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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)

**DISCLOSEABLE TRANSACTION  
FORMATION OF A JOINT VENTURE COMPANY**

On 27 December 2010, Great Wall Kaifa, a subsidiary of the Company, entered into the JV Agreement with Epistar, Evertop and Country Lighting to establish the JV Company, a joint venture company to be owned as to 44% by Great Wall Kaifa, 40% by Epistar, 9% by Evertop and 7% by Country Lighting. The capital commitment by Great Wall Kaifa under the JV Agreement is US\$52,800,000.

Based on the capital commitment made by Great Wall Kaifa under the JV Agreement, the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the establishment of the JV Company exceed 5% but less than 25%, the transaction contemplated under the JV Agreement constitutes a discloseable transaction of the Company and is only subject to the notification and announcement requirements and is exempt from the shareholders' approval requirement under the Listing Rules.

**JV AGREEMENT**

**Date**

27 December 2010

**Parties**

- (a) Great Wall Kaifa
- (b) Epistar
- (c) Evertop
- (d) Country Lighting

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Epistar, Evertop and Country Lighting and the ultimate beneficial owners of each of them are third parties independent of the Company and the connected persons of the Company.

### **Information on the JV Company**

The JV Company is a limited liability company to be established under the laws of the PRC in Xiamen, Fujian province, the PRC. The proposed name of the JV Company is 開發晶照明(廈門)有限公司 (KFES Lighting Co., Ltd.), the final name of which is subject to the approval by the relevant government authorities in the PRC. The JV Company will have a registered capital of US\$120,000,000, with a total investment amount of US\$160,000,000.

The scope of business of the JV Company is the research, manufacture and sale of light-emitting diode (“LED”) wafer, LED chips, LED light source modules, LED light source and LED lighting and provision of after-sales services.

The JV Company will be owned as to 44% by Great Wall Kaifa, 40% by Epistar, 9% by Evertop and 7% by Country Lighting. The profit and loss and liabilities of the JV Company shall be shared among the JV Parties in accordance with their respective proportion of capital injection into the JV Company.

### **Capital commitment**

The registered capital of US\$120,000,000 of the JV Company will be contributed as capital injection to the JV Company by the JV Parties in two stages in cash according to their respective equity interest in the JV Company, as follows:

<b>Parties</b>	<b>Capital Contribution (US\$)</b>			<b>Equity interest in the JV Company</b>
	<b>First Stage</b>	<b>Second Stage</b>	<b>Total</b>	
Great Wall Kaifa	35,200,000	17,600,000	52,800,000	44%
Epistar	32,000,000	16,000,000	48,000,000	40%
Evertop	7,200,000	3,600,000	10,800,000	9%
Country Lighting	5,600,000	2,800,000	8,400,000	7%
<b>Total:</b>	<b><u>80,000,000</u></b>	<b><u>40,000,000</u></b>	<b><u>120,000,000</u></b>	<b><u>100%</u></b>

The JV Parties shall contribute their respective share of capital by installments. Capital injection of not less than 20 % of the registered capital shall be made before the date the business licence of the JV Company is issued and the balance of the registered capital shall be made in full within two years from the issue date of the business licence of the JV Company.

Great Wall Kaifa will contribute US\$52,800,000 as capital injection to the JV Company and will hold 44% equity interest in the JV Company. It is expected that the capital investment by Great Wall Kaifa would be funded by its internal resources.

Save for the capital contribution mentioned above, pursuant to the JV Agreement, Great Wall Kaifa does not have other capital commitments and is not obliged to provide any loan or guarantee or indemnity in connection with the establishment of the JV Company.

### **Composition of the board of directors of the JV Company**

The board of directors of the JV Company shall consist of 7 directors, of which 3 directors shall be appointed by Great Wall Kaifa, 2 directors shall be appointed by Epistar, 1 director shall be appointed by Evertop and 1 director shall be appointed by Country Lighting. If a JV Party's equity interest in the JV Company changes by 25% or more comparing to its original equity interest, the number of directors each JV Party is entitled to appoint shall be adjusted accordingly based on the then proportion of equity interest held by them.

The chairman and vice-chairman of the board of directors of the JV Company shall be appointed by Great Wall Kaifa and Epistar respectively. The chairman of the board of directors of the JV Company shall also be the legal representative of the JV Company.

### **Transfer of interest in the JV Company**

At any time prior to Listing, no JV Party shall transfer, sell, charge or pledge its equity interest in the JV Company as security for the issue of guarantee for the JV Parties or any third parties (other than the third parties designated by the JV Parties). And, no JV Party shall through any arrangement causing the JV Parties or any third parties (other than the third parties designated by the JV Parties) to obtain the right and interest in its equity interest in the JV Company. Besides, any transfer of equity interest in the JV Company to any related parties or competitors of the JV Parties is subject to written agreement of the other JV Parties.

Any transfer of equity interest in the JV Company by any JV Parties shall be subject to pre-emption rights of the other JV Parties.

Prior to Listing, Epistar shall have the first right of refusal to purchase (and/or to nominate Great Wall Kaifa or any third parties to purchase) the equity interest to be disposed by Evertop provided however that Epistar's equity interest in the JV Company should not be greater than Great Wall Kaifa's as a result of such acquisition.

At any time within three years from the date of Listing, should Great Wall Kaifa or Epistar dispose, on an accumulated basis, 20% or more of its equity interest off the market, it should inform Evertop of the terms and conditions offered by the potential buyer and Evertop shall have the right to sell its equity interest in the JV Company to

the other JV Parties at the same terms and conditions within a period 30 days. If no JV Parties shall purchase the equity interest so offered by Evertop, Evertop shall have a co-sale right to sell its equity interest to the potential buyer of Great Wall Kaifa or Epistar's interest in the JV Company.

### **Other terms**

Great Wall Kaifa and Evertop and their respective strategic partners shall be given priority in purchasing the products manufactured by the JV Company. The LED wafer and LED chips manufactured by the JV Company shall be used mainly for the products of the JV Company and satisfying the internal demand of Great Wall Kaifa and Evertop. In the case the JV Company out-sources its LED chips packaging, LED light source modules or LED light source, it shall first purchase them from the JV Parties and their respective associated companies provided that the terms thereof are reasonable under the then market conditions.

Epistar, Evertop and Country Lighting acknowledge that Country Lighting and Great Wall Kaifa are concert parties, as such, the results of the JV Company will be consolidated into the accounts of Great Wall Kaifa.

### **Conditions precedent**

The JV Agreement shall become effective upon approvals from the relevant government approving authorities in the PRC having been obtained.

### **Related matter**

In respect of the set up of the JV Company, the JV Parties, as the investors, entered into an agreement with the Management Committee of Xiamen Torch Hi-Tech Industrial Development Zone (廈門火炬高新技術產業開發區管委會) on 27 December 2010 setting out the JV Parties' intent to establish the JV Company in Xiamen Torch Hi-Tech Industrial Development Zone, the support to be provided by Xiamen Torch Hi-Tech Industrial Development Zone to the JV Company and the preferential treatments the JV Company would be entitled to, including preferential tax treatment and subsidies to be provided to the JV Company on the purchase of Metal Organic Chemical Vapor Deposition (MOCVD) equipments for use in the manufacturing of LED products.

In view of the great prospects for LED products, the board of directors of Great Wall Kaifa intends to eventually increase the registered capital and total investment of the JV Company to US\$240,000,000 and US\$490,000,000 respectively after completion of the installation of the first 30 sets of MOCVD equipments. Such increase in capital contribution in the JV Company and the timing thereof will depend on the market situation and will be carried out pursuant to the relevant authorization and approval procedures.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT**

Based on the guidelines promulgated by the PRC government in the past few years, LED products are products targeted for development in the electronics industry of PRC. With the enhanced performance and lowered production costs of LED products resulted from the advancement in technology, it is expected that the demand for LED products, especially for high brightness and super high brightness LED products, will grow substantially in the future. The engagement in LED products business through the association with Epistar and Evertop, who possess the relevant industry know-how and experience, will enhance the core competitiveness of the Group and provide the Group with a platform for future business development which in turn will have a positive impact on the Group's financial and operational positions.

The Directors (including the independent non-executive Directors) consider that the JV Agreement has been negotiated at arm's length and on normal commercial terms and the entering into the JV Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE JV PARTIES**

Epistar is an investment holding company.

Evertop is principally engaged in the design, sale, manufacture and supply of LED related components and modules and provision of after-sales services in the PRC.

Country Lighting is an investment holding company.

## **INFORMATION ON THE COMPANY AND GREAT WALL KAIFA**

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

Great Wall Kaifa, a company whose A shares are listed on the Shenzhen Stock Exchange, is currently held as to 49.64% by the Company. As the Company maintains management control over Great Wall Kaifa, Great Wall Kaifa is considered a subsidiary of the Company. Great Wall Kaifa is principally engaged in the manufacture, sale and research and development of HDD magnetic heads, remote control meter, tax-control products, memory module, video heads and automation equipment.

## **GENERAL**

Based on the capital commitment made by Great Wall Kaifa under the JV Agreement, the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the establishment of the JV Company exceed 5% but less than 25%, the transaction under the JV Agreement constitutes a discloseable transaction of the Company and is only subject to the notification and announcement requirements and is exempt from the shareholders' approval requirement under the Listing Rules.

## DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	長城科技股份有限公司 (Great Wall Technology Co., Ltd), 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
“Country Lighting”	Country Lighting (BVI) Co., Ltd., a company incorporated in the British Virgin Islands with limited liabilities
“Directors”	the directors of the Company
“Epistar”	Epistar JV Holding (BVI) Co., Ltd., a company incorporated in the British Virgin Islands with limited liabilities
“Evertop”	億冠晶(福建)光電有限公司(Evertop (Fujian) Optoelectronics Co., Ltd.), a company incorporated in the PRC
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement entered into among the JV Parties on 27 December 2010 in respect of the establishment of the JV Company
“JV Company”	the company to be established under the laws of the PRC by the JV Parties under the JV Agreement and proposed to be named 開發晶照明(廈門)有限公司 (KFES Lighting Co., Ltd.)

“JV Parties”	the parties to the JV Agreement, namely Great Wall Kaifa, Epistar, Evertop and Country Lighting, together and each of them a “JV Party”
“Listing”	the listing of the JV Company on a recognized stock exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	means percentage

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

Shenzhen, PRC, 27 December 2010

*As at the date of this announcement, the Board comprises six executive directors, namely Liu Liehong, Lu Ming, Tam Man Chi, Yang Jun, Su Duan and Du Heping; and three independent non-executive directors, namely Chen Zhiya, Yao Xiaocong and James Kong Tin Wong.*