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海灣控股有限公司

GST HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 0416)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

FINANCIAL HIGHLIGHTS

- Revenue recorded growth of 14.6% to approximately RMB548.4 million
- Gross profit rose by 17.9% to approximately RMB229.9 million and gross profit margin also rose to 41.9%
- Contracts on hand increased by 31.4% to approximately RMB877.3 million

The board (the “Board”) of directors (“Directors”) of GST Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
	<i>Notes</i>		
Revenue	3	548,417	478,616
Cost of goods sold		<u>(318,566)</u>	<u>(283,695)</u>
Gross profit		229,851	194,921
Other income	5	20,761	18,146
Distribution costs		(76,438)	(67,811)
Administrative and general expenses		<u>(102,590)</u>	<u>(70,648)</u>
Operating profit	6	71,584	74,608
Share of results of			
Jointly controlled entity		1,426	3,184
Associates		<u>–</u>	<u>(34)</u>
Profit before income tax		73,010	77,758
Income tax expenses	7	<u>(19,872)</u>	<u>(6,594)</u>
Profit / Total comprehensive income for the period		<u>53,138</u>	<u>71,164</u>
Attributable to:			
Equity holders of the Company		53,235	71,120
Minority interests		<u>(97)</u>	<u>44</u>
		<u>53,138</u>	<u>71,164</u>
Earnings per share	8		
for profit attributable to equity holders of the Company			
– Basic (RMB cents)		<u>6.7 cents</u>	<u>8.9 cents</u>
– Diluted (RMB cents)		<u>6.7 cents</u>	<u>8.9 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		336,391	338,184
Prepaid operating lease for land		9,294	9,406
Intangible assets		17,570	19,130
Investment in a jointly controlled entity		2,789	847
Deferred income tax assets		1,774	6,034
		<u>367,818</u>	<u>373,601</u>
Current assets			
Inventories		194,904	241,471
Trade receivables	10	352,837	342,647
Other receivables, deposits and prepayments		56,335	55,675
Amount due from a jointly controlled entity		14,609	12,663
Amount due from a related company		–	3,534
Restricted bank deposits		12,542	16,474
Cash and cash equivalents		500,407	413,701
		<u>1,131,634</u>	<u>1,086,165</u>
Total assets		<u><u>1,499,452</u></u>	<u><u>1,459,766</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		84,800	84,800
Reserves		1,087,480	1,033,868
		<u>1,172,280</u>	<u>1,118,668</u>
Minority interests		<u>811</u>	<u>908</u>
Total equity		<u><u>1,173,091</u></u>	<u><u>1,119,576</u></u>

		As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,951	–
Current liabilities			
Trade payables	<i>11</i>	140,573	145,514
Other payables and accruals		15,312	29,397
Amount due to a related company		40	40
Advance from customers		136,675	139,718
Tax payable		31,810	25,521
		324,410	340,190
Total liabilities		326,361	340,190
Total equity and liabilities		1,499,452	1,459,766
Net current assets		807,224	745,975
Total assets less current liabilities		1,175,042	1,119,576

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 April 2004.

The principal activity of the Company is investment holding. The Group is engaged in the development, manufacturing, sales and installation of intelligent fire detection and control systems, automatic and intelligent securities systems for residential, commercial and industrial uses.

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of the Company in Hong Kong is located at Suite 1612, 16/F, Shun Tak Center, West Tower, 168-200 Connaught Road C. Sheung Wan, Hong Kong and the principal place of business of the Company in Beijing is located in 21/F, Block 2, Boya International Center, No.1 Lize Zhong Yi Road, Chaoyang District, Beijing 100102, The People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2009 (the "2009 Interim Financial Statements") are presented in Renminbi ("RMB"), unless otherwise stated and have been approved for issue by the Board of Directors on 25 September 2009.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The 2009 Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). The 2009 Interim Financial Statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The 2009 Interim Financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008 (the "2008 Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC-Int").

Except as described below, the accounting policies adopted in the 2009 Interim Financial Statements are consistent with those of the 2008 Financial Statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one performance statement and the unaudited condensed interim consolidated financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has primarily resulted in separation of part operations out of the original Fire alarm systems segment and included in "all other segments".

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the directors of the Company that makes strategic decisions.

The 2008 comparative financial information has been restated to conform to current period's presentation.

- Amendment to IFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in the financial statements ending 31 December 2009.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009 but are not currently relevant for the Group.

- IAS 23 (amendment), 'Borrowing costs'.
- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: presentation'.
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

3. REVENUE

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods		
Fire alarm systems	388,115	352,304
Fire alarm network systems	17,989	9,599
Video entry systems	28,961	22,566
Electric power meters	10,328	15,356
Others	24,717	–
Provision of services		
Installation services	78,307	78,791
	<u>548,417</u>	<u>478,616</u>

4. SEGMENT INFORMATION

The directors of the Company have been identified as the chief operating decision-makers (“CODMs”). The CODMs review the Group’s internal reporting in order to assess performance and allocate resources, and determine the operating segments based on these reports.

The directors consider the business from products and services perspective. The directors assess the performance of the operating segments based on a measure of profit/(loss) after income tax expenses in related periods which excludes the interest income and share of results of jointly controlled entity and associates. Other information provided, except as noted below, to the directors of the Company, is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out on terms agreed upon by respective parties. The revenue from external customers reported to the chief operating decision-makers is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

For the six months ended 30 June 2009 and 2008, the Group does not have revenues from transactions with a single external customer amounted to 10 per cent or more of the Group’s revenue.

Business segment

	Unaudited					Provision of services	Corporate RMB'000	Total RMB'000
	Sales of goods							
	Fire alarm systems RMB'000	Fire alarm network systems RMB'000	Video entry systems RMB'000	Electric power meters RMB'000	All other segments RMB'000			
Six months ended 30 June 2009								
Gross segment revenue	403,662	18,061	31,997	10,328	58,331	78,307	-	600,686
Inter-segment revenue	(15,547)	(72)	(3,036)	-	(33,614)	-	-	(52,269)
Revenue (from external customers)	388,115	17,989	28,961	10,328	24,717	78,307	-	548,417
Depreciation and amortisation	(11,010)	(385)	(641)	(204)	(683)	(847)	(484)	(14,254)
Impairment for accounts receivables and obsolete inventories	(8,079)	(238)	(699)	(2,228)	-	(7,042)	-	(18,286)
Impairment for fixed assets	(3,944)	-	-	-	-	-	-	(3,944)
Interest income	834	741	65	13	264	656	-	2,573
Operating profit	103,256	5,504	(2,043)	(8,947)	247	(23,159)	(3,274)	71,584
Share of profit from								
- Jointly controlled entity	-	-	-	-	-	-	1,426	1,426
- Associates	-	-	-	-	-	-	-	-
Profit before income tax	103,256	5,504	(2,043)	(8,947)	247	(23,159)	(1,848)	73,010
Income tax expenses	(15,588)	(1,366)	-	460	(1,628)	(1,750)	-	(19,872)
Profit for the period	87,668	4,138	(2,043)	(8,487)	(1,381)	(24,909)	(1,848)	53,138
Six months ended 30 June 2008								
Gross segment revenue	363,075	10,633	22,566	15,356	52,938	78,791	-	543,359
Inter-segment revenue	(10,771)	(1,034)	-	-	(52,938)	-	-	(64,743)
Revenue (from external customers)	352,304	9,599	22,566	15,356	-	78,791	-	478,616
Depreciation and amortisation	(9,402)	(268)	(381)	(188)	(691)	(890)	(383)	(12,203)
Impairment for accounts receivables and obsolete inventories	-	(179)	-	(783)	-	(507)	-	(1,469)
Interest income	469	244	80	9	240	481	131	1,654
Operating profit	80,671	1,163	8,714	(1,398)	(2,848)	(6,213)	(5,481)	74,608
Share of profit from								
- Jointly controlled entity	-	-	-	-	-	-	3,184	3,184
- Associates	-	(34)	-	-	-	-	-	(34)
Profit before income tax	80,671	1,129	8,714	(1,398)	(2,848)	(6,213)	(2,297)	77,758
Income tax expenses	(4,370)	125	(540)	(43)	(1,003)	(763)	-	(6,594)
Profit for the period	76,301	1,254	8,174	(1,441)	(3,851)	(6,976)	(2,297)	71,164

	Sales of goods					Provision of services		Total RMB'000
	Fire alarm systems RMB'000	Fire alarm network systems RMB'000	Video entry systems RMB'000	Electric power meters RMB'000	All other segments RMB'000	Installation services RMB'000	Corporate RMB'000	
Unaudited								
As at 30 June 2009								
Segment assets	991,092	75,047	49,720	55,214	50,474	245,439	32,466	1,499,452
Investment in a jointly controlled entity	-	-	-	-	-	-	2,789	2,789
Additions to non-current assets (other than deferred tax assets)	<u>8,285</u>	<u>491</u>	<u>1,384</u>	<u>441</u>	<u>74</u>	<u>4,600</u>	-	<u>15,275</u>
Segment liabilities	<u>203,418</u>	<u>7,011</u>	<u>10,426</u>	<u>13,494</u>	<u>10,111</u>	<u>80,055</u>	<u>1,846</u>	<u>326,361</u>
Audited								
As at 31 December 2008								
Segment assets	955,227	86,530	50,263	65,846	41,808	233,885	26,207	1,459,766
Investment in a jointly controlled entity	-	-	-	-	-	-	847	847
Additions to non-current assets (other than deferred tax assets)	<u>24,968</u>	<u>2,983</u>	<u>6,019</u>	<u>171</u>	<u>844</u>	<u>17,738</u>	<u>5,929</u>	<u>58,652</u>
Segment liabilities	<u>211,472</u>	<u>12,274</u>	<u>14,471</u>	<u>21,792</u>	<u>9,719</u>	<u>66,541</u>	<u>3,921</u>	<u>340,190</u>

5. OTHER INCOME

	Unaudited	
	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Government grant related to revenue	152	225
Value-added tax refund	17,753	12,657
Interest income	2,573	1,654
Others	283	3,610
	<u>20,761</u>	<u>18,146</u>

6. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Charging:		
Changes in inventories of finished goods and work in progress	17,037	–
Raw materials and consumables used	288,333	332,134
Employee benefit expenses (excluding directors' emoluments)	92,409	65,599
Research costs	7,649	4,977
Rental expenses	1,460	1,908
Transportation expenses	6,681	5,163
Development costs amortisation	2,091	1,450
Depreciation	12,051	10,641
Provision for impairment of receivables	11,634	1,469
Provision for impairment of fixed assets	3,944	–
Provision for obsolete inventories	6,652	–
Amortisation of prepaid operating lease for land	112	112
Impairment of investment in associates	–	34
Net loss on disposal of property, plant and equipment	9	41
Net exchange loss	–	2,783
	<u> </u>	<u> </u>
Crediting:		
Changes in inventories of finished goods and work in progress	–	(60,796)
Net exchange gain	(143)	–
Interest income	(2,573)	(1,654)
	<u> </u>	<u> </u>

The above items are included in cost of goods sold, distribution costs and administrative and general expenses.

7. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current income tax	13,660	7,013
Deferred income tax	6,212	(419)
	<u> </u>	<u> </u>
	<u>19,872</u>	<u>6,594</u>

No provision for Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong. The provision for PRC income tax is calculated based on the statutory income tax rate according to the relevant laws and regulations in the PRC.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law becomes effective on 1 January 2008 and introduces a wide range of changes which, include, but not limited to, the unification of the income tax rate for domestic investment enterprises and foreign investment enterprises ("FIEs"), which results in increasing the income tax rates for foreign investment production enterprises affiliate to the Group from 15% or 24% to 25%. In addition, the New CIT Law also provides a five-year transitional period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to preferential income tax rates under the then effective tax laws or regulations. Also pursuant to the new CIT Law, effective from 1 January 2008, enterprises that have applied and been granted High/New Technology Enterprise ("HNTE") will be entitled to a favorable statutory tax rate of 15%.

Gulf Security Technology Company Limited ("GST"), Beijing Gulf Electric Meters Company Limited ("Gulf Meters") and Gulf Fire Prevention Network Company Limited ("Gulf Network"), subsidiaries of the Group, as FIEs registered in a designated development zone, have been exempted from taxation for the first two profitable years and a 50% relief from the applicable national PRC income tax rate for the next three years (the "Exemption and Relief"). Because GST and Gulf Network obtained and applied the Exemption and Relief since 2004, GST and Gulf Network have been exempted from taxation in 2004 and 2005 and a 50% relief was applied in 2006, 2007 and 2008. Because Gulf Meters got and applied the Exemption and Relief since 2005, Gulf Meters has been exempted from taxation in 2005 and 2006 and a 50% relief was applied in 2007, 2008 and 2009.

Beijing Gulf Wei'er Electrical Engineering Company Limited ("Beijing Gulf Engineering"), a subsidiary of the Group, is a designated HNTE registered in Zhongguancun Science Park. According to relevant tax laws and regulations in the PRC, effective since the incorporation of Beijing Gulf Engineering in March 2004, it has been exempted from taxation for the first three profitable years and a 50% relief from the applicable national PRC income tax rate for the next three years. Hence, Beijing Gulf Engineering has been exempted from taxation in 2004, 2005 and 2006 and a 50% relief was applied in 2007, 2008 and 2009.

In order to increase the productivity, GST constructed the 3rd phase of the factory (the "3rd Phase") which was completed for production since August 2006. According to relevant tax laws and regulations in the PRC, the additional investment of the 3rd Phase is exempt from taxation for the first two profitable years and a 50% relief from the applicable national PRC income tax rate for the next three years. Because the 3rd Phase has made profit since its first operation year, which is 2006, the 3rd Phase has been exempted from taxation in 2006 and 2007 and a 50% relief has been applied in 2008 and 2009 and will be applied in 2010.

On 26 December 2007, the State Council issued the "Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies". Pursuant to this Circular, the transitional income tax rates for the Group's subsidiaries, GST and Gulf Network, as foreign investment production enterprises, established in the Qinhuangdao Economic and Technology Development Zone before 16 March 2007, are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively. Other tax preferential treatments such as 50% relief in income tax rate shall be based on the above transitional income tax rate. Based on the communication with local in charge tax bureau, the provisions for income tax for the 3rd phase were provided at a rate of 10% for 2009 (2008: 9%).

GST (other than the 3rd phase) and Gulf Network applied for and were both subsequently approved as HNTEs on 3 December 2008, and accordingly, they were subject to a favorable income tax rate of 15% for 2009 (2008: 9%).

Beijing Gulf Engineering applied for and was subsequently approved as HNTE on 18 December 2008, and accordingly, they were subject to a favorable income tax rate of 15% according to the New EIT Law and the above transitional income tax rates for the period from 2008 to 2010 were no longer applicable to them. Thus the provision for income tax was provided at a rate of 7.5% for 2009 (2008: 7.5%).

Gulf Meters, with the applicable PRC income tax rate of 25% (2008: 25%), the provision for income tax was provided at a rate of 12.5% for 2009 (2008: 12.5%).

Pursuant to the new CIT Law and the Detail Implementation Regulations (“DIR”) issued by the State Administration of Taxation (“SAT”) on 6 December 2007, a 10% withholding tax will be levied on dividend payable declared and remitted by FIEs to its foreign investors on or after 1 January 2008. On 22 February 2008, the Ministry of Finance (“MoF”) and SAT jointly issued Cai Shui 2008 Circular 1 (“Circular 1”). According to Article 4 of Circular 1, where FIEs declare dividend in 2008 and beyond out of the cumulative retained earnings as of 31 December 2007, such dividends earned by the foreign investor shall be exempt from corporate withholding income tax. For dividend which arises from FIEs profit earned after 1 January 2008, withholding income tax will be levied on the foreign investor. The Group has decided not to pay out dividends arising from FIEs profit earned after 1 January 2008 in the foreseeable future.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	<u><u>53,235</u></u>	<u><u>71,120</u></u>
Weighted average number of ordinary shares in issue (thousands)	<u><u>800,000</u></u>	<u><u>800,000</u></u>
Basic earnings per share (RMB cents per share)	<u><u>6.7</u></u>	<u><u>8.9</u></u>
Diluted earnings per share (RMB cents per share)	<u><u>6.7</u></u>	<u><u>8.9</u></u>

For the six months ended 30 June 2009 and 2008, the share options did not have a dilutive effect because the average market price of ordinary shares during the period did not exceed the exercise price of the options.

9. DIVIDENDS

The Board does not recommend the payment of a dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

10. TRADE RECEIVABLES

The Group's sales to corporate customers are entered into on credit terms ranging from 30 to 180 days. The Group also grants longer credit terms to certain customers depending on those customers' progress of installation of the Group's products. The ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
0 to 90 days	184,979	199,147
91 to 180 days	33,031	44,088
181 to 365 days	85,153	54,256
1 to 2 years	58,354	53,712
2 to 3 years	20,912	18,342
Over 3 years	17,628	12,222
	<u>400,057</u>	<u>381,767</u>
Less: Provision for impairment of receivables	(47,220)	(39,120)
	<u><u>352,837</u></u>	<u><u>342,647</u></u>

The carrying amounts of the Group's trade receivables approximated its fair value as at 30 June 2009 because of the short maturities of these receivables.

11. TRADE PAYABLES

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
0 to 90 days	109,048	116,373
91 to 180 days	11,804	10,367
181 to 365 days	8,144	11,341
Over 365 days	11,577	7,433
	<u>140,573</u>	<u>145,514</u>

MANAGEMENT DISCUSSION & ANALYSIS

Financial Highlights

For the six months ended 30 June 2009, revenue for the Group reached RMB548,417,000, representing a 14.6% increase compared to that of last year (first half of 2008: approximately RMB478,616,000). Gross profit rose by 17.9% to RMB229,851,000 (first half of 2008: approximately RMB194,921,000). Gross profit margin also raised by 1.2 percentage points to 41.9%. Profit attributable to shareholders decreased to RMB53,235,000 (first half of 2008: approximately RMB71,120,000). Earnings per share for the Group was RMB6.7 cents (first half of 2008: RMB8.9 cents). The Board of Directors does not recommend dividend payout for the six months ended 30 June 2009.

The increase in revenue of the Group was mainly due to the stimuli package implemented by the Chinese government as well as the gradual completion of unfinished projects reflecting in the revenue during the interim period in 2009. During the period, newly signed contracts of the Group amounted to approximately RMB651,801,000 (2008: RMB688,171,000), slightly decreased by 5.3% compared with last year. The amount of contracts on-hand was RMB877,296,000 (first half of 2008: RMB667,797,000), increased by 31.4% compared with last year.

Business Review

The Group is a total fire and security solutions provider engaged in research and development, production, sales and distribution, installation, and after-sales services of fire alarm products, fire extinguishing products, intelligent security products, safety and protection products, and energy saving and environmental control products for our customers in a wide spectrum of sectors, including construction, public facilities, industrial facilities and special venues.

Since the implementation of a new mandatory accreditation standard for fire alarm systems in the PRC, the Group had obtained a total of 52 products accredited with the new standard.

Fire Alarm System

Fire alarm system remains the core business of the Group and the business performance was satisfactory. The revenue of fire alarm system amounted to RMB388,115,000 during the period, increased by 10.2% compared with last year (first half of 2008: approximately RMB352,304,000), which took up 70.8% of the total revenue. The gross profit margin was 51.7%, increased by 4.0 percentage points compared with last year. The Group's diversified customer base comprises industrial and public facilities customers (gross profit margin 53.6%), export customers (gross profit margin 58.2%) and civilian commercial customers and residential clients (gross profit margin 50.5%).

The Group's diversified customer base stretched across various strata including commercial, residential to professional customers, including metallurgy, electricity, petrol chemical; as well as banking, government institutions, airports, railways and public facilities, etc.

Industrial and Public Facilities Sales

Due to economic downturn resulting in significant drop for fire alarm system products demand from industrial and public facilities installation projects, revenue of fire alarm systems from industrial and public facilities customers decreased by 11.3% to approximately RMB90,199,000 (first half of 2008: RMB101,716,000), accounting for 23.2% of revenue from fire alarm systems.

Export Sales

For six months ended 30 June 2009, the Group's export revenue decreased by 27.8% to RMB26,098,000, which made up 6.7% of fire alarm system total revenue, due to hit by international financial crisis resulting in significant drop in export demand of fire alarm system products.

Installation Services

Installation services are mainly categorized into industrial fire safety, residential fire safety and construction intelligent engineering. During the period under review, revenue of installation services business decreased to RMB78,307,000 (first half of 2008: RMB78,791,000), representing approximately 0.6% slightly down compared to last year, due to hit by international financial crisis and downturn of domestic property market resulting in significant drop for new signed contracts and completed projects in progress.

Security Products

During the period under review, the government introduced ten measures to promote domestic demand, proposed that the Minister of Finance would invest RMB900 billion on building low rent housing estates, economical flats and shantytowns from 2009 to 2011, in order to solve living problems of 10,000,000 low income families in the country. In the meantime, the "Common Technology Requirement for Safety System in Community" was implemented since 1 December 2008 to standardise the building entrance, control centre, fence and video system, etc. in community. While the above policies brought significant development of the security market, the Group seized the opportunity and, the revenue of video entry system products rose by 28.3% to RMB28,961,000 in the period under review, with a gross profit margin of 24.6%.

Fire Alarm Network System and Electric Power Meters

For the six months ended 30 June 2009, revenue generated from 119 fire alarm network systems grew 87.4%, amounting to RMB17,989,000 (first half of 2008: RMB9,599,000). The sharp increase in revenue of network systems is mainly due to launch of network products according to the implementation of new regulations on "City Fire Prevention Remote Control System Technology" in April 2008. The electric power meters generated revenue of RMB10,328,000 (first half of 2008: RMB15,356,000), decreased by 32.7% due to centralization of tendering process and resulting in weakening orders from district electric companies.

Others

All other segments represent trading of fire protection equipments by Gulf Link-Zone Fire Technology (Beijing) Company Limited, a new subsidiary of the Group which is set up in August 2008. For the six months ended 30 June 2009, all other segments generated revenue of RMB24,717,000 (first half of 2008: Nil).

Sales Channels

The Group actively promoted direct sales to industrial, engineering customers as well as special architectures.

Operating Cost and Other Income

The overall operating cost amounted to RMB179,028,000, increased by 29.3% compared to that of the same period in last year. For the six months ended 30 June 2009, distribution costs, and administrative and general expenses were approximately RMB76,438,000 and RMB102,590,000 respectively, sharing 14.0% and 18.7% of total revenue respectively. For the six months ended 30 June 2009, income from preferential value added tax refund amounted to RMB17,753,000 (first half of 2008: RMB12,657,000), increased by 40.3% than that of last year.

Future Prospects

The financial tsunami affecting the global economy last year still influences the financial market. Although the economies started to recover in 2009, it is still uncertain of the recovery timetable of the global financial market. In order to prevent the PRC economy getting affected, the PRC government launched a series of policies aiming to encourage domestic demand, including measures to solve low income family's living difficulties. The Group would seize the opportunity upcoming with the development of safe city and implementation of the revised "Fire Prevention Law".

Conclusion

Due to the high quality products and services providing to customer, the Group can keep its stable position in the market, maintaining growing revenue in the global financial tsunami. Meanwhile, the Group will place more resources to raise quality of products, invent new products and seek for more accreditations, so as to achieve its objective of internationalisation.

On 2 December 2008, UTFE and the Company jointly announced that UTFE was considering making proposed voluntary conditional cash offers (i) to acquire all of the Company's Shares (other than the Company's Shares already held by UTFE and parties acting in concert with it); and (ii) for the cancellation of all the outstanding Share Options. On 17 June 2009, UTFE and the Company jointly announced that the relevant pre-condition had been fulfilled and that UTFE will make voluntary conditional cash offers (i) to acquire all of the Company's Shares (other than the Company's Shares already held by UTFE and

parties acting in concert with it); and (ii) for the cancellation of all the outstanding Share Options. On 17 July 2009, the composite document and forms of acceptance in relation to the offers were jointly issued by UTFE and the Company to the Company's shareholders and optionholders.

On 7 August 2009, UTFE and the Company jointly announced that the offers became unconditional in all respects. On 21 August 2009, UTFE and the Company jointly announced that the offers had closed and that UTFE intends to exercise its right under Cayman Islands Companies Law to compulsorily acquire the Company's Shares that were not acquired by UTFE which were subject of the share offer. On completion of the compulsory acquisition, the Company will become a wholly-owned subsidiary of UTFE and an application will be made for the withdrawal of the listing of the Company's Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. UTFE is an indirect wholly owned subsidiary of United Technologies Corporation, a listed company on the New York Stock Exchange in the US.

WORKING CAPITAL, FINANCIAL RESOURCES AND BANK LOANS

For the six months ended 30 June 2009, the Group recorded operating cash inflow of approximately RMB90,764,000 (first half of 2008: RMB9,857,000 cash outflow) largely due to decrease in inventories and collection of trade receivables, in relation to the Group's business expansion and stable operating profit of the Group for the period. Cash used in the investing activities amounted to RMB7,990,000 (first half of 2008: RMB19,049,000), mainly for purchase of fixed assets. Cash from financing activities amounted to RMB3,932,000 (first half of 2008: RMB64,767,000 cash outflow). During the period under review, the Group did not have any short-term or long-term bank loans. As such, the gearing ratio (being total debt divided by total shareholders' equity) was zero at 30 June 2009 (31 December 2008: zero).

FOREIGN CURRENCY EXPOSURES AND TREASURY POLICY

The Group has to bear the risk of exchange rate change between the United States dollar and Renminbi. More than 95% of the Group's revenue and raw material purchase are denominated in Renminbi. Though the financial crisis is leading to depreciation in Asian currencies, and purchases of raw materials by some of the Group's suppliers are usually transacted in United States dollar, the appreciation of Renminbi against United States dollar favours the raw material purchase price of the Group, and also helping the Group in cost control. It is expected as positive impact to the future financial performance of the Group. On the other hand, the Group's export revenue, which is denominated in United States dollar and less than 5% of total revenue, is subject to limited negative impact of the appreciation of Renminbi against United States dollar. The Group's bank deposits are predominately in Renminbi, Hong Kong dollar and the United States dollar. The Board is in the opinion that the appreciation of Renminbi may not generate any significant effect on the financial position of the Group's operation. For the six month ended 30 June 2009, only a foreign exchange gain of approximately RMB143,000 (first half of 2008 foreign exchange loss: RMB2,783,000) was reflected in the Group's financial statements. The Group's treasury policy stipulates management of foreign currency exposure to minimize unfavourable financial impact on the Group. The Group will continue to monitor its foreign exchange position. For the six months ended 30 June 2009, the Group did not employ any financial instruments or enter into any contract in order to hedge against its foreign currency exchange risk.

HUMAN RESOURCES

As at 30 June 2009, the Group's total number of employees was 3,516, representing a 0.4% decrease in the number of employees 3,531 as at 31 December 2008. The Group has set up a remuneration committee to review the remuneration packages of the Executive Directors of the Company and senior management. The committee is composed of two independent Non-executive Directors and one Non-executive Director. The post of Chairman is held by Mr. Chan Chi On, an Independent Non-executive Director.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares for the six months ended 30 June 2009. As at 30 June 2009, 800,000,000 shares were in issue.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2009 except that both the roles of chairman and chief executive officer of the Company are performed by Mr. Song Jiacheng ("Mr. Song"), which constitutes a deviation from the Code Provision A.2.1 which stipulates that the chairman and chief executive officer should be separate and should not be performed by the same individual. However, due to the fact that Mr. Song is a founder of the business of the Group and possesses substantial experience that is valuable to the Group's operations, the Board of Directors considered that it is in the best interests of the Company and its shareholders currently to have Mr. Song to serve these roles. The Company therefore does not currently intend to separate Mr. Song's roles as the chairman and the chief executive officer.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors for the six months ended 30 June 2009.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code of Corporate Governance Practice. The audit committee comprises three independent non-executive Directors, including Mr. Chang Tso Tung, Stephen, Mr. Chan Chi On and Mr. Sun Lun. Mr. Chang Tso Tung, Stephen is the chairman of the audit committee. The rights and duties of the audit committee comply with the Model Code provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

The 2009 interim financial statements have been reviewed by the audit committee and the Company's auditor in accordance with Hong Kong Standards on Review Engagement ("HKSRE") 2410 issued by Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company has established a remuneration committee which comprises two independent non-executive Directors and one non-executive Director, including Mr. Chan Chi On, Mr. Chang Tso Tung, Stephen and Mr. Lee Kwan Hung. Mr. Chan Chi On is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the provisions of the Model Code. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the Directors and senior management and providing advice and recommendations to the Board.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2009 interim report of the Company containing all information required by the Listing Rules will be despatched to shareholders of the Company as well as published on the Stock Exchange's website at <http://www.hkex.com.hk> and the Company's website at <http://www.gst.com.cn> in due course.

By order of the Board
Song Jiacheng
Chairman

Hong Kong, 25 September 2009

As at the date of this announcement, the Board comprises twelve directors, of whom, Mr. SONG Jiacheng, Mr. CAO Yu, Mr. Douglas WRIGHT, Mr. Samuel Arthur SCHWALL, Mr. LAM Chung Kwan, Terry and Ms. ZHANG Xiaoying are executive directors, Mr. LEE Kwan Hung, Ms. Nora LAFRENIERE and Mr. Kenneth PARKS are non-executive directors, Mr. CHANG Tso Tung, Stephen, Mr. CHAN Chi On and Mr. SUN Lun are independent non-executive directors.