Interim Report 2009

GST HOLDINGS LIMITED
海 灣 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 0416

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Song Jiacheng *(Chairman)*
Cao Yu
Douglas Wright
Samuel A. Schwall
Lam Chung Kwan, Terry
Zhang Xiaoying

Non-executive Directors:

Lee Kwan Hung
Nora LaFreniere
Kenneth Parks

Independent non-executive Directors:

Chang Tso Tung, Stephen
Chan Chi On
Sun Lun

AUDIT COMMITTEE

Chang Tso Tung, Stephen *(Chairman)*
Chan Chi On
Sun Lun

REMUNERATION COMMITTEE

Chan Chi On *(Chairman)*
Lee Kwan Hung
Chang Tso Tung, Stephen

SENIOR MANAGEMENT

Jiang Zhengyu
Hung Lap Kay
(Company Secretary)

STOCK CODE

Hong Kong Stock Exchange 416

INVESTOR RELATIONS CONTACT

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PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank
China Merchants Bank
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

As to Hong Kong law
Woo, Kwan, Lee & Lo

As to Cayman Islands law
Conyers Dill & Pearman

As to PRC Law
Commerce & Finance Law Offices

FINANCIAL PR CONSULTANT

JOVIAN Financial Communications Ltd

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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.

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

The accompanying notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**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
		367,818	373,601
Current assets			
Inventories	*11*	**194,904**	241,471
Trade receivables	*12*	**352,837**	342,647
Other receivables, deposits and prepayments		**56,335**	55,675
Amount due from a jointly controlled entity	*13*	**14,609**	12,663
Amount due from a related company	*14*	**–**	3,534
Restricted bank deposits		**12,542**	16,474
Cash and cash equivalents		**500,407**	413,701
		1,131,634	1,086,165
Total assets		**1,499,452**	1,459,766
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*15*	**84,800**	84,800
Reserves	*16*	**1,087,480**	1,033,868
		1,172,280	1,118,668
Minority interests		**811**	908
Total equity		**1,173,091**	1,119,576

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	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	*17*	**140,573**	145,514
Other payables and accruals		**15,312**	29,397
Amount due to a related company	*14*	**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

The accompanying notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2009

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital RMB'000	Reserves RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2009	**84,800**	**1,033,868**	**908**	**1,119,576**
Total comprehensive income for the period	**–**	**53,235**	**(97)**	**53,138**
Employee share options scheme – Value of services provided	**–**	**377**	**–**	**377**
At 30 June 2009	**84,800**	**1,087,480**	**811**	**1,173,091**

Six months ended 30 June 2008

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital RMB'000	Reserves RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	84,800	919,278	872	1,004,950
Total comprehensive income for the period	–	71,120	44	71,164
Employee share options scheme – Value of services provided	–	767	–	767
Dividend paid	–	(64,320)	–	(64,320)
At 30 June 2008	84,800	926,845	916	1,012,561

The accompanying notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**90,764**	(9,857)
Net cash used in investing activities	**(7,990)**	(19,049)
Net cash from/(used in) financing activities	**3,932**	(64,767)
Net increase/(decrease) in cash and cash equivalents	**86,706**	(93,673)
Cash and cash equivalents at beginning of the period	**413,701**	352,605
Cash and cash equivalents at end of the period	**500,407**	258,932

The accompanying notes on pages 8 to 22 are an integral part of these unaudited condensed consolidated interim financial information.

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
	RMB'000	RMB'000
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
	548,417	478,616

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							
	Sales of goods					Provision of services		
	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	Total 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		
	Fire alarm systems	Fire alarm network systems	Video entry systems	Electric power meters	All other segments	Installation services	Corporate	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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)	8,285	491	1,384	441	74	4,600	–	15,275
Segment liabilities	203,418	7,011	10,426	13,494	10,111	80,055	1,846	326,361
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)	24,968	2,983	6,019	171	844	17,738	5,929	58,652
Segment liabilities	211,472	12,274	14,471	21,792	9,719	66,541	3,921	340,190

5. OTHER INCOME

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	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
	20,761	18,146

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
Crediting:		
Changes in inventories of finished goods and work in progress	**–**	(60,796)
Net exchange gain	**(143)**	–
Interest income	**(2,573)**	(1,654)

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)
	19,872	6,594

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)	**53,235**	71,120
Weighted average number of ordinary shares in issue (thousands)	**800,000**	800,000
Basic earnings per share (RMB cents per share)	**6.7**	8.9
Diluted earnings per share (RMB cents per share)	**6.7**	8.9

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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, additions to property, plant and equipment amounted to approximately RMB14,744,000 (six months ended 30 June 2008: approximately RMB16,745,000) and disposals amounted to approximately RMB2,170,000 (six months ended 30 June 2008: approximately RMB636,000).

As of 30 June 2009, the Group has not obtained ownership certificates for some properties and premises of the Group at a carrying value of approximately RMB84,756,000 (2008: RMB134,599,000). Management represents that the Group is in the progress of obtaining these certificates and they are confident that these certificates will be obtained in due course.

11. INVENTORIES

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Raw materials	**43,840**	65,289
Work-in-progress	**23,872**	20,268
Finished goods	**72,078**	97,329
	139,790	182,886
Components delivered to customers in respect of contracts not yet completed at period/year end	**55,114**	58,585
At cost, less provision for obsolete inventories	**194,904**	241,471

12. 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
	400,057	381,767
Less: Provision for impairment of receivables	**(47,220)**	(39,120)
	352,837	342,647

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.

13. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
0 to 90 days	**7,460**	7,437
91 to 180 days	**7,149**	4,414
181 to 365 days	**–**	–
Over 365 days	**–**	812
	14,609	12,663

The balance is unsecured, interest-free and mostly repayable in accordance with the trading terms and denominated in US dollars.

14. AMOUNT DUE FROM AND AMOUNT DUE TO A RELATED COMPANY

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Amount due from a related company:		
Beijing Gulf Jingcheng Property Development Company Limited ("Beijing Gulf Property")	**3,534**	3,534
Less: Provision for impairment of amount due from a related company	**(3,534)**	–
	–	3,534
Amount due to a related company:		
Gulf Technology Group Company Limited ("Gulf Group")	**40**	40

Beijing Gulf Property is a subsidiary company of Gulf Technology Group Company Limited ("Gulf Group"). As at 30 June 2009, Gulf Group is owned by the same beneficial shareholders of GST International Management Limited, the controlling shareholder of the Company.

After the completion of cash offer by United Technologies Far East Limited ("UTFE") to acquire all shares of the Company on 12 August 2009, GST International Management Limited has sold all its beneficial interests in the shares of the Company to UTFE and Gulf Group is no longer a related company of the Group.

Amount due from a related company are unsecured, interest free and repayable in accordance with the trading terms.

15. SHARE CAPITAL

	Authorised Common shares of HK$0.1 each	
	No. of shares	RMB'000
At 1 January 2008 and at 31 December 2008	2,000,000,000	212,000
At 1 January 2009 and at 30 June 2009	2,000,000,000	212,000

	Issued Common shares of HK$0.1 each	
	No. of shares	RMB'000
At 1 January 2008 and at 31 December 2008	800,000,000	84,800
At 1 January 2009 and at 30 June 2009	800,000,000	84,800

16. RESERVES

	Unaudited						
	Share premium RMB'000	Merger reserves RMB'000	General reserves RMB'000	Other reserve RMB'000	Currency translation adjustments RMB'000	Retained earnings RMB'000	Total RMB'000
Six months ended 30 June 2009							
At 1 January 2009	185,711	102,902	130,892	2,458	15	611,890	1,033,868
Total comprehensive income for the period	–	–	–	–	–	53,235	53,235
Employee share option scheme							
– value of service provided	–	–	–	377	–	–	377
At 30 June 2009	185,711	102,902	130,892	2,835	15	665,125	1,087,480
Six months ended 30 June 2008							
At 1 January 2008	250,031	102,902	111,528	1,224	15	453,578	919,278
Dividend paid	(64,320)	–	–	–	–	–	(64,320)
Total comprehensive income for the period	–	–	–	–	–	71,120	71,120
Employee share option scheme							
– value of service provided	–	–	–	767	–	–	767
At 30 June 2008	185,711	102,902	111,528	1,991	15	524,698	926,845

17. 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
	140,573	145,514

18. COMMITMENTS

Operating lease commitments for buildings

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
First year	**3,020**	1,836
Second to fifth year	**2,194**	2,004
After the fifth year	**187**	438
	5,401	4,278

19. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related companies which were, in the opinion of the directors of the Company, carried out in the normal course of the Group's business:

		Unaudited Six months ended 30 June	
	Notes	**2009 RMB'000**	2008 RMB'000
Sales to a jointly controlled entity	*(i)*	**16,391**	22,774
Repair cost paid to a related company	*(ii)*	**–**	44
Rental paid to a related company	*(iii)*	**–**	40
Property management fee paid to a related company	*(iv)*	**619**	619
Car park license fee paid to a related company	*(v)*	**250**	250

Notes:

(i) Sales of finished goods to a jointly controlled entity, Global System Technology PLC, were conducted in the normal course of business at prices and terms mutually agreed by the parties involved.

(ii) Repair cost paid to Qinhuangdao Development Zone Junhui Car Repair and Decoration Company Limited, a subsidiary of Gulf Group, were conducted at prices and terms mutually agreed by the parties involved.

(iii) Rental paid to Gulf Group was determined based on market rent.

(iv) Property management fee paid to The Gate Asset Management Company Limited ("The Gate") (北京新中關摩爾資產管理有限公司), a subsidiary of Beijing Gulf Property, which provides property management services in relation to the office building of the Group in Zhongguancun, Beijing. The property management fee was determined based on terms agreed upon by both parties.

(v) Car park license fee paid to The Gate which provides the Group with the right to use certain car park facilities in the office building of the Group in Zhongguancun, Beijing. The car park license fee was determined based on terms agreed upon by both parties..

After the completion of cash offer by UTFE to acquire all shares of the Company on 12 August 2009, GST International Management Limited, beneficial shareholder of Gulf Group, has sold all its beneficial interests in the shares of the Company to UTFE and is no longer controlling shareholder of the Company. In this connection, Gulf Group, Qinhuangdao Development Zone Junhui Car Repair and Decoration Company Limited, Beijing Gulf Property and The Gate are no longer related companies of the Group since then.

20. EVENTS AFTER THE BALANCE SHEET DATE

On 2 December 2008, UTFE, a wholly-owned subsidiary of United Technologies Corporations which is a substantial shareholder of the Company, made a proposed voluntary conditional cash offers to acquire all the issued shares in the capital of the Company including i) shares held by GST International Management Limited, the controlling shareholder of the Company, and ii) remaining shares other than those shares already held by UTFE and parties acting in concert with it and for the cancellation of all the outstanding share options of the Company (the "Offers"). The Offers, if and when made, will be made on HK$3.38 in cash for each share of the Company (the "Share Offer") and HK$0.58 in cash for each share option of the Company (the "Option Offer").

On 16 June 2009, UTFE formally obtained written clearance dated 15 June 2009 from the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC in relation to the PRC Antitrust Filing in relation to the Offers and so the pre-condition of the Offers has been fulfilled.

On 21 August 2009, UTFE has acquired not less than 90% of all the shares of the Company other than those shares held by UTFE and its concert parties and 100% of all outstanding share options of the Company. UTFE intends to exercise the right under section 88 of the Cayman Islands Companies Law to compulsorily acquire those shares of the Company which were the subject of the Share Offer and which were not acquired by UTFE under the Share Offer (the "Outstanding Shares"). On completion of the compulsory acquisition, the Company will become a wholly-owned subsidiary of UTFE and an application has been 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.

With effect from 9:30 a.m. on 24 August 2009, trading in the shares of the Company has been suspended up to the withdrawal of listing of the shares of the Company following completion of the compulsory acquisition of the Outstanding Shares.

As at the date of this report, the compulsory acquisition of the Outstanding Shares is still in progress.

21. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current period presentation.

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.

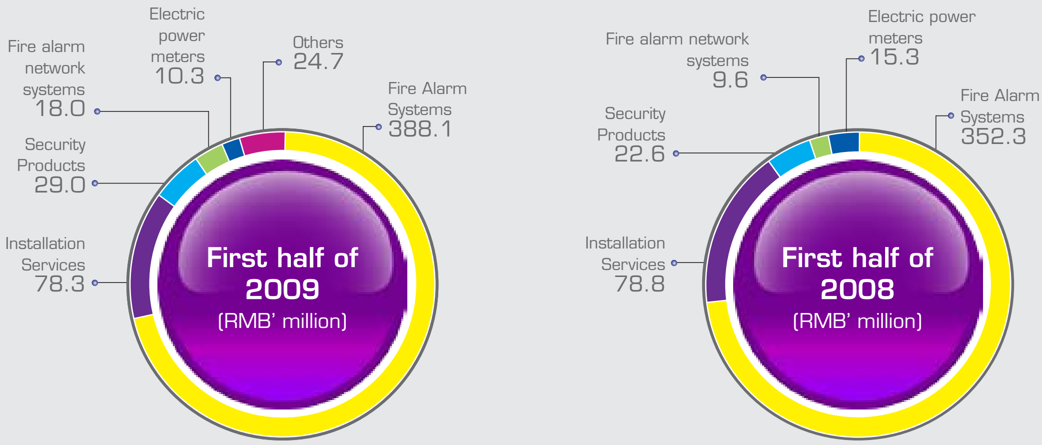
Business Review

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.

Revenue Analysis by Business Segments

	Six months ended 30 June		
	2009 RMB' million	2008 RMB' million	Change %
Fire alarm systems	**388.1**	352.3	+10.2%
Installation services	**78.3**	78.8	-0.6%
Security products	**29.0**	22.6	+28.3%
Fire alarm network systems	**18.0**	9.6	+87.5%
Electric power meters	**10.3**	15.3	-32.7%
Others	**24.7**	–	N/A
Total	**548.4**	478.6	+14.6%



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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2009, the interests and/or short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Beneficial interests in the shares of associated corporations

Name of associated corporation	Name of Director	Number of ordinary shares held in the associated corporation	Approximate shareholding percentage
GST International Management Limited	Song Jiacheng	269,276 ordinary shares	26.93%
GST International Management Limited	Zeng Jun	231,366 ordinary shares	23.14%
GST International Management Limited	Cao Yu	157,781 ordinary shares	15.78%
GST International Management Limited	Peng Kaichen	157,781 ordinary shares	15.78%

Share options granted to Directors

On 23 May 2007, the Company granted share options to all Directors under the share option scheme (the "Share Option Scheme") that was adopted on 7 June 2005 conditionally and became unconditional on 30 June 2005. Details of the share options granted to Directors as at 30 June 2009 are set out in the heading "Share Option Scheme".

Saved as disclosed above, at no time during the year, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the year was the Company, its subsidiaries, its jointly controlled entity, its associated companies, its fellow subsidiaries or its parent Company a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

After the completion of cash offer by UTFE to acquire all shares and share options of the Company and cancellation of all outstanding share options of the Company on 12 August 2009, GST International Management Limited has sold all its beneficial interests in the shares of the Company to UTFE and all outstanding share options granted to directors of the Company have been cancelled.

APPOINTMENT AND RESIGNATION OF DIRECTORS

Appointment of Directors (this "Appointment")

On 9 September 2009, the Board announced that, with effect from 9 September 2009:

1) Mr. Douglas Wright ("Mr. Wright"), Mr. Samuel Arthur Schwall ("Mr. Schwall"), Mr. Lam Chung Kwan, Terry ("Mr. Lam") and Ms. Zhang Xiaoying ("Ms. Zhang") have been appointed as executive directors of the Company; and

2) Ms. Nora LaFreniere ("Ms. LaFreniere") and Mr. Kenneth Parks ("Mr. Parks") have been appointed as non-executive directors of the Company.

Mr. Wright, aged 39, graduated from Virginia Polytechnic Institute & State University with a Bachelor of Science in mechanical engineering and received a Master of Business Administration degree from the University of North Carolina, Charlotte. Mr. Wright joined United Technologies Corporation ("UTC") in 2007 as the Asia President for UTC Fire & Security Corporation ("UTC Fire & Security"), an operating unit of UTC and an affiliated entity of UTFE, which currently holds more than 99% of the issued share capital of the Company. Mr. Wright is also a non-executive director of China Fire Safety Enterprise Group Holdings Limited (Hong Kong Stock Code: 00445).

Mr. Schwall, aged 47, holds a Bachelor of Science degree from Rochester Institute of Technology, a Master of Science degree from Lehigh University, and received a Master of Business Administration degree from Harvard University. Mr. Schwall joined UTC in 2001 and is currently the Operation Director for UTC Fire & Security in Asia. Mr. Schwall is also a director of a number of private companies within the UTC group.

Mr. Lam, aged 41, holds a Master of Business Administration degree from California State University, East Bay. Mr. Lam joined Chubb Hong Kong Limited, which is a wholly-owned subsidiary of UTC and an affiliated entity of UTFE, in 2006 and is currently the finance director of Chubb Hong Kong Limited. Mr. Lam is also a director of a number of private companies within the UTC group. Mr. Lam has more than 15 years of experience in accounting and financial management. Mr. Lam is currently an associate member of the Hong Kong Institute of Certified Public Accountants, and also a member of the American Institute of Certified Public Accountants.

Ms. Zhang, aged 27, graduated from the Law School of Fudan University in Shanghai with a Bachelor of Laws degree and from Harvard Law School with a Master of Laws degree. Ms. Zhang joined UTC in 2008 as an International Associate.

Ms. LaFreniere, aged 38, is Vice President and General Counsel of UTC Fire & Security. She holds a Bachelor of Arts degree from the University of California, San Diego and a Juris Doctor degree from the University of Notre Dame. Ms. LaFreniere has also held various positions within UTC and its operating units since 2000.

Mr. Parks, aged 46, is Vice President Finance and Chief Financial Officer of UTC Fire & Security. Mr. Parks earned a Bachelor of Business Administration in accounting from the University of Tulsa and is a certified public accountant. Mr. Parks has held various positions within UTC and its operating units since 1990.

As at the date of this Appointment, none of Mr. Wright, Mr. Schwall, Mr. Lam, Ms. Zhang, Ms. LaFreniere or Mr. Parks has held any other position with the Company or any of its subsidiaries in the three years preceding the date of the Appointment. Save for Mr. Wright, none of Mr. Schwall, Mr. Lam, Ms. Zhang, Ms. LaFreniere or Mr. Parks has held any directorships in the three years preceding the date of this Appointment in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed in this report, none of Mr. Wright, Mr. Schwall, Mr. Lam, Ms. Zhang, Ms. LaFreniere or Mr. Parks has any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this Appointment, each of Mr. Wright, Mr. Schwall, Mr. Lam, Ms. Zhang, Ms. LaFreniere and Mr. Parks does not hold any interest in the issued share capital of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Mr. Wright, Mr. Schwall, Mr. Lam and Ms. Zhang have not entered into any service contract with the Company and have not been appointed for a specific term, and their appointments as executive directors of the Company shall be for an initial term up to the conclusion of the next annual general meeting of the Company, when they will retire in accordance with the articles of association of the Company and, being eligible, may offer themselves for re-election. Mr. Wright, Mr. Schwall, Mr. Lam, and Ms. Zhang will receive no remuneration for their services as executive directors of the Company.

Ms. LaFreniere and Mr. Parks have not entered into any service contract with the Company and have not been appointed for a specific term, and their appointments as non-executive directors of the Company shall be for an initial term up to the conclusion of the next annual general meeting of the Company, when they will retire in accordance with the articles of association of the Company and, being eligible, may offer themselves for re-election. Ms. LaFreniere and Mr. Parks will receive no remuneration for their services as non-executive directors of the Company.

Save as disclosed in this report, there is no further information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited, nor are there other matters relating to the appointment of each of Mr. Wright, Mr. Schwall, Mr. Lam, Ms. Zhang, Ms. LaFreniere and Mr. Parks that needs to be brought to the attention of the shareholders of the Company.

Resignation of Directors

On 9 September 2009, the Board also announced that Mr. Peng Kaichen ("Mr. Peng") and Mr. Zeng Jun ("Mr. Zeng") have tendered their resignations as an executive director and as a non-executive director of the Company respectively with effect from 9 September 2009, both to pursue other interests and to devote more time to their other engagements. Mr. Peng and Mr. Zeng have confirmed that they have no disagreement with the Board and there is no matter in relation to their respective resignations that needs to be brought to the attention of the shareholders of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following person, not being a Director or chief executive of the Company, had an interest and/or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Nature of interest	Capacity	Number of Shares	Approximate shareholding percentage
GST International Management Limited	Corporate interest	Registered and beneficial owner	427,479,369 (L)	53.43%
United Technologies Corporation ("UTC") *(Note)*	Corporate interest	Interest in controlled corporation	232,208,631 (L)	29.03%
Otis Elevator Company ("Otis") *(Note)*	Corporate interest	Interest of controlled corporation	230,224,631 (L)	28.78%
Carrier Corporation ("Carrier") *(Note)*	Corporate interest	Interest of controlled corporation	230,224,631 (L)	28.78%
United Technologies Far East Limited ("UTFE") *(Note)*	Corporate interest	Interest of controlled corporation	230,224,631 (L)	28.78%

(L) Indicates a long position.

Note:

As at 30 June 2009, UTC holds 100% of the equity interests in each of Otis and Carrier. Otis and Carrier hold an aggregate of 100% equity interests in UTFE, which owns 230,224,631 Shares. In addition, UTC owns 1,984,000 Shares through another wholly-owned subsidiary.

Save as disclosed above, no other interests or short positions in the Shares or underlying shares of the Company were recorded in the register maintained under Section 336 of the SFO as at 30 June 2009.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated companies.

During the six months ended 30 June 2009, there was no the movement of the Company's share options as disclosed in the following table:

				Number of share options			
	Date of grant	**Exercisable period**	**Exercise price per share** HK$	**Balance as at 1 January 2009**	**Granted during the period**	**Lapsed upon resignation**	**Balance as at 30 June 2009**
Category 1:							
Directors	23 May 2007	23 May 2008 – 22 May 2017	2.80	1,350,000	–	–	1,350,000
Directors	23 May 2007	23 May 2009 – 22 May 2017	2.80	1,350,000	–	–	1,350,000
Directors	23 May 2007	23 May 2010 – 22 May 2017	2.80	1,350,000	–	–	1,350,000
				4,050,000	–	–	4,050,000
Category 2:							
Employees	23 May 2007	23 May 2008 – 22 May 2017	2.80	150,000	–	–	150,000
Employees	23 May 2007	23 May 2009 – 22 May 2017	2.80	150,000	–	–	150,000
Employees	23 May 2007	23 May 2010 – 22 May 2017	2.80	150,000	–	–	150,000
				450,000	–	–	450,000
				4,500,000	–	–	4,500,000

The closing price of the Company's share on 22 May 2007, the date immediately before the date of grant of the share options (23 May 2007), was HK$2.80 per share.

The fair value of the 4,950,000 share options granted determined by a third party was approximately HK$3,560,733 (approximately RMB3,482,397). On 31 August 2007, 450,000 share options granted were lapsed upon resignation of an employee. As such, the fair value of remaining 4,500,000 share options granted was approximately HK$3,237,033 (approximately RMB3,165,818) and HK$385,100 (approximately RMB376,628) of the fair value of the share options granted was recognized for the six months ended 30 June 2009 (first half of 2008: HK$784,774/RMB767,512).

Due to the subjectivity and uncertainty of the values of options, such values are subject to a number of assumptions and with regard to the limitation of the model.

After the completion of cash offer by UTFE to acquire all shares and share options of the Company and cancellation of all outstanding share options of the Company on 12 August 2009, all share options granted as disclosed above have been cancelled.

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.

By order of the Board
Song Jiacheng
Chairman

Hong Kong, 25 September 2009