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**GWT**

**長城科技股份有限公司**

**Great Wall Technology Company Limited**

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

*(Stock Code: 0074)*

## **CONNECTED TRANSACTION**

### **OFFICE PREMISES ARRANGEMENT BETWEEN CGC AND CEC INSTITUTE**

The Company announced that on 21 October 2013, CGC, a non-wholly owned subsidiary of the Company, entered into the Premises Agreement in respect of the Office Premises with CEC Institute.

CGC is a non-wholly owned subsidiary of the Company. CEC Institute is a wholly-owned subsidiary of CEC. As CEC is the ultimate controlling Shareholder holding approximately 62.11% interest in the issued share capital of the Company, CEC Institute is regarded as a connected person of the Company under the Listing Rules. Accordingly, the Arrangement constitutes a connected transaction of the Company pursuant to the Listing Rules.

As all the relevant ratios (as defined under the Listing Rules) in respect of the Arrangement exceed 0.1% but are less than 5%, the Arrangement is subject to the announcement and reporting requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

## **PREMISES AGREEMENT**

### **Date**

21 October 2013

The Premises Agreement shall become effective on the Effective Date.

### **Parties**

- (1) CEC Institute; and
- (2) CGC

## **Background**

CEC has engaged CEC Institute as the contractor for the Construction Project. The Construction Project is divided into two phases. The first phase has an aggregated construction area of approximately 160,367m<sup>2</sup> and includes four buildings (A, B, C and D), each of which is six-storey high with two underground levels.

The Office Premises comprises the whole of the fourth floor of Building A. The total construction area of the Office Premises is approximately 4,445m<sup>2</sup>. The Office Premises can be used as R&D facilities and office and comes with 25 complimentary underground parking lots.

CGC intends to use the Office Premises as a R&D platform for its information safety system.

## **Consideration**

The Parties agreed that the consideration for the Arrangement shall be equal to the total cost of constructing the Office Premises, which shall be determined in accordance with the completion accounts of the Office Premises and settled within one month from the issue of the completion report. Upon considering the Property Valuation Report issued by Tian Jian in relation to the property prices of office premises in surrounding areas of Future & Science Technology City and arm's length negotiation, the Parties agreed to set the initial consideration at RMB57,785,000, being the estimated construction costs of the Office Premises, which shall be paid by CGC to CEC Institute in the following manner:

- (1) RMB11,557,000, being 20% of the Consideration, within five days from the Effective Date; and
- (2) RMB46,228,000, being 80% of the Consideration, within one month from the Effective Date.

The Parties further agreed that if the Settled Construction Cost is lower than the Consideration, CEC Institute shall pay the difference to CGC. If the Settled Construction Cost is higher than the Consideration but the difference does not exceed 10% of the Consideration, CGC shall be responsible for the difference.

If the Settled Construction Cost is higher than the Consideration and the difference exceeds 10% of the Consideration, CGC may unilaterally terminate the Premises Agreement. If CGC elects to terminate the Premises Agreement, CEC Institute shall refund all the monies which it has already received from CGC under the Premises Agreement, plus interest accrued thereon based on the then prevailing bank deposit interest rate, and CGC shall return the Office Premises to CEC Institute and pay CEC Institute rent at market rate for the duration it has occupied the Office Premises. If CGC elects not to terminate the Premises Agreement, it is entitled to occupy the Office Premises until the expiry of the land use term of the Office Premises upon paying CEC

Institute the entire amount of the Settled Construction Cost as usage fees of the Office Premises for such period. In any of these cases, the Company will comply with the relevant requirements under the Listing Rules as appropriate at the material time.

### **Warranties**

CEC Institute warrants to CGC that:

- (1) it has absolute title to the Office Premises;
- (2) the Office Premises is not subject to any encumbrance; and
- (3) the basic facilities of the municipal administration shall satisfy the Office Premises' use as general R&D facilities and office before 31 December 2013.

### **Delivery**

CEC Institute shall deliver the Office Premises in accordance with the conditions specified under the Premises Agreement to CGC within one month after the Effective Date to enable CGC to renovate the Office Premises.

### **Other Key Terms**

The rights for usage and income of the Office Premises shall be transferred from CEC Institute to CGC on the Effective Date.

Upon obtaining the approvals from the relevant PRC authorities, CEC Institute shall transfer the title of the Office Premises to CGC and the Parties shall separately enter into an agreement regarding such transfer in accordance with the Premises Agreement and PRC laws and regulations. The Parties agreed that the Settled Construction Cost paid by CGC to CEC Institute under the Premises Agreement shall be used to off-set the consideration for the transfer of title and CGC shall bear all the taxes arising from the transfer of title on the condition that the consideration for such transfer and the taxes thereof shall not exceed 120% of the Settled Construction Cost.

If CEC Institute fails to obtain the approvals from the relevant PRC authorities in connection with the transfer of title of the Office Premises, or if the consideration for the transfer of title and the taxes thereof exceed 120% of the Settled Construction Cost, CGC may unilaterally terminate the Premises Agreement. If CGC elects to terminate the Premises Agreement, CEC Institute shall refund all the monies which it has already received from CGC under the Premises Agreement, plus interest accrued thereon based on the then prevailing bank deposit interest rate, and CGC shall return the Office Premises to CEC Institute and pay CEC Institute rent at market rate for the duration it has occupied the Office Premises. If CGC elects not to terminate the Premises Agreement, it is entitled to occupy the Office Premises until the expiry of the land use term of the Office Premises upon paying CEC Institute the entire amount of the Settled Construction Cost as usage fees of the Office Premises for such period.

The Company will comply with the relevant requirements under the Listing Rules as appropriate at the material time.

In addition, CGC shall enter into a property management agreement with the property management companies selected by CEC Institute in relation to the property management of the Office Premises.

### **Breach of Contract**

If any Party breaches the Premises Agreement or the warranties thereunder and such breach causes damages to the other Party, the defaulting Party shall fully compensate the non-defaulting Party unless otherwise provided by the Premises Agreement.

If CGC pays the Consideration late, it shall pay CEC Institute 0.01% of the amount due as liquidated damages for each overdue day, and if the amount is overdue for more than one month from the Effective Date, CEC Institute may unilaterally terminate the Premises Agreement.

If CEC Institute delays the delivery of the Office Premises or the Office Premises fails to meet the conditions specified under the Premises Agreement, CEC Institute shall pay CGC 0.01% of the Consideration as liquidated damages for each defaulting day.

If any Party deliberately delays or not cooperate with the other Party and such delay or non-cooperation constitutes a breach of the Premises Agreement, the defaulting Party shall pay to the non-defaulting Party 0.01% of the Settled Construction Cost as liquidated damages for each defaulting day.

### **REASONS FOR AND BENEFITS FOR THE ARRANGEMENT**

The Directors (including the independent non-executive Directors) are of the view that the Arrangement will (i) enable CGC to leverage on the resources provided by the Construction Project to develop its information safety system, (ii) facilitate CGC in its product and customer development as many of the targeted customers are located in Beijing (iii) raise overall efficiency and (iv) enhance competitiveness and long term development.

The Directors (including the independent non-executive Directors) consider the terms of the Premises Agreement are fair and reasonable and the entering into the transactions contemplated under the Premises Agreement to be in the best interests of the Group and the Shareholders as a whole.

No Directors has a material interest in the transactions contemplated under the Premises Agreement and none of them have abstained from voting on the Board resolution approving the same.

## **INFORMATION ON THE GROUP AND CGC**

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

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

## **INFORMATION ON CEC INSTITUTE**

CEC Institute is principally engaged in the promotion of safety electronic information technology, construction contracting, software development and sale of electronic products.

## **LISTING RULES IMPLICATIONS**

CGC is a non-wholly owned subsidiary of the Company. CEC Institute is a wholly-owned subsidiary of CEC. As CEC is the ultimate controlling Shareholder holding approximately 62.11% interest in the issued share capital of the Company, CEC Institute is regarded as a connected person of the Company under the Listing Rules. Accordingly, the Arrangement constitutes a connected transaction of the Company pursuant to the Listing Rules.

As all the relevant ratios (as defined under the Listing Rules) in respect of the Arrangement exceed 0.1% but are less than 5%, the Arrangement is subject to the announcement and reporting requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules

## **DEFINITIONS**

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

“Arrangement”	the arrangement in respect of the Office Premises agreed between CGC and CEC Institute under the Premises Agreement including the payment of the Consideration and transfer of rights and title of the Office Premises
“Board”	the board of Directors
“CEC”	China Electronics Corporation 中國電子信息產業集團有限公司, a state-owned company incorporated in the PRC, the ultimate controlling Shareholder

“CEC Institute”	CEC Institute of Information Technology Co., Ltd. 中電信息技術研究院有限公司, a limited liability company incorporated in the PRC, a wholly-owned subsidiary of CEC
“CGC”	China Great Wall Computer (Shenzhen) Co., Ltd. 中國長城計算機深圳股份有限公司, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange, which is owned as to 53.92% by the Company
“Company”	Great Wall Technology Company Limited 長城科技股份有限公司, a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange
Consideration	RMB57,785,000, the initial consideration agreed between the Parties in respect of the Arrangement, being the estimated total construction costs of the Office Premises
“Construction Project”	the project for constructing various office complexes in the northern area of Future & Science Technology City, Bei Qi Jia, Chang Ping District, Beijing, the PRC for CEC
“Directors”	the directors of the Company
“Effective Date”	the date on which all the approvals required from CEC Institute and CGC in respect of the Acquisition have been obtained
“EMS”	electronics manufacturing services
“Group”	the Company and its subsidiaries
“LCD”	liquid crystal display
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Office Premises”	the whole of the fourth floor of Building A situated at the northern area of Future & Science Technology City, Bei Qi Jia, Chang Ping District, Beijing, the PRC, with approximately 4,445m <sup>2</sup>

“Party(ies)”	the party(ies) to the Premises Agreement
“PC”	personal computer
“PRC” or “China”	the People’s Republic of China
“Premises Agreement”	the premises arrangement agreement dated 21 October 2013 entered into between CGC and CEC Institute in respect of the Office Premises
“Property Valuation Report”	the property valuation consulting report 《房地產價值諮詢意見書》深國眾聯諮字(2013)-Z-號 issued by Tian Jian
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Settled Construction Cost”	the actual total costs of constructing the Office Premises, which shall be determined based on the amount shown in the completion accounts in respect of the Office Premises
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tian Jian”	Shenzhen Tian Jian Asset Appraisal Real Estate Valuation Co., Ltd. 深圳天健國眾聯資產評估土地房地產估價有限公司
“m <sup>2</sup> ”	square meters
“%”	per cent.

By order of the Board  
**Liu Liehong**  
*Chairman*

Shenzhen, PRC, 21 October 2013

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