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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold all your shares in Powerleader Science & Technology Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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深圳市宝德科技股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY COMPANY LIMITED*

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

(Stock Code: 8236)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF 69% INTEREST IN A SUBSIDIARY

INDEPENDENT FINANCIAL ADVISER TO
THE INDEPENDENT BOARD COMMITTEE AND
INDEPENDENT SHAREHOLDERS

 Baron Capital Limited

A letter from the board of directors of the Company is set out on pages 3 to 7 of this circular. A letter from Baron Capital Limited, the independent financial adviser to the independent board committee and independent shareholders of the Company, is set out on pages 9 to 17 of this circular.

Notice convening the EGM to be held at 11:00 a.m. on 3 December 2007 is set out on pages 24 to 25 of this circular. Whether or not you intend to be present at the said meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H Shares) or the registered office of the Company at Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen, the PRC (in case of holders of Domestic Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the meeting or any adjournment thereof if you so wish.

* for identification purpose only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions share have the meanings set out below unless the context requires otherwise:

“EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m. on 3 December 2007 for the purpose of, among other things, approving the Disposal and the notice of which is set out on pages 24 to 25 of this circular
“Agreement”	the share transfer agreement dated 24 September 2007 entered into between the Company and Powerleader Investment in relation to the Disposal
“Articles of Association”	the articles of association of the Company
“associate(s)”	have the same meaning ascribed to it under the GEM Listing Rules
“Baron Capital”	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Board”	the board of Directors
“Company”	深圳市宝德科技股份有限公司 (Powerleader Science & Technology Company Limited), a foreign joint stock limited company incorporated in the PRC with its H Shares listed on the Growth Enterprise Market of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration payable by Powerleader Investment to the Company for the 69% of the equity interest in the Target Company
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the 69% of the equity interest in the Target Company by the Company to Powerleader Investment pursuant to the Agreement
“Domestic Shares”	the domestic invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in Hong Kong dollars

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors
“Independent Shareholders”	Shareholders other than Powerleader Investment and its associates
“Latest Practicable Date”	16 October 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Powerleader Investment”	Powerleader Investment Holding Company Limited, a limited liability company established in PRC and a substantial Shareholder
“PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong and the Macau Special Administrative Region
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Registrar”	the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	H shares, Domestic Shares and all shares of other class(es) resulting from any sub-division, consolidation or re-classification thereof from time to time in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	深圳市寶德網絡技術有限公司 (Shenzhen Powerleader Network Technology Company Limited), a company established in the PRC and 99% of the equity interest of which is owed by the Company and the remaining 1% is owned by Powerleader Investment
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	renminbi, the lawful currency of the PRC
“%”	per cent.

The English names/translations of the companies established in the PRC, relevant authorities in the PRC and other Chinese terms used in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.034 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

LETTER FROM THE BOARD



深圳市宝德科技股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY COMPANY LIMITED*

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

(Stock Code: 8236)

Directors:

Executive Directors

Mr. Li Ruijie
Mr. Dong Weiping
Ms. Zhang Yunxia
Mr. Ma Zhumao

Registered Address:

Room 43A, 43rd Floor,
Block C,
Electronics Science & Technology Building,
Shennan Road Central,
Futian District,
Shenzhen, PRC

Non-executive Directors

Mr. Sun Wei
Mr. Wang Lixin
Mr. Li Donglei

Independent non-executive Directors

Mr. Jiang Baijun
Mr. Lo Yu Tseng, Robert
Mr. Yim Hing Wah

18 October 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF 69% INTEREST IN A SUBSIDIARY**

1. INTRODUCTION

The Board refers to the Company's announcement dated 24 September 2007 relating to the Disposal whereby the Board announced that on 24 September 2007, the Company entered into the Agreement with Powerleader Investment pursuant to which the Company agreed to sell and Powerleader Investment agreed to purchase 69% of the equity interest in the Target Company at a consideration of RMB17,181,000 (equivalent to approximately HK\$17,765,000) subject to the terms of the Agreement.

The purposes of this circular are to provide you with, among other things, (i) further information regarding the Disposal; (ii) to set out the letter of advice from Baron Capital to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal; (iii) to set out the

* for identification purpose only

LETTER FROM THE BOARD

recommendation and opinion of the Independent Board Committee after taking into consideration of the advice of Baron Capital in relation to the terms of the Disposal; and (iv) to give you notice of the EGM to consider and if thought fit, to approve the resolution relating to the Disposal at the EGM.

2. THE AGREEMENT

Date

24 September 2007

Parties

Vendor: The Company

Purchaser: Powerleader Investment

Assets to be disposed of

Subject to the terms and conditions of the Agreement, the Company agreed to sell and Powerleader Investment agreed to purchase 69% of the equity interest in the Target Company.

Consideration

The Consideration amounts to RMB17,181,000 (equivalent to approximately HK\$17,765,000) and shall be payable by Powerleader Investment to the Company in the following manner:

- (i) a deposit in the sum of RMB8,590,500 (equivalent to approximately HK\$8,883,000) shall be paid by Powerleader Investment in cash within 3 working days from the date of the EGM after the Disposal has been approved by the Independent Shareholders; and
- (ii) RMB8,590,500 (equivalent to approximately HK\$8,883,000), being the balance of the Consideration, shall be paid by Powerleader Investment in cash on or before 31 December 2007.

The Consideration was determined following arm's length negotiations between all parties to the Agreement. In arriving at the Consideration, the Board has made reference to the net asset value of the Target Company amounting to RMB16,614,000 (equivalent to approximately HK\$17,179,000) as shown in its management accounts for the six months ended 30 June 2007.

Conditions precedent

The Agreement shall be effective upon the fulfillment of the following conditions:

- (a) the execution of the Agreement by the parties thereto;
- (b) the approval by the shareholders of Powerleader Investment of the Agreement and the transactions contemplated thereunder; and
- (c) the approval by the Independent Shareholders of the Agreement and the transactions contemplated thereunder at an EGM to be held in accordance with the requirements of the GEM Listing Rules.

LETTER FROM THE BOARD

In the event that not all the above conditions have been fulfilled on or before 31 December 2007 or such other date as shall be agreed by the parties to the Agreement, the Agreement shall terminate automatically.

Completion

Completion of the Disposal shall take place on the day on which the balance of Consideration has been paid by Powerleader Investment to the Company in accordance with the Agreement.

3. INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC. It was owned as to 99% by the Company and as to 1% by Powerleader Investment as at the Latest Practicable Date. The Target Company is principally engaged in the provision of on-line game services.

Based on the management accounts of the Target Company for the financial year ended 31 December 2006 prepared in accordance with PRC GAAP, the unaudited net asset value of the Target Company was RMB16,418,000 (equivalent to approximately HK\$16,976,000).

The following table shows the unaudited financial information of the Target Company for the two years ended 31 December 2006, which has been prepared in accordance with PRC GAAP:

	For the financial year ended 31 December	
	2005	2006
	<i>RMB</i>	<i>RMB</i>
Net profit before taxation	11,295,000	263,000
Net profit after taxation	9,931,000	263,000

The Target Company launched a brand new online game to the market and captured a substantial volume of sales in 2005. The online game launched in 2005 became outdated and no new game was launched by the Target Company in 2006. As a result, there was a drop in the net profit of the Target Company in 2006.

Upon completion of the Disposal, the Target Company will be owned as to 30% by the Company and will become an associated company of the Group and the results of which will be accounted for by the Group using the equity accounting method. Although it is not the intention of the Group to commit significant capital contribution to the online game business, the Group believes that this business operation can further develop into a major profit growth driver pending the availability of capital. In order to tap the profit generated from the business operation and reduce its commitment in further capital contribution, the Group would retain a 30% interest in the Target Company after the Disposal.

4. INFORMATION ON THE PARTIES

The Group is engaged in the design, manufacture and sales of computer services, sales and distribution of platform and accessories products and the research and development and operation of online games in Hong Kong and the PRC.

Powerleader Investment is engaged in the business of investing holding.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE DISPOSAL

Over the years, the Target Company had invested significant sum in the research and development and marketing of online games. It is anticipated that further capital is required for developing the business. While the Group's strategy is to place emphasis on the business of computer servers and platforms, it is not in the best interest of the Group to contribute further significant amount of capital required for online games. In order to diversify the risk so as to optimize the shareholders' value, disposal of partial interest in the Target Company would reduce the Group's commitment in capital contribution and hence relieve the capital fundings to its major business operations.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal have been negotiated on an arm's length basis and on normal commercial terms and the terms thereof are fair and reasonable and are in the best interests of the Group and the Shareholders as a whole.

6. FINANCIAL EFFECTS OF THE DISPOSAL

The proceeds of RMB17,181,000 (equivalent to approximately HK\$17,765,000) from the Disposal are intended to be used as working capital of the Group. As a result of the Disposal, the Group is expected to accrue a gain of approximately RMB5,717,000 (equivalent to approximately HK\$5,911,000), which is the difference between the Consideration and 69% of the total carrying value of investments in the Target Company in the books of the Group as at 30 June 2007 of approximately RMB11,464,000 (equivalent to approximately HK\$11,854,000). Upon completion of the Disposal (assuming that the same had taken place on 30 June 2007), the total assets of the Group would have been increased by approximately RMB2,038,000 (equivalent to approximately HK\$2,107,000), resulting from the receipt of cash proceeds of approximately RMB17,181,000 and the effect from deconsolidation of the Target Company amounting to approximately RMB15,143,000 (equivalent to approximately HK\$15,658,000). On the other hand, the total liabilities of the Group would have been decreased by approximately RMB3,512,000 (equivalent to approximately HK\$3,631,000) as a result of the Disposal as if it had taken place on 30 June 2007.

7. LISTING RULES REQUIREMENTS

To the best knowledge of the Directors, as at the Latest Practicable Date, Powerleader Investment and its associates were interested in approximately 45.26% of the entire issued share capital of the Company. Powerleader Investment was owned as to 87.5% by Mr. Li Ruijie, a Director, and as to 12.5% by Ms. Zhang Yunxia, a Director and the spouse of Mr. Li, as at the Latest Practicable Date.

The Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules as the applicable percentage ratios exceed 5% but are below 25%. As Powerleader Investment beneficially owned an aggregate of approximately 45.26% of the issued capital of the Company as at the Latest Practicable Date, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements.

8. PROCEDURES BY WHICH SHAREHOLDERS MAY DEMAND A POLL

Article 70 of the Articles of Association sets out the procedure by which Shareholders may demand a poll as follows:

A resolution put to the vote of a meeting shall be decided on a show of hands unless voting is required by the GEM Listing Rules or (before or on the declaration of the result of the show of hands) a poll is demanded:

- (a) by the chairman of the meeting; or

LETTER FROM THE BOARD

- (b) by at least two members present for the time being or by proxy entitled to vote at the meeting; or
- (c) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is duly demanded and the demand is not withdrawn, if the chairman of the meeting has declared the result of the show of hands and has recorded the results in the minutes of the meeting, such declaration and record shall be the final and conclusive evidence of the results and there is no need to prove the respective percentages voting for or against a motion.

Any demand for a poll could be withdrawn.

9. EXTRAORDINARY GENERAL MEETING

Set out on pages 24 to 25 of this circular is the notice convening the EGM at which ordinary resolution will be proposed to approve the Disposal.

Whether or not you intend to be present at such meetings, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (in case of holders of H Shares) or the Company’s registered office at Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen (in case of holders of Domestic Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

In view of the interests of Powerleader Investment in the Disposal, Powerleader Investment and its associates will abstain from voting on the resolution approving the Disposal to be proposed at the EGM.

The votes to be taken at the EGM will be taken by poll, an announcement of the results of which will be published on the business day following the EGM.

10. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 8 of this circular which contains its recommendation to the Independent Shareholders. The Independent Board Committee, having taken into account the advice of Baron Capital, considers that the terms of the Disposal are on normal commercial terms in the ordinary and usual course of business of the Company and are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution at the EGM.

By Order of the Board,
Powerleader Science & Technology Company Limited*
Li Ruijie
Chairman

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular.



深圳市宝德科技股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY COMPANY LIMITED*

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

(Stock Code: 8236)

18 October 2007

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF 69% INTEREST IN A SUBSIDIARY

We refer to the circular of the Company dated 18 October 2007 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned.

Baron Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 9 to 17 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 3 to 7 of the Circular and the general information set out in the appendix.

Having taken into account the terms of the Disposal, and the advice given by Baron Capital, we consider that the terms of the Disposal are on normal commercial terms in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the Disposal to be proposed at the EGM.

Yours faithfully,
JIANG Baiyun
LO Yu Tseng, Robert
YIM Hing Wah
Independent Board Committee

* *for identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Baron Capital dated 18 October 2007 prepared for the purpose of incorporation in this circular:



4/F, Aon China Building
29 Queen's Road Central
Central, Hong Kong

18 October 2007

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sir or Madam,

CONNECTED TRANSACTION DISPOSAL OF 69% INTEREST IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment by Powerleader Science & Technology Company Limited (the Company) as the independent financial adviser to advise its independent board committee and the independent shareholders of the Company in respect of the disposal of 69% interest in 深圳市宝德网络技术有限公司 (Shenzhen Powerleader Network Technology Company Limited), details of which are set out in the section headed "Letter from the Board" contained in the circular of the Company dated 18 October 2007 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 24 September 2007, the Company entered into the Agreement with Powerleader Investment pursuant to which the Company agreed to sell and Powerleader Investment agreed to acquire 69% of the equity interest in the Target Company at a consideration of RMB17,181,000 (equivalent to approximately HK\$17,765,000) subject to the terms of the Agreement.

As at the Latest Practicable Date, Powerleader Investment and its associate were interested in approximately 45.26% of the entire issued share capital of the Company. Powerleader Investment was owned as to 87.5% by Mr. Li Ruijie, a Director, and as to 12.5% by Ms. Zhang Yunxia, a Director and the spouse of Mr. Li Ruijie as the Latest Practicable Date. Pursuant to the GEM Listing Rules, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements. Powerleader Investment and its respective associates are required to abstain from voting in relation to the resolution approving the Disposal at the EGM.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Yim Hing Wah, Mr. Jiang Baijun, and Mr. Lo Yu Tseng, Robert, has been established to advise the Independent Shareholders in respect of the Disposal contemplated thereunder. We, Baron Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information and representations contained or referred to in the Circular and the information supplied and the opinions expressed by the Directors and the management of the Company. We have assumed that the information and representations contained or referred to in the Circular and the information supplied and the opinion expressed by the Directors and the management of the Company are true, accurate and complete at the time they were made and continue to be so at the date of the Circular.

We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to their best knowledge and belief, there are no other facts or representations the omission of which would make any statements in the Circular, including this letter, misleading.

We have not, however, conducted any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. We will not accept the responsibility for any tax effect or liability arising from the Disposal.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the Disposal, we have taken into account the following principal factors and reasons:

1. Background of the Disposals

The Group is engaged in the design, manufacture and sales of computer services, sales and distribution of platform and accessories products and the research and development and operation of online games in Hong Kong and the PRC. The Target Company is principally engaged in the provision of on-line game services.

As stated in the annual report of the Company for the year ended 31 December 2006 (the "2006 Annual Report"), the Group recorded a turnover of approximately RMB982 million and an audited net profit of approximately RMB26.85 million for the year ended 31 December 2006. For the year ended 31 December 2006, the turnover generated from on-line game services was approximately RMB4.55 million. As compared to the corresponding period in 2005, the turnover generated from on-line game services dropped by approximately 71.07% from approximately RMB15.73 million to RMB4.55 million in 2006. Besides, the gross profit from the on-line game service substantially dropped by approximately 73.20% from approximately RMB15.11 million in 2005 to RMB4.05 million in 2006. As advised by the Company, the Target Company launched a brand new online game "Heroes of Warrior States" to the market and captured sales volume of RMB15.73 million in 2005, representing approximately 1.61% of the total turnover of the Group in 2005 and the entire income generated from the on-line game services in 2005. This online game launched in 2005 became outdated and there were no new games launched by the Target Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in 2006. As reported in 2006 Annual Report, substantial amount of funding had been used for an on-line game “Anti-Japanese War online” and it had not been launched into the market until mid 2007.

As stated in the latest interim report of the Company for the six months ended 30 June 2007 (the “Interim Report”), the Group recorded a turnover of approximately RMB434 million and a profit of approximately RMB17.22 million for the six months ended 30 June 2007. As compared with the same corresponding period for the six months ended 30 June 2006, the turnover generated from the online games and online entertainment business dropped by approximately 43.77% from approximately RMB4.09 million to approximately RMB2.30 million for the six months ended 30 June 2007. The operating profit of this business segment substantially dropped by approximately 86.01% from approximately RMB1.43 million for the six months ended 30 June 2006 to approximately RMB0.20 million for the six months ended 30 June 2007. As mentioned in the management discussion and analysis section in the Interim Report, after twice postponement, the on-line game “Anti-Japanese War online” was still undergoing testing stage since August 2007. Therefore, the revenue generated by “Anti-Japanese War online” is uncertain. As discussed with the management of the Company, it would be strategically appropriate for the Group to dispose of the equity interests in the Target Company with a view to reduce the costs so as to improve the competitiveness of the Group and place emphasis on the business of computer servers and platforms in the future.

2. Reasons for and benefits of the Disposal

As stated in the section headed “Letter from the Board” in this Circular, the Target Company had invested significant sum in the research and development and marketing of online games over the past years and the Company is anticipated that further capital is required for developing this business sector. From 1 January 2005 to 30 June 2007, there were approximately RMB17.4 million spent in the research and development and marketing of online games, representing approximately 3.35% of the total assets of the Group as at 30 June 2007. We understand from the Company that the strategy of the Company is to place emphasis on its principle business of computer servers and platforms and it is not in the best interest of the Company to further contribute significant amount of capital to the online games. The Directors consider that it is in the interest of the Company to partially dispose of its interests in the Target Company so as to reduce the Group’s commitment in capital contribution and redirect the capital to its other major business operations. We are of the view that the Disposal can relieve the pressures on the cash flow of the Company and can diversify its risk so as to optimize the Shareholders’ value in the future.

Based on an article “iResearch : Online game growing in 2006” extracted from the website of iResearch Consulting Group (www.iresearch.com.cn), the size of the turnover from the on-line game operators in the PRC were approximately RMB7.68 billion and the annual growth rate of this market reaches 60% in 2006. However, it is expected that the growth pace of the on-line game operators’ turnover will be slowed down due to the fact that the on-line game business has become mature and the fierce competition in PRC online game market. It is further expected that the growth rate of the on-line game operators will be dropped from approximately 41% in 2007 to approximately 19% in 2008 and will further dropped to approximately 14% in 2011. In particular, the percentage of the turnover contribute from massively multiplayer online role playing game (“MMORPG”) to the online game operators is in a decreasing trend from approximately 88% in 2003 to approximately 74% in 2006 and will further dropped to approximately 49% in 2011. As advised by the Company, both “Anti-Japanese War online” and “Heroes of the Warrior States” operated by the Target Company are MMORPG and the barrier of entry of MMORPG is high

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

since the research and development costs is higher than the platform game and the time costs spent for each online casual action game session is longer than the platform game session. As noted from the management of the Company, the Company made a new strategic decision to improve the competitiveness of the on-line game business segment, including but not limited to, arranging to launch the game on various major network media, internet bars and telecommunication networks. The Directors expect that the Company needs substantial amount of capital in order to promote the awareness of the new on-line game and combat the piracy pillage in the PRC's online game market.

According to an article by "iResearch : Online game market is highly concentrated in Q2 2007" extracted from the website of iResearch Consulting Group (www.iresearch.com.cn), the top five companies, namely Shanda, Netease, Ztgame, 9you and The 9, accounted for approximately 72.6% of market share in the online game market in the PRC. Due to their large scale of operations and the substantial amount of marketing costs, the Company will be under hardship to compete with these on-line game leaders in the PRC.

Given that the fierce competition among the competitors, the slowing down of the growth pace of the on-line game market and the barrier of the online causal action game is high, we believe that the Disposal can reduce the Company's commitment in capital contribution to the on-line game business segment while enjoying the profit that may be generated from such business segment operation by retaining a 30% interest in the Target Company after the Disposal. Furthermore, the Disposal can help the Company to rationalize the structure of the Group so that the Group can focus its management time and resources on the business of computer servers and platforms, the principle business segments of the Company. In this respect, we are of the view that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

3. Terms of the Agreement

(a) Assets to be disposed of

Pursuant to the Agreement, the Company agreed to sell and Powerleader Investment agreed to acquire 69% of the equity interest in the Target Company. The Consideration amounts to RMB17,181,000 (equivalent to approximately HK\$17,765,000) which was determined following arm's length negotiations between both parties to the Agreement.

(b) Basis of the Consideration

In arriving at the Consideration, the Board has made reference to the net asset value (the "NAV") of the Target Company of RMB16,614,000 (equivalent to approximately HK\$17,179,000) as shown in its unaudited management accounts for the six months ended 30 June 2007. The Consideration represents approximately 50% premium over the 69% equity interest of the NAV of the Target Company.

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In assessing the fairness and reasonableness of the Consideration, we have searched for listed companies engaged in the provision of on-line game services in the PRC (the “Comparable Companies”) and compared their price-earnings ratios (the “P/E”) and price-to-NAV (the “P/NAV”) with that of the Target Company. The following table illustrates the P/E ratio and P/ NAV of the Comparable Companies as at the date of the Agreement:

Company name <i>(Stock code)</i>	Principal activities	Closing price as at 24 September 2007	P/E <i>(Note 1)</i>	P/NAV <i>(Note 1)</i>
China Cyber Port (International) Company Limited (HK:8206)	Provision of real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; financial programme and video production services; and investor education on financial market in Hong Kong	HK\$2.9	104.69	3.20
Tencent Holdings Limited (HK:700)	Provision of internet and mobile value-added services and online advertising services	HK\$46.25	74.18	18.88
Shanda Interactive Entertainment Ltd (US:SNDA)	Operates online games in China and offers a portfolio of online games that users play over the internet	US\$36.4	37.92	6.44
Netease.com Inc (US:NTES)	Operates an interactive online community in China and is a provider of Chinese language content and services through its online games, internet portal and wireless value-added services businesses	US\$17.5	14.23	5.62

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Company name <i>(Stock code)</i>	Principal activities	Closing price as at 24 September 2007	P/E <i>(Note 1)</i>	P/NAV <i>(Note 1)</i>
The 9 Limited (US:NCTY)	An online game operator and developer in China that offers its self-developed online virtual community game and has exclusive licenses to localize and operate additional multiplayer online role playing games.	US\$35.42	21.60	2.89
Maximum			104.69	18.88
Minimum			14.23	2.89
Average			50.52	7.41
Target Company	Provision of on-line game services		94.68 <i>(Note 2)</i>	1.50 <i>(Note 3)</i>

Source: Stock Exchange website and NASDAQ website

Notes:

1. The P/E ratio and the P/NAV of the Comparable Companies are calculated based on their respective closing prices per share as at 24 September 2007, being the date of the Agreement, as quoted on the Stock Exchange website and NASDAQ website (as the case may be) divided by the earnings per share and the NAV per share as shown in the latest published financial reports of the respective Comparable Companies. Earnings per share and the NAV per share expressed in RMB is translated using the exchange rate of RMB1=HK\$1.034.
2. The P/E ratio is calculated based on the Consideration, being approximately RMB17,181,000, divided by the unaudited net profit attributable to the 69% of equity interest of the Target Company as shown in its management accounts, being approximately RMB181,470 for the year ended 31 December 2006.
3. The P/NAV is calculated based on the Consideration divided by the unaudited NAV in the management accounts of 69% of equity interest of the Target Company, being approximately RMB11,463,660, as at 30 June 2007.

As shown in the above table, the P/E ratios of the Comparable Companies range from approximately 14.23 times to approximately 104.69 times, with an average P/E ratio of approximately 50.52 times. The implied P/E ratio represented by the Consideration of approximately 94.68 times falls within the market range and is higher than the average P/E ratio of the Comparable Companies.

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With regard to the P/NAV, the Comparable Companies range from 2.89 times to 18.88 times, with an average P/NAV of approximately 7.41 times. The implied P/NAV represented by the Consideration is approximately 1.50 times above the share of the NAV of the Target Company to be disposed under the Agreement, which is lower than the average P/NAV of the Comparable Companies. Even though the P/NAV of the Target Company is below the average P/NAV of the Comparable Companies, we considered the premium represented by the Consideration over the NAV of the Target Company is justifiable and acceptable due to the Target Company is purely engaged in online game business whereas the Comparable Companies have engaged in a variety of businesses. Taking into account the above and the high capital requirements and the fierce competition among the online game services providers, we consider that the lower P/NAV of the Target Company as compared to the Comparable Companies is still fair and reasonable.

Based on the above, we are of the view that the consideration of RMB17,181,000 for the Disposal is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(c) Payment terms

The Consideration shall be payable by Powerleader Investment to the Company as to (i) a deposit in the sum of RMB8,590,500 (equivalent to approximately HK\$8,883,000) in cash within 3 working days from the date of the EGM after the Disposal has been approved by the Independent Shareholders and (ii) RMB8,590,500 (equivalent to approximately HK\$8,883,000), being the balance of the Consideration, in cash on or before 31 December 2007.

The completion of the Disposal shall take place on the day on which the balance of the Consideration is paid by Powerleader Investment to the Company. Besides, it is one of the conditions precedent under the Agreement that the Company should obtain the approval from the Independent Shareholders on the Agreement and the transactions contemplated thereunder at the EGM. Should the Disposal have not been approved in the EGM on or before 31 December 2007 or such other date as agreed by the parties to the Agreement, the Agreement shall terminate automatically and the Company may need to look for new buyers to acquire the equity interests of the Target Company. We consider that the payment terms are fair and reasonable so far as the Independent Shareholders are concerned.

4. Possible financial effects of the Disposal on the Group

As stated under the section headed "Letter from the Board" in the Circular, the Target Company will be owned as to 30% by the Company upon completion of the Disposal and will become an associated company of the Group. The following is the analysis of the financial effects on the Group upon completion of the Disposal:

(a) Earnings

Immediately prior to the Completion, the financial results of the Target Company was consolidated into the financial statements of the Group. The proceeds from the Disposal is intended to be used for working capital of the Group. As a result of the Disposal, it is expected that the Group will accrue a gain of approximately RMB5,717,000 (equivalent to approximately HK\$5,911,000), which is the difference between the Consideration and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

69% of the total carrying value of investments in the Target Company in the books of the Group as at 30 June 2007 of approximately RMB11,464,000 (equivalent to approximately HK\$11,854,000). The Target Company will become an associated company of the Group and any profit/loss will no longer be consolidated in the financial statements of the Group after the completion of the Disposal. However, the Company will be able to enjoy the profit generated from the on-line game business by retaining a 30% equity interest of the Target Company. Following the Disposal, it is expected that the gross profit margin will be improved as the Group will focus the financial resources to develop the business of computer servers and platforms. In this regard, we consider that the Disposal is beneficial to the Company in the long run as the Group can reduce the Group's commitment in capital contribution and hence redirect the capital to its major business operations.

(b) Net asset value

According to the Interim Report, the Group had unaudited net assets of approximately RMB274.0 million (equivalent to approximately HK\$283.32 million) as at 30 June 2007. Based on the unaudited management accounts for the six months ended 30 June 2007 of the Target Company, the unaudited net asset value of the Target Company was approximately RMB16.61 million (equivalent to approximately HK\$17.17 million). Upon completion of the Disposal, the net asset value of the Group will be increased due to the Group will be able to make a gain of approximately RMB5.7 million from the Disposal. We consider that the Disposal can relieve the financial burden and reduce the capital commitment of the Group. We are of the view that the Disposal may provide an opportunity to rationalize the structure of the Group so as to redirect its resources to other major business operations to strengthen the income base of the Group.

(c) Gearing

According to the Interim Report, the Group had non-current liabilities of approximately RMB27.38 million (equivalent to approximately HK\$28.31 million) as at 30 June 2007. According to the unaudited management accounts for the six months ended 30 June 2007 of the Target Company, the total liabilities was approximately RMB3.51 million (equivalent to approximately HK\$3.63 million). Assuming the Disposal was completed on 30 June 2007, the gearing position of the Group will be improved since the liabilities of the Target Company will not be consolidated into the consolidated balance sheet of the Group. We are of the view that the Disposal can improve the gearing position of the Group.

(d) Working capital

As stated under the section headed "Letter from the Board" in this Circular, the consideration amounts to RMB17,181,000 and the Board intends to apply such proceeds as working capital of the Group. We are of the view that the Disposal will improve and enhance the working capital of the Group.

Based on the above, we are of the view that the Disposal can improve the financial position and gearing position the Group. In this regard, we consider that the Disposal is in the interest of the Company and the Independent Shareholders as a whole.

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RECOMMENDATION

Having considered the above mentioned principal factors and reasons, we are of the view that the terms of the Agreement are on normal commercial terms and in the ordinary and usual course of business. We are also of the view that the Disposal is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Sheron Yau
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

(i) Interests in the Shares

Name of Directors	Types of interests	Class of Shares	Number of Shares held	Approximate percentage of the relevant class of Shares	Approximate percentage of the Company's total issued share capital
Li Ruijie	interest of controlled corporation	Domestic Shares	408,738,000 (Note 1)	61.93%	45.26%
Dong Weiping	family	H Shares	2,100,000 (Note 2)	0.86%	0.23%
Zhang Yunxia	interest of controlled corporation	Domestic Shares	408,738,000 (Note 1)	61.93%	45.26%

Notes:

1. Mr. Li is the husband of Ms. Zhang. They hold in aggregate 408,738,000 Domestic Shares through Powerleader Investment which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.
2. These 2,100,000 Shares are held by Ms. U Ping, the spouse of Mr. Dong.

(ii) *Interests in the shares of associated corporations*

Name of Director	Associated corporations	Types of interests	Number of Shares held	Approximate percentage of issued share capital of the associated corporation
Li Ruijie	Ex-Channel Group Limited	interest of controlled corporation	3,000,000	10%
Li Ruijie	深圳市寶騰互聯科技有限公司	interest of controlled corporation	2,500,000 (Note 3)	25%
Zhang Yunxia	深圳市寶騰互聯科技有限公司	interest of controlled corporation	2,500,000 (Note 3)	25%
Dong Weiping	Ex-Channel Group Limited	beneficial Owner	3,000,000	10%

Note 3: Mr. Li is the husband of Ms. Zhang. They hold in aggregate 2,500,000 shares through Powerleader Investment which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to share transactions by the Directors, to be notified to the Company and the Stock Exchange.

None of the Directors or Baron Capital has any direct or indirect interest in any assets which have since 31 December 2006 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to, any member of the Group.

None of the Directors is materially interested in any contract or arrangement entered subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date the following persons (other than the Directors or the chief executive of the Company), so far as is known to any Director or chief executive of the Company, who had interests on short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO or were otherwise notified to the Company were as follows:

Name of substantial Shareholders	Types of interests	Number of Shares held	Types of Shares	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued share capital of the Company
Powerleader Investment	beneficial owner	408,738,000 (Note 4)	Domestic Shares	61.93%	45.26%
哈爾濱世紀龍翔科技開發有限公司	beneficial owner	63,855,000	Domestic Shares	9.68%	7.07%
Sun Wei	interest of controlled corporation	63,855,000 (Note 5)	Domestic Shares	9.68%	7.07%
Sun Zhao Lin	interest of controlled corporation	63,855,000 (Note 5)	Domestic Shares	9.68%	7.07%
北京雅利安達科技發展有限公司	beneficial owner	50,257,000	Domestic Shares	7.61%	5.57%
Zhang Yuelian	interest of controlled corporation	50,257,000 (Note 6)	Domestic Shares	7.61%	5.57%

Notes:

- Powerleader Investment is held by Mr. Li Ruijie and Ms. Zhang Yunxia as to 87.5% and 12.5% respectively.
- This represents the same block of Shares as shown against the name of 哈爾濱世紀龍翔科技開發有限公司 above. Since 哈爾濱世紀龍翔科技開發有限公司 is owned as to 91.34% by Mr. Sun Wei and Mr. Sun Zhao Lin, Mr. Sun Wei and Mr. Sun Zhao Lin are deemed to be interested in the same number of Shares in which 哈爾濱世紀龍翔科技開發有限公司 was interested under the SFO.
- This represents the same block of Share as shown against the name of 北京雅利安達科技發展有限公司 above. Since 北京雅利安達科技發展有限公司 is owned as to 70% by Ms. Zhang Yuelian, Ms. Zhang is deemed to be interested in the same number of Shares in which 北京雅利安達科技發展有限公司 was interested under the SFO.

Save as disclosed above, so far as are known to the Directors, there is no person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was 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 the Company or any of its subsidiaries or held any option in respect of such capital.

4. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Baron Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Baron Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

Baron Capital is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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 2006, being the date to which the latest published audited financial statements of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not terminable within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management shareholders of the Company and their respective associates has any interest in any business which competes or might compete with the business of the Group.

8. GENERAL

- (a) The head office and registered office of the Company is at Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building Shennan Road Central, Futian District, Shenzhen, The PRC.
- (b) The company secretary and qualified accountant of the Company is Mr. Ng Chi Ho Dennis, FCPA.
- (c) The compliance officer to the Company is Mr. Li Ruijie.
- (d) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (e) The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, namely Mr. Yim Hing Wah, Mr. Lo Yu Tseng, Robert and Mr. Jiang Baijun. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Yim Hing Wah. The biographies of the members of the audit committee of the Company are set out below:
1. Mr. Yim Hing Wah, aged 43 has more than 16 years of experience in auditing, accounting, taxation, business consulting and financial management. He had worked for Deloitte Touche Tohmatsu as manager for eight years from July 1992 to December 2000. After that, he was the financial controller of Jiangsu Nandasoft Company Limited and Chinasoft International Limited for one and a half years and two years respectively, both of which are companies listed on the Growth Enterprise Market of the Stock Exchange. Currently, he is a partner of Chan, Yim, Cheng & Co., an accounting firm in Hong Kong. Mr. Yim is a graduate of Hong Kong Polytechnic University and holds a bachelor degree in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Association of Chartered Certified Accountants and a member of the Hong Kong Securities Institute. Currently, he is an independent non-executive director of Jiangsu Nandasoft Company Limited, Launch Tech Company Limited, Far East Holding International Limited, Ever Fortune International Holdings Limited and China Haisheng Juice Holding Company Limited, the securities of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Yim was appointed as an independent non-executive Director on 30 September 2004.
 2. Mr. Lo Yu Tseng, Robert, aged 56 is the chief executive officer of NetChina Communication Beijing China. Mr. Lo had worked in INTEL for over 10 years. Mr. Lo holds a master degree in business administration from the University of Puget Sound in the United States and a bachelor degree in arts from the University of Washington in the United States. Mr. Lo was appointed as an independent non-executive Director on 25 February 2002.
 3. Mr. Jiang Baijun, aged 45, graduated from the China Central Radio and TV University, majoring in Chinese Literature 1980 to 1994, was a secondary school teacher in Xian. Mr. Jiang was engaged as a special commentator on market development, and hosted the Directors Forum of China Computerworld from 1995 to 1999. Since 1994, Mr. Jiang established his consultation career with numerous popular international computer corporations. From 1994 to 1996, he was the China market strategic consultant of AST, and the market strategic consultant of Create Group. Mr. Jiang was also the market strategic consultant of the office automation department of Digital China (Toshiba China business) and the market strategic consultant and strategic development consultant of HK China from 1996 to 1999. In 1999, he served in Compaq as the market strategic consultant of the product market in China. From 2000 to 2002, Mr. Jiang was engaged as the market strategic consultant of the Hong Kong China Business of NEC (Notebook computer to monitor business), while from 2001 to 2003, he was named the market strategic consultant of the monitor business of PHILIPS China, as well as the market strategic consultant of the product business of Legend Computer. Mr. Jiang was also the chief consultant in strategic development of Shenzhen Qinzhong Electronics from 2002 to 2004 and the market strategic consultant

of Huayu Bancoo from 2003 to 2004. Since 2003, Mr. Jiang has been the market strategic consultant of the PC business of IBM China (notebook computer business), as well as the market strategic consultant of the Panasonic business and FUJITSU business of the China Daheng Group since 2004. Mr. Jiang was appointed to be an independent non-executive director on 20 May 2005.

- (f) The English text of this circular shall prevail over the Chinese text.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 8 of this circular;
- (d) the letter issued by Baron Capital, the text of which is set out on pages 9 to 17 of this circular; and
- (e) the written consent of Baron Capital referred to in paragraph 4 in this appendix.

NOTICE OF EGM



深圳市宝德科技股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY COMPANY LIMITED*

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

(Stock Code: 8236)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of the shareholders of Powerleader Science & Technology Company Limited (the “**Company**”) will be held at 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen, the PRC on 3 December 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the conditional share transfer agreement dated 24 September 2007 entered into between the Company as vendor and Powerleader Investment Holding Company Limited (“**Powerleader Investment**”) as purchaser (a copy of which is produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification, the “**Agreement**”) whereby, among others, the Company agreed to sell and Powerleader Investment agreed to acquire 69% of the equity interest in 深圳市寶德網絡技術有限公司 (Shenzhen Powerleader Network Technology Company Limited), be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; and
- (b) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign and execute all such documents, instruments and agreements and to take all such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement and all other matters incidental thereto.”

By order of the Board of Directors of
Powerleader Science & Technology Company Limited*
Li Ruijie
Chairman

Shenzhen, the PRC, 18 October 2007

* *for identification purpose only*

NOTICE OF EGM

Notes:

1. The register of the members of the Company will be closed from 2 November 2007 to 3 December 2007 (both days inclusive) during which no transfer of shares will be registered during the period. Holders of domestic shares and H shares whose names appeared on the register of the Company on or before 4:00 p.m. on 1 November 2007 are entitled to attend and vote at the EGM and may appoint one or more proxies to attend and, in the event of a poll, vote on their behalf. A proxy need not be a shareholder of the Company.
2. In order to be valid, the proxy form, under which it is signed, must be deposited by hand or post, for holders of H shares of the Company to the H shares registrar of the Company at Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen Road East, Wanchai, Hong Kong and, for holders of domestic shares, to the registered address of the Company not less than 24 hours before the time for holding the EGM or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
3. Shareholders or their proxies who intend to attend the EGM should complete and return the enclosed reply slip and return it by hand or post to the H shares registrar of the Company (for holders of H shares) or to the registered address of the Company (for holders of domestic shares) on or before 13 November 2007.
4. Shareholders or their proxies shall produce their identity documents when attending the EGM. Shareholders or their proxies should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against a resolution. Abstention votes will not be regarded by the Company as having voting rights for the purpose of vote counts.
5. The EGM is expected to take half day. Shareholders or their proxies attending the meeting shall be responsible for their own travel and accommodation expenses.
6. Details of the registered address of the Company are as follows:

Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen, the PRC

Tel: (86755) 8328 7692

Fax: (86755) 8327 3380

Postal Code: 518031

Contact person: Ms. Nancy Zheng

As at the date hereof, the Board comprises a total of 10 directors, including Mr. Li Ruijie, Mr. Dong Weiping, Ms. Zhang Yunxia and Mr. Ma Zhumao as executive directors, Mr. Sun Wei, Mr. Wang Lixin and Mr. Li Donglei as non-executive directors and Mr. Jiang Baijun, Mr. Lo Yu Tseng, Robert and Mr. Yim Hing Wah as independent non-executive directors.