

Date: 23 June 2009
On behalf of: BlueStar SecuTech Inc. ('BlueStar' or 'the Company' or 'the Group')
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**BlueStar SecuTech Inc.
Final Audited Results**

BlueStar SecuTech Inc. (AIM: BSST) ("BlueStar", "the Company" or "the Group"), a leading provider of digital video surveillance solutions in China, is pleased to announce its final audited results for the 12 months ended 31 March 2009. All figures are in RMB unless otherwise stated and comparative figures are for the 15 month period ended 31 March 2008.

Highlights for the year

- Revenues of RMB 157 million (15 months to 31 March 2008: RMB 175 million)
- Gross profit of RMB 77 million (15 months to 31 March 2008: RMB 96 million)
- Net profit of RMB 20 million (15 months to 31 March 2008: RMB 52 million)
- Revenue from high margin software of RMB 14 million (15 months to 31 March 2008: RMB 22 million)
- Strong cash position of RMB 85 million (31 March 2008: RMB 115 million)
- Dividend of 0.5p per share

Commenting on the results, Xiao Gang, Chief Executive of BlueStar said:

"The trading results for financial year 2008 are in line with management's expectations. With Kaiyuan project, we will be generating recurring service revenue to complement our existing DVR and network solution business. The Board is confident for the future and we look forward to a successful fiscal year 2009."

-Ends-

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Chairman's Statement

I am pleased to report BlueStar's results for the year ended 31 March 2009 which are in line with management expectations.

As a result of the global financial crisis, the Company experienced some delays to orders by Chinese banks during the year. However, the People's Bank of China's regulations requiring Chinese banks to replace and upgrade surveillance systems means that we are confident that these orders are still secure.

BlueStar has expanded its marketing focus and strategy to strengthen its position in this challenging time. These include the penetration into new sectors and the co-operation with government security agencies. Under the first of these co-operation agreements, which was announced in January 2009, BlueStar has developed a surveillance center with Kaiyuan Company to provide surveillance monitoring and mobile security guard services to banks and ATMs in Beijing. The newly established command centre in Beijing will be fully operational by July 2009.. Under this agreement, BlueStar will receive a recurring monthly service fee for each outlet utilising the command centre's services. The Company believes this is a model that can be replicated in other areas of China in the future and will generate stable recurring monthly income going forward.

These developments and key contract wins since the year end mean the Board is both confident and optimistic about the Company's future development.

I would like to take this opportunity to express my sincere thanks to my board colleagues, executives and employees, for their hard work and valuable contributions in the past year. I hope that this combined effort will help propel the Company to greater success in the years to come.

Financial Review

Revenue for the year ended 31 March 2009 was RMB 157 million (15 months ended 31 March 2008: RMB 175 million) and profit before tax was RMB 20 million (15 months ended 31 March 2008: RMB 52 million). At the end of the fiscal year, the Company's cash position remained strong at RMB 85 million (2008: RMB 115 million).

Gross profit for the year ended 31 March 2009 was RMB 77 million (15 months ended 31 March 2008: RMB 96 million) and average gross profit margins for the period were 49% (15 months ended 31 March 2008: 55%), This reduction is a result of the changes in the Company's DVR product mix and the decrease of software sales reflecting increased caution by customers towards purchasing. Nevertheless, the management believes that with

continued product innovation, high gross margins can be sustained.

BlueStar increased its expenditure on Research and Development during the year to RMB 17 million (15 months ended 31 March 2008: RMB 16 million) and also invested RMB 5 million in production and office equipment (15 months ended 31 March 2008: RMB 8 million), which has led to improved response times in supplying the Group's products and increased customer satisfaction. This in turn helped facilitate the expansion of the Company's sales and R&D functions.

Trade debtors and other receivables increased to RMB 125 million at 31 March 2009 (31 March 2008: RMB 89 million), which reflects tighter payment controls implemented by many businesses in China as a result of the global financial crisis. The management is working to improve its credit management and also diversify into non-banking markets and offer higher volume, lower specification product to help improve its receivables position.

Inventories also increased during the period to RMB 23 million (2008: RMB 20 million), which is a reflection of higher inventory level to meet the demand of increased network projects. This has led to shorter delivery lead times and therefore improved customer satisfaction.

Net cash used in operating activities was RMB 8 million for the year (15 months ended 31 March 2008: RMB 4 million).

The Management expects that any impact on trading results from the global economic slowdown will be short-term in nature, and remains confident about the long-term health and prospects of the Group.

Dividend

In line with the dividend policy set out in the Company's AIM admission document, the board is proposing a final dividend of 0.5p (2008: 0.96p) to be paid from the profits generated in the year. Subject to shareholder consent at the Annual General Meeting, this dividend will be paid on 27 July 2009 to shareholders on the register on 3 July 2009. The Company's ordinary shares will be marked "ex-dividend" on 1 July 2009.

Operational Review

Research and Development.

BlueStar continues to win customers through the proven TRENDLINE® series of products and comprehensive networking solutions, which are primarily supported by the Company's continued investment in R&D. As a result, the Company has continued investing in R&D during the year when its R&D expenditure amounted to RMB 17 million, for which RMB 7 million was capitalised, compared to RMB 16 million in the 15 month period ended 31 March 2008 of which RMB 4.5million was capitalised.

BlueStar launched the first ATM-specialised intelligent DVRs on 11 December 2008, which are regarded as an innovative breakthrough within the security industry. The DVRs combine intelligent analysis and video processing technologies to produce accurate and intelligent video surveillance with high efficiency. The new DVR product was designed specifically for the banking sector and includes functions specifically relevant to ensure the safety of ATM users including perimeter protection and face recognition.

The Group's network solutions used in surveillance command centres have been enhanced during the year through the optimisation of software and general software upgrades. New edition software for networking solutions is currently being tested and is expected to provide enhanced operability to the surveillance command centre.

During the year, BlueStar was awarded five copyrights in respect of its new software solutions for advanced networking platforms and intelligent management functions. These included application software version 1.0 for intelligent ATM-specialised digital video recorder; Single-channel video decoder software version 1.0; Multi-channel video decoder software version 1.0; Video image networking transmission software version 3.0; Application software version 1.0 for networking video management platform and incorporate areas including face recognition, special warning line and area safeguard, people counting, illegal left-object detection and lost article detection.

BlueStar has also carried out a considerable amount of research work on intelligent surveillance and high-definition output, which are currently being tested.

Two new DVR products targeting different market sectors are to be released by the Company by the end of 2009. The first is lower cost product intended to enable BlueStar to enter markets requiring lower technical capabilities and price points; the other is an advanced product providing higher definition and stable operation whilst requiring less storage space.

Production Facilities

BlueStar has a production and assembly capacity of 60,000 DVR units per year. This will ensure the Group has sufficient production capacity to meet demand as it grows over the coming two to three years. The implementation of a new SMT (Surface-Mount Technology) production line has also improved the quality of products and helped to reduce production costs.

Business Development

During the year the Group won several crucial contracts with state-owned banking giants and their branches throughout China. This includes contracts worth RMB 44 million with Bank of China's head office and its subsidiaries, new framework contracts with China Construction Bank, as well as new contracts in tier two regions, such as Gansu and Guizhou. This progress has reinforced BlueStar's dominant position in supplying surveillance systems to China's banking and finance sector. The Company was also named as the leading supplier of DVR

products and systems in the finance and banking sectors in China following a review conducted by the 100 Significant Security Suppliers Appraising Organization.

BlueStar has six wholly-owned subsidiaries in Tier 1 cities across China, including Guangzhou, Shanghai, Shenyang, Xi'an, Chengdu and Tianjin; and 24 regional sales and service centers in Tier 2 and 3 cities, such as Changsha, Wuhan, Guiyang and Xiamen. As a result, BlueStar has now expanded its market reach to all provinces in China and has established a sales network of over 400 cooperation partners.

BlueStar recognises the importance of diversification and has accelerated this strategy as a result of the global financial turmoil during the second half of the financial year. The Company now has clients in many new sectors, such as petroleum, manufacturing, forestry, national defense, public security services and judicial departments, and will continue diversifying its client base going forward. Notable results of this diversification programme during the second half of the financial year include a contract with Tangshan Iron & Steel Co., Ltd., a large state-owned enterprise listed on Shenzhen Stock Exchange in China which was the Company's first significant networking program in a new sector, as well as two contracts for DVR sales with Beijing Chuanye Shixing Tech, Co., Ltd., which carries out forest fire prevention programmes throughout China.

BlueStar has also won its first significant overseas contract in February 2009, to provide Zioncom Technology with digital video recorders for use in banking and transportation projects in Jakarta, the capital and largest city of Indonesia. BlueStar has actively participated in various international security industry events, including exhibitions and conferences across the world and is exploring further overseas opportunities in the future.

The Company's co-operation agreement with the Kaiyuan Agreement marks the expansion of its product driven business into providing surveillance services. BlueStar and Kaiyuan have established a new surveillance command centre in Beijing using BlueStar's existing technology in conjunction with Kaiyuan's mobile security staff. BlueStar's equipments will enable Kaiyuan to provide a range of round-the-clock operational services including remote video monitoring, intercom, alarm handling and the automatic inspection of cash ATM surveillance systems to new banking outlets. In return, BlueStar will receive a monthly fee for each financial outlet subscribing to the service. The Company plans to replicate this model in other high-level cities across China including Shanghai, Guangzhou and Shenzhen.

Awards

During the year, BlueStar won a number of awards, commendations and accreditations. These include:

- March 2009: BlueStar named the leading supplier of DVR products and systems in the finance and banking sectors in China following a review conducted by the 100 Significant Security Suppliers Appraising Organisation.
- February 2009: BlueStar approved to be the 2009 Communication Commission Unit of

National Technical Committee 100 on Security & Alarm Systems of Standardization Administration of China (SAC/TC100) and awarded with honorary certificate. SAC/TC100, the standard setter composing by numerous experts and scholars, has established and completed national technical standard system of security industry in China during the past 20 years.

- December 2008: BlueStar named in Deloitte's "Technology Fast 500 Asia Pacific Awards" for the second successive year. The survey features the fastest 500 growing technology companies in the Asia Pacific region which includes Australia, China, India, Japan, South Korea and Taiwan. The companies featured in the Technology Fast 500 list are those with the highest revenue growth over the previous three years.
- December 2008: BlueStar approved as the Deputy Director Unit of China Security and Protection Industry Association (CSPIA), which demonstrated our qualified products and services and more importantly, the dominant position in security industry in China.
- November 2008: BlueStar named in The Founder Magazine and H&J Consulting's Innovation Star 50 list for 2008, which was recognized as the best performing, fastest growth and most innovative among 350 Chinese companies that listed either at home or abroad amid the period of 1st Jan 07 ~ 31 Mar 08. BlueStar was the only AIM-listed company to be included.

Board Changes

The Board welcomes Mr. Derrick Woolf as its new Non-Executive Director. Derrick has been an accountant for over 40 years and is a director of other Chinese companies quoted on AIM.

Outlook

Despite the gloomy economic outlook, the current financial year has started well for BlueStar. The Group has won a number of new contracts since April 2009 which includes a contract worth RMB 42 million with the Bank of China's headquarter to provide comprehensive surveillance solutions to all its branches throughout China. These contract wins demonstrate the unparalleled position of BlueStar in the banking sector in Beijing as well as in other provinces across China.

With a strong cash balance and additional revenue stream to be generated from Kaiyuan as well as huge demand for security from the banking sector, the Board is confident about the Company's prospect and long term opportunity.

Consolidated Income Statement

	Note	Year ended 31 March 2009 Audited RMB'000	15 months ended 31 March 2008 Audited RMB'000
Revenue	2	157,231	174,940
Cost of sales		(80,097)	(78,643)
Gross profit		77,134	96,297
Other income		5,908	5,824
Selling and distribution expenses		(32,095)	(24,157)
Administrative expenses		(30,129)	(22,246)
Other operating expenses		(1,294)	(5,769)
Profit from operations		19,524	49,949
Finance cost		(52)	(4)
Finance income		1,424	2,255
Profit before tax		20,896	52,200
Taxation	3	(842)	(468)
Profit for the period attributable to the equity shareholders of the parent		20,054	51,732
Earnings per ordinary share (fen)			
Basic	4	27.54	80.32
Diluted	4	26.99	79.17

Consolidated Balance Sheet

	Note	31 March 2009 Audited RMB'000	31 March 2008 Audited RMB'000
ASSETS			
Non-current assets			
Intangible assets		22,181	18,400
Property, plant and equipment		11,735	10,253
Total non-current assets		33,916	28,653
Current assets			
Inventories		23,490	19,992
Trade and other receivables		125,437	88,967
Cash and cash equivalents		85,245	115,362
Total current assets		234,172	224,321
Total assets		268,088	252,974
LIABILITIES & EQUITY			
Current liabilities			
Trade and other payables		14,688	11,095
Income tax liability		2,420	2,420
Other tax liability		10,951	10,776
Total current liabilities		28,059	24,291
Non-current liabilities			
Deferred tax		1,310	468
Total non-current liabilities		1,310	468
Total liabilities		29,369	24,759
Capital and reserves			
Share capital	5	134,861	134,861
Merger reserve		(7,575)	(7,575)
Retained earnings		81,100	73,096
Option reserve		4,083	4,083
Other reserves		26,250	23,750
Total shareholders' equity		238,719	228,215
Total liabilities & equity		268,088	252,974

Consolidated Cash Flow Statement

	Year ended 31 March 2009	15 months ended 31 March 2008
	Audited RMB'000	Audited RMB'000
Cash flows from operating activities		
Profit before tax	20,896	52,200
Adjustments for:		
Interest expense	52	4
Interest income	(1,424)	(2,255)
Allowance for doubtful debts	2,076	-
Depreciation of property, plant and equipment	3,260	2,056
Amortisation of intangible assets	3,307	2,437
Loss on disposal of property, plant and equipment	568	123
Share based payment	-	143
Operating cash flows before movement in working capital	28,735	54,708
Increase in inventories	(3,498)	(11,290)
Increase in trade and other receivables	(38,546)	(36,102)
Increase /(decrease) in trade and other payables	3,768	(5,986)
Cash (used in)/ generated by operations	(9,541)	1,330
Interest paid	(52)	(4)
Interest received	1,424	2,255
Net cash generated (used in)/ from operating activities	(8,169)	3,581
Cash flow from investing activities		
Proceeds of disposal of property, plant and equipment	3	2
Purchase of property, plant and equipment	(5,310)	(8,201)
Purchase of intangible assets	(69)	(6,637)
Expenditure on product development	(7,019)	(4,456)
Cash paid for restructuring	-	(22,575)
Net cash used in investing activities	(12,395)	(41,867)
Cash flow from financing activities		
Proceeds from issue of shares	-	164,909
Proceed from borrowings	-	15,357
Dividends paid	(9,550)	-
Repayment of borrowings	-	(23,173)
Share issue costs	-	(26,499)
Net cash (used in)/generated from financing activities	(9,550)	130,594
Net (decrease)/increase in cash and cash equivalents	(30,117)	92,308
Cash and cash equivalents at the beginning of the period	115,362	23,054
Cash and cash equivalents at the end of the period	85,245	115,362

Consolidated Statement of Changes in Equity

Audited	Share capital	Merger reserve	Retained earnings	Other reserves	Option reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2007	391	15,000	29,124	15,990	-	60,505
Net profit for the period	-	-	51,732	-	143	51,875
Transfer to merger reserve	-	(22,575)	-	-	-	(22,575)
Issue of shares	164,909	-	-	-	-	164,909
Share issue costs	(30,439)	-	-	-	3,940	(26,499)
Transfer to statutory reserve	-	-	(7,760)	7,760	-	-
Balance as at 31 March 2008	134,861	(7,575)	73,096	23,750	4,083	228,215
Net profit for the year	-	-	20,054	-	-	20,054
Dividend paid	-	-	(9,550)	-	-	(9,550)
Transfer to statutory reserve	-	-	(2,500)	2,500	-	-
Balance as at 31 March 2009	134,861	(7,575)	81,100	26,250	4,083	238,719

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The financial information set out in this announcement, which does not constitute the statutory financial statements of the Group, is extracted from the Group's financial statements for the year ended 31 March 2009, which were approved by the Board on 22 June 2009. The auditors have reported on those financial statements and their report was unqualified.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and using the accounting policies which are consistent with those applied in the audited financial statements for the period ended 31 March 2008.

The financial information for the period ended 31 March 2008 is derived from the financial statements for that period. The Company's auditors have reported on the 2008 financial statements; the report was unqualified.

The full financial statements will be included in the Group's annual report. A copy of the financial statements for the year ended 31 March 2009 will be issued to shareholders prior to the Company's General Meeting.

2. REVENUE AND SEGMENTAL ANALYSIS

The Group's revenue for continuing operations, is as follows:

	Year ended 31 March 2009	15 months ended 31 March 2008
	RMB'000	RMB'000
Sales of digital video devices	142,481	152,818
Sales of software	14,436	21,752
Revenue from technological service	314	370
	<u>157,231</u>	<u>174,940</u>

The Group's revenue and profit before taxation were all derived from its principal activity. All revenue and results originates in the People's Republic of China ("PRC") and assets and liabilities are mainly held in the PRC.

3. TAXATION

	Year ended 31 March 2009	15 months ended 31 March 2008
	RMB'000	RMB'000
Current period:		
Current tax	-	-
Deferred tax expense	842	468
	<u>842</u>	<u>468</u>

Reconciliation of current tax charge:

	Year ended 31 March 2009	15 months ended 31 March 2008
	RMB'000	RMB'000
Profit before tax	20,896	52,200
Tax at PRC tax rate of 25% (2008: 33%)	5,224	17,226
Effect of different tax rates of subsidiaries	-	-
Expenses not deductible in determining taxable profit	3,570	8,265
Effect of capitalisation of development costs	842	468
Tax effect of income not taxable	(8,794)	(25,491)
Tax expense for the period	<u>842</u>	<u>468</u>

4. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2009 is based on the profit attributable to equity shareholders of the Company of RMB 20,054k (15 months ended 31 March 2008: RMB 51,732k) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2009 of 72,808,000 (15 months ended 31 March 2008: 64,405,053), calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 March 2009	15 months ended 31 March 2008
At beginning of the period	72,808,000	50,000,000
Effect of shares issued in June 2007	-	14,405,053
At end of period	<u>72,808,000</u>	<u>64,405,053</u>

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 March 2009 is based on profit attributable to equity shareholders of the Company of RMB 20,054k (15 months ended 31 March 2008: RMB 51,732k) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2009 of 74,300,564 (15 months ended 31 March 2008: 65,347,725), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Year ended 31 March 2009	15 months ended 31 March 2008
Weighted average number of ordinary shares		
at beginning of period	72,808,000	64,405,053
Effect of conversion of share options	1,492,564	942,672
At end of period	<u>74,300,564</u>	<u>65,347,725</u>

5. SHARE CAPITAL

The total authorised number of ordinary shares is 72,808,000 shares (2008: 72,808,000 shares) with a nil par value per share (2008: nil par value per share). All issued shares are fully paid.

	31 March 2009		31 March 2008	
	No. of ordinary shares	RMB'00	No. of ordinary shares	RMB'00
Issued and paid up:		0		0
At beginning of period	72,808,000	134,861	50,000	391
Subdivided each shares into 1,000 ordinary shares	-	-	49,950,000	-
Allotted on placing on AIM	-	-	22,808,000	164,909
Share issue costs	-	-	-	(26,499)
Share options granted	-	-	-	(3,940)
At end of period	<u>72,808,000</u>	<u>134,861</u>	<u>72,808,000</u>	<u>134,861</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

At 31 March 2009, the Company had the following outstanding share options:

Number	Exercise price (£)	Date of grant	Exercise period
1,456,160	0.48	18.06.2007	18.06.2007 – 17.06.2012
36,404	0.48	18.06.2007	18.06.2008 – 17.06.2017

6. DIVIDEND

On 22 June 2009, the directors proposed a dividend of 0.5 pence per ordinary share in respect of the financial year ended 31 March 2009.

7. APPROVAL

The financial information was approved by the board of directors and authorised for issue on 22 June 2009 and were signed on its behalf by:

Mr. Xiao Gang

Chief Executive Officer