

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



海灣控股有限公司

GST HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

(Stock Code: 0416)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF OFFICE PROPERTIES**

The Board is pleased to announce that on 13th November 2006, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Property.

The Consideration of the Acquisition is RMB81,695,584 and shall be satisfied in cash by the internal resources of the Group.

As (1) Gulf Group is wholly-owned by 22 shareholders who are the same beneficial shareholders of 100% of the issued share capital of GST International Management, the controlling shareholder of the Company, and who also entered into a lock-up agreement in respect of their respective shareholding in GST International Management and (2) the directors of Gulf Group, namely, Mr. Song Jiacheng and Mr. Peng Kaichen, are also directors of the Company, the Company considers that Gulf Group together with its subsidiaries (but not associated companies) are connected persons of the Company for the sole purpose of the interpretation of connected transactions under the Listing Rules. Since the Vendor is a non-wholly owned subsidiary of the Gulf Group, the Vendor is a connected person of the Company by virtue of its being a non-wholly owned subsidiary of Gulf Group. Accordingly, the Acquisition constitutes a connected transaction of the Company under Rule 14A.17 of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM by poll. GST International Management and its associates will abstain from voting in respect of the relevant resolution(s) approving the Acquisition at the EGM. Since one of the Relevant Ratios in respect of the Acquisition exceeds 5% but all the Relevant Ratios are less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisition and CIMB-GK Securities (HK) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Acquisition, the advice from the Independent Board Committee to the Independent Shareholders, the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the notice of the EGM and information on the Company will be despatched to the Shareholders as soon as practicable.

The Acquisition

The Framework Agreement

Date 13th November 2006

Parties

Vendor: 北京海灣京城房地產開發有限公司 (Beijing Gulf Jingcheng Property Development Limited*), a limited liability company established in the PRC and a non-wholly owned subsidiary of Gulf Group.

Purchaser: 海灣安全技術有限公司 (Gulf Security Technology Company Limited*) a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company.

The Property

The Property comprises of office premises situated at Units 1701-1703, 1705-1711, 1801-1803, 1805-1811, 1901-1903 and 1905, Block B, The Gate, Zhongguancun, Beijing, PRC.

The gross floor area of the Property is approximately 4,691 square meters.

The Property is newly developed and completed by the Vendor, and thus there is no original purchase cost of the Property. The Property is now vacant and GST is the first purchaser of the Property. However, as advised by the Vendor, based on the estimates on the various costs (including but not limited to land costs, construction costs and taxes) so far incurred and expected to be incurred, the development costs should be approximately RMB12,500 per square meter, by reference to the area of the Property against the total saleable area of the whole development. Furthermore, the Vendor advised that as the Property only formed part of the development developed by the Vendor and further works on the development are still in progress, such figure is subject to cost adjustments upon completion of the whole development project.

Consideration

The Consideration of the Acquisition is RMB81,695,584 and shall be satisfied in cash in full within 7 working days of the date of the Ancillary Pre-sale Agreements. The Consideration shall be satisfied by the internal resources of the Group. The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser after taking into account the discount offered to the Purchaser by the Vendor and the prevailing market conditions in the vicinity of the Property in Beijing, PRC. Based on a valuation conducted by LCH (Asia Pacific) Surveyors Limited, an independent professional property valuer and a chartered surveyors firm, as at 9 November 2006, the valuation of the Property is approximately RMB86,000,000 with the average unit price per square meter of approximately RMB18,333. As such, the Consideration represent approximately 5% discount to this independent valuation. The Board considers that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions to the Acquisition

The Framework Agreement shall become effective upon the fulfillment and satisfaction of all of the following conditions:–

- (1) the Framework Agreement has been duly executed by the authorized representatives of the Vendor and the Purchaser; and
- (2) the passing by the Independent Shareholders at the EGM by poll of an ordinary resolution to approve of the Acquisition contemplated under the Framework Agreement.

If the above conditions are not fulfilled on 30th June 2007 (or on such other date as may be agreed by the Vendor and the Purchaser), the Framework Agreement shall terminate and neither party shall be liable to the other party in respect of such termination, save and except for antecedent breaches.

Completion

On completion of the Framework Agreement, the Vendor shall provide to the Purchaser the bank releases of the Property within 10 working days (being evidence of the release of the outstanding mortgage over the Property taken out earlier by the Vendor) and to execute the Ancillary Pre-sale Agreements. The Purchaser shall then execute the Ancillary Pre-sale Agreements and shall pay the Consideration to the Vendor within 7 working days from the date of the Ancillary Pre-sale Agreements. The Vendor shall also within 5 working days of the Ancillary Pre-sale Agreements cause the executed Ancillary Pre-sale Agreements to be duly registered with the real estate administration authorities of Beijing. On the fifth working day from the date of the Consideration being paid in full by the Purchaser, the Vendor shall deliver vacant possession of the Property to the Purchaser.

Information on the Group

The Group is the leading fire alarm systems provider in China and is primarily engaged in the manufacturing and distribution of fire alarm network products, as well as related products, including security systems, building automation systems and electronic power meters.

Information on the Vendor

The Vendor is a non-wholly owned subsidiary of Gulf Group. Its principal scope of business is the sale and development of real estates in the PRC.

Reasons and benefits of the Acquisition

The head office of the Group in Beijing, PRC is a leased property of approximately 2,787 square meter with the tenure of the existing tenancy expiring by the end of January and February 2007. As the Group experienced rapid growth in recent years, the existing head office premises lack rooms for future expansion. In order to accommodate the Group's various department expansion, the Group has been seeking new office premises in Beijing with more area.

Furthermore, the office rental expenses in Beijing has increased rapidly and according to the property information in Zhongguancun district, the office rental is now approximately RMB5.5 per square meter per day. Hence, the rental payment for the premises of approximately 4,691 square meters will be approximately RMB9.4 million. By acquiring the office building and on the assumption that the office will depreciate over 30 years, the depreciation charge incurred will be approximately RMB2.7 million per annum which is significantly less than the rental expenses of approximating 9.4 million.

The Property is located at Zhongguancun District of Beijing which is one of the newly developed commercial districts for high-tech industry in Beijing, PRC. The Property comprises various office units with a gross floor area of approximately 4,691 square meters which represent approximately 68% increase in office space and it is expected to be suitable for the Group's anticipated expansion. Based on the increased demand of office space due to the Group's expansion and increased rental expenses, the Acquisition will reduce the operation cost of the Group, therefore the Board (not including the independent non-executive Directors, who have formed the Independent Board Committee and will form their opinion to be set out in a letter to be included in the circular in relation to the Acquisition) considers that the Acquisition is in the interest of the Company and the Shareholders as a whole.

General

As (1) Gulf Group is wholly-owned by the 22 shareholders who are the same beneficial shareholders of 100% of the issued share capital of GST International Management, the controlling shareholder of the Company, and who also entered into a lock-up agreement in respect of their respective shareholding in GST International Management, and (2) the directors of Gulf Group, namely, Mr. Song Jiacheng and Mr. Peng Kaichen, are also directors of the Company, the Company considers that Gulf Group together with its subsidiaries (but not associated companies) are connected persons of the Company for the sole purpose of interpretation of connected transactions under the Listing Rules. Since the Vendor is a non-wholly owned subsidiary of the Gulf Group, the Vendor is a connected person of the Company by virtue of its being a non-wholly owned subsidiary of Gulf Group. Accordingly, the Acquisition constitutes a connected transaction of the Company under Rule 14A.17 of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM by poll. GST International Management and its associates will abstain from voting in respect of the relevant resolution(s) approving the Acquisition at the EGM. Since one of the Relevant Ratios in respect of the Acquisition exceeds 5% but all the Relevant Ratios are less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisition and CIMB-GK Securities (HK) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Acquisition, the advice from the Independent Board Committee to the Independent Shareholders, the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the notice of the EGM and information on the Company will be despatched to the Shareholders as soon as practicable.

Definitions

In this announcement, unless otherwise defined, the following terms shall have the following meaning:–

“Acquisition”	the proposed acquisition by GST of the Property pursuant to the terms and conditions of the Framework Agreement and the Ancillary Pre-sale Agreements
“Ancillary Pre-sale Agreements”	24 real estate pre-sale agreements (all in the standard form designated by the Beijing Municipal Construction Committee and the Beijing Administration for Industry and Commerce and agreed by the Vendor and the Purchaser) to be entered into between the Purchaser and the Vendor in relation to the purchase of the Property, one to be executed in respect of each unit in the Property

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Gulf Property” or “Vendor”	北京海灣京城房地產開發有限公司 (Beijing Gulf Jingcheng Property Development Limited*), a limited liability company established in the PRC and a non-wholly owned subsidiary of Gulf Group
“Board”	the board of Directors
“Company”	GST Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	RMB81,695,584
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve, among other things, the Framework Agreement and all the transactions contemplated thereunder
“Framework Agreement”	the framework agreement dated 13th November 2006 entered into between GST as the Purchaser and Beijing Gulf Property as the Vendor in relation to the purchase of the Property at the Consideration
“Group”	the Company and its subsidiaries
“GST” or “Purchaser”	海灣安全技術有限公司 (Gulf Security Technology Company Limited*), a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“GST International Management”	GST International Management Limited, a limited company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Gulf Group”	海灣科技集團有限公司 (Gulf Technology Group Company Limited*), a limited liability company established in the PRC.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising three independent non-executive Directors, namely, Mr. Sun Lun, Mr. Chang Tso Tung, Stephen and Mr. Chan Chi On, Derek
“Independent Shareholder(s)”	the Shareholder(s) other than GST International Management and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Property”	Units 1701-1703, 1705-1711, 1801-1803, 1805-1811, 1901-1903 and 1905, Block B, The Gate, Zhongguancun, Beijing, PRC
“Relevant Ratio”	any of the five ratios as set out in Rule 14.07 of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
GST Holdings Limited
SONG Jiacheng
Chairman

Hong Kong, 14th November 2006

As at the date of this announcement, the Board comprises 9 Directors, of whom, Mr. SONG Jiacheng, Mr. CAO Yu, Mr. PENG Kaichen and Mr. XU Shaowen are executive Directors, Mr. ZENG Jun and Mr. LEE Kwan Hung, Eddie are non-executive Directors, Mr. SUN Lun, Mr. CHANG Tso Tung, Stephen and Mr. CHAN Chi On, Derek are independent non-executive Directors.

* *For identification purposes only*

Please also refer to the published version of this announcement in South China Morning Post.