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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 AND DISCLOSEABLE TRANSACTIONS

ACQUISITION OF SHARES IN KAIFA MAGNETIC

The Board would like to announce that on 22 July 2008, Kaifa Technology (HK), a subsidiary of the Company, entered into share purchase agreements with each of Able Success, Pearl Wealth and Beijing Pacific to acquire from them 37,201,665 Sale Shares (representing 14.8% of the issued share capital of Kaifa Magnetic), 402,180 Sale Shares, (representing 0.16% of the issued share capital of Kaifa Magnetic) and 100,545 Sale Shares (representing 0.04% of the issued share capital of Kaifa Magnetic) respectively.

Kaifa Magnetic is a subsidiary of the Company in which the Company has an effective shareholding of 63.85%, consisting of 43% by way of direct interest and 20.85% indirect interest through its shareholding in Kaifa Technology which holds 42% of Kaifa Magnetic. Upon completion of the Transactions, the Company's effective shareholdings in Kaifa Magnetic will be increased from 63.85% to 71.29%, an increase of 7.44%.

As the relevant ratios under Chapter 14 of the Listing Rules for the Transactions exceed 5% but less than 25%, the Transactions constitute discloseable transactions for the Company under Rule 14.06 of the Listing Rules.

Able Success, being the substantial shareholder of Kaifa Magnetic, is a connected person of the Company under the Listing Rules. Accordingly, the Able Success Transactions also constitute connected transactions of the Company. As the relevant ratio under Chapter 14A of the Listing Rules for the Able Success Transactions exceed 2.5% and the value of thereof is more than HK\$10,000,000, the Able Success Transactions are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Able Success Transactions and the Company has obtained written approval from Great Wall Group (which holds 62.11% in nominal value of the securities giving right to attend and vote at any general meeting of the Company to approve the Able Success Transactions) on the Able Success Transactions, an application has been made to the Stock Exchange for a waiver under Rule 14A.43 of the Listing Rules from the requirement for the Company to hold a general meeting of the Shareholders.

The Independent Board Committee consists of all the independent non-executive directors has been established to advise the Shareholders in respect of the Able Success Transactions. The Company will appoint an independent financial advisor to advise the Independent Board Committee and the Shareholders.

A circular containing, among other things, (i) further information on the Transactions; (ii) a letter from the independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee and the Shareholders on the approval of Able Success Transactions; and (iii) recommendation of the Independent Board Committee regarding the approval of the Able Success Transactions will be sent to the Shareholders as soon as practicable.

THE SHARE PURCHASE AGREEMENTS

(i) Able Success Agreement

Date

22 July 2008

Parties

Able Success and Kaifa Technology (HK)

Able Success is a substantial shareholder of Kaifa Magnetic. As such, Able Success is a connected person of the Company under the Listing Rules and the Able Success Transactions also constitute connected transactions of the Company.

Interest to be acquired

Subject to the terms and conditions of the Able Success Agreement, Able Success agreed to sell, and Kaifa Technology (HK) agreed to purchase, the Able Success Sale Shares which represents 14.8% of the issued share capital of Kaifa Magnetic.

The Able Success Sale Shares was acquired by Able Success in 2004 at the acquisition costs of RMB38,454,858.57.

Consideration

The consideration for the transfer of the Able Success Sale Shares is RMB98,666,255.91, being RMB2.6522 per Able Success Sale Share. The consideration is determined after arm's length negotiations between Kaifa Technology (HK) and Able Success and with reference to the audited net assets value of Kaifa Magnetic of RMB718,256,500 as at 31 December 2007 prepared in accordance with the generally accepted accounting principles in the PRC (and the net assets value of the Able Success Sale Shares as at 31 December 2007 amounted to RMB106,301,962). The consideration will be satisfied by cash.

Payment of consideration

Kaifa Technology (HK) shall pay the initial 50% of the consideration, being RMB49,333,127.96, in cash in USD to Able Success within five working days from the execution of the Able Success Agreement and approvals from the shareholders of Kaifa Technology (HK) and Able Success having been obtained.

The balance 50% of the consideration shall be paid in cash in USD within five working days from the Able Success Completion Date.

If Kaifa Technology (HK) fails to effect payment within ten days from the agreed payment date, an interest calculated at 0.05% per day on the outstanding amount shall then be payable.

Conditions

The Able Success Agreement shall take effect on the date the last of the following conditions having been satisfied:

- (1) the board of directors of Kaifa Technology (HK) having approved the Able Success Agreement and the Able Success Transactions;
- (2) the Shareholders having approved the Able Success Agreement and the Able Success Transactions
- (3) the board of directors of Able Success having approved the Able Success Agreement and the Able Success Transactions;
- (4) the shareholders of Able Success having approved the Able Success Agreement and the Able Success Transactions; and
- (5) the Ministry of Commerce of the PRC having approved the Able Success Transactions.

Completion

Completion will take place after all the conditions mentioned above have been satisfied in the following manner.

Able Success shall within ten working days from the day all the conditions have been satisfied transfer the Able Success Sale Shares to Kaifa Technology (HK) and assist Kaifa Technology (HK) in completing the relevant registration procedures with industry and commerce department and tax department in the PRC in respect of such transfer. Completion of the sale and purchase of Able Success Sale Shares shall take place on the date all such relevant registration procedures have been completed (“**Able Success Completion Date**”).

Other Terms

Each of the parties agrees that it shall keep the other party fully indemnified for any loss, expenses or costs arising from its breach of the terms and conditions of the Able Success Agreement but such indemnity shall be capped at RMB98,666,255.91, being the consideration amount under the Able Success Agreement. All claims for breach of the terms and conditions of the Able Success Agreement shall be brought to the court of the PRC within one year from the date of the said agreement.

(ii) Pearl Wealth Agreement

Date

22 July 2008

Parties

Pearl Wealth and Kaifa Technology (HK)

To the best of the Directors' knowledge, information and belief having made reasonable enquiry, Pearl Wealth and its ultimate beneficial owners are third parties independent of and not connected with the Company.

Interest to be acquired

Subject to the terms and conditions of the Pearl Wealth Agreement, Pearl Wealth agreed to sell, and Kaifa Technology (HK) agreed to purchase, the Pearl Wealth Sale Shares which represents 0.16% of the issued share capital of Kaifa Magnetic.

Consideration

The consideration for the transfer of the Pearl Wealth Sale Shares is RMB1,066,661.80, being RMB2.6522 per Pearl Wealth Sale Share. The consideration is determined after arm's length negotiations between Kaifa Technology (HK) and Pearl Wealth and with reference to the audited net assets value of Kaifa Magnetic of RMB718,256,500 as at 31 December 2007 prepared in accordance with the generally accepted accounting principles in the PRC (and the net assets value of Pearl Wealth Sale Shares as at 31 December 2007 amounted to RMB1,149,210.40). The consideration will be satisfied by cash.

Payment of consideration

Kaifa Technology (HK) shall pay the initial 50% of the consideration, being RMB533,330.90, in cash in USD to Pearl Wealth within five working days from the execution of the Pearl Wealth Agreement and approvals from the shareholders of Kaifa Technology (HK) and Pearl Wealth having been obtained.

The balance 50% of the consideration shall be paid in cash in USD within five working days from the Pearl Wealth Completion Date.

If Kaifa Technology (HK) fails to effect payment within ten days from the agreed payment date, an interest calculated at 0.05% per day on the outstanding amount shall then be payable.

Conditions

The Pearl Wealth Agreement shall take effect on the date the last of the following conditions having been satisfied:

- (1) the board of directors of Kaifa Technology (HK) having approved the Pearl Wealth Agreement and the transactions contemplated thereunder;
- (2) the board of directors of Pearl Wealth having approved the Pearl Wealth Agreement and the transactions contemplated thereunder;
- (3) the shareholders of Pearl Wealth having approved the Pearl Wealth Agreement and the transactions contemplated thereunder; and
- (4) the Ministry of Commerce of the PRC having approved the transactions contemplated under the Pearl Wealth Agreement.

Completion

Completion will take place after all the conditions mentioned above have been satisfied in the following manner.

Pearl Wealth shall within ten workings days from the day all the conditions have been satisfied transfer the Pearl Wealth Sale Shares to Kaifa Technology (HK) and assist Kaifa Technology (HK) in completing the relevant registration procedures with industry and commerce department and tax department in the PRC in respect of such transfer. Completion of the sale and purchase of Pearl Wealth Sale Shares shall take place on the date all such relevant registration procedures have been completed (“**Pearl Wealth Completion Date**”).

Other Terms

Each of the parties agrees that it shall keep the other party fully indemnified for any loss, expenses or costs arising from its breach of the terms and conditions of the Pearl Wealth Agreement but such indemnity shall be capped at RMB1,066,661.80, being the consideration amount under the Pearl Wealth Agreement. All claims for breach of the terms and conditions of the Pearl Wealth Agreement shall be brought to the court of the PRC within one year from the date of the said agreement.

(iii) Beijing Pacific Agreement

Date

22 July 2008

Parties

Beijing Pacific and Kaifa Technology (HK)

To the best of the Directors' knowledge, information and belief having made reasonable enquiry, Beijing Pacific and its ultimate beneficial owners are third parties independent of and not connected with the Company.

Interest to be acquired

Subject to the terms and conditions of the Beijing Pacific Agreement, Able Success agreed to sell, and Kaifa Technology (HK) agreed to purchase, the Beijing Pacific Sale Shares which represents 0.04% of the issued share capital of Kaifa Magnetic.

Consideration

The consideration for the transfer of the Beijing Pacific Sale Shares is RMB266,665.45, being RMB2.6522 per Beijing Pacific Sale Share. The consideration is determined after arm's length negotiations between Kaifa Technology (HK) and Beijing Pacific and with reference to the audited net assets value of Kaifa Magnetic of RMB718,256,500 as at 31 December 2007 prepared in accordance with the generally accepted accounting principles in the PRC (and the net assets value of the Beijing Pacific Sale Shares as at 31 December 2007 amounted to RMB287,302.60). The consideration will be satisfied by the cash.

Payment of consideration

Kaifa Technology (HK) shall pay 50% of the consideration, being RMB133,332.73, in cash in USD to Beijing Pacific within five working days from the execution of the Beijing Pacific Agreement and approvals from the shareholders of Kaifa Technology (HK) and Beijing Pacific having been obtained.

The balance 50% of the consideration shall be paid in cash in USD within five working days from the Beijing Pacific Completion Date.

If Kaifa Technology (HK) fails to effect payment within ten days from the agreed payment date, an interest calculated at 0.05% per day on the outstanding amount shall then be payable.

Conditions

The Beijing Pacific Agreement shall take effect on the date the last of the following conditions having been satisfied:

- (1) the board of directors of Kaifa Technology (HK) having approved the Beijing Pacific Agreement and the transactions contemplated thereunder;
- (2) the board of directors of Beijing Pacific having approved the Beijing Pacific Agreement and the transactions contemplated thereunder;
- (3) the shareholders of Beijing Pacific having approved the Beijing Pacific Agreement and the transactions contemplated thereunder; and
- (4) the Ministry of Commerce of the PRC having approved the transactions contemplated under the Beijing Pacific Agreement.

Completion

Completion will take place after all the conditions mentioned above have been satisfied in the following manner.

Beijing Pacific shall within ten workings days from the day all the conditions have been satisfied transfer the Beijing Pacific Sale Shares to Kaifa Technology (HK) and assist Kaifa Technology (HK) in completing the relevant registration procedures with industry and commerce department and tax department in the PRC in respect of such transfer. Completion of the sale and purchase of Beijing Pacific Sale Shares shall take place on the date all such relevant registration procedures have been completed (“**Beijing Pacific Completion Date**”).

Other Terms

Each of the parties agrees that it shall keep the other party fully indemnified for any loss, expenses or costs arising from its breach of the terms and conditions of the Beijing Pacific Agreement but such indemnity shall be capped at RMB266,665.45, being the consideration amount under the Beijing Pacific Agreement. All claims for breach of the terms and conditions of the Beijing Pacific Agreement shall be brought to the court of the PRC within one year from the date of the Beijing Pacific Agreement.

The Able Success Transactions, Pearl Wealth Transactions and Beijing Pacific Transactions are independent to each other.

GROUP’S SHAREHOLDING IN KAIFA MAGNETIC

Upon completion of the Transactions, the Company’s effective shareholding in Kaifa Magnetic will be increased from 63.85% to 71.29%, an increase of 7.44%.

INFORMATION ON KAIFA MAGNETIC

Kaifa Magnetic is principally engaged in the development, research, manufacturing and sale of hard disk substrates. Its products are 100% exported for sale abroad and its product storage capability is up to the most advanced international standard. It is currently one of the largest hard disk substrate specialist manufacturers in the world.

Kaifa Magnetic is a subsidiary of the Company. As at the date of this announcement, the Company has an effective shareholding of 63.85% in Kaifa Magnetic, consisting of 43% by way of direct interest and 20.85% indirect interest through its shareholding in Kaifa Technology which holds 42% of Kaifa Magnetic. The remaining 15% of the shareholding of Kaifa Magnetic is held by Able Success as to 14.8%, Pearl Wealth as to 0.16% and Beijing Pacific as to 0.04%.

Financial Information

The audited consolidated profit/loss before taxation and minority interest and the audited consolidated profit/loss after taxation and minority interest of Kaifa Magnetic for the two years ended 31 December 2007, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	Year ended 31 December	
	2006	2007
	RMB	RMB
Consolidated profit/loss before taxation and minority interests	150,512,906	138,903,383
Consolidated profit/loss after taxation and minority interests	142,654,612	131,421,785

The audited consolidated net asset value and the audited consolidated total asset value of Kaifa Magnetic as at 31 December 2007 amounted to approximately RMB718,256,500 and approximately RMB1,102,664,800 respectively.

As Kaifa Magnetic is a subsidiary of the Company, its results is consolidated into the Company's account. There will be no change in the accounting treatment in results of Kaifa Magnetic before and after the completion of the Transactions.

INFORMATION ON KAIFA TECHNOLOGY (HK)

Kaifa Technology (HK) is a wholly owned subsidiary of Kaifa Technology, a subsidiary of the Company, currently held as to 49.64% by the Company. As the Company maintains management control over Kaifa Technology, Kaifa Technology and accordingly Kaifa Technology (HK) are both considered subsidiaries of the Company.

Kaifa Technology (HK) is principally engaged in the trading of memory modules and HDD related products.

INFORMATION ON ABLE SUCCESS

Able Success is an investment holding company.

INFORMATION ON PEARL WEALTH

Pearl Wealth is principally engaged in the investments in hi-tech and high growth businesses and other financial products investments.

INFORMATION ON BEIJING PACIFIC

Beijing Pacific is principally engaged in research and development of information technology, information technology consultancy, investments consultancy; sale of communication equipments, computers, metals etc.

REASONS FOR THE TRANSACTIONS

The Transactions are in line with the Group's development strategy of strengthening sales, increasing market share and thus price negotiation abilities in hard disk substrates business. The Transactions further consolidate the Group's management control of Kaifa Magnetic and facilitate the Group's development in hard disk business which will in turn enhance the profitability of the Group and increase the Group's cash inflow.

The Directors (including independent non-executive directors) believe that the Transactions were entered into on normal commercial terms and the terms of the Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

The Group is principally engaged in the development, manufacture, sale and research and development of personal computers, personal computers peripheral products, hard disk drives and related products, broadband network services, network transmission and add-on products.

As the relevant ratios under Chapter 14 of the Listing Rules for the Transactions exceed 5% but less than 25%, the Transactions constitute discloseable transactions for the Company under Rule 14.06 of the Listing Rules.

Able Success, being the substantial shareholder of Kaifa Magnetic, is a connected person of the Company under the Listing Rules. Accordingly, the Able Success Transactions also constitute connected transactions of the Company. As the relevant ratios under Chapter 14A of the Listing Rules for the Able Success Transactions exceed 2.5% and the value of thereof is more than HK\$10,000,000, the Able Success Transactions are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Able Success Transactions and the Company has obtained written approval from Great Wall Group (which holds 62.11% in nominal value of the securities giving right to attend and vote at any general meeting of the Company to approve the Able

Success Transactions) on the Able Success Transactions, an application has been made to the Stock Exchange for a waiver under Rule 14A.43 of the Listing Rules from the requirement for the Company to hold a general meeting of the Shareholders.

The Company does not have any prior relationships or transactions with any of Able Success, Pearl Wealth and Beijing Pacific which require aggregation for the purpose of Chapter 14 or Chapter 14A of the Listing Rules.

The Independent Board Committee consisting of all the independent non-executive directors has been established to advise the Shareholders in respect of the Able Success Transactions. None of the independent non-executive directors has a material interest in the Transactions. The Company will appoint an independent financial advisor to advise the Independent Board Committee and the Shareholders.

A circular containing, among other things, (i) further information on the Transactions; (ii) a letter from the independent financial adviser to the Independent Board Committee containing its advice to the Independent Board Committee and the Shareholders on the approval of Able Success Transactions; and (iii) recommendation of the Independent Board Committee regarding the approval of the Able Success Transactions will be sent to the Shareholders as soon as practicable.

DEFINITIONS

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

“Able Success”	means Able Success Limited, a limited company incorporated in the British Virgin Islands;
“Able Success Agreement”	means the agreement entered into between Kaifa Technology (HK) and Able Success on 22 July 2008 in respect of the sale and purchase of Able Success Sale Shares;
“Able Success Sale Shares”	means 37,201,665 Sale Shares held by Able Success;
“Able Success Transactions”	means the transactions contemplated under the Able Success Agreement;
“Beijing Pacific”	means 北京太平洋路路通網絡技術有限公司 (Beijing Pacific Lu Lu Tung Network Technology Co. Ltd), a company incorporated in the PRC;

“Beijing Pacific Agreement”	means the agreement entered into between Kaifa Technology (HK) and Beijing Pacific on 22 July 2008 in respect of the sale and purchase of Beijing Pacific Sale Shares;
“Beijing Pacific Sale Shares”	means 100,545 Sale Shares held by Beijing Pacific;
“Beijing Pacific Transactions”	means the transactions contemplated under the Beijing Pacific Agreement;
“Board”	means the board of Directors;
“Company”	means 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;
“Directors”	means the directors of the Company;
“Great Wall Group”	means 中國長城計算機集團公司(China Great Wall Computer Group Corporation, a company incorporated in the PRC and wholly-owned by CEC, is a substantial shareholder holding 62.11% of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means an independent committee of the Board comprising Li Sanli, Wang Qinfang and Kennedy Ying Ho Wong established to review and consider the Able Success Transactions;
“Kaifa Magnetic”	means 深圳開發磁記錄有限公司. (Shenzhen Kaifa Magnetic Recording Co., Ltd., a company established in the PRC, a subsidiary of the Company, effectively held as to 63.85% by the Company;

“Kaifa Technology”	means 深圳開發科技股份有限公司(Shenzhen Kaifa Technology Co., Ltd, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC, a subsidiary of the Company, currently held as to 49.64% by the Company;
“Kaifa Technology (HK)”	means 開發科技(香港)有限公司(Kaifa Technology (H.K.) Limited, a company incorporated in Hong Kong, a wholly owned subsidiary of Kaifa Technology;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Pearl Wealth”	Pearl Wealth Limited, a limited company incorporated in the British Virgin Islands;
“Pearl Wealth Agreement”	means the agreement entered into between Kaifa Technology (HK) and Pearl Wealth on 22 July 2008 in respect of the sale and purchase of Pearl Wealth Sale “Shares;
“Pearl Wealth Sale Shares”	means 402,180 Sale Shares held by Pearl Wealth;
“Pearl Wealth Transactions”	means the transactions contemplated under the Pearl Wealth Agreement;
“PRC”	means the People’s Republic of China;
“RMB”	means Renminbi yuan, the lawful currency of the PRC;
“Sale Shares”	means the share(s) of RMB1.00 each in the share capital of Kaifa Magnetic;
“Shareholders”	means shareholders of the Company,
“Shenzhen Stock Exchange”	means 深圳證券交易所(Shenzhen Stock Exchange in the PRC;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Transactions”	means the transactions contemplated under the Able Success Agreement, Pearl Wealth Agreement and Beijing Pacific Agreement;

“USD” means United States dollars; and

“%” means percentage.

By order of the Board
Lu Ming
Chairman

Shenzhen, PRC, 22 July 2008

As at the date of this announcement, the Board comprises six executive directors, namely Lu Ming (Chairman), Tam Man Chi, Wang Jincheng, Yang Jun, Su Duan and Fu Qiang; and three independent non-executive directors, namely Li Sanli, Wang Qinfang and Kennedy Ying Ho Wong.