

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of GST Holdings Limited ("GST Holdings" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2005.

GST Holdings was successfully listed on The Stock Exchange of Hong Kong Limited on 30 June 2005, marking a major milestone in our corporate history. Not only did the listing exercise strengthen the Company's capital base for future expansion, but also effectively enhanced its overall competitiveness while establishing a solid foundation for propelling sustainable growth.

Fuelled by the growing demand for fire alarm products, and supported by a dedicated management team and a strong staff force, GST Holdings achieved continual rapid growth during the year. In 2005, the Group's turnover amounted to RMB561.7 million, representing a year-on-year growth of 32.5%. Net profit attributable to shareholders reached RMB162.4 million, posting a significant increase of 32.2% when compared with that in 2004 and exceeding the profit forecast stated in the listing prospectus published on 20 June 2005.

Against the backdrop of the flourishing economy and improving living standards in China, the importance of public safety has gained increasing awareness, driving the demand for our fire safety products. As such, the PRC Government, in the "Eleventh Five-year Plan", urged the strengthening of related safety laws and regulations within the community and across different industries. With increasingly stringent fire laws and regulations as well as greater emphasis on public awareness of life and property safety, the demand for quality fire-related products surged drastically, bringing immense growth potential to the fire safety industry in the PRC.

The Group fully leveraged on its resources during the year under review, offering a one-stop-shop business model that covered research and development, and manufacturing and sales, to secure its leading position in the industry. With an approximately 23% market share, the Group surpassed its peers and continued to be the top player in the industry. In 2005, the Group further extended its sales network by adding some 30 new sales offices, bringing the total number to over 90 in the PRC currently. Our strong brand with a history of over 13 years, coupled with an extensive clientele, has enabled us to maintain market leadership over the past years. In addition, this leadership is further complemented by our strong research and development capability backed by a team of more than 130 R&D experts and two R&D centers, which, in turn, enabled us to further increase our market share and strengthen our foothold.

Facing both enormous challenges and immense opportunities ahead, the Group expects to see escalating market demand that will expedite corporate development and intensify market competition. Nevertheless, we believe that competition will be based on product and service quality, rather than simply on pricing. During the year, there was an increasingly apparent industry consolidation trend. Small players dropped out due to their inability to match ever-increasing demand for product quality. In contrast, the Group seized market opportunities that arose by capitalizing on its strong R&D support and reliable product quality to enhance its market share as well as to fortify its market leadership. As a high-tech enterprise with products and services of outstanding quality, we believe the Group will continue to achieve impressive results despite keen market competition.



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In 2006, the Group will further improve and expand its sales network. With plans to establish over 30 new offices, the total number of sales offices will exceed 120 by the end of 2006. Backed by the largest and most efficient sales network in the industry, the Group will enhance its leading position. Moreover, the Group expects to complete the expansion of its production facilities in June 2006 to cope with increased business demand. The Group will also plan to build a new production plant at an appropriate location to capture future market potential.

We expect that the Group's business will further expand in 2006. Firstly, the Group will continue to provide one-stop fire services solutions and strive to be an integrated fire products and services provider to broaden the Group's market presence. Secondly, the Group will maintain stable growth in commercial and residential projects while enhancing the provision of fire alarm products and services for industrial and public facilities. Thirdly, the Group will accelerate the application for product registration certificates and seek opportunities to collaborate with foreign enterprises, so as to efficiently tap the international market. At present, the Group has successfully extended its business to the Middle East, Europe and Southeast Asia and is prepared to enter the North American market in 2006.

In view of the satisfactory performance over the past year, management is confident of the Group's future development. We are committed to seizing the opportunities in the fast-growing fire industry to solidify our leadership and to achieving new business heights through continuous innovation, bringing added value to shareholders. Lastly, I would like to express my sincere gratitude to all staff members for their valuable contributions and to our shareholders for their continued support and trust in us.

Song Jiancheng

Chairman

Hong Kong, 30 March 2006

