

[For Immediate Release]



**GST Announces 2006 Interim Results  
Turnover and Net Profit Surged by 17.0% and 12.9% Respectively**

\* \* \*

**Successfully Expanded Customer Base and Product Portfolio to Strengthen  
Market Leading Position**

**Financial Highlights**

|                                     | <i>For the 6 months ended<br/>30 Jun</i> |             |                   |
|-------------------------------------|--|-------------|-------------------|
| <i>RMB Million</i>                  | <i>2006</i>                              | <i>2005</i> | <i>Change (%)</i> |
| Turnover                            | <b>279.1</b>                             | 238.5       | +17.0%            |
| Gross Profit                        | <b>140.8</b>                             | 119.5       | +17.8%            |
| Profit attributable to shareholders | <b>71.7</b>                              | 63.5        | +12.9%            |
| Earnings Per Share* (RMB cents)     |  |             |                   |
| – Basic                             | <b>9.0</b>                               | 12.6        | -28.6%            |
| – Diluted                           | <b>9.0</b>                               | 10.6        | -15.1%            |

\*EPS declined mainly due to the dilution effect of listing

(31 August 2006 – Hong Kong) – China’s leading integrated fire alarm system product and solution provider – **GST Holdings Limited** (“GST” or the “Group”; HKSE stock code: 416) announced today its interim results for the six months ended 30 June 2006.

As the PRC Government continued to implement austerity measures in order to suppress the overheated economy, the economic development and investment pace were affected. However, fuelled by rising awareness for fire prevention and safety, the demand for high quality fire alarm products and systems increased. For the six months ended 30 June 2006, the Group’s consolidated turnover rose by 17.0% year-on-year to RMB279.1 million. During the period under review, the Group continuously enhanced its product portfolio, improved product quality and lowered production cost, which enabled the Group to increase its gross margins to 50.4%. Leveraging on stringent cost control, net profit attributable to shareholders surged by 12.9% to RMB71.7 million.

Regarding the Group’s exhilarating performance, Mr Song Jiacheng, Chairman and CEO of GST, commented, “Notwithstanding the application and penetration of fire alarm systems across all sectors in China have been growing persistently, and the market demand for fire alarm system installation and maintenance services continued to increase, market competition remains fierce, leading to the downward adjustment of the selling price. Nevertheless, the Group is capable of achieving advanced product development and offering integrated one-stop installation and after-sales services. Therefore, the Group enjoys a niche to command a relatively stable price over its peers that mostly focus on product sales.

The Group is well poised to emerge as a dominant player in the PRC fire industry with an increased market share of about 23% in the field of fire alarm systems. During the period, Apollo Fire Detectors Ltd (“Apollo”), Europe’s largest fire alarm system provider, fostered cooperation with GST in June 2006 for the distribution of Apollo’s high-end products in China. In July 2006, United Technology Corporation (“UTC”), a Fortune 500 company, became the Group’s 2nd largest shareholder. This significantly broadened the Group’s shareholder base.”

For the six months ended 30 June 2006, sales from fire alarm systems increased by 4.8% to approximately RMB201.5 million when compared to the corresponding period last year, accounting for 72.2% of the Group’s total turnover. Average selling prices declined due to market competition, but with a decelerating trend. At the same time, the Group enhanced its production process and product design through research and development as well as technological advancement. The Group also adopted a prudent sales approach and competed on product and service quality rather than sheer pricing to maintain profitability. As such, gross margin of fire alarm systems raised by 1.5 percentage point to 54.7%.

With respect to sales composition by business sectors, sales to the industrial and public utilities sector posted the most impressive growth. Sales from this sector surged 31.0% to approximately RMB48.1 million during the period under review, primarily due to the Group’s ability to satisfy the needs of this group of customers, which usually require higher technology standards and professional expertise.

On the other hand, with the Group’s excellent ability to develop new products and manufacture high quality products at low costs, as well as economies of scale, the Group’s products are highly competitive in overseas markets. The export market was another source of growth. For the six months ended 30 June 2006, export sales surged by 28.7% to RMB17.5 million. The Group’s trademark was registered in 81 countries and regions across continents, while the Group’s products are internationally accredited and sold to more than 40 regions including Europe, the Middle East, Southeast Asia and other regions.

In addition to selling fire alarm systems, the Group offers installation services for fire systems and other low-voltage integrated systems. For the six months ended 30 June 2006, turnover from installation services recorded a satisfactory growth. It surged 130.1% from RMB19.4 million to RMB44.7 million. The Group’s industry expertise and wealth of experience were widely recognized by customers as a partner of choice for installation and one-stop solutions.

For the six months ended 30 June 2006, sales of 119 fire network systems surged 21.8% to RMB4.3 million. The penetration of 119 fire network systems continued to increase during the period under review. In the PRC, there are currently 77 control centres with 119 fire alarm network system, among which 61 of them are equipped with the network system provided by the Group, translating into a market share of 79%. Given the Government’s continued efforts in advocating the importance of fire safety, the Group anticipates that an increasing number of cities will set up 119 fire network control centres in the coming years, offering promising growth opportunities for the Group’s 119 fire network systems business.

Looking ahead, the Group believes the market is on a growing stage. New business opportunities and the demand for reliable fire alarm systems will be on the rise. At the same time, lots of challenges are existed within the market. Market demand of fire alarm system has been affected due to austerity measures imposed by the PRC Government. The PRC fire alarm system market offers huge growth potential, it is also characterized by intensifying competition. Currently there are almost 100 players in the PRC fire alarm system market whereby small players mainly compete in terms of pricing. It is believed that this trend will exert pressure on selling price. However, thinning margins are expected to drive those incompetent players out of the market. Though the decreased product price leads to contraction in market size, it is believed that it will be beneficial for long term market development.

For the future strategy, as the technical requirements for the industrial and public facilities sector is relatively higher as compared to that of the residential and commercial sectors, the Group will offer integrated services to capitalize on market opportunities. Furthermore, the Group will expand its sales network in the Middle East, European and Southeast Asian markets. To expedite the development of the export market, the Group is actively seeking opportunities to join hands with international players.

As expertise in the fire industry with high quality systems products, we have proven the success in gaining customers' faith to provide quality installation services. As a comprehensive products and services provider, we have successfully secured major contracts. It is expected that installation services will continue to be one of the growth drivers to the Group's performance. As for the 119 fire alarm network system, the strong market presence places the Group in an advantageous position. The Group plans to extend its service scope to the operation of control centers that were equipped with the Group's systems, so as to explore further opportunities in this sector.

In order to maintain favourable economies of scale and to consolidate its market leading position, the Group will further increase the coverage of its sales and distribution network. We expect to increase the number of our branches to 112 by the end of 2006. The Group's capacity upgrade plan in Qinhuangdao has been completed in August 2006. New production facilities have been put into operation, stepping up the Group's overall capacity.

"GST aspires to be an integrated one-stop fire alarm product and system manufacturer and solution provider. The Group believes that it will benefit from the opportunities to cooperate with more international partners to capture opportunities in the high end fire and security products market in the PRC. Going forward, it is expected that market competition will remain fierce and it will exert pressure on selling price. The Group will continue to implement its effective cost control to further enhance economies of scale on one hand, and to seek for new development opportunities, which will further consolidate its market leading position, optimize customer services and create value for customers and shareholders on the other." Mr. Song concluded.

**About GST**

GST Holdings Limited is one of the leading fire alarm system and solution providers in China and is primarily engaged in the manufacturing and distribution of fire alarm systems, 119 fire network systems and other products such as video entry system, electronic power meter and building automation systems. According to industry research, GST has largest market share by revenue in the fire alarm systems in China. With its diversified product range, extensive nationwide sales and distribution network, GST endeavors to provide one-stop, timely and comprehensive fire alarm solutions to its customers. GST was ranked top 17<sup>th</sup> most competitive PRC enterprise by Forbes in 2005.

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