**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Great Wall Technology Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



# 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

## MAJOR TRANSACTIONS AND
## CONTINUING CONNECTED TRANSACTIONS
## FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

A letter from the Board is set out on pages 5 to 24 of this circular and a letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from Get Nice Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 37 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 16th Floor, Great Wall Technology Building, No. 2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, PRC on 12 November 2013 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time of meeting to the office of the Company's H shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (in the case of holders of H shares) or to the Company's legal address at No. 2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, PRC (in the case of holders of domestic shares). Completion of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

25 September 2013

# CONTENTS

*In this circular, unless the context otherwise requires, the following expressions have the following meaning:*

| | |
|---|---|
| "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 |
| "associates" | has the meaning ascribed to it under the Listing Rules |
| "Accumulated Interest Method" | the accumulated interest method for calculating the interest on the account. This method is to calculate interest rate with the accumulated interest multiplying daily interest rate on the basis of the daily accumulated account balance in the actual number of days. The formula for calculating interest is: Interest = accumulated interest × daily interest rate, of which, the accumulated interest shall be equal to the total of the daily balance |
| "Board" | the board of Directors |
| "CBRC" | 中國銀行業監督管理委員會 China Banking Regulatory Commission |
| "CEC" | 中國電子信息產業集團公司 (China Electronic Corporation), a company incorporated in the PRC, the sole shareholder of Great Wall Group and the ultimate controlling Shareholder |
| "CEC Finance" | 中國電子財務有限責任公司 (CEC Finance Co., Ltd.), a non-bank financial institute of CEC and a company incorporated in the PRC, owned as to 41.97% by CEC and 5.71% by the Company |
| "CEC Great Wall" | 深圳中電長城信息安全系统有限公司 (Shenzhen CEC Great Wall Information Security System Co., Ltd.), a limited liability company incorporated in the PRC, a subsidiary of the Company and is wholly-owned by CGC |
| "CEC Group" | CEC and its subsidiaries (other than the Group) |
| "CGC" | 中國長城計算機深圳股份有限公司 (China Great Wall Computer (Shenzhen) Co., Ltd.), 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 Agreement" | the financial services agreement entered into between CGC and CEC Finance on 19 August 2013 |

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| "CGC Deposit Cap" | the proposed maximum daily balance of deposits placed by CGC under the CGC Agreement with CEC Finance during the term of the CGC Agreement |
| "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" | 長城科技股份有限公司(Great Wall Technology Company Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange |
| "connected persons" | has the meaning ascribed to it under the Listing Rules |
| "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 (i) the Construction Project and the transactions contemplated thereunder; and (ii) the Proposed Deposit Transactions (including the Proposed Deposit Caps) |
| "EMS" | electronics manufacturing services |
| "Feasibility Study Report" | the feasibility study report on the Construction Project dated July 2013 prepared by 深圳奧意建築工程設計有限公司(A+E Design) |
| "Great Wall Group" | 中國長城計算機集團公司 (China Great Wall Computer Group Company), a company incorporated in the PRC, a controlling Shareholder holding approximately 62.11% of the Company |
| "Great Wall Kaifa" | 深圳長城開發科技股份有限公司 (Shenzhen Kaifa Technology Co., Ltd.), a company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange, a subsidiary of the Company |
| "Group" | the Company and its subsidiaries |
| "GWT Agreement" | the financial services agreement entered into between the Company and CEC Finance on 2 November 2009 |

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|---|---|
| "GWT Deposit Cap" | the proposed maximum daily balance of deposits placed by the Company under the New GWT Agreement with CEC Finance during the term of the New GWT Agreement |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent committee of the Board comprising of the independent non-executive Directors |
| "Independent Financial Adviser" | Get Nice Capital Limited, a corporation licensed under the SFO for carrying out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Deposit Transactions (including the Proposed Deposit Caps) |
| "Independent Shareholders" | Shareholders other than Great Wall Group and its associates |
| "Investment Amount" | the total investment amount for the Construction Project, which is estimated to be not exceeding RMB1,933,000,000 |
| "Kaifa Agreement" | the financial services agreement entered into between Great Wall Kaifa and CEC Finance on 17 September 2010 |
| "Kaifa Deposit Cap" | the proposed maximum daily balance of deposits placed by Great Wall Kaifa under the New Kaifa Agreement with CEC Finance during the term of the New Kaifa Agreement |
| "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 |
| "Latest Practicable Date" | 21 September 2013, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular |
| "LCD" | liquid crystal display |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "New GWT Agreement" | the financial services agreement entered into between the Company and CEC Finance on 19 August 2013 |
| "New Kaifa Agreement" | the financial services agreement entered into between Great Wall Kaifa and CEC Finance on 19 August 2013 |
| "Office Complex" | the 49-storey office complex proposed to be erected on the CGC Land under the Construction Project |

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| "Other Financial Services" | other financial services to be provided by CEC Finance apart from deposit, settlement, general strategic advisory and loan services, for instance, fund management, handling of bill acceptance and discounting services, handling of entrusted loans and entrusted investment, handling of financial and financing consultation, credit certification, arranging underwriting of corporate debentures/notes and other related consulting and agency services, provision of security and other financial services as may be approved by CBRC |
| "PBC" | 中國人民銀行 People's Bank of China |
| "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 |
| "Proposed Deposit Caps" | the GWT Deposit Cap, the Kaifa Deposit Cap and the CGC Deposit Cap |
| "Proposed Deposit Transactions" | the transactions involving the provision of deposit services by CEC Finance to (i) the Company under the New GWT Agreement, (ii) Great Wall Kaifa under the New Kaifa Agreement, and (iii) CGC under the CGC Agreement |
| "R&D" | research and development |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| "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 |
| "TPV" | TPV Technology Limited, a company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the Main Board of the Stock Exchange and secondarily listed on the Singapore Stock Exchange, a subsidiary of the Company |
| "$m^2$" | square meters |
| "%" | per cent. |

# 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)

*Executive Directors*
Mr. Liu Liehong *(Chairman)*
Mr. Tam Man Chi
Mr. Yang Jun
Mr. Du Heping
Mr. Fu Qiang
Mr. Xu Haihe

*Independent non-executive Directors*
Mr. Yao Xiaocong
Mr. James Kong Tin Wong
Mr. Zeng Zhijie

*Legal address and head office:*
No.2 Keyuan Road
Technology and Industry Park
Nanshan District
Shenzhen, PRC

25 September 2013

*To the Shareholders*

Dear Sir and Madam,

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

## MAJOR TRANSACTIONS AND
## CONTINUING CONNECTED TRANSACTIONS
## FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

**INTRODUCTION**

Reference is made to the announcements of the Company dated 6 August 2013 and 19 August 2013 in respect of the Construction Project and financial services agreement with CEC Finance respectively.

The purpose of this circular is to provide you with, among other things, (i) further information on the Construction Project, the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement; (ii) the recommendation of the Independent Board Committee and letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Deposit Transactions (including the Proposed Deposit Caps); (iii) the financial information of the Group; (iv) the unaudited pro forma financial information of the Group; (v) the property valuation; and (vi) notice of the EGM.

## 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 5,600m$^2$ 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 41,690.4m$^2$, 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 7,933.5m$^2$, 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 3,950m$^2$; and

4. temporary warehouse of approximately 5,600m$^2$, 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 182,000m$^2$, of which 128,000m$^2$ will be above ground and 54,000m$^2$ 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.

Please refer to Appendix I to this circular for further information on the Construction Project.

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.

Please refer to Appendix I to this circular for further information on the Construction Project.

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.

Whilst the members of the Project Committee do not have experience in real estate development, they have gained relevant management experience from leading a large scale infrastructure project in relation to the construction of production base for CGC in the past. On the other hand, the Project Committee will be assisted by a special infrastructure division in the overall management of the Construction Project. The special infrastructure division comprises of personnel from CGC's real estate business department with experience in utilities and property management and it will recruit relevant third party professionals and engineers with real estate construction and management and related experience as and when appropriate to ensure the overall smooth progress of the Construction Project.

### 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 2,400,000$m^2$ in the next five years, of which 630,000$m^2$ 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**

The Directors (including the independent non-executive Directors) are of the view that the world is entering into an era of knowledge economy. Knowledge will replace natural resources and capital as the most important and critical element of the development of economy and technology. To vigorously develop science and technology and improving the capacity and level of scientific and technological innovation is the key to winning in the 21st century. And, market-oriented product development has become an important aspect of technological innovation and an important foundation for sustainable development and the rapid growth of effectiveness. The Group can only maintain its development momentum by continuously pursuing innovation so as to further expand its strength and expertise. And, increasing the investment in innovation of the Group also calls for a lot of research and office space and the Construction Project can provide the relevant resources and support for the sustainable development of the Group.

Besides, the current production facilities and office premises of CGC cannot fully satisfy its production, office and R&D needs. For instance, due to the lack of office space, certain new energy projects and CGC’s subsidiary PI International Holdings Limited has to hire office space in other area. And, following the successful acquisition of TPV, there will be a major upgrade in CGC’s design and manufacturing capabilities, pipeline development and other aspects on flat panel display and there is an urgent need for increased R & D and marketing area and so on. Besides, in order to cope with the strategic needs of national information security and international information security, and according to the Group's strategic positioning, CGC will focus on the field of information security and its related businesses in the future. R&D site and R&D environment are important foundation for R&D system construction. The exiting production facilities and offices cannot meet CGC's office and R&D needs for its future information security related business. The Directors (including the independent non-executive Directors) are of the view that with the planned future operation and development, production and office resources will be more tense. Operating space shortage has become a major bottleneck in the Group's sustained development and which need to be improved. 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. Through integration of resources, the construction of certain R&D centers based on new products and new technology of the industry in the Office Complex to make the Office Complex an international high-class IT development center. 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.

Further, 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. Whilst the actual allocation of area will depends on the then property market condition, the Directors having considered the current property market in the Shenzhen area, in particular grade A office property market in the Nanshan District, Shenzhen, are positive about the future profit contribution the Construction Project might bring to the Group.

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.

**FINANCIAL EFFECTS OF THE CONSTRUCTION PROJECT**

(1) Financial effects on earnings of the Group:

There is no significant effect of the transactions on the earnings of the Group.

(2) Financial effects on financial position of the Group:

The total non-current assets of the Group will be increased by RMB593 million, which represents the Land Premium paid upon the completion of the conversion of the usage of the Land, while the total current assets of the Group will then be decreased by RMB593 million, thus there is no change in the net current assets of the Group, as a result of the Construction Project. The Construction Project 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 expected that no more than RMB620,000,000 and RMB480,000,000 to be financed by bank loans and proceeds obtained from pre-sale of the Office Complex respectively.

Details of the above effects could be referred to of the unaudited pro forma financial statement of the Group in Appendix III.

**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.

It is expected that none of the transactions to be carried out under the Construction Project would constitute connected transaction of the Company. However, in the case any of such transactions constitutes connected transaction of the Company, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules at the material time.

**FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE**

**NEW GWT AGREEMENT**

**Date**

19 August 2013

**Parties**

(a) the Company
(b) CEC Finance

**Effective Date and Term**

The New GWT Agreement shall become effective for a term of three (3) years upon obtaining the approval of the Independent Shareholders at the EGM.

**Key Terms**

1. Pursuant to the New GWT Agreement, the financial services to be provided by CEC Finance to the Company include conducting financial and financing consultation, credit certification and other relevant advice and agency services; assistance in the receipt and payment of

transaction proceeds; approved insurance agency services; provision of guarantee and foreign exchange settlement services; entrusted loans and entrusted investment services; bill acceptance and discount services; intra-group transfer and settlement services and planning of settlement scheme; deposit services; and financial services for the Company such as loans and finance leasing.

2. CEC Finance shall, in accordance with the following service principles, provide the aforesaid financial services to the Company:

*(a) Deposit Services*

(i) the interest rate payable for the Company's deposits with CEC Finance shall not be lower than the interest rate for deposits offered by other commercial banks in the PRC during the same period and such interest shall be calculated by way of the Accumulated Interest Method and shall be payable by CEC Finance to the Company on a quarterly basis; and

(ii) the maximum daily deposit amount (including accrued interest) placed by the Company with CEC Finance during the term of the New GWT Agreement shall not exceed RMB100,000,000, being the same maximum amount under the GWT Agreement.

*(b) Loan and Loan Guarantee Services*

(i) CEC Finance shall, in accordance with its loan policies and PBC's rules and regulations for the provision of loans, provide to the Company loan services;

(ii) the interest rate for loans granted to the Company by CEC Finance shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be calculated by way of the Accumulated Interest Method and shall be payable by the Company to CEC Finance on a quarterly basis;

(iii) the fees charged by CEC Finance for the provision of guarantee for loans of the Company shall not be higher than the fees charged by other commercial banks in the PRC for the same type of services; and

(iv) the maximum daily balance for loan and guarantee for loans of the Company provided by CEC Finance to the Company during the term of the New GWT Agreement shall not exceed RMB200,000,000, being the same maximum amount under the GWT Agreement.

*(c) Settlement Services and General Strategic Advisory Services*

CEC Finance will not charge the Group any fees for the provision of settlement services (the services in relation to effecting any payment out of any fund held by CEC Finance or accepting payment of fund to the Company, in both cases on the Company's behalf and to the order of the Company), bank confirmations and general strategic advisory services (except for the special financing consultation services).

3. The Company has agreed to give priority right to use the financial services (to the extent up to a maximum amount as stated in the New GWT Agreement) provided by CEC Finance but the Company, with the benefit of market rate information, has the right to determine whether or not the terms of the aforesaid financial services provided by CEC Finance are more favourable than those offered by other independent financial institutions.

4. If the Company, for whatever reason, fails to obtain from CEC Finance all the monies it has deposited with CEC Finance, it may off-set any outstanding amount due from CEC Finance in this regard against any sums that it owes CEC Finance. However, if the Company fails to repay loans due to CEC Finance upon maturity, CEC Finance will not apply the deposits placed by the Company for repayment of such loan.

5. CEC Finance has agreed that it shall provide to the senior management of the Company (including the Directors) the financial statements of CEC Finance on the tenth business day after the end of each quarter.

6. CEC Finance shall notify the Company on a timely basis of any material changes to its corporate and shareholding structure and operational risks which would affect its normal operations; otherwise, the Company is entitled to discontinue the services provided by CEC Finance.

7. CEC Finance shall immediately notify the Company of (i) run of its deposits, (ii) failure to meet debt obligations, (iii) large amount of overdue loans or guarantees, (iv) severe computer network breakdown, (v) it being robbed or defrauded, or (vi) any of its director or senior management is in material breach of any regulations or involved in criminal cases and CEC Finance shall take immediate remedial measures of the foregoing.

8. CEC Finance shall immediately notify the Company of any potential risk on the deposits placed by the Company and CEC Finance shall take immediate measures to remedy such risk.

**GWT Deposit Cap**

*Deposit Services*

The maximum daily deposit amount (including accrued interest) under the GWT Agreement is RMB100,000,000. The minimum, maximum and average daily amounts of deposits placed by the Company with CEC Finance under the GWT Agreement were approximately RMB8,600,000, RMB100,000,000 and RMB57,000,000 respectively during the term of the GWT Agreement. As of 31 December 2012, the amount of deposits placed by the Company with CEC Finance under the GWT Agreement was approximately RMB8,997,000. Upon the expiry of the GWT Agreement, the Company has transferred out the full amount of deposits it placed with CEC Finance under the GWT Agreement.

The Board has considered the GWT Deposit Cap of RMB100,000,000, being the maximum daily balance (including accrued interest) under the New GWT Agreement. The GWT Deposit Cap has been determined with reference to (a) the Company's financial status, in particular, its cash balance position, (b) the average daily cashflow of the Company for the six months ended 30 June 2013, and (c) the expected demand for cashflow of the Company for the year of 2013 after having considered the operation and development of the Company.

*Loan and Loan Guarantee Services*

Pursuant to the New GWT Agreement, the loan and loan guarantee services to be provided by CEC Finance to the Company are on normal commercial terms and no security over the assets of the Group will be granted in respect of the loans and guarantees. As such, such loan and loan guarantee services are continuing connected transactions exempt from reporting, announcement and Independent Shareholders' approval under Rule 14A.65(4) of the Listing Rules and, accordingly, no cap is required to be set in this regard.

*Settlement Services and General Strategic Advisory Services*

As CEC Finance will not charge the Company any fees for the provision of settlement services and general strategic advisory services, the continuing connected transactions involving the provision of the said services are exempt from the reporting, announcement and Independent Shareholders' approval requirements.

*Other Financial Services*

Pursuant to the New GWT Agreement, CEC Finance and the Company are required to negotiate and enter into separate agreement before CEC Finance provides Other Financial Services to the Company. As at the Latest Practicable Date, the Company has not entered into any separate agreement with CEC Finance for the provision of Other Financial Services. The Company will comply with the applicable notification, disclosure and/or Shareholders' approval requirements under the Listing Rules in the event that the Company enters into any such separate agreement with CEC Finance.

**NEW KAIFA AGREEMENT**

**Date**

19 August 2013

**Parties**

(a) Great Wall Kaifa
(b) CEC Finance

**Effective Date and Term**

The New Kaifa Agreement shall become effective for a term of three (3) years upon (i) obtaining the approval of the shareholders of Great Wall Kaifa, (ii) obtaining the approval of the Independent Shareholders at the EGM, and (iii) the relevant filing with the Shenzhen Stock Exchange has been made by Great Wall Kaifa.

**Key Terms**

1. Pursuant to the New Kaifa Agreement, the financial services to be provided by CEC Finance to Great Wall Kaifa include conducting financial and financing consultation, credit certification and other relevant advice and agency services; assistance in the receipt and payment of transaction proceeds; approved insurance agency services; provision of guarantee and foreign exchange settlement services; entrusted loans and entrusted investment services; bill acceptance and discount services; intra-group transfer and settlement services and planning of settlement scheme; deposit services; and financial services for Great Wall Kaifa such as loans and finance leasing.

2. CEC Finance shall, in accordance with the following service principles, provide the aforesaid financial services to Great Wall Kaifa:

   *(a) Deposit Services*

   (i) the interest rate payable for Great Wall Kaifa's deposits with CEC Finance shall not be lower than the interest rate for deposits offered by other commercial banks in the PRC during the same period and such interest shall be calculated by way of the Accumulated Interest Method and shall be payable by CEC Finance to Great Wall Kaifa on a quarterly basis; and

   (ii) the maximum daily deposit amount (including accrued interest) placed by Great Wall Kaifa with CEC Finance during the term of the New Kaifa Agreement shall not exceed RMB600,000,000, being the same maximum amount under the Kaifa Agreement.

   *(b) Loan and Loan Guarantee Services*

   (i) CEC Finance shall, in accordance with its loan policies and PBC's rules and regulations for the provision of loans, provide to Great Wall Kaifa loan services;

   (ii) the interest rate for loans granted to Great Wall Kaifa by CEC Finance shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be calculated by way of the Accumulated Interest Method and shall be payable by Great Wall Kaifa to CEC Finance on a quarterly basis;

   (iii) the fees charged by CEC Finance for the provision of guarantee for loans of Great Wall Kaifa shall not be higher than the fees charged by other commercial banks in the PRC for the same type of services; and

   (iv) the maximum daily balance for loan and guarantee for loans of Great Wall Kaifa provided by CEC Finance to Great Wall Kaifa during the term of the New Kaifa Agreement shall not exceed RMB600,000,000, being the same maximum amount under the Kaifa Agreement.

(c) *Settlement Services and General Strategic Advisory Services*

CEC Finance will not charge the Group any fees for the provision of settlement services (the services in relation to effecting any payment out of any fund held by CEC Finance or accepting payment of fund to Great Wall Kaifa, in both cases on Great Wall Kaifa's behalf and to the order of Great Wall Kaifa), bank confirmations and general strategic advisory services (except for special financing consultation services).

3. Great Wall Kaifa has agreed to give priority right to use the financial services (to the extent up to a maximum amount as stated in the New Kaifa Agreement) provided by CEC Finance but Great Wall Kaifa, with the benefit of market rate information, has the right to determine whether or not the terms of the aforesaid financial services provided by CEC Finance are more favourable than those offered by other independent financial institutions.

4. If Great Wall Kaifa, for whatever reason, fails to obtain from CEC Finance all the monies it has deposited with CEC Finance, it may off-set any outstanding amount due from CEC Finance in this regard against any sums that it owes CEC Finance. However, if Great Wall Kaifa fails to repay loans due to CEC Finance upon maturity, CEC Finance will not apply the deposits placed by Great Wall Kaifa for repayment of such loan.

5. CEC Finance has agreed that it shall provide to the senior management of Great Wall Kaifa (including the directors of Great Wall Kaifa) (i) a copy of every regulatory report it submitted to CBRC and (ii) the financial statements of CEC Finance on the tenth business day after the end of each quarter.

6. CEC Finance shall notify Great Wall Kaifa on a timely basis of any material changes to its corporate and shareholding structure and operational risks which would affect its normal operations; otherwise, Great Wall Kaifa is entitled to discontinue the services provided by CEC Finance.

7. CEC Finance shall immediately notify Great Wall Kaifa of (i) run of its deposits, (ii) failure to meet debt obligations, (iii) large amount of overdue loans or guarantees, (iv) severe computer network breakdown, (v) it being robbed or defrauded, or (vi) any of its director or senior management is in material breach of any regulations or involved in criminal cases and CEC Finance shall take immediate remedial measures of the foregoing.

8. CEC Finance shall immediately notify Great Wall Kaifa of any potential risk on the deposits placed by Great Wall Kaifa and CEC Finance shall take immediate measures to remedy such risk.

**Kaifa Deposit Cap**

*Deposit Services*

The maximum daily deposit amount (including accrued interest) under the Kaifa Agreement is RMB600,000,000. The minimum, maximum and average daily amounts of deposits placed by Great Wall Kaifa with CEC Finance under the Kaifa Agreement were approximately RMB60,000,000, RMB600,000,000 and RMB504,000,000 respectively. As of 30 June, 2013, the amount of deposits placed by Great Wall Kaifa with CEC Finance under the Kaifa Agreement was approximately RMB599,862,000. The Board has considered the Kaifa Deposit Cap of RMB600,000,000, being the maximum daily balance (including accrued interest) under the New Kaifa Agreement. The Kaifa Deposit Cap has been determined with reference to (a) Great Wall Kaifa's financial status, in particular, its cash balance position, (b) the average daily cashflow of Great Wall Kaifa for the six months ended 30 June 2013, and (c) the expected demand for cashflow of Great Wall Kaifa for the year of 2013 after having considered the operation and development of Great Wall Kaifa.

*Loan and Loan Guarantee Services*

Pursuant to the New Kaifa Agreement, the loan and loan guarantee services to be provided by CEC Finance to Great Wall Kaifa are on normal commercial terms and no security over the assets of the Group will be granted in respect of the loans and guarantees. As such, such loan and loan guarantee services are continuing connected transactions exempt from reporting, announcement and Independent Shareholders' approval under Rule 14A.65(4) of the Listing Rules and, accordingly, no cap is required to be set in this regard.

*Settlement Services and General Strategic Advisory Services*

As CEC Finance will not charge Great Wall Kaifa any fees for the provision of settlement services and general strategic advisory services, the continuing connected transactions involving the provision of the said services are exempt from the reporting, announcement and Independent Shareholders' approval requirements.

*Other Financial Services*

Pursuant to the New Kaifa Agreement, CEC Finance and Great Wall Kaifa are required to negotiate and enter into separate agreement before CEC Finance provides Other Financial Services to Great Wall Kaifa. As at the Latest Practicable Date, Great Wall Kaifa has not entered into any separate agreement with CEC Finance for the provision of Other Financial Services. The Company will comply with the applicable notification, disclosure and/or Shareholders' approval requirements under the Listing Rules in the event that Great Wall Kaifa enters into any such separate agreement with CEC Finance.

**CGC AGREEMENT**

**Date**

19 August 2013

**Parties**

(a) CGC
(b) CEC Finance

**Effective Date and Term**

The CGC Agreement shall become effective for a term of three (3) years upon (i) obtaining the approval of the shareholders of CGC, (ii) obtaining the approval of the Independent Shareholders at the EGM, and (iii) the relevant filing with the Shenzhen Stock Exchange has been made by CGC.

**Key Terms**

1. Pursuant to the CGC Agreement, the financial services to be provided by CEC Finance to CGC include conducting financial and financing consultation, credit certification and other relevant advice and agency services; assistance in the receipt and payment of transaction proceeds; approved insurance agency services; provision of guarantee and foreign exchange settlement services; entrusted loans and entrusted investment services; bill acceptance and discount services; intragroup transfer and settlement services and planning of settlement scheme; deposit services; and financial services for CGC such as loans and finance leasing.

2. CEC Finance shall, in accordance with the following service principles, provide the aforesaid financial services to CGC:

   *(a) Deposit Services*

   (i) the interest rate payable for CGC's deposits with CEC Finance shall not be lower than the interest rate for deposits offered by other commercial banks in the PRC during the same period and such interest shall be calculated by way of the Accumulated Interest Method and shall be payable by CEC Finance to CGC on a quarterly basis; and

   (ii) the maximum daily deposit amount (including accrued interest) placed by CGC with CEC Finance during the term of the CGC Agreement shall not exceed RMB200,000,000.

   *(b) Loan and Loan Guarantee Services*

   (i) CEC Finance shall, in accordance with its loan policies and PBC's rules and regulations for the provision of loans, provide to CGC loan services;

(ii) the interest rate for loans granted to CGC by CEC Finance shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be calculated by way of the Accumulated Interest Method and shall be payable by CGC to CEC Finance on a quarterly basis;

(iii) the fees charged by CEC Finance for the provision of guarantee for loans for CGC shall not be higher than the fees charged by other commercial banks in the PRC for the same type of services; and

(iv) the maximum daily balance for loan and guarantee for loans for CGC provided by CEC Finance to CGC during the term of the CGC Agreement shall not exceed RMB400,000,000.

*(c) Settlement Services and General Strategic Advisory Services*

CEC Finance will not charge the Group any fees for the provision of settlementservices (the services in relation to effecting any payment out of any fund held by CEC Finance or accepting payment of fund to CGC, in both cases on CGC's behalf and to the order of CGC), bank confirmations and general strategic advisory services (except for special financing consultation services).

3. CGC has agreed to give priority right to use the financial services (to the extent up to a maximum amount as stated in the CGC Agreement) provided by CEC Finance but CGC, with the benefit of market rate information, has the right to determine whether or not the terms of the aforesaid financial services provided by CEC Finance are more favourable than those offered by other independent financial institutions.

4. If CGC, for whatever reason, fails to obtain from CEC Finance all the monies it has deposited with CEC Finance, it may off-set any outstanding amount due from CEC Finance in this regard against any sums that it owes CEC Finance. However, if CGC fails to repay loans due to CEC Finance upon maturity, CEC Finance will not apply the deposits placed by CGC for repayment of such loan.

5. CEC Finance has agreed that it shall provide to the senior management of CGC (including the directors of CGC) (i) a copy of every regulatory report it submitted to CBRC and (ii) the financial statements of CEC Finance on the tenth business day after the end of each quarter.

6. CEC Finance shall notify CGC on a timely basis of any material changes to its corporate and shareholding structure and operational risks which would affect its normal operations; otherwise, CGC is entitled to discontinue the services provided by CEC Finance.

7. CEC Finance shall immediately notify CGC of (i) run of its deposits, (ii) failure to meet debt obligations, (iii) large amount of overdue loans or guarantees, (iv) severe computer network breakdown, (v) it being robbed or defrauded, or (vi) any of its director or senior management is in material breach of any regulations or involved in criminal cases and CEC Finance shall take immediate remedial measures of the foregoing.

8. CEC Finance shall immediately notify CGC of any potential risk on the deposits placed by CGC and CEC Finance shall take immediate measures to remedy such risk.

**CGC Deposit Cap**

*Deposit Services*

The Board has considered the CGC Deposit Cap of RMB200,000,000, being the maximum daily balance (including accrued interest) under the CGC Agreement. The CGC Deposit Cap has been determined with reference to (a) CGC's financial status, in particular, its cash balance position, (b) the average daily cashflow of CGC for the six months ended 30 June 2013, and (c) the expected demand for cashflow of CGC for the year of 2013 after having considered the operation and development of CGC.

Prior to the entering of the CGC Agreement, CGC has not placed any money with CEC Finance as deposits.

*Loan and Loan Guarantee Services*

Pursuant to the CGC Agreement, the loan and loan guarantee services to be provided by CEC Finance to CGC are on normal commercial terms and no security over the assets of the Group will be granted in respect of the loans and loan guarantees. As such, such loan and loan guarantee services are continuing connected transactions exempt from reporting, announcement and Independent Shareholders' approval under Rule 14A.65(4) of the Listing Rules and, accordingly, no cap is required to be set in this regard.

*Settlement Services and General Strategic Advisory Services*

As CEC Finance will not charge CGC any fees for the provision of settlement services and general strategic advisory services, the continuing connected transactions involving the provision of the said services are exempt from the reporting, announcement and Independent Shareholders' approval requirements.

*Other Financial Services*

Pursuant to the CGC Agreement, CEC Finance and CGC are required to negotiate and enter into separate agreement before CEC Finance provides Other Financial Services to CGC. As at the Latest Practicable Date, CGC has not entered into any separate agreement with CEC Finance for the provision of Other Financial Services. The Company will comply with the applicable notification, disclosure and/or Shareholders' approval requirements under the Listing Rules in the event that CGC enters into any such separate agreement with CEC Finance.

**INFORMATION ON CEC FINANCE**

CEC Finance is a non-bank financial institution approved and regulated by PBC and CBRC. It is established for the purpose of enhancing the centralised management of funds among the members of the CEC Group and for improving efficiency of fund utilisation by the CEC Group as a whole.

CEC Finance currently has a registered capital of RMB1,750,943,000 and a net asset value of approximately RMB2,357,613,000. CEC Finance is a subsidiary of CEC owned as to approximately 41.97% by CEC, the ultimate controlling shareholder of the Company, which indirectly holds 62.11% of the total issued shares of the Company through its wholly-owned subsidiary Great Wall Group. CEC Finance is therefore a connected person of the Company.

As at the Latest Practicable Date, the Company owns approximately 5.71% equity interest in CEC Finance.

As far as the Directors are aware, CEC Finance has established stringent internal control measures to ensure effective risk management and strict compliance with laws and regulations, including:

(a) corporate governance structure to ensure the effectiveness of its internal controls such as the formation of the Budget and Audit Committee, the Strategy Committee, the Risk Control Committee and the Remuneration and Appraisal Committee;

(b) effective internal rules and policies specifically for management and control of operational risks and credit risks;

(c) various risk management tools to manage and monitor credit risks;

(d) CEC Finance's internal audit department assumption of an internal independent supervisory role, which duties include examining and auditing the business activities of other departments; and

(e) intra-group check-and-balance mechanisms (such as segregation of duties, regular and random internal examination, re-assessment and upper level supervision) to identify operational irregularities and to ensure the operations of CEC Finance are conducted in a legal and effective manner.

In assessing the financial risks involved in placing deposits with CEC Finance, the Directors have taken into account the following factors:

(a) the operations of CEC Finance are subject to the supervision of PBC and CBRC and are regulated by the relevant PRC financial services rules and regulations;

(b) CEC Finance has established internal control and risk management systems in accordance with the relevant PRC financial services rules and regulations;

(c) the current ratios and capital adequacy ratios of CEC Finance are in compliance with the requirements by CBRC; and

(d) CEC Finance is backed by CEC as pursuant to article 48 of the articles of association of CEC Finance, CEC undertakes to provide support by way of injecting additional capital to CEC Finance if and when CEC Finance has difficulties in meeting its payment obligations.

## INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In order to protect the interests of the Shareholders, the Company, Great Wall Kaifa and CGC will adopt the following internal control procedures and corporate governance measures in relation to its utilisation of CEC Finance's financial services:

(a) where it needs to place deposit with CEC Finance, it will obtain at least two comparable offers from independent commercial banks for the same type of deposit and the terms of all such offers, together with the offer from CEC Finance, will be forthwith disclosed to its chief financial officers for review;

(b) where it needs to enter into any loan or credit facilities agreement with CEC Finance in relation to its borrowing from CEC Finance, it will obtain at least two comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be) and the terms of all such offers, together with the offer from CEC Finance, will be forthwith disclosed to its chief financial officer for review;

(c) establish a Deposit Risk Control Team to prevent and manage deposit risks and related issues through monitoring the status of deposits, the operational and financial situations of CEC Finance and material changes of CEC Finance with respect to its shareholding and corporate structure and operational risks, and report these matters to its directors on regular and random basis, and promptly handle any issues arising from CEC Finance's breach of the New GWT Agreement/ the New Kaifa Agreement/the CGC Agreement, or relevant laws and regulations (e.g. investigation, meetings with CEC Finance, etc.);

(d) a copy of every regulatory report submitted by CEC Finance to CBRC will be provided to the Company/Great Wall Kaifa/CGC; and

(e) the financial statements of CEC Finance will be provided to the Company/Great Wall Kaifa/ CGC on the tenth business day after the end of each quarter.

The Board considers that the above internal control procedures and corporate governance measures proposed to be adopted by the Company, Great Wall Kaifa and CGC concerning the continuing connected transactions are appropriate and that the procedures and measures will give sufficient assurance to the Shareholders that the continuing connected transactions will be appropriately monitored by the Company, Great Wall Kaifa and CGC.

## REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE FINANCIAL SERVICES AGREEMENT WITH CEC FINANCE

The reasons for the entering into the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement are as follows:

(a) CEC Finance is regulated by PBC and CBRC and it customers are limited to the group members of CEC. The risks exposed to CEC Finance are lesser than those exposed to other financial institutions which often have a broad and unrestricted customer base. Therefore, CEC Finance is able to safeguard the funds of its customers more effectively;

(b) CEC Finance is a financially sound financial institution with great development potentials and it has never had any deposit problem;

(c) If CEC Finance encounters any difficulties in meeting its payment obligations, CEC will back CEC Finance by injecting additional capital to CEC Finance pursuant to article 48 of the articles of association of CEC Finance;

(d) CEC Finance will provide free settlement services and general strategic advisory services to the Group and as a result the Group's fund settlement and transaction costs can be reduced; and

(e) The Group is expected to benefit from CEC Finance's good understanding of the Group's operations and nonhierarchical management, which will enable CEC Finance to provide more expedient and efficient services to the Group compared to other commercial banks in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of New GWT Agreement, the New Kaifa Agreement and the CGC Agreement are on normal commercial terms and fair and reasonable and entering into the transactions contemplated thereunder including the Proposed Deposit Transactions and the Proposed Deposit Caps is in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the New GWT Agreement, New Kaifa Agreement and the CGC Agreement and none of them was required to abstain from voting on the board resolution in respect of the approving of same.

**LISTING RULES IMPLICATIONS**

CEC Finance is a subsidiary of CEC owned as to approximately 41.97% by CEC, the ultimate controlling shareholder of the Company, which indirectly holds 62.11% of the total issued shares of the Company through its wholly-owned subsidiary Great Wall Group. CEC Finance is therefore a connected person of the Company. Great Wall Kaifa and CGC are both subsidiaries of the Company. Accordingly, the transactions contemplated under the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the GWT Deposit Cap, the Kaifa Deposit Cap and the CGC Deposit Cap exceeds 5% and all of the foregoing caps are more than HK$10,000,000, the Proposed Deposit Transactions and the Proposed Deposit Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Deposit Caps exceeds 25%, the Proposed Deposit Transactions (including the Proposed Deposit Caps) also constitute major transactions of the Company under Chapter 14 of the Listing Rules.

**INFORMATION ON THE GROUP, GREAT WALL KAIFA 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.

Great Wall Kaifa is principally engaged in the manufacture, sale and research and development of hard disk drive magnetic heads, remote control meters, tax-control products, memory modules, video heads and automatic equipment.

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

**EGM**

A notice convening the EGM to be held on 12 November 2013 is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. As such, the chairman of the EGM will exercise his power under article 77 of the articles of association of the Company to put the resolution to be proposed at the EGM to vote by way of poll. Results of the poll voting will be announced following the conclusion of the EGM.

As far as the Directors are aware, no Shareholders is required to abstain from voting on the resolutions to be proposed in relation to the Construction Project at the EGM.

Great Wall Group and its associates will abstain from voting on the resolutions to be proposed in relation to the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement and the transactions contemplated thereunder including the Proposed Deposit Transactions and the Proposed Deposit Caps at the EGM. Great Wall Group has no associates which are Shareholders.

**RECOMMENDATIONS**

The Directors (including the independent non-executive Directors) considers that the Construction Projection and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the terms of the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and entering into the transactions contemplated thereunder including the Proposed Deposit Transactions (including the Proposed Deposit Caps) is in the interest of the Company and the Shareholders as a whole. The Directors therefore recommends the Shareholders to vote in favour of the resolutions to be proposed in the EGM.

**ADDITIONAL INFORMATION**

The Group is considering the construction of a new factory which if materialized may constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and the Company will make announcement on such investment as and when appropriate. Apart from this, the Group does not have any acquisition or disposal of assets or fund-raising activities under negotiation.

Your attention is drawn to the advice of the Independent Board Committee set out pages 25 to 26 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 37 of this circular.

Your attention is also drawn to the information contained in Appendix I to Appendix VI to this circular.

By order of the Board
**Great Wall Technology Company Limited**
**Liu Liehong**
*Chairman*

# 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)

*Independent non-executive Directors*
Mr. Yao Xiaocong
Mr. James Kong Tin Wong
Mr. Zeng Zhijie

*Legal address and head office:*
No.2 Keyuan Road
Technology and Industry Park
Nanshan District
Shenzhen, PRC

25 September 2013

*To: the Independent Shareholders*

Dear Sir and Madam,

## CONTINUING CONNECTED TRANSACTIONS

We refer to this circular dated 25 September 2013 issued by the Company to its shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in this circular shall have the same meanings when used in this letter.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the entering into the Proposed Deposit Transactions (including the Proposed Deposit Caps) are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Get Nice Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee in the same respect.

We wish to draw your attention to (i) the letters of advice from the Independent Financial Adviser as set out on pages 27 to 37 of this circular; and (ii) the letter from the Board as set out on pages 5 to 24 of this circular, which set out information relating to, and the reasons for and benefits of entering into the New GWT Agreement, the New Kaifa Agreement, the CGC Agreement and the transactions contemplated thereunder including the Proposed Deposit Transactions (and the Proposed Deposit Caps).

We have considered the factors and reasons considered by, and the opinions and recommendations of, the Independent Financial Adviser as set out on pages 27 to 37 of this circular. We have also considered the terms of the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement (including the Proposed Deposit Caps). We consider that the entering into of the Proposed Deposit Transactions (including the Proposed Deposit Caps) are in the interests of the Company and the Shareholders as a whole and the terms of which (including the Proposed Deposit Caps) are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the entering into the New GWT Agreement, the New Kaifa Agreement, the CGC Agreement and the transactions contemplated thereunder including the Proposed Deposit Transactions (and the Proposed Deposit Caps).

Yours faithfully,
*Independent Board Committee*
**Great Wall Technology Company Limited**
**Yao Xiaocong** **James Kong Tin Wong** **Zeng Zhijie**

*The following is the full text of a letter from Get Nice Capital Limited for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Deposit Transactions and the Proposed Deposit Caps.*

結好融資有限公司
GET NICE CAPITAL LIMITED

10/F, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

25 September 2013

*To the Independent Board Committee and the Independent Shareholders of*
*Great Wall Technology Company Limited*

Dear Sirs,

## MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Deposit Transactions and the Proposed Deposit Caps, details of which are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company dated 25 September 2013 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the Company's announcement and circular dated 2 November 2009 and 12 November 2009 respectively regarding the GWT Agreement and the Company's announcement and circular dated 17 September 2010 and 28 September 2010 respectively regarding the Kaifa Agreement. Pursuant to the GWT Agreement and the Kaifa Agreement, CEC Finance has agreed to provide to the Company and Great Wall Kaifa respectively deposit services, loan services, settlement services, general strategic advisory services and Other Financial Services. The GWT Agreement expired on 12 March 2013 and the Kaifa Agreement will expire on 7 December 2013.

As announced by the Company on 19 August 2013, CEC Finance entered into (i) the New GWT Agreement with the Company; and (ii) the New Kaifa Agreement with Great Wall Kaifa on 19 August 2013 on similar terms and conditions as those under the respective GWT Agreement and Kaifa Agreement. On the same day, CEC Finance also entered into the CGC Agreement with CGC pursuant to which CEC Finance has agreed to provide to CGC deposit services, loan services, settlement services, general strategic advisory services and Other Financial Services subject to the terms and conditions provided therein.

CEC Finance is a subsidiary of CEC owned as to 41.97% by CEC, the ultimate controlling shareholder of the Company, which indirectly holds 62.11% of the total issued shares of the Company through its wholly owned subsidiary Great Wall Group. CEC Finance is therefore a connected person of the Company. Great Wall Kaifa and CGC are both subsidiaries of the Company. Accordingly, the transactions contemplated under the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement (collectively, the "**Financial Services Agreements**") constitute continuing connected transactions of the Company under the Listing Rules.

As one of the relevant percentage ratios calculated in accordance with Chapter 14A of the Listing Rules in respect of each of the GWT Deposit Cap, the Kaifa Deposit Cap and the CGC Deposit Cap exceed 5% and all of the foregoing caps are more than HK$10,000,000, the Proposed Deposit Transactions and the Proposed Deposit Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Deposit Caps exceeds 25%, the Proposed Deposit Transactions (including the Proposed Deposit Caps) also constitute major transactions of the Company under Chapter 14 of the Listing Rules.

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information, facts and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. We are also not aware that any statements of belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred in the Circular.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

## PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Deposit Transactions and the Proposed Deposit Caps, we have taken the following principal factors and reasons into consideration:

### I. Background

*(A) Information on the Company, Great Wall Kaifa and CGC*

The Company is principally engaged in the development, manufacture, sale, research and development of PC and information terminal products, storage products, power supply products, monitoring terminals, LCD television products and EMS business.

Great Wall Kaifa is principally engaged in the manufacture, sale and research and development of hard disk drive magnetic heads, remote control meters, tax-control products, memory modules, video heads and automatic equipment.

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

*(B) Information on CEC Finance*

CEC Finance is a non-bank financial institution approved and regulated by PBC and CBRC. It is established for the purpose of enhancing the centralised management of funds among the members of the CEC Group and for improving efficiency of fund utilisation by the CEC Group as a whole.

As advised by the Company, as of 30 June 2013, the registered capital of CEC Finance was RMB1,750,943,000 and it had a net asset value of approximately RMB2,357,613,000, bank deposits of approximately RMB2,615,025,000, deposits at PBC of approximately RMB1,115,204,000. As of 30 June 2013 and 31 December 2012, the current ratios of CEC Finance were approximately 1.22 and 1.10 respectively and the return on equity ratios were approximately 4.39% and 7.14% respectively. The capital adequacy ratio of CEC Finance as of 30 June 2013 was approximately 40.96%. For the six months ended 30 June 2013, the years ended 31 December 2012 and 31 December 2011, CEC Finance had (i) interest income of approximately RMB210,388,000, RMB375,260,000 and RMB309,606,000 respectively; and (ii) after-tax profit of approximately RMB103,533,000, RMB171,351,000 and RMB163,087,000 respectively.

## II. Risk Management and Internal Control Systems

*(A) Risk Assessment and Monitoring of CEC Finance by the Group*

As disclosed in the Board Letter, in assessing the financial risks involved in placing deposits with CEC Finance, the Directors have taken into account the following factors:

(a) the operations of CEC Finance are subject to the supervision of PBC and CBRC and are regulated by the relevant PRC financial services rules and regulations;

(b) CEC Finance has established internal control and risk management systems in accordance with the relevant PRC financial services rules and regulations;

(c) the current ratios and capital adequacy ratios of CEC Finance are in compliance with the requirements by CBRC; and

(d) CEC Finance is backed by CEC as pursuant to article 48 of the articles of association of CEC Finance, CEC undertakes to provide support by way of injecting additional capital to CEC Finance if and when CEC Finance has difficulties in meeting its payment obligations.

As far as the Directors are aware, CEC Finance has established stringent internal control measures to ensure effective risk management and strict compliance with laws and regulations, including:

(a) corporate governance structure to ensure the effectiveness of its internal controls such as the formation of the Budget and Audit Committee, the Strategy Committee, the Risk Control Committee and the Remuneration and Appraisal Committee;

(b) effective internal rules and policies specifically for management and control of operational risks and credit risks;

(c) various risk management tools to manage and monitor credit risks;

(d) CEC Finance's internal audit department assumption of an internal independent supervisory role, which duties include examining and auditing the business activities of other departments; and

(e) intra-group check-and-balance mechanisms (such as segregation of duties, regular and random internal examination, re-assessment and upper level supervision) to identify operational irregularities and to ensure the operations of CEC Finance are conducted in a legal and effective manner.

We were advised by the Company that CEC Finance will appoint an independent professional body to review and evaluate its implementation of risk monitoring measures on a quarterly basis and such independent professional body will issue a risk evaluation report relating to this accordingly. In this regard, CEC Finance has appointed an independent auditor in PRC, Wuyige Certified Public Accountants LLP. (大信會計師事務所 (特殊普通合伙)) (the "**PRC Auditor**") to evaluate its internal control and risk management in relation to capital management, loan services, investment, internal audit and information system for the period ended 30 June 2013 and a risk evaluation report dated 24 July 2013 was issued by the PRC Auditor (the "**Risk Evaluation Report**") subsequently. We have reviewed a copy of the Risk Evaluation Report provided by the Company.

The Risk Evaluation Report was prepared in accordance with the Group Financial Company Management Measures (企業集團財務公司管理辦法) promulgated by CBRC. As disclosed in the Risk Evaluation Report, the risk monitoring indicators for finance company under the Group Financial Company Management Measures (企業集團財務公司管理辦法) and the relevant financial ratios of CEC Finance as at 30 June 2013 are as follows:

| **Monitoring indicators issued by CBRC** | | **Relevant financial ratio of CEC Finance as at 30 June 2013** |
|---|---|---|
| (1) | Capital adequacy ratio shall not be lower than 10% | 40.96% |
| (2) | Net inter-bank borrowing balance shall not exceed total equity (<100%) | 0.00% |
| (3) | Ratio of short-term securities investment and long-term investment in aggregate to total equity shall not exceed 70% | 29.59% |
| (4) | Total amount of outstanding guarantees shall not exceed total equity (<100%) | 2.70% |
| (5) | Ratio of self-owned fixed assets to total equity shall not exceed 20% | 1.77% |

As can be shown above, all the relevant financial ratios of CEC Finance as at 30 June 2013 are better than the monitoring indicators issued CBRC and hence we share the same view of the Directors that the internal control measures implemented by CEC Finance on risk management relating to capital management and loan services are adequate, effective and in compliance with the requirements by CBRC.

*(B) Internal control procedures and corporate governance measures*

As set out in the Board Letter, in order to protect the interests of the Shareholders, the Company, Great Wall Kaifa and CGC will adopt the following internal control procedures and corporate governance measures in relation to its utilisation of CEC Finance's financial services:

(a) where it needs to place deposit with CEC Finance, it will obtain at least two comparable offers from independent commercial banks for the same type of deposit and the terms of all such offers, together with the offer from CEC Finance, will be forthwith disclosed to its chief financial officers for review;

(b) where it needs to enter into any loan or credit facilities agreement with CEC Finance in relation to its borrowing from CEC Finance, it will obtain at least two comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be) and the terms of all such offers, together with the offer from CEC Finance, will be forthwith disclosed to its chief financial officer for review;

(c) establish a Deposit Risk Control Team to prevent and manage deposit risks and related issues through monitoring the status of deposits, the operational and financial situations of CEC Finance and material changes of CEC Finance with respect to its shareholding and corporate structure and operational risks, and report these matters to its directors on regular and random basis, and promptly handle any issues arising from CEC Finance's breach of the New GWT Agreement/the New Kaifa Agreement/the CGC Agreement, or relevant laws and regulations (e.g. investigation, meetings with CEC Finance, etc.);

(d) a copy of every regulatory report submitted by CEC Finance to CBRC will be provided to the Company/Great Wall Kaifa/CGC; and

(e) the financial statements of CEC Finance will be provided to the Company/Great Wall Kaifa/CGC on the tenth business day after the end of each quarter.

Based on the above, we concur with the Directors that the risk assessment and monitoring of the CEC Finance by the Group, the internal control procedures and corporate governance measures proposed to be adopted by the Company, Great Wall Kaifa and CGC concerning the Proposed Deposit Transactions are appropriate and that the procedures and measures will give sufficient assurance to the Shareholders that the Proposed Deposit Transactions will be appropriately monitored by the Company, Great Wall Kaifa and CGC.

## III. Reasons for and benefits of the Proposed Deposit Transactions

As set out in the Board Letter, the reasons for entering into the Financial Services Agreements are as follows:

(a) CEC Finance is regulated by PBC and CBRC and it customers are limited to the group members of CEC. The risks exposed to CEC Finance are lesser than those exposed to other financial institutions which often have a broad and unrestricted customer base. Therefore, CEC Finance is able to safeguard the funds of its customers more effectively;

(b) CEC Finance is a financially sound financial institution with great development potentials and it has never had any deposit problem;

(c) If CEC Finance encounters any difficulties in meeting its payment obligations, CEC will back CEC Finance by injecting additional capital to CEC Finance pursuant to article 48 of the articles of association of CEC Finance;

(d) CEC Finance will provide free settlement services and general strategic advisory services to the Group and as a result the Group's fund settlement and transaction costs can be reduced; and

(e) The Group is expected to benefit from CEC Finance's good understanding of the Group's operations and nonhierarchical management, which will enable CEC Finance to provide more expedient and efficient services to the Group compared to other commercial banks in the PRC.

We envisage that with the close working relationship and mutual understanding between the parties involved in the Financial Services Agreements, the Company, Great Wall Kaifa and CGC will be benefited from the reduction in the administrative costs and the enhancement in the administrative efficiency in carrying out their treasury activities. Moreover, point (c) above will give an additional protection to the Company, Great Wall Kaifa and CGC in respect of the Proposed Deposit Transactions.

Based on the above, we believe that the entering into the Financial Services Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IV. Principal terms of the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement

The key terms of the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement are very similar and are set out in the subsection headed "Key Terms" in the sections headed "New GWT Agreement", "New Kaifa Agreement" and "CGC Agreement" respectively in the Board Letter of the Circular. Shareholders can refer to these sections for the details.

The Directors (including the independent non-executive Directors) consider that the Financial Services Agreements have been negotiated at arm's length and on normal commercial terms and the Proposed Deposit Caps are fair and reasonable and that the entering into the Financial Services Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In respect of the provision of deposit services by CEC Finance to the Company, Great Wall Kaifa and CGC pursuant to the Financial Services Agreements, the interest rate payable for the deposits with CEC Finance shall not be lower than the interest rate for deposits offered by other commercial banks in the PRC during the same period and such interest shall be calculated by way of the Accumulated Interest Method and shall be payable by CEC Finance to the Company, Great Wall Kaifa and CGC on a quarterly basis. We believe that there is no preferential treatment to CEC Finance under the Proposed Deposit Transactions.

According to the Financial Services Agreements, the Company, Great Wall Kaifa and CGC have agreed to give priority right to use the financial services (to the extent up to a maximum amount as stated in the Financial Services Agreements) provided by CEC Finance but the Company, Great Wall Kaifa and CGC with the benefit of market rate information, have the right to determine whether or not the terms of the aforesaid financial services provided by CEC Finance are more favourable than those offered by other independent financial institutions. As such, the Company, Great Wall Kaifa and CGC are not precluded from using similar financial services provided by other financial institutions and therefore they can retain the right to select other independent financial institutions instead of CEC Finance which in turn could maintain their respective commercial flexibility.

Moreover, the right of setting off any outstanding amount due from CEC Finance in respect of all of the monies that the Company, Great Wall Kaifa and CGC have deposited with CEC Finance against any sums that they owe to CEC Finance respectively offers an additional protection to the Company, Great Wall Kaifa and CGC under the Proposed Deposit Transactions.

In light of the above, we consider that the terms of the Financial Services Agreements including the Proposed Deposit Transactions have been negotiated at arm's length and on normal commercial terms and therefore are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**V. Proposed Deposit Caps**

The Proposed Deposit Caps (which comprise the GWT Deposit Cap, Kaifa Deposit Cap and CGC Deposit Cap), being the maximum daily deposit amount (including accrued interest) placed by the Company, Great Wall Kaifa and CGC with CEC Finance during the term of the New GWT Agreement, the New Kaifa Agreement and the CGC Agreement, shall not exceed RMB100,000,000, RMB600,000,000 and RMB200,000,000 respectively.

As set out the Board Letter, the GWT Deposit Cap, Kaifa Deposit Cap and CGC Deposit Cap have been determined with reference to (a) the Company's, Great Wall Kaifa's and CGC's financial status respectively, in particular, their cash balance position, (b) the average daily cashflow of the Company, Great Wall Kaifa and CGC for the six months ended 30 June 2013 respectively, and (c) the expected demand for cashflow of the Company, Great Wall Kaifa and CGC for the year of 2013 after having considered the operation and development of the Company, Great Wall Kaifa and CGC respectively.

The analysis on the Proposed Deposit Caps are as follows:

*(A) GWT Deposit Cap*

As disclosed in the Board Letter, the amount of deposits placed by the Company with CEC Finance under the GWT Agreement as of 31 December 2012 was approximately RMB8,997,000. Upon the expiry of the GWT Agreement, the Company has transferred out the full amount of deposits it placed with CEC Finance under the GWT Agreement.

In assessing the fairness and reasonableness of GWT Deposit Cap, we have discussed with the management of the Company regarding the historical deposit amounts placed with CEC Finance under the GWT Agreement, the Company's financial status and its estimated average amount of cash and bank balances during the term of New GWT Agreement. Based on the information provided by the Company, the minimum, maximum and average daily amounts of deposits placed by the Company with CEC Finance under the GWT Agreement were approximately RMB8,600,000, RMB100,000,000 and RMB57,000,000 during the previous three years term of the GWT Agreement. Moreover, the Company's estimated average cash and cash balances for the coming year is approximately RMB189,000,000 of which the GWT Deposit Cap will be accounted for approximately 55.56%. As such, we consider that the Company will be able to diversify the risk regarding the placing of the deposits with CEC Finance and other independent financial institutions. Furthermore, the GWT Deposit Cap is less than maximum daily balance for loan and loan guarantee services to be provided by CEC Finance to the Company of RMB200,000,000 during the term of the New GWT Agreement, and accordingly, the net exposures in financial losses relating to the proposed deposit by the Company with CEC Finance under the New GWT Agreement is limited as the New GWT Agreement has included a term that if the Company, for whatever reason, fails to obtain from CEC Finance all the monies it has deposited with CEC Finance, it may off-set any outstanding amount due from CEC Finance in this regard against any sums that it owes CEC Finance.

*(B) Kaifa Deposit Cap*

As disclosed in the Board Letter, the amount of deposits placed by Great Wall Kaifa with CEC Finance under the Kaifa Agreement as of 30 June 2013 was approximately RMB599,862,000.

In assessing the fairness and reasonableness of Kaifa Deposit Cap, we have discussed with the management of the Company regarding the historical deposit amounts placed with CEC Finance under the Kaifa Agreement, Great Wall Kaifa's financial status, and its estimated average amount of cash and bank balances during the term of the New Kaifa Agreement. Based on the information provided by the Company, the minimum, maximum and average daily amounts of deposits placed by Great Wall Kaifa with CEC Finance under the Kaifa Agreement were approximately RMB60,000,000, RMB600,000,000 and RMB504,000,000. Moreover, we are advised by the management of the Company that the Kaifa Deposit Cap will be accounted for approximately 30% of the estimated average cash and bank balance of Great Wall Kaifa during the three years term of the New Kaifa Agreement. As such, we consider that Great Wall Kaifa will be able to diversify the risk regarding the placing of the deposits with CEC Finance and other independent financial institutions. Furthermore, the Kaifa Deposit Cap is the same as maximum daily balance for loan and loan guarantee services to be provided by CEC Finance to Great Wall Kaifa of RMB600,000,000 during the term of the New Kaifa Agreement, and accordingly, the net exposures in financial losses relating to the proposed deposit by Great Wall Kaifa with CEC Finance under the New Kaifa Agreement is limited as the New Kaifa Agreement has included a term that if Great Wall Kaifa, for whatever reason, fails to obtain from CEC Finance all the monies it has deposited with CEC Finance, it may off-set any outstanding amount due from CEC Finance in this regard against any sums that it owes CEC Finance.

*(C) CGC Deposit Cap*

Prior to the entering of the CGC Agreement, CGC has not placed any money with CEC Finance as deposits.

In assessing the fairness and reasonableness of CGC Deposit Cap, we have discussed with the management of the Company regarding CGC's financial status and its estimated average amount of cash and bank balances during the term of CGC Agreement. Based on the information provided by the Company, CGC Deposit Cap will be accounted for approximately 37.17% of the CGC's cash and bank balances of approximately RMB538,000,000 as of 30 June 2013. Moreover, we are advised by the management of the Company that the CGC Deposit Cap will be accounted for approximately 30% of the estimated average cash and bank balance of CGC during the three years term of the CGC Agreement. As such, we consider that CGC will be able to diversify the risk regarding the placing of the deposits with CEC Finance and other independent financial institutions. Furthermore, the CGC Deposit Cap is less than maximum daily balance for loan and loan guarantee services to be provided by CEC Finance to the CGC of RMB400,000,000 during the term of the CGC Agreement, and accordingly, the net exposures in financial losses relating to the proposed deposit by CGC with CEC Finance under the CGC Agreement is limited as the CGC Agreement has included a term that if CGC, for whatever reason, fails to obtain from CEC Finance all the monies it has deposited with CEC Finance, it may off-set any outstanding amount due from CEC Finance in this regard against any sums that it owes CEC Finance.

*(D) Proposed Deposit Caps*

Details of the Proposed Deposit Caps and the maximum daily balance for loan and loan guarantee services provided by CEC Finance under the Financial Services Agreements are as follows:

| | **Deposit cap** | **Maximum daily balance for loan and loan guarantee services provided by CEC Finance** |
|---|---|---|
| New GWT Agreement | RMB100,000,000 | RMB200,000,000 |
| New Kaifa Agreement | RMB600,000,000 | RMB600,000,000 |
| CGC Agreement | RMB200,000,000 | RMB400,000,000 |
| Total for the Group | RMB900,000,000 | RMB1,200,000,000 |

As the Proposed Deposit Caps of RMB900,000,000 is less than the aggregate maximum daily balance for loan and loan guarantee services to be provided by CEC Finance under the Financial Services Agreements of RMB1,200,000,000 during the term of the Financial Services Agreements, we consider the net exposures in financial losses relating to the Proposed Deposit Transactions with CEC Finance is limited in view that the Financial Services Agreements have provided the right to set-off as mentioned above.

In view of the above, we are of the opinion that the Proposed Deposit Caps are fair and reasonable so far as the Independent Shareholders are concerned.

## RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that (i) the Proposed Deposit Transactions are conducted in the ordinary and usual course business of the Company; and (ii) the Proposed Deposit Transactions and the Proposed Deposit Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions in relation to the entering into the New GWT Agreement, the New Kaifa Agreement, the CGC Agreement and the transactions contemplated thereunder including the Proposed Deposit Transactions and the Proposed Deposit Caps at the EGM.

Yours faithfully,
For and on behalf of
**Get Nice Capital Limited**

| | |
|---|---|
| **Louis Yiu** | **Gary Hung** |
| *Director* | *Director* |

*The following is extracted from the Feasibility Study Report. Details contained in this Appendix may be modified depending on the then circumstances as the Construction Project progresses and are therefore for the Shareholders' reference only.*

**CONSTRUCTION PROPOSAL**

**(I) Locations of and conditions for construction**

Construction of the project is located at the existing land use area of China Great Wall Computer (Shenzhen) Co., Ltd. at the central zone of Shenzhen Hi–tech Industrial Park. The land proposed for construction is located at the Industrial Park (land number: T305–0001) with an area of approximately 47630.8 sq.m. and a term of 30 years commencing from 10 September 1991 and ending on 9 September 2021 (see Approval for Grant of Land Use Rights by Shenzhen Municipal Land Resources Bureau – Shen Di Zhuan Pi (1991) No. 003. Land purposes include class 1 industrial land and commercial land for office use. As the project will be constructed within existing park area, which requires an increased plot ratio, land premium of RMB592.71 million should be paid according to the law.

Currently, main constructions in the park area of China Great Wall Computer (Shenzhen) Co., Ltd. include main production plant (41690.4 sq.m.), R&D office building (7933.5 sq.m.), cafeteria (3950 sq.m.), with a plot ratio of 1.12.

**(II) Overall planning proposal**

Regarding current condition of the park area, the project will use the idle area within the park area and demolish the existing temporary storage house of 5600 sq.m. CEC Great Wall Building will be built on this parcel of land.

A 49–storey building will be built with a height of 200 m and a gross floor area of approximately 0.128 million sq.m. Upon completion of the project, plot ratio of the park area will be increased from 1.12 for the time being to 3.81.

Requirements for overall planning:

- To meet the standard fireproof and fireproofing distance requirements on high – rise buildings.
- To reasonably arrange transportation network in order to prevent mess between pedestrian and traffic flows.
- To create a comfortable human landscape environment and reasonably decorate the green zone and the parking zone on the ground floor.
- To specifically set out detailed design of construction layout, functions at each level, dividers and craftworks for different unit types, structure, electricity & gas, water supply & drainage, fire safety, etc. in the next stage of construction and craftwork design.

Specific planning and single unit design will be carried out by the design unit during the proposal design stage.

**(III) Design proposal for civil construction**

*1. Brief description of the construction*

The proposed CEC Great Wall Building will be erected on a land (land number: T305 – 0001) of Great Wall Computer Industrial Park in Shenzhen Hi–tech Industrial Park. It is a super high–rise building with gross floor area (plot ratio included) of approximately 128,000 sq.m. that consists of a basement of 54,000 sq.m., a 49–storey main building (gross floor area of 2450 sq.m.), a 3–storey podium, with a height of 200m. It adopts a frame–core tube style and rectangular or square shape on standard level. Centered core tube makes a lighter net weight of the structure, larger gross floor area and usable area, shortened construction period, lower price in infrastructure and greater functions. The core tube centered at the building facilitates the spaces for office use and serves as a natural divider at each level.

Height: standard level (4 – 49F) 4m; podium (1 – 2F) 5.5m; 3F 5m; basement ( – 1F) 5m; remaining 3 levels 4m.

Depth: distance from exterior wall to core tube normally 10 – 15m.

Column spacing: proposed ranging 10 – 14m for this project.

Width of corridor: 1.8 – 2.2m

Carpet area ratio: normally above 70% for A – class offices in the market, of which some 80%. Regular shape (eg. rectangular) is proposed for offices for this project. Reasonable column layout should be established to increase carpet area ratio.

*2. Floor functions*

- 1F: lobby (1000m$^2$, 11m height) and commercial facilities such as banks and tobacco and wine stores
- Saleable office area of 65,450m$^2$ on 19 – 44F;
- Lettable office area of 43,200m$^2$ on 4 – 18F and 45 – 47F;
- Self–use 4,900m$^2$ on 48 – 49F;
- Conference center 800m$^2$ on podium 3F;
- Staff activity center 1,000m$^2$ on podium 3F;
- Staff cafeteria 2,000m$^2$ on basement –1F

- 1,280 parking spaces on basement –4F
- Stores open for public on podium 10,000m$^2$: 3000m$^2$ on –1F; 3500m$^2$ on 1F; 3500m$^2$ on 2F

The project will be sold and let out as follows: office floor on 19 – 44F (65450m$^2$) and partial podium area (10000m$^2$) for commercial use (for sale); office floor on 4 – 18F and 45 – 47F (43200m$^2$) and conference center/staff activity center/staff cafeteria at the podium (3800m$^2$) (for lease); top floors on 48 – 49F (4900m$^2$) (for self–use).

*3. Elevators*

- Self – use office levels on top floors: 2 high–speed passenger elevators
- Offices on high levels: 6 high–speed passenger elevators that operate between the parking zone on ground floor and level 34 – 47
- Offices on medium levels: 6 passenger elevators that operate between the parking zone on ground floor and level 19 – 33
- Offices on lower levels: 6 passenger elevators that operate between the parking zone on ground floor and level 1 – 18
- Commercial area at the podium: 2 passenger elevators that operate between basement –1F to –3F

Total: 20 elevators for office use, 2 elevators for commercial area at the podium, 5 cargo elevators (1 for catering services at the podium).

The building consists of a 4–storey basement that mainly for equipment storage and car parking (for 1280 cars), etc.

*4. Key techno–economic indicators*

Land area of this project: 47630.8m$^2$;

Original gross floor area 53574m$^2$, with plot ratio of 1.12;

Increased gross floor area 128000m$^2$ (plot ratio included); total gross floor area (plot ratio included) increased to 181574m$^2$; plot ratio increased to 3.81;

Basement area 11729.7m$^2$ (4 levels in total) with a gross floor area of 54000m$^2$;

Base area: 5768m$^2$.

Car parking spaces on ground floor: 1280.

Specific techno–economic indicators will be subject to construction design.

**(IV) Proposal for structure design**

*1. References for design*

1.1. Main standards and codes used in structure design of the construction are:

Unified Standard for Reliability–based Design of Building Structures GB50068 – 2001;

Standard for Classification of Seismic Protection of Building Constructions GB50223 – 2008;

Load Code for the Design of Building Structures GB50009 – 2001 (2006 version);

Code for Design of Concrete Structures GB50010 – 2002;

Code for Design of Building Foundation GB50007 – 2002;

Code for Seisnuc Design of Buildings GB50011 – 2001 (2008 version);

Technical Specification for Concrete Structures of Tall Building JGJ3 – 2002;

Code for Design of Steel–Concrete Hybrid Structures for High–rise Buildings CECS230:2008;

Technical Code for Building Pile Foundations JGJ94 – 2008;

Technical Code for Waterproofing of Underground Works GB50108 – 2008.

1.2. Natural conditions

1.2.1. Normal wind pressure: 0.75KN/$m^2$

1.2.2. Degree of seismic protection: Class 7; designed basic earthquake acceleration rate: 0.10g; designed earthquake class: Class 1.

*2. Structure design*

2.1. Safety class of the construction structure: Class 2; designed term of use: 50 years; Class of seismic protection: Class C.

2.2. The construction consists of a 49–storey R&D and office complex with a height of 200m with a 3–storey podium. It adopts a mix frame – steel and concrete core tube structure.

2.3. Various dead loads and active loads in the design are determined in accordance with Load Code for the Design of Building Structures (GB 50009 – 2001) (2006 version) by the use and function and improvement requirements of the construction.

1. Loading for main floors (kN/m$^2$)

| **Nature** | **Active Load** |
|---|---|
| Office complex | 2.0 |
| R&D center | 4.0 |
| Office building | 2.5 |
| Product display room | 5.0 |
| Middle stage workshop | 8.0 |
| Pump room | 10.0 |
| Parking zone on ground floor | 4.0 |
| Fire safety stairs | 3.5 |
| General accessable floor | 2.0 |
| Inassessible floor | 0.5 |
| Ventilation machine room and elevator machine room | 7.0 |
| Fire safety passage | 20.0 |
| Washrooms and balcony | 2.5 |
| Roof of basement | 10.0 |

2. Loading for main lines (kN/m$^2$)

| **Nature** | **Loading value** |
|---|---|
| Glass curtain wall | 1.0 |
| Hoistway with thickness of 100mm | 1.6 |
| Hoistway with thickness of 200mm | 2.3 |
| Elevator hoistways | 4.1 |

3. Pile base is proposed to be used in base construction.

**(V) Design proposal for water supply and drainage**

*1. References for design*

1.1 Code for Fire Protection Design of High–rise Buildings GB50045 – 95 (2005 version);

1.2 Code for Design of Water Supply and Drainage of Constructions GB50015 – 2003;

1.3 Code for Design of Outdoor Water Supply Engineering GB50013 – 2006 (2006 version);

1.4 Code for Design of Outdoor Wastewater Engineering GB50014 – 2006 (2006 version);

1.5 Code for Design of Automatic Fire Sprinkler Systems GB50084 – 2001 (2005 version);

1.6 Code for Design of Gas Fire Extinguishing Systems GB50370 – 2005.

2. *Brief description*

Proposed project is located at central zone of Shenzhen Nanshan Hi–tech Industrial Park, with Shennan Road on the south and Keyuan Zhong Road on the west. It is a modern office building focusing on R&D and office use, with mature administration network and favorable surrounding factors.

Total gross floor area of the project is approximately 182,000m$^2$, gross floor area above ground floor is 128,000m$^2$, with a height of 200m and gross floor area underground of 54,000m$^2$. Basement –4F includes parking zone, water tank and pump room, Basement –3F and –2F are parking zones. Basement –1F includes spaces of commercial use, parking zone, electricity transformation and distribution room and engine room. Level 1 includes lobby and offices and levels 2 – 49 include R&D offices (26 levels for commercial use).

3. *Water supply*

(1) Source of water supply

With the tap water from city as the water source of the project, DN 200 water pipe are introduced through two channels, one is connected to the municipal hydrovalve well located at Keyuan Zhong Road and another is derived from the municipal hydrovalve well on Shennan Road. These two ways of water pipes are both connected to the looped water pipe in the park to ensure water supply for the project. The outdoor fire hydrant and hydrovalve well are installed within the looped pipe network to provide water to fire vehicles.

There are two exclusive waterpools for fire safety use on basement –4F with the total capacity of 540 m$^3$, allowing three–hour consumption amount for internal fire safety and one–hour consumption amount for fire sprinkler system.

(2) Water consumption standards and water consumption

Table 5.2 Water consumption

| Series No. | Usage | Water consumption standards | Usage time | Kh | Water consumption $m^3/d$ | Water consumption $m^3/h$ | Remarks |
|---|---|---|---|---|---|---|---|
| I | Household | | | | | | |
| 1 | Office | 50L/per capita•Day | 10 | 1.5 | 75 | 11.25 | Calculated based on 1500 persons |
| 2 | Commercial use | 8L/$m^2$ •Day | 12 | 1.3 | 772.8 | 83.72. | 90,660$m^2$ |
| 3 | Garage floor cleaning | 2L/$m^2$ •Day | 4 | 1.0 | 32 | 8.0 | |
| 4 | Irrigation of vegetation and roads | 3L/$m^2$ •Day | 4 | 1.0 | 12 | 3.0 | |
| 5 | Sub – total | | | | 891.80 | 105.97 | |
| 6 | Unexpected consumption | | | | 89.18 | 10.60 | Calculated based on 10% of sub-total |
| Total | | | | | 980.98 | 116.57 | |

4. *Domestic Water Supply System*

In order to ensure safe water supply and avoid putting excessive pressure on sanitary ware by taking full advantage of water pressure in a city, a vertical partitioning water supply system will be adopted for the water supply of this project.

Water supply system under the conversion floor at mid level is vertically divided into three zones:

Zone I: the basement –4F to 2F is named J1 Zone, which is supplied directly by the municipal government water system.

Zone II: 3F to 11F is named J2 Zone, which adopts a variable frequency water supply device, and set relief valves on the branch pipelines in order to reduce the water pressure for the bottom 3 levels in the zone.

Zone III: the 11F to the conversion floor at mid level is named J3 Zone, which adopts a variable frequency water supply device, and set relief valves on the branch pipelines in order to reduce the water pressure for the lower floors.

The variable frequency water supply devices are located in the pump room in the basement –4F. The water tank for household use is located in basement –4F with a volume of about 150$m^3$.

Water supply system above the conversion floor at mid level is vertically divided into two zones:

The variable frequency water supply devices above the conversion floor at mid level and the water tank at mid level for household use are located in the conversion floor, and the water transfer pump of the medium tank is located in the pump room in basement –4F.

*5. Drainage System*

A triage system is adopted for outdoor pipeline network, and rainwater and wastewater are discharged in two different systems.

1. Wastewater system

For fire elevator sumps, pump room sumps, basement garage ground drainage sumps and other sumps like this, submersible pumps are adopted to pump waste water into wastewater manholes outdoor. The submersible pumps run automatically according to the water levels of the sumps.

The wastewater discharged from the project is domestic wastewater like fecal wastewater and other toilet wastewater, which are transitted through outdoor wastewater pipelines into municipal wastewater pipeline network after septic tank treatment.

2. Rainwater system

Rooftop rainwater is discharged internally and organically. Communities have road gullies, and indoor and outdoor rainwater is transitted into the surrounding municipal rainwater manholes via rainwater pipeline network of communities.

**(VI) Ventilation and Air Conditioning System Design**

*1. Air – conditioning System*

(1) Refrigeration system

The project has a gross floor area of approximately 128,000m$^2$ with an air – conditioning load of about 18,700KW (5342RT). A central air–conditioning system (an air – cooled variable frequency multi–connected air–conditioning system is proposed to adopt in the office space) is adopted, with a refrigerating station in the basement. Cooling towers are located at the top of the tower.

(2) Chilled water system

Air conditioning chilled water system host adopts a primary pump constant flow system, which is vertically divided into a high and a low zone for circulation separately. The chilled water circulating pump is located in the machine room at the basement.

(3) Air system and terminal equipment

The main building applies an air fan coil system in consideration of air heat recovery.

The podium building applies full–air conditioning system.

2. *Ventilation System*

(1) The equipment room applies mechanical ventilation system.

(2) Basement applies a mechanical air supply and exhaust system.

3. *Smoke Control System*

(1) Stairs of basement adopt a local positive forced draft system. Basement adopts mechanical fume exhaust system (share with the air exhaust system).

(2) The rooms of larger than 300m$^2$ each above the ground apply fume exhaust system. The internal aisles of longer than 20m each and the walkways of longer than 60m each with windows in the research and development building apply mechanical fume exhaust system. The anti–smoke stair cases and fire elevator front rooms adopt positive forced draft system in sections.

**(VII) Electrical System Design**

1. *Power Supply System*

(1) Load levels: according to required standards, fire electricity including automatic fire alarm systems, fire pumps, spray pumps, fire elevators, smoke control fans, fire shutters and fire emergency lighting, is classified as Level 1; the important process equipment electricity that does not allow power cut, ordinary elevators and pumps for household use are classified as Level 2; and the rest are classified as Level 3.

(2) Load capacity: The estimated total installed transformer capacity is 16,000kVA.

The main power substation is located in basement –1F to supply electricity for basement –2F to 24F, and a terminal substation is located at 40F to supply electricity for 25F or above floors.

(3) Power source: the municipal power source adopts a three–phase 50HZ, 10kV ungrounded system, and the low–voltage power system is a three–phase 220/380V neutral point fixed grounded TN–S system. Two 10kV power sources are introduced via the city power grid (the existing 110KV substation in Nanshan

Science and Technology Park has an installed capacity of 3 × 50MKV). Two self–starting diesel generator unit sets (one single unit set has a usual power of about 1,280kW/1,600kVA) are proposed to install as backup power sources to ensure electricity supply for fire–fighting facilities, important places and important equipment.

2. *Illumination System*

Electricity and lighting main lines mainly adopt radial distribution mode.

Dual–way power distribution boxes (for important facilities and fire facilities), ordinary power distribution boxes, technology power distribution boxes, ordinary lighting distribution boxes and emergency lighting switchboard boxes are installed by storeys, electricity consumption areas and functional areas.

Measuring meters are installed by storeys or functional areas according to users' requirements respectively.

Air conditioning outlets, ordinary sockets and indoor lighting system are distributed power in different circuits. Each socket switch has a leakage circuit breaker.

Emergency lighting and fire load are distributed via dedicated lines, and supplied power via dual–way power mutual–input unit.

3. *Lightning Protection and Grounding System:*

The building is designed according to the standards for Category II lightning protection buildings, and is installed lightning protection facilities by making full use of the structural steels of the building, with global and local equipotential bondings. Also, it is necessary to set appropriate lightning protection measures in accordance with the Electronic Information System Lightning Protection Technical Specifications of Buildings (GB50343).

**(VIII) Communications and Information System Design**

1. *Automatic Fire Alarm System*

An automatic fire alarm system is installed according to required standards, which is responsible for automatic fire alarm and fire–fighting linkage control. This automatic fire alarm system, as the control center alarm control system, set up a fire control center on 1F. Fire alarm controllers, fire telephone systems, fire radio systems and fire–fighting linkage control devices are located in the control room.

Smoke and heat detectors are installed according to required standards in the building, which give fire alarm signals and safe evacuation instructions linked with fire hydrants in the control room, and the building applies automatic sprinkler system, smoke control system, elevator landing, and emergency fire radio starting system, cuts off the power other than fire – fighting and records and shows the status of various linkage devices, as well as set manual alarm buttons, alarms and fire radio systems according to the required standards.

There are fire interphones and local direct telephones in the fire control room and fixed fire interphones in the important machine rooms and duty rooms, and at the manual buttons there are fire intercom telephone jacks.

2. *Comprehensive Wiring System*

We propose to set comprehensive wiring system as required by the construction company, which supports voice and data transmission. Network switch rooms and, horizontal wiring closets, if necessary, are set up in the factory office space. Such closets should locate at such place as may ensure the cable shorter than 90 meters. The quantity and location of data and voice are set as required by the construction company.

3. *Cable Television System*

The quantity and location of the jacks for cable TV are set as required by the construction company.

4. *Security System*

A security monitoring center is set on 1F, where all security system hosts, including access control systems and CCTV system, are located. Such security systems as access control systems and CCTV monitoring system should be able to run independently as an independent network, and also be linked with other security and fire systems.

(1) Access control systems

Access control systems are set at main exits and entrances, passages, doors of important rooms and so on according to the requirements, to monitor in real – time the objects going through the fortified areas and their passing time. The system should be with an alarm function.

(2) CCTV monitoring system

A CCTV monitoring system, which meets the requirements of both production and development and security monitoring, monitors, displays and records the monitored spaces in real – time and effectively. Cameras are located at key production processes, main exits and entrances and important places involved in production and security.

Vertical cables should be arranged to each weak electrical well according to the requirements, while horizontal cables are designed according to users' requirements.

## PROJECT IMPLEMENTATION MANAGEMENT AND CONSTRUCTION PERIOD PROJECTION

### (I) Project implementation and management

The construction and operation management of this project is responsible and carried out by China Great Wall Computer Shenzhen Co., Ltd.

To ensure the smooth implementation of the project, the company has set up a proejct implementation committee which is headed by the top management. This committee is responsible for the formulation of construction progress plan, supervision of work quality, financing and use of fund, and the overall coordination of construction organization and operation.

### (II) Projected construction time schedule

The project construction cycle is intended for 4 years. The specific plans are as follows:

| | |
|---|---|
| Design proposal: | Jul. – Dec., 2013 |
| Preliminary design and construction documents design: | Jan. – Apr., 2014 |
| Construction bidding and preliminary work: | May – Jun., 2014 |
| Ordering and manufacturing of equipment and materials: | Jun. – Nov., 2014 |
| Pile foundation and retaining wall construction: | Jul. – Nov., 2014 |
| Earthwork and braced retaining structure: | Dec., 2014 – Jul., 2015 |
| Construction of main structure above ground: | Aug., 2015 – Feb., 2017 |
| Roof construction: | Aug. – Oct., 2016 |
| Curtain wall installation: | Jan. – Sep., 2016 |
| Fit out and decorative works: | Mar., 2016 – Jun., 2017 |
| Installation of amenities: | Jan., 2015 – Aug., 2017 |
| Completion and acceptance: | Jul. – Aug., 2017 |

## INVESTMENT ESTIMATION

1. *Key indicators*

Total investment: RMB1,932,320,000

Scale of construction: Total gross floor area: 182,000m$^2$, of which gross floor area above ground of 128,000m$^2$ and under ground of 54,000m$^2$.

2. *Basis of investment estimation*

(1) Construction and planning proposal of R&D office complex of Great Wall;

(2) "Shenzhen Municipal Techno–economic Indictors for Constructions" and recent similar Techno–economic indictors for constructions;

(3) Latest standards and requirements for construction pricing published by the nation and Shenzhen City.

*3. Preparation method*

The estimation of construction and installation costs are based on unit indicator method according to the function and requirements of each parts of the project and key techno – economic indicators set out in the planning proposal, while the estimation of other expenses refers to national and local standards and requirements concerning construction – related costs.

*4. Listed investment estimation is as followed.*

Investment List by project content

| No. | Items | Investment amount<br>Total (RMB ten thousands) | Foreign currency (USD ten thousands) | Percentage to investment *(%)* |
|---|---|---|---|---|
| I | Construction and installation costs | 103,153 | | 53.38 |
| II | Land acquisition costs | 59,271 | | 30.67 |
| III | Other expenses of construction | 12,036 | | 6.23 |
| IV | Contingency expenses (I+III)×5% | 5,759 | | 2.98 |
| V | Loan interest during construction | 12,013 | | 6.22 |
| VI | Liquidity | 1,000 | | 0.52 |
| VII | Total investment | 193,232 | | 100 |

Total investment of the project (including land premium) is RMB1,932,320,000 with price per sq.m. of RMB10,617. Excluding land premium, the price per sq.m. above ground is RMB7,735 (decoration and renovation works of indoor common area: RMB2,500) and the unit cost of construction for underground area is RMB7,471.

Please refer to the table below for the detailed breakdown of investment amount estimation.

**Investment Estimate (Unit: RMB ten thousands)**

| | | Techno-economic indicators | | | |
|---|---|---|---|---|---|
| No. | Projects | Units | Measurement indicators | Investment for each unit | Total |
| I | Costs for construction and installation works | | 182,000 | 5,668 | 103,153 |
| 1 | Civil works | | 182,000 | 3,398 | 61,839 |
| 1.1 | Civil works of office properties | $m^2$ | 114,050 | 3,100 | 35,356 |
| 1.2 | Civil works of podium levels | $m^2$ | 13,950 | 3,500 | 4,883 |
| 1.3 | Civil works of basement | $m^2$ | 54,000 | 4,000 | 21,600 |
| 2 | Decoration and renovation works of internal common area | $m^2$ | 25,000 | 2,500 | 6,250 |
| 3 | Internal office space | $m^2$ | 100,000 | 725 | 7,250 |
| 4 | Mechanical and electrical equipment installation works | $m^2$ | 182,000 | 1,499 | 27,281 |
| 5 | Outer space works | $m^2$ | 8,880 | 600 | 533 |
| II | Acquisition costs of land | $m^2$ | 128,000 | 4,631 | 59,271 |
| III | Other expenses of construction | $m^2$ | 182,000 | 661 | 12,036 |
| 1 | Construction investigation expense | | [I] | 1.0% | 1,032 |
| 2 | Construction design expense | | [I] | 2.0% | 2,063 |
| 3 | Assessment fee of project plan | | [III.2] | 10.00% | 206 |
| 4 | Preparation fee of completion plan | | [III.2] | 8.00% | 165 |
| 5 | Buget preparation fee of project plan | | [III.2] | 10.00% | 206 |
| 6 | Buget preparation fee of project plan | | [5] | 10.00% | 198 |
| 7 | Research investigation fee | | [III.2] | 0.50% | 10 |
| 8 | Termite control fee | $m^2$ | 182,000 | RMB3/$m^2$ | 55 |
| 9 | Engineering insurance | | [I] | 0.30% | 309 |
| 10 | Consultation fee of preliminary works | | [I] | 0.50% | 516 |
| 11 | Site formation fee and temporal facilities expenses | | [I] | 1.00% | 1,032 |
| 12 | Management fee of construction units | | [I] | 3.0% | 3,095 |
| 13 | Urban infrastructure facilities fees | $m^2$ | 182,000 | 100 | 1,820 |
| IV | Contingency expenses | | [I]+[III] | 5% | 5,759 |
| V | Investment in development and construction | | [I]+[II]+[III] | 9,902 | 180,220 |
| VI | Loan interest during construction | | | | 12,013 |
| VII | Fixed investment (inclusive of loan interest during construction) | | | | 192,232 |
| VIII | Liquidity | | | | 1,000 |
| IX | Total investment (inclusive of loan interest during construction) | $m^2$ | 182,000 | 10,617 | 193,232 |

| **Mechanical and electrical equipment installation works cost** | | **Units** | **Measurement indicators** | **Unit cost** | **Total costs of above ground & under ground** | **Total costs of above ground** | **Total costs of under ground** |
|---|---|---|---|---|---|---|---|
| 4 | Mechanical and electrical equipment installation works | | 182,000 | 1499 | 27,281 | 7,964 | 7,964 |
| 4.1 | Water supply and drainage works | $m^2$ | 182,000 | 181 | 3,287 | 975 | 975 |
| 4.2 | Fire safety works | $m^2$ | 182,000 | 250 | 4,550 | 1,350 | 1,350 |
| 4.3 | Electrical and gas engineering works | $m^2$ | 182,000 | 370 | 6,734 | 1,998 | 1,998 |
| 4.4 | Air conditioning and ventilation engineering works | $m^2$ | 182,000 | 400 | 7,280 | 2,160 | 2,160 |
| 4.5 | Elevator engineering works | per elevator | 27 | 500,000 | 1,350 | 401 | 401 |
| 4.6 | Exterior wall and roof floodlighting works | per project | 1 | 4,000,000 | 400 | 0 | 0 |
| 4.7 | Intelligence works | $m^2$ | 182,000 | 200 | 3,640 | 1,080 | 1,080 |
| 4.8 | Gondola | per gondola | 1 | 400,000 | 40 | 0 | 0 |
| | | | | | | | |
| **Costs for construction and installation works** | | **Units** | **Measurement indicators** | **Unit cost** | **Total costs of above ground & under ground** | **Total costs of above ground** | **Total costs of under ground** |
| I | Costs for construction and installation works | $m^2$ | 182,000 | 5668 | 103,153 | 29,722 | 29,722 |
| 1 | Civil works | $m^2$ | 182,000 | 3,398 | 61,839 | 21,600 | 21,600 |
| 2 | Decoration and renovation works of internal common area | $m^2$ | 25,000 | 2,500 | 6,250 | 0 | 0 |
| 3 | Internal office space | $m^2$ | 100,000 | 725 | 7,250 | 0 | 0 |
| 4 | Mechanical and electrical equipment installation works | $m^2$ | 182,000 | 1,499 | 27,281 | 7,964 | 7,964 |
| 5 | Outer space works | $m^2$ | 8,880 | 600 | 533 | 158 | 158 |
| | | | | | | | |

| Other expenses of construction | | Units | Measurement indicators | Unit cost | Total costs of above ground & under ground | Total costs of above ground | Total costs of under ground |
|---|---|---|---|---|---|---|---|
| III | Other expenses of construction | $m^2$ | 182,000 | 661 | 12,036 | 3,497 | 3,497 |
| 1 | Construction investigation expense | | [I] | 1% | 1,032 | 297 | 297 |
| 2 | Construction design expense | | [I] | 2% | 2,063 | 594 | 594 |
| 3 | Assessment fee of project plan | | [III.2] | 10% | 206 | 59 | 59 |
| 4 | Preparation fee of completion plan | | [III.2] | 8% | 165 | 48 | 48 |
| 5 | Buget preparation fee of project plan | | [III.2] | 10% | 206 | 59 | 59 |
| 6 | Supervisory and management fee for constructions | | Fa Gai Jia Ge [2007]No. 670 | | 1,528 | 453 | 453 |
| 7 | Research investigation fee | | [III.2] | 1% | 10 | 3 | 3 |
| 8 | Termite control fee | m2 | 182,000 | RMB3/$m^2$ | 55 | 16 | 16 |
| 9 | Engineering insurance | | [I] | 0.3% | 309 | 89 | 89 |
| 10 | Consultation fee of preliminary works | | [I] | 1% | 516 | 149 | 149 |
| 11 | Site formation fee and temporal facilities expenses | | [I] | 1% | 1,032 | 297 | 297 |
| 12 | Management fee of construction units | | [I] | 3% | 3,095 | 892 | 892 |
| 13 | Urban infrastructure facilities fees | $m^2$ | 182,000 | 100 | 1,820 | 540 | 540 |
| | | | | | | | |
| | | **Units** | **Measurement indicators** | **Unit cost** | **Total costs of above and under ground** | **Total costs of above ground** | **Total costs of under ground** |
| IV | Contingency expenses | | [I]+[III] | 5% | 5,759 | 1,661 | 1,661 |
| VI | Loan interest during construction | | | | 12,013 | 3,564 | 3,564 |

| | Area | Total costs (land premium not included) | Unit cost (land premium not included) |
|---|---|---|---|
| Total area | 182,000 | 132,961 | 7,306 |
| Above ground | 128,000 | 94,517 | 7,384 |
| Under ground | 54,000 | 38,444 | 7,119 |
| | | | |
| **Depriciation and amortilization costs** | **Area** | **Cost** | |
| Total area | | 193,232 | |
| Above ground | 128,000 | | |
| Under ground | 54,000 | | |
| | | | |
| Lettable area (basement not included) | 47,500 | 71,707 | |
| Saleable area | 75,450 | 113,901 | |
| For property management use | 150 | 226 | |
| Self-use area | 4,900 | 7,397 | |
| Total | 128,000 | 193,232 | |

**PRODUCT OVERVIEW AND SALES INCOME**

Upon completion of the project, R&D offices comprising 43,700m$^2$ will be let out. The current rental for R&D offices is RMB130/m$^2$ per month and the annual growth rate is 5% with reference to the A-grade office rentals in Shenzhen, Nanshan and surrounding areas. The rental for R&D offices is estimated to reach RMB160/m$^2$ per month upon completion of the project in 2017. Meeting centres/ employee activity centres/cafeteria comprising 3,800m$^2$ will be let out and the rental for such is estimated to be RMB40/m$^2$ per month. Offices comprising of 75,450m$^2$ will be available for sales. Pursuant to the analyses performed in accordance with various indexes, the sales price for the offices is RMB32,000/ m$^2$ and the annual growth rate is 8%. The sales price of the office is estimated to reach RMB40,000/m$^2$ when the project is pre-sold in 2016. In addition, 10,000m$^2$ of commercial departments and 1,280 parking lots will be available for sales and rental respectively. The sales price of the commercial departments is estimated to be RMB70,000/m$^2$ and the rental for each parking lot is estimated to be RMB400.

On the basis of the foregoing projections (assuming that the foregoing projections can be realized), the total sales incomes for the project is estimated to be approximately RMB3,477,530,000. The income generated from rental upon completion of the project is estimated to be approximately RMB34,800,000 (computed on the basis of 75% occupied rate).

## 1. FINANCIAL SUMMARY

The published audited consolidated financial statements of the Group (i) for the year ended 31 December 2010 is disclosed on pages 52 to 175 of the 2010 annual report of the Company dated 30 March 2011; (ii) for the year ended 31 December 2011 is disclosed on pages 59 to 187 of the 2011 annual report of the Company dated 29 March 2012; and (iii) for the year ended 31 December 2012 is disclosed on pages 44 to 181 of the 2012 annual report of the Company dated 28 March 2013. The published unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 is disclosed on pages 4 to 45 of the 2013 interim report of the Company dated 29 August 2013. All these financial statements have been published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.greatwalltech.com.

## 2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the present internal resources, available bank and other loan facilities of the Group, and the financial effect of the Transaction, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular, in the absence of any unforeseen circumstances.

## 3. STATEMENT OF INDEBTEDNESS

### Borrowings

At the close of business on 31 July 2013, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the borrowings of the Group are shown as below:

| | *RMB'000* |
|---|---|
| Amounts due to fellow subsidiaries | 1,621 |
| Amounts due to associates | 37,834 |
| Amount due to ultimate holding company | 155,901 |
| | 195,356 |
| Short-term borrowings | |
| – bank borrowings | 10,048,547 |
| – notes payable | 497,801 |
| | 10,546,348 |
| Long-term borrowings | |
| – bank borrowings | 98,470 |
| – Subordinated loans | 1,147,586 |
| | 1,246,056 |
| | 11,987,760 |

**Cross currency interest rate swap**

The Group has entered into a cross currency interest rate swap contract to manage its foreign exchange risk arising from Renminbi-denominated note payable against US dollar, which is considered as indebtedness. The contract will expire on 21 March 2014. It was initially measured at fair value on the date when it was entered into, and was subsequently remeasured at their fair value on 31 July 2013.

Changes in the fair value of the cross currency interest rate swap are recognised immediately in the consolidated statement of profit or loss.

As at 31 July 2013, the notional amount and the fair value of the cross currency interest rate swap were approximately RMB241,161,000 and RMB6,631,000, respectively.

**Pledge of assets**

At the close of business on 31 July 2013, the Group had pledged the following amount of assets to secure the borrowing of the Group:

| | *RMB'000* |
|---|---|
| Available-for-sale investments | 18,349 |
| Pledged bank deposits | 3,486,699 |
| Investment properties, land and buildings | 157,316 |
| | 3,662,364 |

**Guarantee**

As at the close of business on 31 July 2013, the Group had provided guarantee to a third party customer of approximately RMB58,870,000.

**Contingent liabilities**

As at 31 July 2013, there was no change in the contingent liabilities of the Group since 30 June 2013 as set out in the interim report of the Company for the six months ended 30 June 2013.

**4. FINANCIAL AND TRADING PROSPECTS**

In the second half of year 2013, the global economy continues to face many uncertainties. The peripheral economic environment in China remains tough and complicated. The Company will continue to enhance its management level and intensify industry transformation, as well as to make every effort to maintain growth and promote development.

In 2013, the Group's main focus will be to accelerate breakthroughs on core and key technology in the industry and promote the reorganization of the industry's structure. Targeting at building 'scientific Great Wall", the Group will devote itself in promoting innovative technology in the industry, intensifying product innovation, reinforcing financing protection, facilitating talent project, putting more resources on market expansion, strengthening risk management and control, internal control system and cost control and further expanding competitive industries. Besides, it will endeavour to nurture new industries and make use of competitive industries to support new industries so to develop rapidly and become a new growth point for the Group and hence to increase the core competitiveness of the Group. In the absence of unforeseeable events, the Group will continue to maintain its leading position in the industry for its core business such as monitors, LCD TVs, magnetic heads, power supplies and EMS electronics manufacturing.

## I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

### INTRODUCTION

The accompanying is the unaudited pro forma consolidated statement of financial position, which prepared to illustrate the effect of the proposed construction of the Office Complex, including the payment of the Land Premium and various works involved in the construction and development of the project by the Group, as if it had taken place on 30 June 2013 for the unaudited pro forma consolidated statement of financial position.

The preparation of the unaudited pro forma consolidated statement of financial position of the Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 as set out in Section 1 of Appendix II to this circular, after making pro forma adjustments that are (i) directly attributable to the transaction; and (ii) factually supportable, as if the transaction had been completed on 30 June 2013.

The unaudited pro forma financial position of the Group is based on a number of assumptions, estimates and uncertainties that are factually supported and currently available by the Group upon completion of the transaction. As it is prepared for illustration purpose only, it does not purport to give a true picture of the actual financial position of the Group following completion of the transaction. Further, the accompanying unaudited pro forma consolidated statement of financial position of the Group does not purport to predict the Group's future financial position.

## II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

| | The Group as at 30 June 2013 *RMB'000* *(Unaudited)* | Pro forma adjustments *RMB'000* | | Unaudited pro forma consolidated statement of financial position of the Group *RMB'000* *(Unaudited)* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 6,395,260 | (399) | *Note 2* | 6,394,861 |
| Prepaid land lease payments | 649,489 | 592,712 | *Note 1* | 1,242,201 |
| Investment properties | 1,454,374 | | | 1,454,374 |
| Intangible assets | 1,326,790 | | | 1,326,790 |
| Interest in associates | 836,832 | | | 836,832 |
| Interest in joint ventures | 8,504 | | | 8,504 |
| Available-for-sale investments | 389,199 | | | 389,199 |
| Prepayments, deposits and other receivables | 718,866 | | | 718,866 |
| Term deposits | 173,452 | | | 173,452 |
| Pledged deposits | 10,000 | | | 10,000 |
| Derivative financial instruments | 14,254 | | | 14,254 |
| Deferred tax assets | 629,629 | | | 629,629 |
| | 12,606,649 | | | 13,198,962 |
| **Current assets** | | | | |
| Inventories | 12,935,114 | | | 12,935,114 |
| Trade and bills receivables | 14,371,237 | | | 14,371,237 |
| Prepaid land lease payments | 18,416 | | | 18,416 |
| Prepayments, deposits and other receivables | 3,560,796 | | | 3,560,796 |
| Financial assets at fair value through profit or loss | 18,592 | | | 18,592 |
| Tax recoverable | 130,742 | | | 130,742 |
| Derivative financial instruments | 381,045 | | | 381,045 |
| Amounts due from fellow subsidiaries | 10,790 | | | 10,790 |
| Amounts due from associates | 10,506 | | | 10,506 |
| Amount due from ultimate holding company | 8,000 | | | 8,000 |
| Term deposits | 247,000 | | | 247,000 |
| Pledged deposits | 4,157,430 | | | 4,157,430 |
| Bank balances and cash | 4,471,822 | (592,712) | *Note 1* | 3,879,110 |
| | 40,321,490 | | | 39,728,778 |
| Assets classified as held for sale | 127,094 | | | 127,094 |
| | 40,448,584 | | | 39,855,872 |

| | The Group as at 30 June 2013 *RMB'000* *(Unaudited)* | Pro forma adjustments *RMB'000* | Unaudited pro forma consolidated statement of financial position of the Group *RMB'000* *(Unaudited)* |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and bills payables | 15,839,319 | | 15,839,319 |
| Other payables and accruals | 8,025,983 | | 8,025,983 |
| Bank and other loans | 9,787,373 | | 9,787,373 |
| Derivative financial instruments | 63,571 | | 63,571 |
| Tax payable | 368,645 | | 368,645 |
| Warranty and other provisions | 806,742 | | 806,742 |
| Amounts due to fellow subsidiaries | 1,661 | | 1,661 |
| Amounts due to associates | 37,914 | | 37,914 |
| Amount due to ultimate holding company | 147,236 | | 147,236 |
| | 35,078,444 | | 35,078,444 |
| **Liabilities associated with assets classified as held for sale** | 137,128 | | 137,128 |
| | 35,215,572 | | 35,215,572 |
| **Net current assets** | 5,233,012 | | 4,640,300 |
| **Total assets less current liabilities** | 17,839,661 | | 17,839,262 |
| **Capital and reserves** | | | |
| Share capital | 1,197,742 | | 1,197,742 |
| Reserves | 3,087,856 | (219) *Note 2* | 3,087,637 |
| Equity attributable to owners of the Company | 4,285,598 | | 4,285,379 |
| Non-controlling interests | 10,467,029 | (180) *Note 2* | 10,466,849 |
| Total equity | 14,752,627 | | 14,752,228 |
| **Non-current liabilities** | | | |
| Bank and other loans | 1,228,820 | | 1,228,820 |
| Other payables | 1,138,454 | | 1,138,454 |
| Pension obligations | 122,394 | | 122,394 |
| Derivative financial instruments | 5,493 | | 5,493 |
| Contingent consideration payable and redemption liability | 128,115 | | 128,115 |
| Deferred tax liabilities | 385,342 | | 385,342 |
| Other provisions | 8,836 | | 8,836 |
| Government grants | 69,580 | | 69,580 |
| | 3,087,034 | | 3,087,034 |
| | 17,839,661 | | 17,839,262 |

## III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

*Notes:*

1. Pursuant to the Approval Certificate granted by the Shenzhen Land Committee, the land, which is situated at No. 2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, the PRC and owned by the Group (the "Land"), is only permitted for industrial use. For the purpose of the Construction Project, the Group has applied to the Shenzhen Land Committee to convert the usage of the Land to industrial and commercial building usage.

   The adjustment represents the Group's payment of approximately RMB592,712,000 in cash to the municipal government of Shenzhen for converting the Land from industrial to new industrial and commercial building usage. The Land Premium is payable upon the successful application of the conversion of usage of the Land.

2. The Construction Project involves various kinds of works including demolition of the existing temporary warehouse erected on the Land and subsequent design, construction works, installation works, supervision and management as well as purchase of equipment and materials for the Office Complex.

   The total investment amount for the Construction Project is estimated to be not exceeding RMB1,933,000,000 (inclusive of the Land Premium of approximately RMB592,712,000), no adjustment had been made to reflect the remaining amount of approximately RMB1,340,288,000 since the amounts were estimated based on the architectural planning of the Office Complex, the "Shenzhen construction engineering technical and economic indicators' and 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 Construction Project is estimated to take four years to complete with expected completion taking place in 2017. 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 self occupied by the Group. Actual allocation will depends on the then property market condition.

   The adjustment represents the impairment loss recognised by the Group of approximately RMB399,000 in respect of the demolition of the existing temporary warehouse as if the transaction had taken place on 30 June 2013. Approximately RMB180,000 is included as non-controlling interests' share of the impairment loss.

3. No adjustment has been made to reflect the transaction costs directly attributable to the payment of Land Premium as the Directors consider such costs to be immaterial.

## ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from SHINEWING (HK) CPA Limited, Certified Public Accountants, for the purpose of incorporation in this circular.*

信永中和
ShineWing

**SHINEWING** (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

The Board of Directors
Great Wall Technology Company Limited
No. 2 Keyuan Road,
Technology and Industry Park,
Nanshan District,
Shenzhen, the People's Republic of China

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Great Wall Technology Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2013 and related notes as set out on pages III-1 to III-4 of the circular issued by the Company dated 25 September 2013 (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on pages III-1 to III-4 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed construction of the office complex, including the payment of the land premium and various works involved in the construction and development of the project by the Group (the "Transaction") on the Group's financial position as at 30 June 2013 as if the Transaction had taken place at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's condensed interim financial statements for the six months ended 30 June 2013, on which no audit or review report has been published.

### Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

25 September 2013

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 July 2013 of the property interest.*

JONES LANG LASALLE 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

25 September 2013

The Board of Directors
**Great Wall Technology Company Limited**
No. 2 Keyuan Road,
Technology and Industry Park,
Nanshan District,
Shenzhen, 518057
PRC

Dear Sirs,

**A parcel of land of approximately 47,630.8 sq.m. known as Lot No. T305-0001, located at No. 2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen City, Guangdong province, The People's Republic of China ("the PRC") ("The Property")**

In accordance with your instructions to value the Property assuming it has been converted for new industrial and commercial office use, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interest as at 31 July 2013 (the "valuation date").

Our valuation of the property interest represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any neither of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards (2012 Edition) on Properties published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the instructing party and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificates and official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the instructing party's PRC legal adviser – Shun Jin Law Firm, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the Property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in August 2013 by Mr. Nash Lai who has 3 years' experience in the valuation of properties in the PRC and is a qualified China Land Valuer.

We have had no reason to doubt the truth and accuracy of the information provided to us by the instructing party. We have also sought confirmation from the instructing party that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
**Gilbert C. H. Chan**
*MHKIS, MRICS, RPS(GP)*
*Director*

*Note:* Gilbert C.H. Chan is a Chartered Surveyor who has 20 years' experience in the valuation of properties in the PRC.

## VALUATION CERTIFICATE

| Property | Description and tenure | Particulars of occupancy | Capital value as a cleared vacant site as at 31 July 2013 *RMB* |
|---|---|---|---|
| A parcel of land known as Lot No. T305-0001 located at No. 2 Keyuan Road Technology and Industry Park Nanshan District Shenzhen City Guangdong province The PRC | The property comprises a parcel of land with a site area of approximately 47,630.80sq.m.<br><br>During our site inspection, 3 buildings with a total gross floor area of approximately 53,573.90 sq.m. and a temporary wearhouse with a gross floor area of approximately 5,600.00 sq.m. erected on the property, which were completed in various stages between 1995 and 1998 and were disregarded in our valuation of the property (please see note 5 for the development potential).<br><br>The land use rights of the property have been granted for a term of 50 years expiring on 9 September 2041 for industrial use (please see note 8). As instructed, we have valued the property with the converted use of new industrial and commercial office. | The property is currently occupied by the instructing party for industrial purpose. However, we have been instructed to value the land as a cleared vacant site. (please see note 10) | 668,000,000 |

*Notes:*

1. China Great Wall Computer (Shenzhen) Co., Ltd. (中國長城計算機深圳股份有限公司 "CGC") is a 53.92% owned subsidiary of the instructing party.

2. Pursuant to a State-owned Land Use Rights Transaction Contract dated 9 September 1991 entered into between the Shenzhen Technology Industrial Park Co., Ltd. (深圳科技工業園總公司) and CGC, the land use rights of the property is contracted to be transfered to CGC for a term of 30 years expiring on 9 September 2021 for industrial use. The land premium was RMB14,765,533.

3. Pursuant to 3 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 4000201009, 4000201010 and 4000201012, the land use rights of the property with a site area of approximately 47,630.8sq.m. have been granted to CGC for a term of 50 years expiring on 9 September 2041 for industrial and storage use, and 3 buildings erected thereon with a total gross floor area of approximately 53,573.90sq.m. are owned by CGC.

4. As informed by the instructing party, the temporary warehouse with a gross floor area of approximately 5,600 sq.m., will be demolished.

5. According to a Letter – Shen Ke Gong Mao Xin Gao Xin Zi (2011) No. 8, a Notice – Shen Fa Gai Bei An (2011) No. 0050, a Construction Land Planning Permit – Shen Gui Tu Xu No.ZG-2012-0020 and a Determination Letter – 88D-201300129, a proposed construction of an office complex with a gross floor area ("GFA") of approximately 128,000 sq.m. (above ground) erected on the land mentioned in note 3 has been approved to construct and the use of the aforesaid land has been approved to convert from industrial use to new industrial and commercial office use. The office complex with GFA of approximately 128,000 sq.m. (above ground) will have approximately 52,400 sq.m. for industrial use.

6. According to a Payment Notification – No.FT20130375 issued by Shenzhen Urban Planning and Land Resources Committee (深圳市規劃和國土資源委員會) dated 8 June 2013, the additional land premium and associated charges of RMB592,712,442 for converting the land use from industrial to new industrial and commercial office use should be paid by CGC by 7 August 2013.

7. According to a Mortgage Contract – No.2020004222012111516DY01 dated 3 September 2012, the land use rights of the property with a site area of approximately 47,630.8sq.m. and 2 buildings with a total gross floor area of approximately 49,623.90sq.m. are subject to a mortgage in favor of the Export-Import Bank of China (中國進出口銀行) (the "Bank") as security to guarantee the principal obligation under a loan contract entered into between the Bank and CGC for a amount of RMB100,000,000 with the security term of 12 months.

8. For reference purpose, we have valued the land use right of the property with current use of industrial as at the valuation date at RMB64,000,000.

9. We have been provided with a legal opinion regarding the property interest by the instructing party's PRC legal advisers, which contains, *inter alia*, the following:

   CGC has obtained the Real Estate Title Certificate mentioned in note 3. CGC is the legal user of the aforesaid land and the legal owner of the aforesaid buildings.

10. As per notes 5 and 6, the Property will be converted into new industrial and commercial office use. According to the specific instruction by the instructing party, we have valued the Property as a cleared vacant site assuming it has been converted into new industrial and commercial office use and all the additional land premium and associated charges of RMB592,712,442 has been paid, and the payment Notification mentioned in note 6 is valid.

**FOR THE SIX MONTHS ENDED 30 JUNE 2013**

***OPERATION REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2013***

In the first half of 2013, the Company further developed the guiding role of its planned strategies. Targeted at creating a "scientific Great Wall", it worked on management upgrade seriously and focused on undergoing a transformation to international standard.

Under the leadership of the Board, the Group actively expanded its business in overseasmarkets. TPV determined to become a top enterprise in the industry and maintained a leading position in the world for its monitor products. Regarding TV business, it cooperated with TP Vision Holdings B.V. ("TP Vision"), a joint venture established by TPV and Koninklijke Philips Electronics N.V. ("Philips"), to achieve "lowered cost but better effect" bymaking Gent, Belgium as its innovation headquarter in Europe in the future, expanding the research and development ("R&D") team at Bangalore, India and setting up R&D centers in Xiamen and Fuqing, which could significantly reduce operating cost. Besides, two new factories in Beihai, Guangxi and Qingdao, Shan dong had put in operation, which helped a lot in reducing cost on human resources. TPV and TP Vision jointly developed and recorded an increase in the sales volume of LCD TV, contributing an additional increase in the sales revenue to the Group.

Great Wall Kaifa achieved a smooth progress in the expansion in emerging markets, such as Africa, Southeast Asia and South America for its electric meter business. CGC overwhelmed the difficulties in high efficiency and high power density for its switch power supplies products, which successfully helped to improve the standard of local products. CGC also established a complementary cooperation with P.I. International Inc. ("PI International") and successfully broadened its major customer base locally and internationally. Regarding capital operation, the non-public issue by Great Wall Kaifa was approved by China Securities Regulatory Commission in July. The issue of medium-term note by CGC was approved. Regarding construction of industry base, the construction of China Electronic Great Wall Building underwent favorably. Regarding management upgrade, the Group had commenced their deployment of strategy planning for the future three to five years, together with the establishment of internal control system and the further promotion of informatization construction of the Company.

The Group successfully held the "CEC's First Session of Electronic SMT Function Competition" in the first half of the year. Under various measures, despite the stringent conditions of local and overseas economy where the Group operated, the Group recorded a steady development in all of its businesses. In the first half of 2013, the Group achieved an operating revenue of RMB43,714,000, representing an increase of 2% as compared to last year. Meanwhile, we also noticed that, due to the expansion of distribution network and the provision on receivables and inventories, a decrease in profit was recorded for the first half of the year and the net profit attributable to the parent company was RMB15,300,000, representing a comparative decrease of 25%. Yet, the fundamentals of the Company continued to develop positively. Under the adverse conditions of significant adjustments to global economy and continuous slowdown in growth, core businesses of the Company still remained a steady development.

**1. Put more efforts in market expansion, and kept stable growth in the sales of main products.**

**Market share in monitors business sector remained the largest in the world.** As the overall economy has not yet recovered and the use of IT products has changed, the demand for LCD monitors has kept decreasing in the world. Under the unfavorable economic condition, TPV has put more resources on the research on high-end products with multiple functions through streamlined management and efficient integration of panel resources. In the first half of the year, 24.9 million monitors were produced, which made the market share of our monitors to remain as the largest in the world.

**LCD TV business achieved a relatively significant comparative growth.** After the merger with TP Vision, TPV enhanced strategic planning on products and resource sharing and put in place clear sales strategies for retail channels, which facilitated a gradual increase in the sales of products and market presence. During January and June 2013, TPV produced 6.2 million LCD TVs, representing an increase of 18.2% as compare to the corresponding period of last year.

**Power supply business recorded a steady growth.** Integration between the Business Department of Great Wall Power Supplies Factory and PI International was further strengthened with complementary benefits. They worked together to put more efforts on the expansion of local and overseas markets. PI International made great achievement in broadening its major customer base in the Mainland. Great Wall Power Supplies Factory recorded a rapid growth for its overseas business, especially the substantial increase in high-end power supply business compared to other businesses. In the first half of the year, sales revenue from power supply business recorded a comparative increase of 4.75%.

**Computer business maintained a steady growth.** In light of the decreasing quantities of computer for five consecutive quarters and the pressure from mobile phones and tablet computers, which resulted in the decrease in demand from customers, the Company actively developed new driver for business growth. Benefited from the rapid expansion of all-in-one computer market, the Company recorded a comparative increase of 5.2% in aggregate sales revenue for computer business during January to June.

**Electric meter business made a new breakthrough in overseas sales.** Great Wall Kaifa continued to expand its business in overseas markets while maintaining its market position in Italy. Currently, it achieved better sales in the European Union, Africa, Southeast Asia, South America, etc. In the first half of the year, electric meter business recorded a comparative increase of 8.03% in aggregate sales revenue.

**2. Strengthened innovative technology and made a new breakthrough in brand business and research on high-end products.**

**TPV extended its product lines to help increasing the overall value of AOC brand.** In the first half of the year, TPV launched AOC "LUVIA", its high-end subsidiary brand, and the brand new 21:9 "悦影 (Yueying)" LV291HQM monitor characterized by amazingly super wide display screen of theatre standard, being a hot and concerned topic on the market. Besides, on top of putting great efforts in monitor business to build a high-end brand, and leveraging on the competitive edge of resource integration within the industry chain, it regarded video technology as its core task and put in-depth efforts in monitor industry with profession, concentration and expertise and proactively developed emerging video products, such as large screen for business use, smart board, TV for hotel and mini projector in order to provide a complete set of video resolution and hence achieving an advancement in overall value of AOC brand. The large screen business launched in 2012 not only won the bid of key projects in Suzhou and Hanzhou, it also won the bid of Outdoor Public Display Project for Beijing Garden Show in the first half of the year.

The high technology of AOC's smart TV featured by signs, voices, smart system and 4K beat other competitors in the market. TPV caught up with the trend of new technology on intelligence, network and extra high-definition and put more sources on the research on technology, which made its LCD TVs led the trend by its good image quality and attractive outlook, as well as the advance technology and smart application. Among all LCD TV products, USB port that supports blue-ray H.264 had become a standard item for users to enjoy the strong visual and sound effect of a blue-ray theatre by using U disk or portable disk. Key product series like 5530, 6530, 6730 and 7830 were well equipped with smart processor and Linux/Android operation system, installed with Internet browser and Movie, News, Sports and Entertainment Channel of Wasu Media and Hailiang, etc. and functioned with Wi-Fi wireless connection, which allowed TV to wirelessly connect to computers, tablets, smart phones, etc. by directly connected to the Wi-Fi network of a household so as to share audio and visual contents. Moreover, wireless keyboard and mouse can be installed for input.

**Great Wall Power Supplies Factory overwhelmed the difficulties in the technology on power supply for supercomputers.** The requirements for supercomputer were rather high that not only need a high power density, conversion efficiency and reliability but also smart control. Researchers at Great Wall Power Supplies Factory produced a qualified sample within only six months by tackling problems on the technology and great efforts day and night. One year later, the difficulties in advance technology were solved. The research team successfully developed a supercomputer with power supply of 3000W during the first half of 2013 and the technology standard (eg. conversion efficiency) was far beyond the expectation from its customers; for instance, traditional loading rate was 94.5%, which was above the 50% requirement, and power factory was above 0.99, which helped to improve the standard of local products by owing advance technology at international level.

**3. Actively promoted capital operation, and further enhanced the booster for corporate development.**

**Approval was obtained for the issue of medium-term note by CGC.** CGC passed the "Resolution on the issue of medium-term note by the company" at its fifth extraordinary general meeting in 2012 to agree the application by CGC to issue medium-term note of a total amount of not more than RMB1 billion to institutional investors of Inter-bank Bond Market in the country. In the first half of the year, the application was approved by relevant governmental authorities.

**Approval was obtained for the non-public issue by Great Wall Kaifa.** To cater for the development trend of the industry, further expand product market, increase profitability, upgrade comprehensive strength, implement development strategies, Great Wall Kaifa intended to raise fund through the non-public issue of shares to finance the relevant projects. In July 2013, the non-public issue of A shares made by Great Wall Kaifa was approved by China Securities Regulatory Commission. It was anticipated to raise not more than RMB691,516,200 and the proceeds will be used in four projects, namely the relocation, expansion and construction of the smart mobile communication terminal project, the international electric meter measurement terminal and management system project, the high-end medical electric equipment and components production project and to supplement Great Wall Kaifa's working capital.

**4. Started to promote management upgrade to improve the Company's ability for sustainable development.**

**Strategic plans for the next 3-5 years were ready to launch.** To take good use of the strategic leading role of planning, improve top-level design, keep foothold on high-end market, broaden horizon, and speed up high-end industrialization, product diversification and market internationalization, in the first half of 2013, the Group has started preparing strategic plans for the next 3-5 years. The Company's development plan for 2013-2015 was considered and approved by the Board on 18 June 2013; TPV held a development strategy seminar in Xiamen on 13-14 June 2013, which further defined the strategic direction for the next 3 years; CGC engaged a professional consulting firm as a consultant for its strategic planning consulting project in March 2013, which has completed the preliminary drafts of "Diagnostic Report on Strategic and Operational Management", "Strategic Planning Report" and "Organization and Control Improvement Plan" by the end of June, and submitted the same to CGC's management for discussion and consideration; in the first half of the year, Great Wall Kaifa made amendments to its "Twelfth Five Year Plan", and updated the preliminary revised draft of Great Wall Kaifa's "Twelfth Five-Year Plan" for 2013, as well as planned to hold a corporate strategic planning seminar for discussion of the same in early or mid August.

**The construction of internal control system was carried out in full.** In December 2012, the Company officially commenced the internal control system construction, and engaged a professional consulting firm as its consultant, which was carried out in full in 2013. In the first half of the year, through interviews and questionnaires, process streamlining, walk-through test, design effectiveness judgment, operation effectiveness test and judgment, aggregation of differences and defects identification, a risk control matrix was formed and flowcharts of critical control points were prepared. By which, a total of 113 systems were streamlined, of which 7 systems were modified and 5 new systems were added; a total of 220 processes were streamlined, of which 58 processes were modified and 2 new processes were added; 75 defects were aggregated in total. All of these formed the preliminary draft of "Internal Control Manual" of the Group.

**The informatization construction was further promoted.** In the first half of the year, the Company and its members, CGC and Great Wall Kaifa, completed their respective corporate information development plans for 2013-2015. For the implementation of information construction projects, CGC has completed the introduction of comprehensive budget for the Property Business Unit; established a cloud platform for private cloud, which is in the process of migration plan test; for PLM project, CGC has completed IPD consultancy, and the project is in the process of implementation; completed the construction and team building for Business Intelligence ("BI") research laboratories. Great Wall Kaifa also launched the development of BI projects, and identified BI solutions based on Microsoft technologies. In the first half of the year, it has completed the demand analysis on financial subjects and business process restoration and risk identification, some of which have been introduced.

**Self-improvement of the staff promoted management upgrade to make achievements.** Great Wall Kaifa determined 2013 as its "Management Upgrade Year". In the first half of the year, 5,984 proposals were received from the employees under the self-improvement plan, of which 1,596 rapid-improvement projects were implemented. Great Wall Kaifa also introduced Knowledge Centre Act (KCA) management model, which integrates various quality control technologies and tools such as industrial engineering, theory of constraints and IT, to effectively acquire knowledge and use the same in the organization, processes and products of Great Wall Kaifa, thus constantly upgrading products and operation quality. In the first half of the year, it completed 19 KCA projects, which delivered a rigid income of RMB2,700,000 and a flexible income of RMB5,000,000. In the first half of the year, Great Wall Kaifa also introduced a new Social Responsibility Management certification (SA8000, EICC), Information Security Management certification (ISO27001), Business Continuity Management (BCM) certification (ISO22301) and Product Safety Management certification (ISO28000), all of which are scheduled to complete during the year.

***FINANCIAL REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2013***

During the six months ended 30 June 2013, the Group realised a turnover of approximately RMB43,714,000,000 representing a increase of 2% as compared to the corresponding period of last year. Profit after tax attributable to the shareholders of the Company for the six months ended 30 June 2013 amounted to approximately RMB15,000,000 as compared to the profit of approximately RMB20,000,000 for the corresponding period last year. As global economic condition was complicated and full of uncertainties, along with excess production capacity and insufficiency of effective demand, especially demand from overseas, as well as the deterioration of growth in Europe and the U.S. markets, the Group's results was negatively impacted.

**Liquidity and Financial Resources**

As at 30 June 2013, the Group's total cash and cash equivalent amounted to approximately RMB4,472,000,000 and the Group's total bank and other borrowings amounted to approximately RMB11,016,000,000.

**Segment Information**

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the six months ended 30 June 2013 as well as other information by business segment and geographical segment is shown in note 3 to the consolidated financial statements of the Company for the six months ended 30 June 2013 in the Company's 2013 interim report.

**Gearing Ratio**

As at 30 June 2013, the Group's total bank and other borrowings and total equity were approximately RMB11,016,000,000 and RMB14,753,000,000 respectively, as compared to approximately RMB8,462,000,000 and RMB15,365,000,000 respectively as at 31 December 2012.

The gearing ratio as at 30 June 2013 was 75%. The gearing ratio as at 31 December 2012 was 55%. The gearing ratio is defined as the ratio between total bank borrowings and total equity.

**Current Ratio and Working Capital**

As at 30 June 2013, the Group's current assets and current liabilities were approximately RMB40,449,000,000 and RMB35,216,000,000 respectively, while the Group's working capital was approximately RMB5,233,000,000. The current ratio was 1.15.

As at 31 December 2012, the Group's current assets and current liabilities were approximately RMB39,949,000,000 and RMB33,375,000,000 respectively, while the Group's working capital was RMB6,574,000,000. The current ratio was 1.20.

**Charge of Group Assets**

As at 30 June 2013, certain of the Group's term deposits with a carrying value of approximately RMB4,167,000,000 were pledged to banks to secure general banking facilities and performance bonds for the Group.

As at 31 December 2012, the Group had pledged to banks its bank savings of approximately RMB3,127,000,000 as a pledge for banks' general finance for the Group.

**Employees**

As at 30 June 2013, the number of employees of the Group was approximately 61,000 and the total emoluments for the six months ended 30 June 2013 amounted to RMB1,605,869,000. The salaries of the employees were determined according to the rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

**Foreign Exchange Rate Risk**

Due to the exchange rate of RMB appreciated continuously in a fast pace and the pressure of economic downturn in the PRC increased, the export market has been sluggish for the first half of 2013. As export business accounted for a larger proportion of the Group's results, the overall operating results has been adversely affected.

Our financial position remains healthy. The Group will monitor closely the change in the exchange rate and the relevant policies of the PRC government, as well as adopting the forward foreign exchange, so as to minimise the exchange loss. We will also utilise loans denominated in US dollar to settle trade payables and maintain a few foreign currency positions.

**FOR THE YEAR ENDED 31 DECEMBER 2012**

***OPERATION REVIEW FOR 2012***

In 2012, under the leadership of the Board, the Group actively initiated the transformation of the Group to "scientific Great Wall" by strengthening strategic research and planning the layout carefully. It also adjusted its structure, sought for a transformation and supported TPV to successfully complete the "acquisition of TV business of Philips". It put more resources on technology and self-innovation, paid more efforts in restructuring and integration, further promoted management upgrade and progressively expanded in local and overseas emerging markets so as to maintain growth under the prolonged impact arising from the European's debt crisis and global financial crisis. The industry chain was becoming mature and there was a substantial improvement in the scale of operation and comprehensive power. Amid the surrounding business environment that showed a continuous slowdown in the growth rate of the global electronic communication industry, the Group still achieved an operating revenue of RMB95,884,305,000, representing a comparative increase of 0.91%. Besides, despite of many unfavorable factors such as "the rise in cost of labor and resource and price hike of raw materials, the fluctuation in global exchange rate and the provision for the impairment on the Group's assets", the Group was still able to achieve a profit before tax of RMB385,200,000 and maintain a sustainable and stable development by adopting various measures. The Group continued to maintain its leading position in the industry for its core businesses such as monitors, LCD TVs, magnetic heads, power supplies and EMS electronics manufacturing service, to ensure a solid foundation for the healthy development of the Group's businesses.

**1. Endeavor to put more efforts in the R&D on new products and market expansion and seek for a stable development in production operation.**

TPV continued to achieve excellent results of ranking the first in terms of monitors and the fourth in terms of LCD TVs globally, despite unfavorable factors such as the European's debt crisis, exchange rate fluctuations and cost increase. It continued to put more efforts in the R&D on new products and strengthened its new competitive edge in the industry and launched the new Smart series, new Smart monitor products that are applicable to the "Cloud Era". After the acquisition of TV business of Philips, it persisted in endeavoring itself to turnaround from recording loss to profit of the TV business of Philips brand and regarded it as an important starting point for structural adjustments and transformation, and had commenced resources integration in respect of production, R&D, procurement and supply chain management, etc. to increase its competitiveness in the industry by facilitating integration and enhancing efficiency.

Great Wall Kaifa actively responded to the impact and influence of the European's debt crisis on its businesses in markets in developed countries such as the Europe and the U.S. and put more efforts to develop the electric meter market in developing countries, which achieved satisfactory results in Africa, South East Asia and South Asia. It also explored and developed in new areas, increased the full value chain service ability of it and actively introduced medical electric equipment and medical mechanics processing businesses from overseas, which recorded a gradual increase in business volume.

In 2012, CGC continued to rank first in the domestic market in terms of market share for its PC power supply. It actively expanded in high-end power supply market and made breakthroughs in various technology R&D on power supply for high-end servers with its power adapters that met the standards in the Europe, the U.S., British, Korea, China, Australia and Argentina were recognized and used by world-known operators of flat computer as ancillary parts.

**2. Promote steadily the investment and finance of core businesses and industry chain-related businesses and enhance the competitiveness of industry chain.**

**Firstly, to complete the transaction in relation to the establishment of a joint venture of TV business by TPV and Koninklijke Philips Electronics N.V. ("Philips")**. The Company supported and facilitated the acquisition of TV business of Philips by TPV and the transaction in relation to the establishment of the joint venture of TV business by TPV and Philips had been completed in the first half of the year. The name of the joint venture was TP Vision, which was owned as to 70% by TPV and 30% by Philips. Through this acquisition, TPV effectively integrated its skilled manufacturing and excellent operational ability with the design and innovation capability on TVs, brand influence and solid market share of Philips, hence, TV business gradually increased its market share in the global market.

**Secondly, to jointly invest and establish a joint venture by a subsidiary of TPV and CEC Panda LCD Technology Co., Ltd. ("Panda LCD")**. On 27 April 2012, Top Victory Investment Limited ("Top Victory"), a subsidiary of TPV, entered into a joint venture agreement with Panda LCD in relation to the establishment of a joint venture, pursuant to which both parties agreed to establish a joint venture in China and planned to make a total investment of RMB35 billion to set up TFTLCD production line (10th generation) in Nanjing, China. Top Victory held a shareholding of 0.8%. Through the investment in the joint venture, TPV will secure a stable supply of 60"/70" panels, allowing it to develop high-value products such as largesized and standard-sized monitors for TVs. Besides, it saved import tax for respective local procurements, which will facilitate the enhancement of the competitiveness of its products in domestic market.

**Thirdly, to pursue reorganization of the structure and make capital injection to Chitwing Mould Industry (Dongguan) Co., Ltd ("Chitwing Mould"), an associated company of Great Wall Kaifa**. On 28 December 2012, the board of directors of Great Wall Kaifa passed a resolution, pursuant to which Great Wall Kaifa will become a shareholder of Chitwing Mould, a wholly-owned subsidiary of Chitwing Group, and will jointly operate Chitwing Mould through sinoforeign joint venture. After the capital injection, the total capital injection by Great Wall Kaifa to Chitwing Mould amounted to RMB34,667,328 and Great Wall Kaifa held 10% equity interest in Chitwing Mould. By becoming a shareholder of Chitwing Mould, the industry chain of mobile communication business will be further expanded.

**Fourthly, to undergo non-public issue of A shares of Great Wall Kaifa**. On 18 December 2012, the board of directors of Great Wall Kaifa passed a resolution to approve the non-public shares issue, and the proceeds from which were intended to be used for the investment in the relocation, expansion and construction of the smart mobile communication terminal project, the international electric meter measurement terminal and management system project, the high-end medical electric equipments and components production project and as liquidity funding, etc. The proposal has been approved by the shareholders of the Company and Great Wall Kaifa and shall be subject to the approval from China Securities Regulatory Commission.

**Fifthly, to make strategic investment in the project of BridgeLux, Inc. ("BridgeLux") by KFES Lighting Company Limited ("KFES")**. On 9 February 2012, the board of directors of Great Wall Kaifa passed a resolution. Due to the challenges brought by de-stocking, excess capacity will continue in the global LED industry. In order to prepare for an industrial layout before the business environment became favorable again, according to the needs for the strategic development on LED of the Group, and in light of the blooming market prospect of the lighting business in the future and the technologies and patents of BridgeLux on LED chips and packaging worldwide, KFES, an associated company of Great Wall Kaifa in which Great Wall Kaifa directly hold 44%, made a strategic investment of US$25,000,000 by subscribing 18,054,452 E-1 series preferential shares issued by BridgeLux at a price of US$1.3847 per share and holding 7% equity interest in it. Meanwhile, KFES was entitled to exercise warrants subject to certain conditions.

**3. Accelerate the construction of key projects and solidify the foundation for the industry's development.**

**Firstly, to promote the China Electronic Great Wall Building Project**. The project was listed as one of the major projects of NDRC, Shenzhen City in 2012 and had obtained the construction land planning permit.

**Secondly, to accelerate the construction of Dongguan Industry Park and Huizhou Industry Base**. In 2012, the exploration and commencement work had been completed for the on-site construction of Dongguan Industry Park and Huizhou Base (Phase I) was smoothly roofed and planned to complete for checking and for use at the beginning of 2013.

**Thirdly, to actively promote the construction and operation of KFES project**. All factories and ancillary facilities of KFES project were completed with office building, cafeteria and staff dormitory in use. It had started mass production currently. Brightness of extension chips met the high-brightness specification of the industry with sufficient orders in the early stage, which signified the high-end layout of LED industry had made good progress. Besides, the cooperation between KFES and BridgeLux, a well-known U.S. LED company, was undergoing smoothly and the existing package production line reached full capacity.

**4. Strengthen resources integration and remnant assets liquidation and enhance the efficiency of production and operation.**

TPV strengthened the integration of local and overseas resources. It had started integration for its two factories located at Poland and commenced resource integration with the factory of Philips located at Brazil after the acquisition of TV business of Philips, so as to enhance synergy and reduce operating cost. The integration was progressing smoothly.

Great Wall Kaifa integrated resources on land and real estates and liquidated remnant assets. After thorough negotiation with relevant governmental departments, the transaction under the agreement in relation to the repurchase of the production base and factory of Great Wall Kaifa located at Longgan by Shenzhen Pingshan New District had been completed.

**5. Start to adopt measures on management upgrade to further increase the soft power in the Company's development.**

**Firstly, to promote overall management upgrade by self-improvement of the staff**. Great Wall Kaifa stimulated the motivation and innovation of its staff by self-improvement, i.e. to effectively resolve problems individually or through team work at their own will. It adopted a promotion method in three main ways, namely proposal from staff, theme improvement and self-management, and in three stages, namely improvement on 6S base, self-standardization and self-maintenance of equipments, as the overall framework. With the initiation of the self-improvement measures, the management skills of it continued to refine and rise to a higher level. In 2012, it was awarded the title of "Benchmarking Chinese Electronic Enterprise (Management)" by CEC.

**Secondly, to positively respond to the risk of fluctuation in exchange rate**. As most of the Group's products were exported to overseas markets, the Group was exposed to risks of exchange rate for international settlements. The Group had prepared itself to avoid and respond to the risks arising from fluctuation in exchange rate, forward exchange transaction portfolio business and changes in monetary policy so as to safeguard the healthy development of the Group, in particular, the medium to long-term operation of forward exchange transaction portfolio business. It also streamlined and strictly implemented the procedures for risk management, such as record filing, board resolution approvals, feasibility, etc.

**Thirdly, to strengthen the management of receivables and inventories**. It endeavored to strengthen the management of receivables and inventories of Satcon business, monitor business, computer business and substrate business of China Electronics Great Wall Energy (Shenzhen) Co., Ltd. ("Great Wall Energy"), a wholly-owned subsidiary of CGC, and reasonably determined credit policy to speed up the process of handling receivables and inventories and control the risks of bad and doubtful debts and impairment on assets. Regarding the production and sales of inverters, Great Wall Energy became the creditor of Satcon Technology Corporation ("Satcon") and kept certain inventories for it. Regarding the risks in operating Satcon business by Great Wall Energy, the Group has been paying close attention to it and requested CGC repeatedly to strictly control the amount of receivables and inventories in the course of business. Upon the filing of bankruptcy protection by Satcon, the Group proactively sought for various ways to reduce operating loss.

**Fourthly, to establish a financial alert system and endeavored to promote a comprehensive budget management**. The Group convened meetings for its members to analyze the status of production and operation regularly. During the meetings, progress of budget and major problems were reported and the focuses and difficulties in operations were studied. Besides, the establishment of contact points for companies, reinforcement of financial analysis, liquidity supervision, asset flow, implementation of budget, risk mitigation, establishment of a financial alert system and supervision and control of operating risks through comprehensive budget management were also discussed during the meetings.

**Fifthly, to reinforce informatization construction of the Company**. TPV used PLM software system in the development of new products and completely pursued the standardization of components through the original design of products and enhanced the production quality and efficiency of local and overseas factories. Great Wall Kaifa successfully completed the optimization and upgrade of its information management system. CGC introduced Oracle Hyperion Planning, a budget management information system solution, to furthered enhance its overall budget management level.

### *FINANCIAL REVIEW FOR 2012*

The Group recorded a turnover of RMB95,884,305,000 for the year ended 31 December 2012, representing an increase of 0.91% as compared to the corresponding period of last year. Loss after tax attributable to the equity holders of the Company amounted to RMB163,756,000 for the year ended 31 December 2012, representing a decrease in profit of 204.5% as compared to the corresponding period of 2011. The substantial drop was mainly because CGC made a provision for the impairment on assets of RMB236,000,000 in relation to Satcon business and Kaifa Magnetic made a provision for impairment of property, plant and equipment of RMB98,500,000 million during the year, respectively.

### Liquidity and Financial Resources

The Group was financed by a combination of its equity capital base, cash flow generated from operation and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

As at 31 December 2012, the Group's total cash and bank balances were RMB8,865,737,000 and the Group's total borrowings were RMB8,462,139,000. The structure of such borrowings was as follows:

(1) 22.20% and 62.79% were denominated in Renminbi and US dollar respectively;

(2) 19.13% was made on fixed interest rates.

**Segment Information**

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2012 as well as other information by business segment and geographical segment is shown in note 8 to the consolidated financial statements of the Company for the year ended 31 December 2012 in the Company's 2012 annual report.

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**Gearing Ratio**

As at 31 December 2012, the Group's total borrowings and shareholder's equity were RMB8,462,139,000 and RMB4,335,756,000 respectively, as compared to RMB8,394,530,000 and RMB4,571,228,000 respectively as at 31 December 2011.

As at 31 December 2012, the gearing ratio was 195.17%, and the gearing ratio as at 31 December 2011 was 183.64%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity.

**Current Ratio and Working Capital**

As at 31 December 2012, the Group's current assets and current liabilities amounted to RMB39,949,187,000 (31 December 2011: RMB35,085,030,000) and RMB33,375,398,000 (31 December 2011: RMB28,742,885,000) respectively, and the Group's working capital was RMB6,573,789,000 (31 December 2011: RMB6,342,145,000) while the current ratio was 1.20. (31 December 2011: 1.22).

**Charges on Group Assets**

As at 31 December 2012, certain of the Group's term deposit with a carrying value of approximately RMB3,116,683,000 (31 December 2011: RMB1,524,218,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

**Employees**

As at 31 December 2012, the number of employees of the Group was approximately 60,000 and the total emoluments for the years ended 31 December 2012 amounted to RMB3,864,942,000. The remuneration of the employees were determined according to the industry practices, rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

**Foreign Exchange Rate Risk**

It is expected that Renminbi will continue its appreciation for some time from now on and the fluctuation in the exchange rate of RMB has a larger effect on exports, which account for a major proportion of the Group business and thus impose enormous pressure on the Group in terms of appreciation of RMB.

The Group maintains a sound and healthy financial condition by adopting forward currency settlement measures to reduce exchange loss and by negotiating with customers to determine selling prices in RMB. The Group will also retain certain foreign currency position and settle balances with suppliers in US dollars.

**Guarantee for independent third party**

As at 31 December 2012, the Group provided guarantees of approximately RMB59,459,000 (2011: RMB57,456,000) to third parties in respect of bank facilities granted to third parties.

As at 31 December 2012, certain of the Groups leasehold land and buildings with a carrying value of approximately RMB104,877,000 were pledged to secure bank loans from a fellow subsidiary of the Company.

**Guarantee for associated companies**

As at 31 December 2012, no guarantee was provided by the Group (2011: RMB104,406,000) in respect of bank facilities granted to associated companies.

**Loans to associated companies**

As at 31 December 2012, loans to associated companies of approximately RMB76,326,000 (2011: RMB76,326,000) are unsecured, non-interest bearing and is repayable after twelve months from the balance sheet date.

## FOR THE YEAR ENDED 31 DECEMBER 2011

***OPERATION REVIEW FOR 2011***

In 2011, under the conditions of such adverse factors as the European debt crisis, RMB appreciation, decreased export growth, higher costs and frequent natural disasters including the Japanese earthquake and Thailand flood, the Group achieved an operating revenue of RMB95,000,000,000 and profit before tax of RMB997,000,000, both lower than those for the previous year. However, excluding the changes in foreign exchange rates and the non-recurring gains and losses arising from the disposal of long-term equity investment for the previous year, the Group's fundamentals remained sound, with stable and increased shipments and market share. In particular, after the high-end guidelines proposed by the Board, i.e. transforming from "manufactural Great Wall" to "scientific Great Wall", are consistently implemented, the development ideas and industry chains have become clearer and the industry structure increasingly tends to be rational. In 2011, focusing on establishing "scientific Great Wall", the Group promoted the transformation and upgrade of the industry, deployed emerging industries and endeavored to expand market, and in these respects, it achieved anticipated results. The market shares and sales volumes were greatly improved in respect of our core products and business such as monitors, LCD TVs, magnetic heads, memory chips, power supplies and PCBAs, and the Group remained leading position in the industry, which has established solid foundations for the healthy development of the Group's business.

**1. Endeavor to put more efforts on market expansion and seek to improve production operation while remaining stable.**

In 2011, under the tough circumstances of slowing growth pace and lower profit across the industry, all the members of the Group endeavored to put more efforts on both domestic and international markets expansion.

**Firstly, to put more efforts on overseas market expansion**. TPV continued to achieve excellent results of ranking the first in terms of monitors and the third in terms of LCD TVs globally, despite the pressures arising from the weak global economy, significantly lower demand, exchange rate fluctuations and cost increase. Great Wall Kaifa had been endeavoring to continuously improve the platform for the core capability of IEMS focusing on enhancing its total value chain service. With excellent manufacturing capacity and service proficiency, it has become an outstanding partner of a number of well-known international companies. In the second half of 2011, the Thailand flood seriously hit the global hard disk industry, resulting in a slower growth of magnetic head segment of Great Wall Kaifa. However, as compared with the year 2010, the sales of this segment for the whole year were increased by 54.5%. In addition, Great Wall Kaifa captured the opportunities arising from the shortage of production capacity of foreign manufacturers, to seek orders in the PRC in an active manner, as a result of which, it recorded an increase in terms of orders of approximately RMB1,500,000,000. The sales revenue of its internal memories manufacturing was sharply decreased due to lower prices globally, however, there were little changes in respect of the size of this segment and the market share remained unchanged. In 2011, while PC power supply of CGC remained the first in the PRC, the high-end power supply for servers also achieved outstanding results in respect of core technology research and development ("R&D") and overseas market expansion. CGC has 4 types of power supply which have obtained the authentification of "80PLUS Platinum", the maximum energy efficiency standard in the United States ("USA"). Since the high-end power supplies of CGC have been supplied in bulk to a number of domestic well-known manufactures, the sales volume of power supplies for servers in 2011 was up 42% as compared with the previous year. As to solar inverter business, CGC recorded a comparative increase of 60% with sustainable development.

**Secondly, to put more efforts on domestic market expansion**. The electric meter segment of Great Wall Kaifa has been focusing in overseas markets for many years. In 2011, with an objective of improving the market competitiveness of system resolutions, Great Wall Kaifa endeavored to enhance R&D of core products technology to continuously enlarge and extend the industry chains for intelligent measurement system products, in particular, from utilization of electricity to transformation and distribution sectors and the area of new energy access, and from electricity measurement to water and gas measurement. In addition, by putting more efforts on domestic market expansion, it achieved remarkable results. In 2011, Great Wall Kaifa recorded an increase of 160% or above as compared with year 2010 in respect of the sales revenue of electric meters under its self-independent brand in the domestic market and a significant increase in respect of payment terminals.

**2. Endeavor to promote capital operation and accelerate enhancement of competitiveness of industry chain**

In 2011, the Group firmly focused on the enhancement of the competitiveness of its industry chain, made good use of its financing platform in its capacity as a listed company, and actively promoted re-financing by the listed company through additional issuance to enhance the quality of assets and market competitiveness.

**Firstly, to undergo non-public issue of A Shares of CGC**. On 12 May 2011, CGC passed a board resolution to approve the non-public shares issue, the proceeds from which were intended to be used for the acquisition of the TPV shares held by CEIEC (H.K.) Limited, LED power supply business, power supply for servers business, flat computer business, R&D of a highly secured cloud computing box system of Great Wall, and as liquidity funding. This proposal has been approved at the extraordinary general meetings CGC and the Company and subject to the approval of China Securities Regulatory Commission. The reused proposal is subject to the approval of the shareholders of CGC and the Company as well as the relevant government authorities.

**Secondly, to complete the acquisition of PI International Holdings Ltd. ("PI International") by CGC**. On 31 March 2011, China Great Wall Computer (H.K.) Holdings Limited ("Great Wall Hong Kong") was transferred 51% equity interest of PI International. After the completion of this acquisition, CGC and PI International have taken active measures to facilitate culture and resources integration to develop a synergy effect in the domains of procurement, R&D, sales, and manufacturing based on the advantageous foundation in the existing power supply business of both parties. The competitive products of PI International have been introduced to the domestic market by utilizing the advantages of CGC in the domestic market while the advantages of PI International in overseas businesses have helped to explore overseas customers for the power supply products of CGC. In addition, they have worked together to conduct R&D in high-end power supply and progressed well.

**Thirdly, to complete the acquisition of equity interest in Great Wall ExcelStor Information Product (Shenzhen) Limited ("Great Wall ExcelStor") by CGC**. In order to further accelerate the development of solar energy business, CGC acquired 100% equity interest in Great Wall ExcelStor at the consideration of US$24 million. The acquisition was completed in June 2011, which has established a sound foundation for the rapid enhancement in the new energy equipment and system industry.

**Fourthly, to actively facilitate the acquisition of TV business of Koninklijke Philips Electronics N.V. ("Philips") by TPV**. TPV will, by way of establishment of a joint venture company with Philips, acquire and take over Philips' branded TV business worldwide (excluding the PRC, India, North America and certain countries in Mexico and South America). The joint venture company will be granted the exclusive rights and licenses for Philips' trademarks with consideration to the extent of relevant business. By the acquisition and leveraging on the resources advantages of industry chain of CEC, it is beneficial to further improve the market share of the Group's TV business in the world.

**3. Take active measures in the deployment of emerging industries and accelerate industry transformation and upgrade.**

In 2011, as the government has changed the way in which the economy develops and aggressively developed strategic emerging industries, the Group has taken the significant opportunity to accelerate the deployment of strategic emerging industries and to facilitate company transformation and upgrade on an open and cooperative basis. It progressed well in this regard.

For the energy saving business sector, in June 2011, KFES Lighting Company Limited (開發晶照明(廈門)有限公司) ("KFES"), which was jointly established by, among others, Great Wall Kaifa, a major entity under the Group, and Taiwan Epistar Corporation Limited, a world well-known professional R&D manufacturer of LED extension chips and chips, laid a foundation in Xiamen. Phase I of KFES will be completed and put into production in 2012. KFES will be principally engaged in the R&D, production and sales of LED extension chips and chips, and gradually extend to back-light module, light source, light appliances and etc., which represents a firm step by the Group to create LED industry chain.

For new-energy equipment and system business sector, the grid-connected PV power generation system, developed by Great Wall ExcelStor using the high-efficiency amorphous silicon solar cells and grid-connected inverter produced by the Company, was approved as one of the first batch Demonstration Projects of 2011 Golden Sun, which has laid a good foundation to further expand the international and domestic market for our new-energy equipment and systems business. In addition, Great Wall ExcelStor achieved the desired results in respect of the assembly process and equipment technology and testing process and equipment technology for large power inverters of 30-1000KW, which presented 1GW production capacity. As for self-developed small power inverters of 5KW, CGC has also completed sample design and production.

For cloud computing sector, CGC and International Business Machines Corporation ("IBM") reached a cooperation agreement in April 2011, and pursuant to which they have planned to commence collaboration in cloud computing business. Currently, with the preliminary capability of Great Wall cloud computing system integration and provision of solutions, the company has successfully developed the Great Wall integrated cloud computing solution – CloudSmartFoundations (雲智方), which has been officially introduced. The key technology and application research including Great Wall desktop cloud, car networking and campus network has progressed as expected. "Great Wall" servers have been adopted as the critical equipment of the cloud platform in the demonstration system in Beijing, namely "Chang Yun Project", and have been used in a full range in the large cloud service systems like Great Wall Broadband, Chongqing Mobile and etc.. In December 2011, CGC, Fortis and USA EMC ("EMC"), which is one of the core providers in the world of cloud computing technology and leading suppliers of information infrastructure technology and solutions worldwide, signed an agreement, pursuant to which, they intend to integrate their respective advantages and resources to vie for the cloud computing market jointly. The joint venture company will combine EMC's memory technology and cloud computing solutions, Fortis' distribution networks and Great Wall's technology and manufacturing capabilities of servers, to provide information infrastructure solutions and services for future cloud data center in mainland China, in particular, the potential markets of "government affairs cloud", "private enterprises cloud" and "public cloud".

**4. Accelerate the construction of key projects to ensure the sustainable development of the industry.**

According to the development plan of the Group, in the coming years, the Group will get a foothold with the comprehensive strength of the Yue-Gang-Ao Economic Circle and capitalize the resources, technologies, talents and ancillaries within the industry of the Pearl River Delta Economic Circle, the Yangtze River Delta Economic Circle, the Bohai Rim Economic Circle, the Beibu Wan Economic Zone and the West-Strait Experimental Zone, which were considered as the global and regional manufacturing centers. The Group will rationalize the deployment of regional industry and establish a deployment system for the industry base with optimized resources to ensure the sustainable development of the industry. In 2011, the Group has endeavored to accelerate the construction of key projects and accomplished proactive and fruitful tasks concerning the deployment plan of the industry base.

**Firstly, to promote the construction of the industry base of TPV in Beihai**. On 9 April 2011, Beihai Municipal People's Government and Top Victory Investments Limited signed a cooperation agreement in Beihai, upon which, TPV formally stationed at Beihai. It marked a new phase for the construction of China Electronics Corporation Beihai Industry Park. In December 2011, the plant of TPV in Beihai accomplished the mass production as required by the standards.

**Secondly, to promote the construction of the R&D office complex of Great Wall and the industry bases in Dongguan and Huizhou**. The proposal on construction land for the construction project of the R&D office complex of Great Wall has been submitted to the relevant authorities of the Shenzhen Municipal Government for approval.

In 2011, according to the overall strategic plan and upon the approval by its board of directors, Great Wall Kaifa selected Dongguan and Huizhou as its new industry bases. In the first half year, Great Wall Kaifa Dongguan branch was incorporated and in July, Huizhou branch was incorporated. In October, the industry base in Huizhou obtained the State-owned Land Use Permits. The industry bases in both Dongguan and Huizhou are under construction steadily.

**Thirdly, to promote the construction of the industry base of Xiamen KFES**. On 3 June 2011, KFES laid a foundation in the Xiamen Torch High-tech Zone. In order to speed up the commencement of the production of LEDs, Great Wall Kaifa has accelerated the construction of the production base taking full use of various advantageous resources. By putting many efforts, the civil works of KFES plants are being constructed in all respects according to the planning and design and the fundamental pile caps of production facility and the infrastructure of certain office buildings have been completed. The capping of module plants and ancillary buildings have been completed and the capping of the main plants is expected to complete by end April 2012.

**5. Endeavor to control operational risk and ensure a stable yet rapid development of production operation**

In 2011, the rapid increase in raw material price resulted in a significant increase in the operating cost of the Group and increased the operational risks of the Group; the advantages of our human resources cost were weakened, which imposed more pressure on the cost to the Group. The continuous appreciation in RMB directly affected the profit level of products. Confronted with operational risks resulting from the abovementioned factors, the Group adopted the following active countermeasures:

**Firstly, to actively address the risk on credit tightening**. The Group strengthened its capital management and sped up the recovery of trade receivables; made its utmost efforts to reduce loan amount in order to save financial costs; and took advantage of the sound creditworthiness of companies under the name "Great Wall" to secure concentrated credit facilities from banks, so as to resolve difficulty of capital flows encountered by the needy enterprises.

**Secondly, to actively address the exchange rate risk**. The Group imported more raw materials and endeavored to increase domestic sales; optimized the structure of exported commodities to increase the added value of products; changed products pricing strategy and improved the percentage of products settled in RMB; sped up the recovery of trade receivables and foreign currency settlement and; averted exchange rate risks through options as stated in contract terms.

**Thirdly, to perfect the financial alert system**. The Group strengthened its financial analysis, oversaw the flow of capital and asset and the execution of budgets to avert risks. For the external investment projects, the Group underwent feasibility analysis in a prudent manner in order to minimize the investment risks; established financial alert system, which focuses on typical indicators including profitability, solvency, economic efficiency, development potential; and monitored operational risks by using overall budget management.

**Fourthly, to enhance refining management level**. The Group used informatization approaches to strength its supply chain management. The CGC procurement center (長城電腦採購中心) established "Price Change Dynamic Tracking Model" (價格變化動態跟蹤模型) by informatization management approaches, and adjusted market purchase prices in a timely manner in accordance with prices of key raw materials. Great Wall Kaifa optimized informatization management system in a full range, improving significantly the efficiency of monthly settlement for production operation data and reducing the number of days required for monthly settlement. The refining management of the Group has been improved significantly.

***FINANCIAL REVIEW FOR 2011***

During the year ended 31 December 2011, the Group realized a turnover of RMB95,024,261,000 representing an decrease of 9.44% as compared to the corresponding period of 2010. Profit after tax attributable to the equity holders of the Company amounted to RMB156,698,000 representing a decrease of 75.86% as compared to the corresponding period of 2010 year. Such substantial drop was mainly because the non-operating income, being gains from disposal by the Group of its interest in Great Wall Broadband Network Service Co., Ltd. and O-Net Communications (Group) Ltd., recorded in the accounts of the Group for the year ended 31 December 2010.

**Liquidity and Financial Resources**

The Group was financed by a combination of its equity capital base, cash flow generated from operation and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

As at 31 December 2011, the Group's total cash and bank balances were RMB7,537,459,000 and the Group's total borrowings were RMB8,394,530,000. The structure of such borrowings was as follows:

(1) 33.91% and 64.59% and 1.5% were denominated in Renminbi, US dollar and Polish zloty respectively;

(2) 28.2% was made on fixed interest rates.

**Segment Information**

For the LCD industry, the market demand was weak and prices fell in 2011, particularly in the second half of the year. On the other hand, LED-backlit display became popular and 3D television and other new products had a better development.

The Group had a breakthrough under the sluggish trend of end-market demand for the Group's LCD business. The Group committed to the integration of industrial chain, to achieve synergies, improve operational efficiency and hence achieved a growth in the shipments of monitors and a continued growth in market share. The Group remained the world's number one in terms of market share. The Group launched a number of multi-function display products, equipped with multimedia, TV reception and Internet access.

Due to the decline in demand in the European and US markets, the two major markets, in 2011, LCD TV shipments decreased slightly. On the other hand, the Group's efforts to expand high-growth emerging markets had resulted in substantial growth in these markets which helped consolidating the Group's position as the third largest LCD TV manufacturer globally.

The Group actively developed new display terminal products to adapt the demand for "Digital City" and "digital life" products. The Group expanded its LED backlight display products across the board from 15 inches to 65 inches, researched on mass production of 3D and touch screen display products and promoted product structure optimization and upgrade.

The rapid growth in the global cloud computing industry had contributed to the further growth of the hard disk industry. The shipments of the magnetic heads products of the Group increased by over 50% in 2011, a record high. The Group improved its production efficiency and optimized internal resources to ensure the rapid development of the hard disk parts business and timely grasped the opportunities in the hard disk industry brought about by the development of cloud computing industry.

As a result of the substantial drop in the global computer memory prices, the sales revenue of the memory operations of the Group declined 37% in 2011. The Group had however managed to improve the overall level of operating profit through improving manufacturing core strengths, optimizing the internal allocation of resources, investment and other channels to strengthen the upstream parts business, expanding the proportion of non-manufacturing part of the business and accelerating the extension of both ends of the industrial chain.

Leveraging on the existing advantages of the Group's power business, the Group continued to maintain the first position in the domestic market share through strengthening the integration of industrial chain, promoting the product structure optimization, upgrading of vertical transition to the high-end and expanding laterally of the Group's power business.

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2011 as well as other information by business segment and geographical segment is shown in note 10 to the consolidated financial statements of the Company for the year ended 31 December 2011 in the Company's 2011 annual report.

**Gearing Ratio**

As at 31 December 2011, the Group's total borrowings and shareholder's equity were RMB8,394,530,000 and RMB4,571,228,000 respectively, as compared to RMB4,267,261,000 and RMB4,711,663,000 respectively as at 31 December 2010.

As at 31 December 2011, the gearing ratio was 183.64%, and the gearing ratio as at 31 December 2010 was 90.57%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity. The growth in gearing ratio was mainly attributable to the high borrowings of TPV and Great Wall Kaifa.

**Current Ratio and Working Capital**

As at 31 December 2011, the Group's current assets and current liabilities amounted to RMB35,085,030,000 (31 December 2010: RMB33,597,824,000) and RMB28,742,885,000 (31 December 2010: RMB25,778,112,000) respectively, and the Group's working capital was RMB6,342,145,000 (31 December 2010: RMB7,819,712,000) while the current ratio was 1.22. (31 December 2010: 1.30).

**Charges on Group Assets**

As at 31 December 2011, certain of the Group's term deposit with a carrying value of approximately RMB2,270,968,000 (31 December 2010: RMB390,978,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

**Employees**

As at 31 December 2011, the number of employees of the Group was approximately 59,000 and the total emoluments for the year ended 31 December 2011 amounted to RMB3,292,024,000. The remuneration of the employees were determined according to the industry practices, rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

**Foreign Exchange Rate Risk**

It is expected that RMB will continue its appreciation for some time from now on and the fluctuation in the exchange rate of RMB has a larger effect on exports, which account for a major proportion of the Group business and thus impose enormous pressure on the Group in terms of appreciation of RMB.

The Group maintains a sound and healthy financial condition by adopting forward currency settlement measures to reduce exchange loss and by negotiating with customers to determine selling prices in RMB. The Group will also retain certain foreign currency position and settle balances with suppliers in US dollars.

**Guarantee for independent third party**

As at 31 December 2011, the Group provided guarantees of approximately RMB57,456,000 (2010: RMB54,051,000) to third parties in respect of bank facilities granted to third parties.

As at 31 December 2011, certain of the Groups leasehold land and buildings with a carrying value of approximately RMB124,593,000 were pledged to secure bank loans from a fellow subsidiary of the Company.

**Loans to associated companies**

As at 31 December 2011, loans to associated companies of approximately RMB76,326,000 (2010: RMB76,326,000) are unsecured, non-interest bearing and is repayable after twelve months from the balance sheet date.

**Acquisitions/disposal of subsidiaries and associated companies**

*Acquisitions*

(1) Acquisition of equity interests in PI International by Great Wall Hong Kong

In order to promote the development of power supply sector and improve the technology strength of CGC, as considered and approved by CGC's board of directors on 29 March 2011, Great Wall Hong Kong, a subsidiary of CGC, acquired 51% equity interest in PI International from its shareholders at the price of HK$95,000,000. Upon completion of the acquisition on 1 April 2011, Great Wall Hong Kong holds 2,952,900 shares in PI International, representing 51% of the equity interest of PI International, and has therefore become the controlling shareholder of PI International.

(2) Investments of TPV

(i) On 15 June 2010, Top Victory Investments Limited, a wholly-owned subsidiary of TPV, entered into a joint venture agreement with Everlight (BVI) Co., Ltd. and Epistar JV Holding (BVI) Co., Ltd., proposing to form a joint venture company in Fujian Province, China, named Evertop (Fujian) Optoelectronics Co., Ltd. ("Evertop"), with a registered capital of US$25,000,000. Top Victory Investments Limited will contribute US$6,250,000, representing 25% of the total equity of Evertop. During the reporting period, the abovementioned capital contribution has been completed.

(ii) On 1 January 2011, AOC Holding Limited, a subsidiary of TPV, acquired 100% equity interest in Ebony Hong Kong Holding Limited held by Philips and its wholly-owned subsidiary PTC Consumer Electronics Company Limited (晉聲(上海)貿易有限公司) at the price of approximately RMB10,680,000.

(iii) On 1 November 2011, Coöperatie MMD Meridian U.A. ("MMD"), a wholly-owned subsidiary of TPV, Philips, TPV and T. P. Vision Holding B. V. ("JVCo") entered into a sale and purchase agreement, pursuant to which, among other things, MMD has conditionally agreed to acquire 70% of the issued shares in the JVCo from Philips at an amount equal to 70% of JVCo and its subsidiaries' average audited consolidated EBIT in each financial year commencing from (and including) the year ending 31 December 2012 to (and including) the later of (a) 2014 and (b) the last complete financial year prior to the date on which Philips gives notice in writing to MMD for its election to receive the consideration, multiplied by four, provided that, if the above calculation results in a negative number, then the price is deemed to be zero, pursuant to the terms and conditions of the agreement. The sale and purchase agreement and the series of transactions contemplated thereunder were approved at the extraordinary general meeting of the Company held on 21 February 2012 and completion took place on 1 April 2012.

**Disposal**

Disposal of equity interests in Shenzhen Hai Liang Storage Products Co., Ltd. ("Hai Liang Storage")

During year 2011, due to the change of strategy by the substantial shareholders of Hai Liang Storage, there will be a change in its future business model and uncertainties for its income on investments. The disposal of 10% equity interest in Hai Liang Storage each held by CGC and Great Wall Kaifa by way of public listing based on an audit was approved at the meetings of the board of directors of CGC and Great Wall Kaifa held on 8 December 2010 and 28 April 2011, respectively. During the listing, the emerged prospective transferee was Hitachi Global Storage Technologies Netherlands BV ("Hitachi Global") with the delisting price of RMB60 million (or its equivalent in US dollars). The transaction has been approved by CEC, the representative holder of the state-owned assets. On 8 August 2011, the parties signed an Equity Transaction Contract and the change of business registration was subsequently completed on 19 December 2011. CGC and Great Wall Kaifa no longer hold any shares in Hai Liang Storage after completion of the transaction.

**FOR THE YEAR ENDED 31 DECEMBER 2010**

***OPERATION REVIEW FOR 2010***

Under the sophisticated and unpredictable "Post Financial Crisis Era" in 2010, the Company, under the leadership of the Board, seriously implemented the Scientific Development Concept by focusing on the core development idea of "adjusting the structure, improving level, enhancing management and hastening development", emphasizing on its principal operations and accelerating restructuring and industry upgrade to further improve operation efficiency and level of management. With capital operation and structure adjustment, principal operations were further emphasized and the Company achieved a historic breakthrough in operating results, making a new step for the development of the Company. Sales revenue for the year amounted to RMB104,900,000,000, representing a comparative growth of 184%. Gross profit amounted to RMB5,167,000,000, representing a comparative growth of 167%. The audited profit after taxation attributable to shareholders amounted to RMB0.649 billion, representing a comparative growth of 63.22%. The above results mostly met with various operating targets set by the Board.

**A. Leveraging adjustment of capital market to consolidate resources structure and enhance our competence**

In 2010, the Company, under the leadership of the Board, committed itself to "enhancing the core competitiveness and profitability of listed company" by focusing on "forging clear business segments and industry chain to concentrate premium resources in business segments". Through offers, additional private issue, promoting listing, signing financial services agreements, proposed acquisitions, etc., the Company consolidated numerous resources, adjusted business segments and optimized allocation of resources. It reinforced competitive strength and growing potential of principal businesses by highlighting the following aspects:

**The first is to facilitate the Group in the completion of the general offer made to TPV**. Led by the Group, the Company completed the general offer acquisition of TPV at a reasonable consideration in 2010. The Company, with coordination among parties and despite tight schedule and other negative factors such as differences between standards at home and abroad, finalized the consolidation of the financial statement of TPV through rounds of negotiation, and completed the preparation of financial final accounts for 2009 as scheduled.

**The second is to complete the first tranche facilities of CGC**. Raising facilities through private issue of CGC was completed in November 2010. Through this private issue, CGC issued a total of 223,214,286 shares to the Company and Great Wall Kaifa, consisting of 187,500,001 and 35,714,285 shares subscribed in cash, respectively. The issue raised a gross proceeds of approximately RMB 1 billion. Upon completion, the total share capital of CGC was 1,323,593,886 shares. The Company held, directly or indirectly, an aggregate of 749,362,206 shares in CGC, representing 56.62% of its total share capital.

This tranche of facilities efficiently lowered the gear ratios of CGC and China Great Wall Computer (H.K.) Holding Limited (中國長城計算機(香港)控股有限公司) ("Great Wall (HK)") and improved the cashflow while injecting "blood" for the future development of the corporate and finally established a solid foundation. It also offered better direct return on investments made by the Company and Great Wall Kaifa.

**The third is to assist O-Net Communications (Group) Ltd. ("O-Net Communications")** in listing. On 29 April 2010, O-Net Communications was listed on the Stock Exchange, which is an associate of Great Wall Kaifa as to 46% equity interest held through its wholly-owned subsidiary Kaifa Technology (HK) Limited ("Kaifa HK"). Great Wall Kaifa indirectly held 267 million shares in O-Net Communications through Kaifa HK. The relevant market capitalization was over HK$1,000,000,000, which wrote off the provision of bad debts while providing earnings on equity.

**The fourth is to dispose of Great Wall Broadband Network Service Co., Ltd ("Great Wall Broadband")**. In line with segments consolidating strategy, and due to less profit contributions by Great Wall Broadband recent three years and its limited synergies to the principal businesses of the Company, the Company, led by the Board, transferred its equity interest in Great Wall Broadband through the public listing in April 2010. This transfer is to focus resources on principal businesses and recover debts. In September 2010, borrowings and the amount of share transfer of RMB324,000,000 were recovered and the guarantee on the bank loans of RMB550,000,000 was released, diminishing its exposure to uncertainties in future.

**The fifth is to strengthen close relationship with investors by signing financial services cooperation agreement with CEC Finance Co., Ltd. ("CEC Finance")**. Capital is known to be the "blood" of an enterprise. A comprehensive financial services agreement entered into between the Company and CEC Finance was approved at the meeting of shareholders of the Company on 12 March 2010, marking a breakthrough in "facilities platform" and paving roads for future capital operation.

**The sixth is to acquire Great Wall ExcelStor Information Product (Shenzhen) Limited ("Great Wall ExcelStor") by CGC**. In August 2010, CGC kicked off the acquisition of 100% equity interest in Great Wall ExcelStor for a total consideration of US$24,000,000 in order to expand its business. The proposal was approved by the board of CGC and general meeting of CGC on 8 December and 29 December 2010, respectively. The acquisition is expected to cluster internal new energy resources and diversifying products of the Company.

**The seventh is to transfer Great Wall Computer Software and Systems Incorporation Limited ("GWCSS")**. In order to resolve horizontal competition between China National Software and Service Co., Ltd. ("CSS") and GWCSS within CEC, the Company agreed to transfer GWCSS to CSS. On 12 March 2010, the shareholders of the Company approved the share transfer agreement entered into by the Company, CGC and CSS on 28 December 2009 to transfer 34.9% and 34.51% equity interest it held in GWCSS for considerations of RMB46,501,600 and RMB45,970,500, respectively. This assets reorganization optimized resources and emphasized principal businesses.

Thanks to tireless efforts exerted by the management and all the staff of the Company and its members, satisfactory results were achieved in 2010. At the ceremony of "Shenzhen Press Index" Summit Forum and the First "Shenzhen Press Index" Blue Chips held in May 2010, CGC was awarded "Listed Companies with the Most Influence (最具經濟影響力上市公司)", "Blue Chips (績優上市公司)" and "The Most Competitive Listed Company (最具競爭力上市公司)", while Great Wall Kaifa was granted "Listed Company with the Best Investor Relationship (最佳投資者關係上市公司)" by Shenzhen Press Index. In June 2010, CGC ranked the second among "Top 500 of the World Most Growth Chinese Businessman Listed Companies" in 2010 as released by the World Outstanding Chinese Businessman Association. Also, CGC was listed in "Golden Bull 100 Chinese Listed Companies in 2009" by China Securities Journal in July 2010.

## B. Implementing target management to promote major constructions of key proposals

In 2010, we implemented "target management" as required by the Board. The key commissions were set for 2010, each being specifically designated, reported and reviewed regularly, so as to ensure smooth progress on key proposals:

**The first is to build "KFES" project in Xiamen**. It was in line with "two transformations" strategy formulated by the Board that our members should deploy resources in upper stream sector and explore high-end technologies. The Company, leveraging its advantages in industry chain, and in light of the Group's demands for LED backlight products and the potential of global LED lighting industry, had a joint venture "KFES Lighting Company Limited (開發晶照明公司) established in Xiamen by Great Wall Kaifa and TPV in conjunction with Epistar and Evertop, both world top LED chips manufacturers, with a total investment of US$290,000,000. On 27 December 2010, an agreement was duly signed between the above parties. The joint venture will avail itself of the R&D and manufacturing of extension chips and crystal parts to extend to LED encapsulation and lighting application, aiming for billions of US dollars of LED industry chain.

**The second is to make smooth progress on "Great Wall Kaifa (Suzhou) Phase II Project"**. Two plants were completed and put into production. We adopted the U.S. LEED Green Building Standards for the project on its design to construction and strictly followed the standards to design and construct while highlighting the saving on energy, lands, water and materials and environmental protection and placing emphasis on the harmony between building, human and environment by utilizing ground space for car parking, chilled water pool, fire pool and waste water cycling, etc., in order to set a sound foundation for the overall energy saving and drainage reduction works of the Company under the "Twelve Five-Year Plan".

**The third is to preliminarily finish the demonstration on building for "CGC R&D Complex Project"**. The CGC R&D Complex Project was initiated in May 2010, and an internal review on feasibility report and assessment on communications impact was finished recently.

**The fourth is to facilitate the smooth progress of "streamlining corporate structure and optimizing resources deployment"**. With the aim to optimize resources deployment and corporate structure, the Company completed the transfer and shutdown of five subsidiaries in 2010. Accordingly, resources deployment was optimized and asset efficiency was improved.

**The fifth is to proceed with fruitful industry transfer in Beihai and Guilin by stages**. Beihai industry transfer kept well going by assisting Shenzhen in resolving the issue of ever-rising production and living costs. On 18 December 2010, Yongfu office of Guilin Changhai Technology (桂林長海科技永福分公司) was set up and commenced production, this record-breaking pace in establishing a business in Guilin was favorably noticed by the local government.

**The sixth is to make fresh progress in technological innovation and strengthen technology support by "double drivers".** In 2010, members of the Company made applications for a total of 57 patents, consisting of 20 inventions, 10 utility models, 7 designs. There were 53 newly granted patents, consisting of 3 inventions, 20 utility models, 7 designs and 11 software copyrights. Great Wall Kaifa was awarded the "2009 Shenzhen Intelligent Property Dominating Enterprise (2009年深圳市智慧財產權優勢企業)" by Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局) in August 2010, recognizing its outstanding performance in intelligent property protection and proprietary innovation.

**C. Advancing systems construction to enhance refined management**

**The first is to further improve construction of legal systems of the Company**. In 2010, the Company, by focusing on operations and giving priority to the construction and upgrade of legal risk prevention system, endeavored to sort out and improve existing rules and regulations through the promulgation of 80 systems and 63 processes, which won us "Advanced Unit for Legal System Works (法制工作先進單位)" awarded by the competent authority.

**The second is to promote full-scale budget management to exert strict control over cost**. With intensified efforts in budget analysis, implementation and control, we strived for "forecast in advance, control in progress and post-event supervision", thus made it possible for "profit-oriented, marketbased and business unit-carried" to ensure smooth preparation of budget. In 2010, in view of refined management and target management, the Company cut down its costs (as per the consolidated financial statements) by 2% despite an increase of 40% in profit (excluding that of TPV).

**The third is to make new breakthroughs in informationalization**. Being high-tech manufacturers, significant efforts were under way by the Company and its members by pouring human and material resources in network infrastructure, IT hardware equipments and even application systems. Our informationalization level was rated as A.

**The fourth is to keep production safety and push on energy saving and drainage reduction works**. In 2010, the Company continued to stress the production safety and accountability system, set up and perfected production safety inspection mechanism, hence rendering the situation of production safety to develop stably. As a result, "slight injuries accidents" decreased sharply as compared to last year. Each member of the Company had introduced, digested and absorbed new concepts, techniques and technologies of energy saving and drainage reduction works. They took a mass of effective measures and achieved overall targets of energy saving and drainage reduction works set by the Board under the "Eleventh-Five-Year-Plan".

**The fifth is to emphasize brand building**. The Company hoisted a series of large brand building campaigns and attended major exhibitions to enhance its brand value. On 8 January 2010, it was the fourth time that CGC's brand received the "Top 10 Chinese Consumer Electronics Brands (中國十大消費電子領先品牌)" award. On 8 December, CGC was titled the "CCTV China Brand of the Year 2010 (2010 • CCTV中國年度品牌)". Great Wall Kaifa set its brand building goal as "fostering corporate image, gathering staff loyalty, forging EMS's advanced corporate brand".

**The sixth is to carry out system reform to develop talents team**. According to the requirements of the Board, the Company continued to develop talents team and reserve cadre team. Cadre actively participated in various special trainings led by heads of each level to improve their political quality and management standards. Such healthy corporate culture and staff relationship won for CGC a second award as "The Best Employer in China" at the fifth EB Annual Conference in China.

**The seventh is to build "punishment with prevention system" to improve the party's work style and uphold integrity as well as discipline inspection and supervision work**. The Company rendered each level to sign "responsibility letter for improving the party's work style and upholding integrity". Through implementing discipline management at "key posts" and "major units" in the infrastructures, biding, sourcing and sales, the Company met its goal of improving incorrupt administration. With all of these, we mostly accomplished the goal of surveillance work, i.e. selecting a project, inspecting a kind of issues and improving a set of systems. In 2010, the Company also held a "small treasuries" special work and ensured healthy development.

### *FINANCIAL REVIEW FOR 2010*

During the year ended 31 December 2010, the Group realized a turnover of RMB104,931,670,000 representing an increase of 182.95% as compared to the corresponding period of 2009. The increase in turnover were mainly attributable to the consolidation of TPV's turnover for the year into the Group in 2010 as compared to the consolidation of TPV's turnover for the fourth quarter only in 2009, and a substantial increase in the turnover of Great Wall Kaifa. Profit after tax attributable to the equity holders of the Company amounted to RMB648,989,000 representing an increase of 63.22% as compared to the corresponding period of 2009 year. The increase in profit after taxation for the year attributable to the equity holders of the Company were mainly attributable to the consolidation of TPV's statements into the Group and the increase in gain on transfer of equity interest in associated companies.

**Liquidity and Financial Resources**

The Group was financed by a combination of its equity capital base, cash flow generated from operation and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

As at 31 December 2010, the Group's total cash and bank balances were RMB2,757,805,000 and the Group's total borrowings were RMB4,267,261,000. The structure of such borrowings was as follows:

(1) 8.20% and 91.80% were denominated in Renminbi and US dollar respectively;

(2) 90.82% was made on fixed interest rates.

**Segment Information**

For LCD industry, the demand grew and price was steady in the first half of 2010, However, both the price and demand fell in the second half of 2010. Global monitor shipments grew 5.1% and demand for LCD TVs up 31.7 % in 2011.

The Group continued to adhere to the dual focuses of OEM/ODM and own-brand display businesses. The Group strengthened its quality control and improved operational efficiency. Shipments grew 22.3% and the Group continued to maintain its numbered one position in the world.

The Group's LCD TV business shipment growth by 55.6% and accounted for 7.7% of global supply and ranked as the world's third-largest LCD TV manufacturer. TPV and Philips signed an exclusive trademark rights agreement authorizing TPV to produce and distribute certain Philips LCD TVs in China from January 2011 for a period of five years. This cooperation has great strategic significance to TPV.

The Group recorded a revenue of RMB8,806,000,000 from the sale of hard disk and related products, an increase of 19% over 2009. The revenue from the Group's magnetic head products was RMB4,250,000,000, an increase of 39.66% over 2009. The order from our key customer, Seagate, grew steadily. Our magnetic head business performed better than we have expected. Our Group was the only supplier for reactor head of the server hard disk of Seagate.

As the prices of computer memory rose sharply, the memory sticks and U disk business of the Group achieved a revenue of RMB10,730,000,000.

The Group gave full play to the advantages of its leading position in domestic power manufacturing and R & D. Whilst consolidating the market share of desktop power supply, the Group actively transform towards the new power industry. The scale of business expanded rapidly with steady growth in profitability. The total sales volume grew 42% and the market share was over 35%, retaining the Group's number one brand position. There was substantial growth in non-desktop power supply business, the sales of which grew nearly by around 1.5 times as compared with the corresponding period in 2009.

For the computer business, the Group focused on product and business model innovation. The Group released GPAD, GBOOK Tablet PC products etc., signed a strategic cooperation agreement with

Gome and the products were sold at the core stores of Gome. The Group adjusted its business strategy in the fierce market competition and strengthened cost control which resulted in an expansion in the business scale. The total sales volume increased by 15% year on year, of which the sales of notebook increased 41% and revenue grew 17% as compared with the corresponding period in 2009.

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2010 as well as other information by business segment and geographical segment is shown in note 11 to the consolidated financial statements of the Company for the year ended 31 December 2010 in the Company's 2010 annual report.

**Gearing Ratio**

As at 31 December 2010, the Group's total borrowings and shareholder's equity were RMB4,267,261,000 and RMB4,711,663,000 respectively, as compared to RMB3,243,368,000 and RMB4,441,871,000 respectively as at 31 December 2009.

As at 31 December 2010, the gearing ratio was 90.57%, and the gearing ratio as at 31 December 2009 was 73.02%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity. The growth in gearing ratio was mainly attributable to the growth in TPV's gearing ratio.

**Current Ratio and Working Capital**

As at 31 December 2010, the Group's current assets and current liabilities amounted to RMB33,597,824,000 (31 December 2009: RMB28,604,935,000) and RMB25,778,112,000 (31 December 2009: RMB22,059,540,000) respectively, and the Group's working capital was RMB7,819,712,000 (31 December 2009: RMB6,545,395,000) while the current ratio was 1.30. (31 December 2009: 1.30).

**Charges on Group Assets**

As at 31 December 2010, certain of the Group's term deposit with a carrying value of approximately RMB390,978,000 (31 December 2009: RMB339,900,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

**Employees**

As at 31 December 2010, the number of employees of the Group was approximately 53,000 people whose total emoluments for the year ended 31 December 2010 amounted to RMB2,490,128,000. The remuneration of the employees was determined according to the industry practices, rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

**Foreign Exchange Rate Risk**

RMB will continue its appreciation for some time from now on and the fluctuation in the exchange rate of RMB has a larger effect on exports, which account for a major proportion of the Group business and thus impose enormous pressure on the Group in terms of appreciation of RMB.

The Group maintains a sound and healthy financial condition by adopting forward currency settlement measures to reduce exchange loss and by negotiating with customers to determine selling prices in RMB. The Group will also retain certain foreign currency position and settle balances with suppliers in US dollars.

**Guarantee for independent third party**

As at 31 December 2010, the Group provided guarantees of approximately RMB54,051,000 to third parties in respect of bank facilities granted to third parties.

As at 31 December 2010, certain of the Groups leasehold land and buildings with a carrying value of approximately RMB158,945,000 were pledged to secure bank loans from a fellow subsidiary of the Company.

**Guarantee for associated companies**

As at 31 December 2010, the Group provided a guarantee of approximately RMB19,868,000 (2009: RMB570,385,000) in respect of bank facilities granted to associated companies.

**Loans to associated companies**

As at 31 December 2010, loans to associated companies of approximately RMB76,326,000 (2009: RMB378,858,000) are unsecured, non-interest bearing (2009: 5.05%-7.02%) and is repayable after twelve months from the balance sheet date.

**Acquisitions/disposal of subsidiaries and associated companies**

On 28 December 2009, the Company and CGC each entered into a share transfer agreement with CSS to transfer to CSS their respective 34.9% and 34.51% equity interest in GWCSS at a consideration of RMB46,501,600 and RMB45,970,500 respectively. The disposals were approved at the extraordinary general meeting of the Company held on 12 March 2010. The Group ceased to hold any shares in GWCSS upon completion of the disposal. A gain of approximately RMB7,440,000 was recorded from the disposal.

On 11 August 2010, the Company, CGC and Great Wall Kaifa, as vendors, entered into an equity transfer agreement with CITIC Network Co., Ltd. pursuant to which (i) the Company, CGC and Great Wall Kaifa agreed to sell in aggregate 50% of the capital of Great Wall Broadband, an associated company of the Company; and (ii) the Company and Great Wall Kaifa together agreed to dispose of the entire amount of loan owed by Great Wall Broadband to them to CITIC Network Co., Ltd. at an aggregate consideration of RMB323,797,891.41. Upon completion of the disposal in August 2010, the Group ceased to have any interest in Great Wall Broadband.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICERS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

**Personal Interests**

| Name of Director/ Chief Executive | Number of shares held | Approximate percentage of total registered share capital of the relevant entity |
|---|---|---|
| Mr. Tam Man Chi | 1,670,817 shares of Great Wall Kaifa (L) | 0.13% |
| Mr. Du Heping | 60,000 shares of CGC (L) | 0.0045% |
| | 6,270 shares of Great Wall Kaifa (L) | 0.0005% |

**Corporate Interests**

| Name of Director | Number of shares held | Approximate percentage of total registered share capital of the relevant entity |
|---|---|---|
| Mr. Tam Man Chi | 106,649,381 shares of Great Wall Kaifa (L) *(Note)* | 8.08% |

*Note:* These shares are held by Broadata (HK) Limited, which in turn is held as to 69.08% by Flash Bright Investment Limited. Mr. Tam Man Chi and his spouse hold in aggregate 100% equity interest in Flash Bright Investment Limited.

The letter "L" denotes a long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interest, direct or indirect, in any asset which have been since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or lease to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

## 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executives of the Company are aware, the following persons (not being a Director, supervisor or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, were as follows:

**Long position in the shares and underlying shares of the Company**

| Name of Shareholder | Class of shares | Number of shares held | Shareholding percentage of issued state-owned legal person shares | Shareholding percentage of issued Shares |
|---|---|---|---|---|
| Great Wall Group | State-owned legal person shares | 743,870,000 | 100% | 62.11% |

Since 18 August 2006, Great Wall Group has been wholly owned by CEC which in turn, has become the ultimate controlling shareholder of the Company by holding 62.11% of the Company's total issued share capital.

| | Position(s) in the Company | Position(s) in Great Wall Group |
|---|---|---|
| Mr. Yang Jun | director | director and vice-president |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or senior management had any interest or position in the substantial shareholders of the Company.

Save as disclosed above, so far as is known to the Directors, supervisor and chief executive of the Company, as at the Latest Practicable Date, no other person (other than the Directors, supervisors and chief executives of the Company), had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or, who was, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## 4. COMPETING INTERESTS

Each of the Directors has confirmed that he and his associates do not have any interests in a business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest audited financial statements of the Group were made up.

## 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Directors or supervisors of the Company had any existing or proposed service contracts with the Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 8. MATERIAL CONTRACTS

The following contracts (not being contract in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

(a) the New GWT Agreement;

(b) the New Kaifa Agreement;

(c) the CGC Agreement;

(d) the agreement dated 7 June 2013 and entered into by China Electronics Great Wall Energy (Shenzhen) Co., Ltd. ("Great Wall Energy"), a wholly-owned subsidiary of CGC, and Shenzhen Land Reserve Centre, pursuant to which Great Wall Energy agreed to sell, and Shenzhen Land Reserve Centre, agreed to acquire the two pieces of lands situated at Ping Shan New District, Ping Shan Grand Industrial Zone, Shenzhen, the PRC, namely G12302-0774 of approximately 5,784.88 square meters ("Land A") and G12203-0119 of approximately 82,588.51 square meters ("Land B") (inclusive of the respective land use rights) (Land A and Land B collectively, the "Land") and all premises erected on the Land as well as the seven complementary facilities on Land A at an aggregate consideration of RMB156,211,572;

(e) the merger agreement dated 4 June 2013 and entered into among Top Victory Investments Limited ("Top Victory"), a wholly-owned subsidiary of TPV, TP Vision Holding B.V., ("TP Vision"), a non wholly-owned subsidiary of TPV, TP Vision Indústria Eletrônica Ltda., ("TP Vision Brazil"), a wholly-owned subsidiary of TP Vision, and Envision Indústria De Produtos Eletrônicos Ltda. ("Envision Brazil"), a wholly-owned subsidiary of Top Victory, pursuant to which the parties have agreed to the merger of TP Vision Brazil and Envision Brazil under Brazilian law through the injection of the entire business, assets and liabilities of TP Vision Brazil into Envision Brazil;

(f) the capital injection agreement dated 27 March 2013 and entered into among CEC, CGC and 深圳中電長城信息安全系統有限公司 (Shenzhen CEC Great Wall Information Security System Co., Ltd.((" Xin An") pursuant to which the parties agreed that CEC to inject RMB100,000,000 into Xin An as registered capital of Xin An;

(g) the joint venture agreement dated 27 April 2012 and entered into between Top Victory and 南京中電熊猫液晶顯示科技有限公司 (CEC Panda LCD Technology Co., Ltd.) ("Panda LCD"), a subsidiary of CEC, in relation to the establishment of 南京中電熊猫平板顯示科技有限公司 (CEC Panda Flat Panel Display Technology Co., Ltd) ("Joint Venture"), which will be owned as to 0.8% by Top Victory and 99.2% by Panda LCD. The total investment of the Joint Venture will be RMB35,000,000,000 and the registered capital of the Joint Venture will be RMB17,500,000,000, of which Top Victory will contribute 0.8% (i.e. RMB140,000,000) and Panda LCD will contribute 99.2% (RMB17,360,000,000);

(h) the supplemental agreement dated 1 April 2012 to the sale and purchase agreement referred to paragraph (l) below by the parties thereto to vary certain provisions of the agreement;

(i) the supplemental agreement dated 16 March 2012 and entered into between CEC and CGC to revise some terms of the subscription agreement dated 11 May 2011 in relation to the subscription by CEC for a subscription amount of not more than RMB100,000,000 of the new shares to be offered by CGC in its non-public offering of new shares;

(j) the supplemental agreement to the subscription agreement dated 11 May 2011 entered into between CEC and CGC whereby the parties agreed to revise certain terms of the subscription agreement; the sale and purchase agreement dated 8 December 2011 entered into among 蘇州冠捷科技有限公司 (TPV Technology (Suzhou) Company Limited*), 蘇州市土地儲備中心 (Suzhou Land Reserve Centre*) and 蘇州國家高新技術產業開發區管理委員會 (the Suzhou National New & Hi-Tech Industrial Development Zone Administration Committee*) in relation to the sale and purchase of the land (together with the buildings and other immovable fixed assets attached thereto) situated at the Suzhou National New & Hi-Tech Industrial Development Zone, Suzhou, the Jiangsu Province, the PRC for a consideration of RMB510,000,000 (equivalent to approximately US$80,300,000);

(k) the construction design contract dated 18 November 2011 entered into between Huizhou Great Wall Development Technology Company Limited ("Huizhou Development") and The IT Electronics Eleventh Design and Research Institute Scientific and Technological Engineering Corporation Limited in respect of the construction design of phase I of the production base of Huizhou Development at a consideration of RMB3,840,000; and

(l) the sale and purchase agreement dated 1 November 2011 entered into between TPV, Cooperatie MMD Meridian U.A. ("MMD"), Koninklijke Philips Electronics N. V. ("Philips") and T.P. Vision Holding B.V. ("JV Co") in respect of the acquisition by MMD of 70% equity interest in JV Co form Philips at an amount equal to 70% of JV Co and its subsidiaries' average audited consolidated EBIT in each financial year commencing from (and including) the year ending 31 December 2012 to (and including) the later of (a) 2014 and (b) the last complete financial year prior to the date on which Philips gives notice in writing to MMD for is election to received the consideration, multiplied by four, provided that, if the above calculation results in a negative number, then the price is deemed to be zero, pursuant to the terms and conditions of the agreement.

## 9. EXPERT AND CONSENT

The following sets out the qualifications of the expert which has given an opinion or advice on the information contained in this circular:

| Name | Qualifications |
|---|---|
| Get Nice Capital Limited | A corporation licensed under the SFO for carrying out type 6 (advising on corporate finance) regulated activities under the SFO |
| SHINEWING (HK) CPA Limited (“SHINEWING”) | Certified Public Accountants |
| Jones Lang Lasalle Corporate Appraisal and Advisory Limited (“Valuer”) | professional property valuer |

(b) As at the Latest Practicable Date, the Independent Financial Adviser, SHINEWING and Valuer had no interest, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, the Independent Financial Adviser, SHINEWING and Valuer had no interest, direct or indirect, in any assets which have been since 31 December 2012, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Each of the Independent Financial Adviser, SHINEWING and Valuer has given and has not withdrawn its written consent to the issue of this circular with its letter included in the form and context in which it is included.

(e) The letter and recommendation given by the Independent Financial Adviser are given as of the date of this circular for incorporation therein.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 2201, H.K. Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this circular.

(a) the New GWT Agreement;

(b) the New Kaifa Agreement;

(c) the CGC Agreement;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(f) the Feasibility Study Report;

(g) the articles of association of the Company;

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(i) the annual report of the Company for the three years ended 31 December 2012;

(j) the interim report of the Company of the six months ended 30 June 2013;

(k) the report in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(l) the letter and valuation certificate prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix IV to this circular;

(m) the written consents referred to in the paragraph headed "Consents of Experts" in this appendix;

(n) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since 31 December 2012, being the date of the latest published audited accounts; and

(o) this circular.

## 11. GENERAL

(a) The company secretary of the Company is Ms. Zhong Yan, an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Zhong obtained a bachelor's degree in Business English from Zhongnan University of Economics and Law and a bachelor's degree in Journalism from Wuhan University, both in 2006.

(b) The Company's H shares registrar and transfer office is Hong Kong Registrars Ltd., Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The legal address of the Company is No. 2, Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, the PRC.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

# 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)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting ("**EGM**") of the Company will be held at 16th Floor, Great Wall Technology Building, No. 2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, PRC on 12 November 2013 at 9:30 a.m. to consider and if thought fit, pass with or without amendments, the following resolutions:

### ORDINARY RESOLUTIONS

1. "**THAT** the Construction Project as described in the circular dated 25 September 2013 (a copy of which has been produced to the EGM and marked "A" and signed by the Chairman of the EGM for the purpose of identification (the "Circular")) be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things, including where necessary approving the detailed design of the Office Complex (as more particularly described in the Circular) on behalf of the Company as they may, in their absolute discretion, consider necessary, desirable or expedient in connection therewith."

2. "THAT the New GWT Agreement (as more particularly described in the Circular), a copy of which has been produced to the EGM and marked "B" and signed by the Chairman of the EGM for the purpose of identification, and the transactions contemplated thereunder including the transaction involving the provision of deposit services by CEC Finance Co. Ltd. and the GWT Deposit Cap (as more particularly described in the Circular) be and are hereby approved and the directors of the Company be and are hereby authorized to take any step as they consider necessary, desirable or expedient in connection therewith."

3. "THAT the New Kaifa Agreement (as more particularly described in the Circular), a copy of which has been produced to the EGM and marked "C" and signed by the Chairman of the EGM for the purpose of identification, and the transactions contemplated thereunder including the transaction involving the provision of deposit services deposit services by CEC Finance Co. Ltd. and the Kaifa Deposit Cap (as more particularly described in the Circular) be and are hereby approved and the directors of the Company be and are hereby authorized to take any step as they consider necessary, desirable or expedient in connection therewith."

4. "THAT the CGC Agreement (as more particularly described in the Circular), a copy of which has been produced to the EGM and marked "D" and signed by the Chairman of the EGM for the purpose of identification, and the transactions contemplated thereunder including the transaction involving the provision of deposit services deposit services by CEC Finance Co. Ltd. and the CGC Deposit Cap (as more particularly described in the Circular) be and are hereby approved and the directors of the Company be and are hereby authorized to take any step as they consider necessary, desirable or expedient in connection therewith."

By order of the Board
**Great Wall Technology Company Limited**
**Liu Liehong**
*Chairman*

Shenzhen, PRC, 25 September 2013

*Notes:*

1. The register of members of the Company will be closed from 12 October 2013 to 12 November 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the EGM, holders of H shares shall lodge all share transfers accompanied by the relevant share certificates with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 11 October 2013.

2. Holders of H shares and domestic shares whose names appear on the register of members of the Company at the close of business on 11 October 2013 are entitled to attend and vote at the EGM and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the H share registrar of the Company Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H shares) or the legal address of the Company (for holders of domestic shares) not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof.

4. Shareholders who intend to attend the EGM should complete and return the reply slip by hand, by post or by facsimile to the legal address of the Company on or before 23 October 2013.

5. Voting at the EGM will be conducted by way of poll.

6. The legal address and head office of the Company is as follows:

   No. 2 Keyuan Road,
   Technology and Industry Park,
   Nanshan District,
   Shenzhen, 518057
   PRC
   Tel: 86 755 2672 8686
   Fax: 86 755 2650 4493

7. The EGM is expected to take half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the EGM.

9. As at the date of this circular, the board of directors of the Company comprises:

   *Executive Directors:*
   Mr. Liu Liehong *(Chairman)*
   Mr. Tam Man Chi
   Mr. Yang Jun
   Mr. Du Heping
   Mr. Fu Qiang
   Mr. Xu Haihe

   *Independent Non-executive Directors:*
   Mr. Yao Xiaocong
   Mr. James Kong Tin Wong
   Mr. Zeng Zhijie