUTURE STRATEGY

The next five years present major challenges to all those in the supply chain as growth in demand continues across all sectors and the intensity of competition increases. Suppliers that focus on delivering total solutions to particular vertical building types and multiple building owners will grow rapidly and profitably. Technology will continue to drive product development and there will be a migration towards information communication technology and Internet protocols for the transmission and management of data from security management systems and its integration within the wider enterprise environment.



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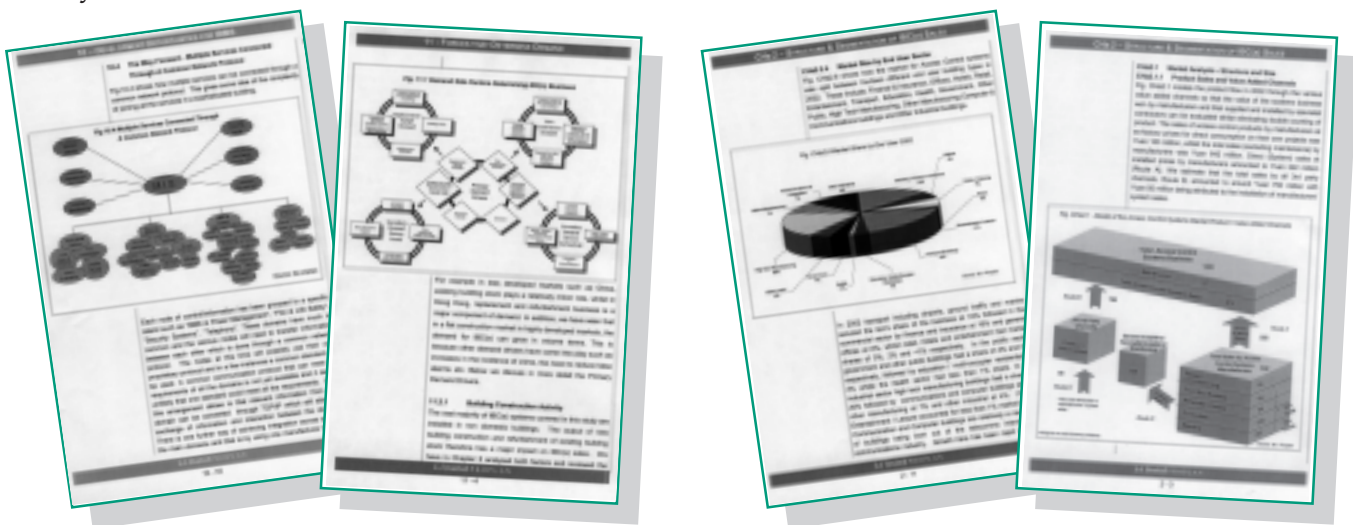


Review

In its 724 pages and over 270 charts and tables this study will tell you in two separate reports for P. R. China and Hong Kong for the three subjects, Access Control, CCTV and Intruder Alarms:-

- The market size, its growth from 1995 and forecast to 2008.
- The market size by type of project, new construction, refurbishment, replacement and extension.
- The market size by contract value (4 segments).
- The market size by single, multiple & multi-site projects.
- The market size by type of hardware (5 products).
- The market size by type of detector (6 products)
- The market size by type/end use of building (15 categories).
- The geographic distribution of sales.
- The distribution channels and the volume of business that they handle.
- Sales and market share bands for all established suppliers, by product, and total system sales.

- Profiles of established suppliers provided in a standard format allowing comparisons to be made.
- An analysis of the major demand forces & buying motives.
- An analysis of the part played by all third party suppliers and the impact they are having on the business.
- A detailed analysis of the channels of distribution and emerging trends and the impact of contractual procedures.
- Technology which is the crux of structural change is reviewed under the headings:
 - Emerging Technologies
 - Product Development
 - Communication Standards
- Assesses the IBC(s) suppliers' influence on Integrated Building Management Systems (IBMS) and measures the incidence of integrated security management projects for four different building services including access, intruder, cctv and asset tracking. Analyses the incidence of integration in twelve different building types.



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(SEPARATELY FOR BOTH CHINA AND HONG KONG
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Definitions

¹IBC(s): Intelligent Building Controls - Security Systems: - including access control, CCTV surveillance and intruder alarms

²IBMS: Integrated Building Management Systems - Systems that integrate two or more different building services under one contract.

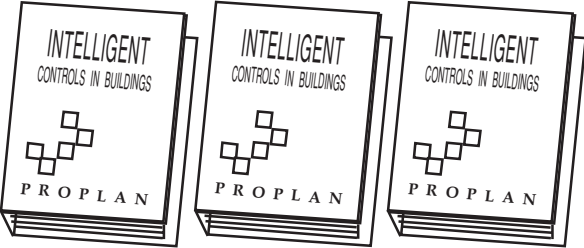




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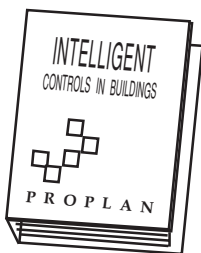
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