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GWT

長城科技股份有限公司

Great Wall Technology Company Limited

(A joint stock limited company incorporated in The People's Republic of China with limited liability)

(Stock Code: 0074)

**VERY SUBSTANTIAL ACQUISITION
PROPOSED CONSTRUCTION OF OFFICE COMPLEX BY CGC**

The Board announces that on 6 August 2013, the board of directors of CGC, a non-wholly owned subsidiary of the Company, resolved to proceed with the Construction Project and submit it to its shareholders for consideration and approval.

The Construction Project

The Construction Project involves the payment of the Land Premium for converting the permitted land use of the CGC Land from industrial to new industrial and commercial building usage, demolition of the existing temporary warehouse of approximately 5,600m² erected on the CGC Land, and the construction of the Office Complex. The Construction Project is estimated to take four years to complete with expected completion taking place in 2017.

The total construction area of the Office Complex is estimated to be approximately 182,000m², of which 128,000m² will be above ground and 54,000m² will be underground. It is expected that upon completion of the Construction Project, approximately 60% of the Office Complex will be for sale as permitted under the land planning permit granted by the Shenzhen Land Committee, and the remaining 40% of the Office Complex will be partly leased to other parties and partly used by CGC as its headquarter. Actual allocation will depend on the then property market condition.

The Construction Project will involve various kinds of works including design, construction works, installation works, supervision and management as well as purchase of equipment and materials etc.. CGC has set up a Project Committee which will be responsible for the overall implementation, coordination, supervision and management as well as the fund-raising and resources allocation of the Construction Project.

The total investment for the Construction Project (inclusive of the Land Premium) is estimated to be not exceeding RMB 1,933,000,000 and it is expected to be funded by CGC through its internal resources, bank loans and proceeds obtained from pre-sale of the office premises of the Office Complex.

Listing Rules Implications

CGC will have to pay the Land Premium and enter into a series of transactions with other parties in connection with the Construction Project. As all these transactions involve the acquisition of parts of one asset, they are required to be aggregated and treated as one transaction under Rule 14.22 of the Listing Rules. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Investment Amount exceeds 100%, the Construction Project constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

General

A circular containing, among other things, further details of the Construction Project and a notice of EGM, is expected to be dispatched to the Shareholders on or before 30 September 2013 as additional time is required for the preparation of the financial information of the Group to be included therein. As far as the Directors are aware, no Shareholders would be required to abstain from voting on the resolutions to approve the Construction Project and the transactions contemplated thereunder at the EGM.

The Board announces that on 6 August 2013, the board of directors of CGC, a non-wholly owned subsidiary of the Company, resolved to proceed with the Construction Project and submit it to its shareholders for consideration and approval.

THE CONSTRUCTION PROJECT

The Construction Project involves the payment of the Land Premium for converting the permitted use of the CGC Land from industrial to new industrial and commercial building usage, demolition of the existing temporary warehouse of approximately 5,600m² erected on the CGC Land, and the construction the Office Complex on the CGC Land.

The Construction Project is estimated to take four years to complete with expected completion taking place in 2017.

The CGC Land

Currently, the major buildings erected on the CGC Land include:

1. main production factory of approximately 41,690.4m², part of which is currently used as CEC Great Wall's R&D office and part of which is leased to other parties;
2. R&D office building of approximately 7,933.5m², part of which is currently used as the Group's headquarter and CGC's office and part of which is used by various units such as computer business and cloud computing divisions and information centers for marketing and R&D purposes;
3. cafeteria of 3,950m²; and
4. temporary warehouse of approximately 5,600m², part of which is currently used for storing CGC's main business products and part of which is leased to other parties.

The temporary warehouse will be demolished to provide space for the construction of the Office Complex.

Pursuant to the Approval Certificate granted by the Shenzhen Land Committee, the CGC Land is only for industrial use. For the purposes of the Construction Project, CGC has applied to the Shenzhen Land Committee to convert the land use of the CGC Land to new industrial and commercial building usage and the application has been approved by the Shenzhen Land Committee.

The Office Complex

The Office Complex will be a standard grade A eco office erected on the unoccupied CGC Land and the land obtained after demolishing the aforesaid temporary warehouse. It will be a 49-storey mixed steel reinforced concrete core wall structure building. The height of the Office Complex is approximately 200 meters with a total construction area of approximately 182,000m², of which 128,000m² will be above ground and 54,000m² will be underground. CGC will work out the detailed overall design of the Office Complex with relevant professional parties and will ensure it adheres to the relevant applicable standard in the PRC.

It is intended that the Office Complex to be a R&D complex. It is also intended to construct various R&D centers in the Office Complex including research centers for cloud computing, notebooks, monitors, information security, power source and energy saving technologies.

It is expected that upon completion of the Construction Project, approximately 60% of the Office Complex will be for sale as permitted under the land planning permit granted by the Shenzhen Land Committee, and the remaining 40% of the Office Complex will be partly leased to other parties and partly used by CGC as its headquarter. Actual allocation will depends on the then property market condition.

Construction and Development Works

The Construction Project will involve various kinds of works including design, construction works, installation works, supervision and management as well as purchase of equipment and materials etc.. CGC will engage various parties to work on the design, construction works, installation works, project supervision and procurement of equipment and major materials for the Construction Project as and when required by way of public tenders in accordance with the relevant rules and regulations governing public tenders in the PRC.

INVESTMENT AMOUNT

The Investment Amount (inclusive of Land Premium) for the Construction Project is estimated to be not exceeding RMB1,933,000,000, which has been estimated based on the architectural planning of the Office Complex, the “Shenzhen construction engineering technical and economic indicators” and the recent economic and technical indicators of similar projects and the latest valuation on construction standards and regulations released by the State and Shenzhen government.

The Investment Amount is expected to be funded by CGC through its internal resources, bank loans and proceeds obtained from pre-sale of the office premises of the Office Complex. It is estimated that no more than RMB620,000,000 and RMB480,000,000 to be financed by bank loans and proceeds obtained from pre-sale of office premises of the Office Complex, respectively.

CONDITIONS PRECEDENT

The Construction Project is subject to the following approvals being obtained:

1. Approval from the shareholders of CGC;
2. Approval from the Shareholders at the EGM; and
3. Other related permits and approvals from the relevant PRC authorities including construction project planning permit from Shenzhen Land Committee and commencement permit from Housing and Construction Bureau of Shenzhen Municipality etc..

MANAGEMENT OF THE CONSTRUCTION PROJECT

Project Management

CGC has set up a Project Committee comprising of 5 members of which 2 are directors of CGC. The Project Committee is authorized by the board of directors of CGC to take charge of the overall implementation, coordination, supervision and management as well as the fund-raising and resources allocation of the Construction Project. A special infrastructure division is established under the supervision of the Project Committee and it is responsible for the design, review and approval, implementation, control and management, budget, inspection and acceptance of construction work of the Construction Project.

The Project Committee will convene special meetings for examination of deployment plan and strategies pursuant to the progress of the Construction Project. In respect of major decisions of the Construction Project, the Project Committee will report to and seek approval from the board of directors of CGC in accordance with the internal policies and approval procedures of CGC.

Risk Management

Market Risk

According to the report issued by Shenzhen Aoyi Design and Construction Company Limited, the supply of office premises in new technology area will reach 2,400,000m² in the next five years, of which 630,000m² will be A grade professional office premises. These A grade professional office premises will be CGC's major competitors as the Office Complex will also come within this category. To minimize competition, CGC will use scientific means to create work progress plans and strictly follow these plans when constructing. In addition, CGC will pay close attention to market conditions and make market predictions at different stages to enable it to promptly adjust its strategies to manage any market risks.

Construction Safety Risk

The Construction Project is difficult and requires a long time to complete. Technical and construction safety risks may occur during the construction of the Office Complex. To minimize such risks, CGC will study the successful experience of other similar projects. Public tenders will also be used to engage various parties to work on the design, construction and installation works of the Construction Project at the relevant stage of the Construction Project. Prior to the construction of the Office Complex, CGC will engage experts to analyze the construction plans to cautiously monitor the preliminary design assessment, examine the construction drawing and excavation design review. Further, the relevant construction safety operation rules and construction safety management regulations will be strictly complied with during the construction of the Office Complex to ensure construction safety.

Operation and Financing Risks

The Construction Project will be funded by CGC through its internal resources, bank loans and proceeds obtained from pre-sale of the office premises of the Office Complex. Financing is a critical part of the Construction Project. In the event that the technology level, product quality or marketing effort fails, the construction of the Office Complex will be affected, thus resulting in various risks. Accordingly, in the early stages of the Construction Project, there will be ample discussions and analyses to come up with a reasonable financing proposal. During the implementation of the Construction Project, CGC will closely control investments, strengthen sales and marketing effort and promote sales income of the Construction Project. In addition, CGC will enhance internal management and reduce costs to minimize operation risks.

Vacancy Risk

Nanshan District is one of the key areas in Shenzhen for future supply of office premises and the future supply of office premises in this area will be enormous. As a result, it is estimated that the overall vacancy ratio for office premises will increase. To effectively manage the future vacancy risk of the Office Complex, CGC will position the Office Complex as “rare standard A grade eco office in new technology area” in accordance with market needs and competition conditions. Meanwhile, CGC will accentuate the outstanding features and design of the Office Complex to enhance its competitiveness. Further, it can adjust the development cycle to avoid peak supply and manage the pace of selling the office premises to avoid fierce competition.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION PROJECT

As the current production facilities and office premises of CGC cannot fully satisfy its production, office and R&D needs, the Directors (including the independent non-executive Directors) are of the view that the Construction Project will enable CGC to expand its business operations and production scales as well to strengthen its R&D capabilities, which in turn will improve CGC’s operating environment and overall efficiency, and enhance CGC’s competitiveness and long term development.

Under the Construction Project, the temporary warehouse on the CGC Land will be demolished to erect the Office Complex. Upon completion of the Office Complex, the construction area ratio of the CGC Land will be increased from 1.12 to 3.81. This will significantly raise the usage ratio of the CGC Land and promote the construction of energy efficient and environmental friendly premises.

In addition, the CGC Land on which the Office Complex will be erected will become the breeding ground for software and integrated circuit design. High technology companies and modernized service providers for factories and enterprises will be the target customers of the Office Complex. It is expected that upon completion of the Construction Project, more high quality enterprises will be attracted to set up their presence on the CGC Land, which is expected to increase the income for CGC.

The Directors (including the independent non-executive Directors) consider the Construction Project in the best interests of the Group and the Shareholders as a whole.

INFORMATION ON THE GROUP AND CGC

The Group is principally engaged in the development, manufacture, sale and R&D of PCs, information terminal products, storage products, power supply products, monitoring terminal, LCD television products and EMS business.

CGC is principally engaged in the manufacture and trading of PCs and PC peripheral products.

LISTING RULES IMPLICATIONS

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GENERAL

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Approval Certificate”	the approval certificate for the transfer of land use right to CGC granted by the Shenzhen Land Committee 土地使用權轉讓批復 — 深地轉批 (1991年) 003號
“Board”	the board of Directors
“CEC Great Wall”	Shenzhen CEC Great Wall Information Security System Co., Ltd. 深圳中電長城信息安全系統有限公司, a limited liability company incorporated in the PRC, a subsidiary of the Company and is wholly-owned by CGC

“CGC”	China Great Wall Computer (Shenzhen) Co., Ltd. 中國長城計算機深圳股份有限公司, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange, which is owned as to 53.92% by the Company
“CGC Land”	the piece of land of approximately 47,630.8m ² situated at No. 2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, the PRC, namely T305-0001, which is owned by CGC
“Company”	Great Wall Technology Company Limited 長城科技股份有限公司, a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange
“Construction Project”	the proposed construction of the Office Complex by CGC on the CGC Land, including the payment of the Land Premium and various works involved in the construction and development of the project
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, approving the Construction Project and the transactions contemplated thereunder
“EMS”	electronics manufacturing services
“Group”	the Company and its subsidiaries
“Investment Amount”	the total investment amount for the Construction Project, which is estimated to be not exceeding RMB1,933,000,000
“Land Premium”	the premium in the amount of RMB592,712,442 to be paid by CGC for converting the land use of CGC Land from industrial to new industrial and commercial building usage
“LCD”	liquid crystal display

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Office Complex”	the 49-storey office complex proposed to be erected on the CGC Land under the Construction Project
“PC”	personal computer
“PRC” or “China”	the People’s Republic of China
“Project Committee”	the project committee set up by CGC for the overall management of the Construction Project
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“Shenzhen Land Committee”	深圳市規劃和國土資源委員會 Shenzhen Urban Planning and Land Resources Committee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“m ² ”	square meters
“%”	per cent.

By order of the Board
Liu Liehong
Chairman

Shenzhen, PRC, 6 August 2013

As at the date of this announcement, the Board comprises six executive directors, namely Liu Liehong, Tam Man Chi, Yang Jun, Du Heping, Fu Qiang and Xu Haihe; and three independent non-executive directors, namely Yao Xiacong, James Kong Tin Wong and Zeng Zhijie.