

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 2006.

INDUSTRY REVIEW

During the year under review, the increased safety awareness among domestic citizens, the central government's policies in enhancing public and industrial safety and the accelerated pace of urbanization process, resulted in an increasing market demand for fire alarm products. Though the average selling price for fire alarm products was declining due to fierce domestic price competition, substantial growth potential of the fire alarm products in the PRC market remained and the overall market demand was still strong. The Group enjoyed a sustained increase in total sales and a continued uptrend of business growth during the year under review.

RESULTS HIGHLIGHTS

Fuelled by the strong demand for fire alarm products, the Group achieved a turnover growth of 15.0% year-on-year to approximately RMB645,771,000 in 2006. Net profit attributable to shareholders increased by 1.6% to approximately RMB164,993,000.

The board of directors (the "Board") recommended the payment of a final dividend of HK7.33 cents (equivalent to approximately RMB7.33 cents) per share for the year ended 31 December 2006.

OPERATIONAL STRATEGY

Products

Supported by a one-stop-shop business model, the Group provides customers with comprehensive fire alarm products and related services. During the year under review, the Group maintained its solid leading position in the PRC fire alarm industry with a market share of over 30% in terms of sales volume of fire alarm system. Ever since, the Group's products and services have accommodated the needs of both domestic and industrial markets. The Group moved to develop high margin customers during the year and its sales growth in the industrial and public facilities sector, as well as the export market, were encouraging, increasing their share in the total revenue. The management believes industrial and public facilities sector and export market will continue to be the strong growth driver for 2007.

For production capacity, as Qianhuangdao Phase III expansion has been completed in August 2006 and is in operations, the production capacity of the Group on fire alarm detectors and modules surged 82% and 63% respectively to 5,100,000 pieces and 3,900,000 pieces. The utilization rate after new facilities commenced was approximately 60%-70% and the increased production capacity will be sufficient for the next two years' demand.

Services

Installation services were another growth engine for the Group's performance in 2006, with satisfactory increase in sales revenue and gross profit margin. Apart from that, the Group actively expanded its repair and maintenance services to further reinforce its market presence as a one-stop provider of fire alarm system products and solutions.

The Group continued to establish additional sales offices in the extensive distribution network in the PRC and proactively explore opportunities for cooperation with international market players. In June 2006, the Group signed a distribution agreement with Apollo, the largest European fire detector manufacturer, to distribute fire and security products supplied by Apollo in the PRC in order to boost both parties' market shares. In addition, the Group further expanded its sales network in the PRC by increasing sales offices to a total of 115 at the end of 2006, which was 27 more than the previous year. Apart from the domestic market initiatives, the Group seized opportunities to tap into the international market as well. Last year, the Group successfully developed 5 emerging markets, including Chile, Paraguay, Nicaragua, Sri Lanka and Hong Kong. At present, the Group's products are sold to more than 50 regions, such as Europe, the Middle East and Southeast Asia, and its product trademark was registered over 84 countries and regions.

Achievement

In July 2006, the Group's controlling shareholder, GST International Management Limited, entered into a Sale and Purchase agreement with United Technologies Corporation (UTC), a Fortune 500 company, to dispose of 9.9% of the Group's stakes to UTC, which then became the Group's second largest shareholder. Later in October 2006, UTC further increased its stakes in the Group to 18.82% by signing another sale and purchase agreement with other major shareholders of the Group. This not only strengthened the Group's shareholder base, but also reflected UTC's strong confidence in long term investment for the Group.

Leveraging on the leading market position and high quality fire alarm system products and services, the Group has been awarded for the consecutive second year as one of the top 100 potential PRC enterprises in 2007 by Forbes China, with the ranking of 21st, which further recognized GST's business success and growth potentials.

FUTURE DEVELOPMENT

Looking forward, the Group is prudently optimistic about the market outlook. More stringent fire safety standards and regulations will be implemented by the government and local fire bureaus. Hence, it will increase the demand for reliable and quality fire alarm systems products. Following the success in fire alarm systems in the PRC, the Group will expand into fire extinguish systems sector and it is expected to introduce to the market in 2007. It is the Group's strategy to move into higher margins customer groups. Therefore, the Group will continue to develop new products to expand customer base. It is expected to further increase the client mix in industrial and public facilities customers and export markets to account for approximately 40% of fire alarm systems sales. On the other hand, the Group will continue to increase its extensive sales network by adding another 15 sales offices in the PRC.

The Group's position is now moving to a comprehensive total solution provider. Installation services will continue to be a promising business and growth driver of the Group. To support the maintenance services provided to customers, and to increase the maintenance income, the Group targets to set up about 20 services centres in the PRC in 2007.

One of the key development direction of the Group in 2007 is to move towards Security Industry. The Group will fully utilise the extensive sales network to increase the sale of security systems products. Hence, the Group will turn into a Fire and Security products and services provider.

As the Group has adequate funding, the Group will continue to search for suitable merger and acquisition target in the Fire and Security Industry to enhance the business scope and profit returns.

Capitalizing on its competitive edges, the Group is fully confident in its future development. Lastly, I would like to express my sincere gratitude to all staff members for their dedicated efforts and to our shareholders for their continued support and trust in us.

Song Jiacheng
Chairman

Hong Kong, 4 April 2007