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宝德科技集团股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

**(1) VERY SUBSTANTIAL DISPOSAL AND
VERY SUBSTANTIAL ACQUISITION
(2) RESUMPTION OF TRADING**

VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION

On 22 December 2015, the Company, PC Research Institute and Taiji Computer entered into the Agreement, pursuant to which the Company and PC Research Institute conditionally agreed to respectively sell, and Taiji Computer conditionally agreed to purchase, the Company Sale Interest and the PCR Sale Interest (together representing the entire equity interests in Powerleader Computing). The consideration in the sum of RMB1,666,000,000 will be satisfied upon Completion (i) as to RMB224,910,000 by cash to the Company, (ii) as to RMB24,990,000 by cash to PC Research Institute, (iii) as to RMB 1,274,490,000 by the allotment and issue of the Company Consideration Shares by Taiji Computer to the Company, and (iv) as to RMB141,610,000 by allotment and issue of the PC Consideration Shares by Taiji Computer to PC Research Institute. The Total Consideration Shares represent approximately 8.65% of the issued share capital of Taiji Computer as enlarged by the issue of such Taiji Computer Shares.

Pursuant to the Agreement, the Group will be disposing of the entire equity interests in Powerleader Computing (which wholly-owns Powerleader Software) and the Server and Software Businesses carried on by them to Taiji Computer for a cash consideration plus the Total Consideration Shares from Taiji Computer. As (i) the relevant percentage ratios in respect of the Disposal exceed 75% and (ii) the relevant percentage ratios in respect of the Acquisition exceed 100%, the Disposal and the Acquisition constitute a very substantial disposal and a very substantial acquisition respectively of the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Disposal and the Acquisition are subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

On 22 December 2015, the Company, PC Research Institute and Taiji Computer also entered into the Profit Guarantee Compensation Agreement, pursuant to which Taiji Computer will be entitled to exercise the Buy-back Option to repurchase the Taiji Computer Shares held by them in the event the Company and PC Research Institute are required to make the Profit Guarantee Compensation and/or the Asset Impairment Compensation. As the exercise of the Buy-back Option will not be at the discretion of the Group, according to Rule 19.74(1) of the GEM Listing Rules, the grant of the Buy-back Option is classified as a transaction under Chapter 19 of the GEM Listing Rules as if it had been exercised by reference to the applicable percentage ratios. Since the applicable percentage ratios for the grant of the Buy-back Option exceed 75%, the grant of the Buy-back Option constitutes a very substantial disposal of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

A circular of the Company containing further details of the Disposal, the Acquisition and the Buy-back Option, the notice convening the EGM together with proxy form and reply slip and any other information as required by the GEM Listing Rules is expected to be despatched to the Shareholders on or before 15 January 2016.

RESUMPTION OF TRADING

At the request of the Company, the trading in the H Shares of the Company has been halted on the Stock Exchange with effect from 9:00 a.m. on 23 December 2015, pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the H Shares of the Company with effect from 9:00 a.m. on 24 December 2015.

I. THE AGREEMENT

On 22 December 2015, the Company, PC Research Institute and Taiji Computer entered into the Agreement, pursuant to which the Company and PC Research Institute conditionally agreed to respectively sell, and Taiji Computer conditionally agreed to purchase, the Company Sale Interest and PCR Sale Interest. The Company Sale Interest and the PCR Sale Interest together represent the entire equity interests of Powerleader Computing, a wholly-owned subsidiary of the Group which directly wholly-owns Powerleader Software.

Date

22 December 2015

Parties

Vendors: the Company and PC Research Institute

Purchaser: Taiji Computer, the ordinary shares of which are listed on the Shenzhen Stock Exchange

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Taiji Computer and each of the controlling shareholders, directors, supervisors and substantial shareholders of Taiji Computer are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant the Agreement, the Company and PC Research Institute have conditionally agreed to respectively sell the Company Sale Interest and the PCR Sale Interest (together representing the entire equity interests of Powerleader Computing (which wholly-owns Powerleader Software)) to Taiji Computer.

Transfer of Subject Assets before Completion by way of internal restructuring

The Company agreed to transfer the Subject Assets related to the Server and Software Businesses held by the Group (other than Powerleader Computing) at nil consideration to Powerleader Computing and Powerleader Software pursuant to an internal restructuring of the Group before Completion to ensure that Powerleader Computing can operate those businesses independently after the Completion. The Subject Assets to be transferred include (among other things) registered trademarks, patents, software copyrights, other intangible assets and fixed assets, customer lists and the corresponding list of contracts, employees and account payables and account receivables.

On the same date of entering into the Agreement, the Company and Powerleader Computing also entered into the Asset Acquisition Agreement which sets out the detailed lists of the Subject Assets and the procedures for transferring the Subject Assets to Powerleader Computing and Powerleader Software before Completion.

Accordingly, under the Disposal, the Group will be disposing of the Server and Software Businesses carried on by Powerleader Computing and Powerleader Software comprising its interests in (i) a substantial part of the IaaS Business of the Group carried out through Powerleader Computing; and (ii) part of the SaaS & PaaS Business of the Group carried out through Powerleader Software.

The audited book value of the Server and Software Businesses carried on by Powerleader Computing and Powerleader Software, based on PRC accounting standards, was approximately RMB563.62 million as at 31 July 2015.

The following is the financial information of Server and Software Businesses for the years ended 31 December 2013 (audited) and 31 December 2014 (audited) respectively, prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2014 (audited)	For the year ended 31 December 2013 (audited)
Net profits before taxation	approximately RMB62.34 million	approximately RMB31.60 million
Net profits after taxation	approximately RMB53.57 million	approximately RMB28.17 million

Powerleader Computing is a wholly-owned subsidiary of the Group held by the Company as to 90% and by PC Research Institute as to 10%. Upon Completion, the Group will no longer hold any equity interest in Powerleader Computing or Powerleader Software, Powerleader Computing and Powerleader Software will cease to be subsidiaries of the Group and their financial results will cease to be consolidated into the Group's financial results.

Consideration

The consideration for the Disposal in the sum of RMB1,666,000,000 will be satisfied upon Completion (i) as to RMB224,910,000 by cash to the Company, (ii) as to RMB24,990,000 by cash to PC Research Institute, (iii) as to RMB 1,274,490,000 by the allotment and issue of the Company Consideration Shares by Taiji Computer to the Company, and (iv) as to RMB141,610,000 by the allotment and issue of the PC Consideration Shares by Taiji Computer to PC Research Institute. An application will be made by Taiji Computer to the Shenzhen Stock Exchange for the listing of and permission to deal in the securities.

The Total Consideration Shares represent approximately 9.46% of the issued share capital of Taiji Computer as at the date of this announcement and approximately 8.65% of the issued share capital of Taiji Computer as enlarged by the issue and allotment of the Total Consideration Shares, assuming there is no other issue or repurchase of shares by Taiji Computer prior to the Completion.

The percentage of issued share capital of Taiji Computer represented by the Total Consideration Shares will be reduced to 8.47% after the issue of the new Taiji Computer Shares as consideration for the Lianzi Weiyi Acquisition, and further reduced to 7.78% after the issue of the maximum number of new Taiji Computer Shares under the Taiji Computer Non-public Issuance (see descriptions in the section “The Taiji Computer Transactions” below), assuming there is no other issue or repurchase of shares by Taiji Computer prior to completion of the Taiji Computer Transactions.

Once issued, the Total Consideration Shares will rank pari passu in all respects of the then existing Taiji Computer Shares in issue. The number of Taiji Computer Shares to be allotted to the Company and PC Research Institute for the consideration for the Disposal will not result in the Group obtaining control of Taiji Computer.

Basis of Consideration

The consideration of the Disposal was arrived at after commercial and arm’s length negotiations between the Group and Taiji Computer and was determined with reference to the preliminary valuation of Powerleader Computing at RMB1,666,343,000 as at the Benchmark Date by an independent valuer using the income approach which is subject to confirmation by SASAC. After the result of valuation on Powerleader Computing has been filed with SASAC and confirmed in the valuation report to be issued, the Group and Taiji Computer will finally confirm the consideration for the Disposal on the basis of such confirmed valuation.

As the preliminary valuation on Powerleader Computing referred to above was prepared using the income approach, it is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules. The Company has applied to the Stock Exchange for waiver from strict compliance with the requirements of Rule 19.62 of the GEM Listing Rules in respect of the valuation on Powerleader Computing.

It is agreed that the issue price of the Total Consideration Shares shall be no less than 90% of average trading price of the Taiji Computer Shares as quoted on the Shenzhen Stock Exchange over the 120 trading days preceding the Reference Day, meaning that the issue price of the Total Consideration Shares shall not be less than RMB54.22 per share of Taiji Computer.

Taiji Computer completed its distribution of dividends of RMB2.2 (including tax) for every 10 shares and increase of 5 shares for every 10 shares converted from its capital reserve on 16 June 2015, and as a result the total shares capital of Taiji Computer increased to 415,597,227 shares. After such distribution of dividends and conversion of capital reserve into share capital of Taiji Computer, the issue price of the Total Consideration Shares is adjusted to RMB36.00 per share of Taiji Computer.

In case of any distribution of dividends, rights issue or bonus issue of Taiji Computer during the period from the Reference Day up to the date of issue of the Total Consideration Shares, the issue price of the Total Consideration Shares will be adjusted correspondingly.

The Taiji Computer Transactions

The Company understands that together with the Disposal, Taiji Computer is at the same time also proposing the following transactions:

(i) Liangzi Weiye Acquisition

Taiji Computer proposes to acquire the entire equity interests in a company named *Beijing Liangzi Weiye Information Company Limited (北京量子偉業信息技術股份有限公司) from its ten shareholders at a consideration determined on a preliminary basis to be RMB421 million, to be satisfied partly by cash in the aggregate amount of RMB83,775,600 and the remainder by the issue of 9,367,344 Taiji Computer Shares.

(ii) Taiji Computer Non-public Issuance

Taiji Computer proposes to issue up to 41,806,020 new Taiji Computer Shares to not more than 10 specific investors, to raise funds not more than the considerations for the Disposal and for the Liangzi Weiye Acquisition and in any event not more than RMB2 billion.

Liangzi Weiye Acquisition and Taiji Computer Non-public Issuance are transactions to be carried out by Taiji Computer with parties independent of the Company and its connected persons. The Disposal, the Liangzi Weiye Acquisition and the Taiji Computer Non-public Issuance altogether form a series of transactions which are considered by Taiji Computer at the same time, therefore Liangzi Weiye Acquisition and Taiji Computer Non-public Issuance are included as conditions under the Agreement (see section on “Taking Effect of the Agreement” below). The Company understands from Taiji Computer that the Disposal and Liangzi Weiye Acquisition are pre-conditions for the Taiji Computer Non-public Issuance, but the Taiji Computer Non-public Issuance is not a condition of the Disposal and the Liangzi Weiye Acquisition.

Taking Effect of the Agreement

The Agreement shall take effect subject to the fulfillment of the following conditions (the effective date being the date of fulfillment of the last of these conditions):

- (a) the approval of the Taiji Computer Transactions by the board of directors and shareholders of Taiji Computer;
- (b) the Company and PC Research Institute having duly completed the relevant formalities in accordance with applicable laws, rules and regulations (including the GEM Listing Rules), including the approval by the Shareholders of the Disposal, the Acquisition and the grant of the Buy-back Option;
- (c) execution of the Agreement by the authorized representatives of the Company, PC Research Institute and Taiji Computer;
- (d) the clearance of the anti-trust investigation in relation to the Taiji Computer Transactions with the Ministry of Commerce of the PRC;
- (e) the completion of filing of the valuation reports in relation to the Disposal with the SASAC;
- (f) the approval by the SASAC of the Taiji Computer Transactions; and
- (g) the approval of the Taiji Computer Transactions by the CSRC.

None of the above conditions is waivable by the Company, PC Research Institute or Taiji Computer.

Completion

Completion shall take place within two months after the above conditions of the Agreement have been fulfilled.

Non-competition undertakings

Each of the Company and PC Research Institute have undertaken to Taiji Computer that during the time when it holds Taiji Computer Shares, and Ms. Zhang Yunxia and Mr. Li Ruijie (both being Directors and the controllers of the Company and PC Research Institute) have also undertaken with Taiji Computer that during the time when he or she directly or indirectly holds Taiji Computer Shares:

- (1) it/he/she shall not in whatever manner (including but not limited to joint ventures, cooperation, investment, merger or entrusted operations, excluding equity participation, within and/or outside the PRC):
 - carry on, participate in or assist others to carry on any business or other operational activities that is the same as or similar to or in direct or indirect competition with the businesses of Taiji Computer, Powerleader Computing or their subsidiaries carried on at such time; or
 - invest (excluding equity participation) in any economic entities that directly or indirectly competes with the business carried on by Taiji Computer, Powerleader Computing or their subsidiaries carried out at such time

- (2) if itself/herself/himself or an enterprise it/she/he controls obtains any commercial opportunity from a third party that competes or may compete with the principal business of Taiji Computer, Powerleader Computing or their subsidiaries, it/she/he shall immediately inform Taiji Computer and after consent by the third party endeavor to give that commercial opportunity to Taiji Computer, Powerleader Computing or their subsidiaries.
- (3) it/she/he shall not make use of any understanding and obtained information about Taiji Computer, Powerleader Computing and Powerleader Software to assist a third party to carry on, participate or invest in businesses or projects that compete with Taiji Computer, Powerleader Computing or their subsidiaries.

The businesses of Powerleader Computing or its subsidiaries referred to under the above undertakings are the Server and Software Businesses. The businesses of Taiji Computer referred to under the above undertakings are the businesses carried on by Taiji Computer before the completion of the Taiji Computer Transactions.

Under the Asset Acquisition Agreement, the Company also gives the above undertakings to Powerleader Computing. In addition, the Company undertakes to Powerleader Computing:

- not to provide proprietary technology or trade secrets such as sales channels or client information to persons, entities or organizations that carry on business same as, similar to or in competition with Powerleader Computing and Powerleader Software
- not to disclose its understanding or confidential information obtained from Powerleader Computing and Powerleader Software to any third party or use the same for purpose detrimental to the legitimate interest of Powerleader Computing and Powerleader Software without their prior written consent
- not to directly or indirectly enter into business agreements and follow-up services agreements with clients of Powerleader Computing and Powerleader Software.

Profit and Loss of Powerleader Computing during the Relevant Period

The Company, PC Research Institute and Taiji Computer further agreed that:

1. during the Relevant Period, Powerleader Computing will not declare any dividends;
2. during the Relevant Period, the profits of Powerleader Computing will belong to Taiji Computer and the loss of Powerleader Computing will be borne by the Company and PC Research Institute; and
3. within 30 Business Days after the date of completion of the Agreement, a qualified audit firm, which is agreed by the Company and Taiji Computer, will perform audit of Powerleader Computing for the Relevant Period and shall issue an audit report to confirm the profit and loss.

Profit Guarantee Compensation Agreement

Date

22 December 2015

Parties

- (1) The Company and PC Research Institute
- (2) Taiji Computer

Profit Guarantee

The Company and PC Research Institute confirmed and undertook that Powerleader Computing shall achieve the net profit amounts during the Compensation Period as arrived at after commercial and arm's length negotiations between the Company and Taiji Computer and determined with reference to the net profit attributable to shareholders of Powerleader Computing after deducting extraordinary items in its consolidated accounts based on the valuation of Powerleader Computing using the income approach. The Company, PC Research Institute and Taiji Computer will enter into a supplemental agreement after the valuation report of Powerleader Computing is filed with SASAC to confirm the final forecasted net profit amount during the Compensation Period.

Profit Guarantee Compensation

Pursuant to the Profit Guarantee Compensation Agreement, a qualified accounting firm, as agreed by the Company and Taiji Computer, will perform audit of Powerleader Computing at the end of each financial year during the Compensation Period. If the audited net profit attributable to shareholders of Powerleader Computing after deducting extraordinary items in the consolidated accounts for the financial years ended 31 December 2016, 2017 and 2018 fall short of RMB121,915,400 (2016), RMB159,622,300 (2017) and RMB213,757,000 (2018) respectively, subject to final confirmation by the parties after the valuation report on Powerleader Computing has been filed with SASAC, the Company and PC Research Institute will have to pay compensation to Taiji Computer in the form of Taiji Computer Shares.

The formula for the number of Taiji Computer Shares to be paid as compensation under the Profit Guarantee Compensation for each year is calculated as follows:

(the guaranteed cumulative net profit as at the end of relevant period — the actual cumulative net profit as at the end of relevant period) ÷ the total sum of guaranteed net profit in each year during the Compensation Period × the total consideration of the Transaction ÷ issue price of the Total Consideration Shares — the number of Taiji Computer Shares previously paid as compensation.

Asset Impairment Compensation

At the end of the Compensation Period, a qualified accounting firm, as agreed by the Company and Taiji Computer, will perform asset impairment test on Powerleader Computing for the Compensation Period. If the value of asset impairment is larger than the total compensation amount paid by the Company and PC Research Institute under the Profit Guarantee Compensation (being the product between the total number of Taiji Computer Shares paid as compensation during the Compensation Period and the issue price of the Total Consideration Shares), the Company and PC Research Institute will pay a separate Asset Impairment Compensation to Taiji Computer in addition to the Profit Guarantee Compensation.

The formula for the number of Taiji Computer Shares to be paid as compensation under the Asset Impairment Compensation is calculated as follows:

the impairment value of Powerleader Computing as at the end of the Compensation Period \div issue price of the Total Consideration Shares — the number of Taiji Computer Shares previously paid as compensation during the Compensation Period

Buy-back Option of Taiji Computer

If the Company and PC Research Institute are required to pay compensation to Taiji Computer under the Profit Guarantee Compensation and Asset Impairment Compensation as described above, such compensation shall be paid by the Company and PC Research Institute to Taiji Computer in the form of Taiji Computer Shares, which will entitle Taiji Computer the right to exercise the Buy-back Option to repurchase Taiji Computer Shares held by the Company and PC Research Institute at a nominal consideration of RMB1.00 to the Company and PC Research Institute. In the event that the Company and PC Research Institute do not hold enough Taiji Computer Shares to compensate Taiji Computer, the Company and PC Research Institute will have the obligation to purchase Taiji Computer Shares from the market in order to pay enough compensation to Taiji Computer.

The maximum number of Taiji Computer Shares to be given up by the Company and PC Research Institute under the Profit Guarantee Compensation and the Asset Impairment Compensation is 46,277,800 Taiji Computer Shares which is calculated as follows:

the total consideration of the Disposal (being RMB1,666,000,000) \div the issue price of the Total Consideration Shares (based on RMB36.00 per Taiji Computer Share)

Non-disposal undertakings

Non-disposal undertakings by the Company

Pursuant to the Agreement, subject to Completion, the Company has undertaken to Taiji Computer that for a period of 12 months from the listing date of the Company Consideration Shares, the Company will not transfer any of the Company Consideration Shares. After the expiry of such twelve-month period, the Company Consideration Shares will be released from lock-up according to the following schedule:

Time period	Number of Company Consideration Shares released from lock-up
After 12 months from the listing date of the Company Consideration Shares and the issuance of special audit report for the first year of the Compensation Period	40% of the Company Consideration Shares less the number of Taiji Computer Shares surrendered as compensation under the Profit Guarantee Compensation for the first year of the Compensation Period
After 24 months from the listing date of the Company Consideration Shares and the issuance of the special audit report for the second year of the Compensation Period	70% of the Company Consideration Shares less the number of Taiji Computer Shares surrendered as compensation under the Profit Guarantee Compensation for the second year of the Compensation Period
After 36 months from the listing date of the Company Consideration Shares and the issuance of the special audit report for the third year of the Compensation Period and the asset impairment audit report	100% of the Company Consideration Shares less the number of Taiji Computer Shares surrendered as compensation under the Profit Guarantee Compensation for the third year of the Compensation Period and the Asset Impairment Compensation

Non-disposal undertaking by PC Research Institute

Pursuant to the Agreement, subject to Completion, PC Research Institute has undertaken to Taiji Computer that it shall not transfer the PC Consideration Shares within 36 months from the listing date of such PC Consideration Shares. After the expiry of such 36-month period, PC Research Institute may transfer the PC Consideration Shares only after the issuance of the special audit report of the immediately preceding year and the asset impairment audit report.

II. REASONS FOR AND BENEFITS EXPECTED TO ACCRUE FROM THE DISPOSAL, ACQUISITION AND BUY-BACK OPTION

The Group's principal businesses are the provision of cloud computing products and their related solutions and services, which mainly include:

- (i) Cloud Infrastructure as a Service — provision of cloud server and cloud storage equipment as well as related solutions;

- (ii) Cloud Module as a Service — provision of R&D, design, manufacturing and sale of cloud computing equipment related components as well as cloud computing equipment key components agency distribution and related value-added services; and
- (iii) Software and Platform as a Service — provision of development and services of cloud computing related software and platform.

Following completion of the Disposal, the Group shall continue to carry on the remaining small part of the IaaS Business, the MaaS Business and the remaining part of the SaaS & PaaS Business (collectively the “**Remaining Businesses**”). The Group can implement the business strategy of the Group by centralizing its resources to enhance the development of its core business (i.e. cloud computing and internet data center). Following completion of the Disposal, the Group can utilise the currently available funds of the Group to focus on the expansion and development of the Remaining Businesses. The Company expects that the financial structure of the Remaining Businesses can be improved and the competitive advantage of the Group in the market can be strengthened. The Company intends that business plans for the Remaining Business after completion of the Disposal will be as follows:

1. MaaS Business: the Company will continue to strengthen the cloud computing segment, reinforce the Company’s core brand core competitiveness, strengthen the sales system construction, improve standard of sales management, broaden the scope of cooperation with suppliers, expand the products distribution system by agents, actively expand business channels partners, provide timely and adequate support in components and professional technical support for business channels partners and clients in the industry in order to maintain the Company’s market position as the leading supplier for cloud computing related components in China.
2. Public cloud computing business: the Company will accelerate the development of public cloud services, given the demand in relevant applications in relation to cloud computing and big data, it will provide high-quality, diversified and customized data storage services and network consulting services to clients.
3. Internet data centers business: it is the goal of the Company to become the leading internet infrastructure and cloud computing service provider, the Company will focus on developing its internet data center business and build a number of internet computing data centers in order to achieve collection, storage, analysis and exploration of vast amount of information.

Taiji Computer, whose shares are listed on the Shenzhen Stock Exchange, is engaged in the provision of information technology services. Through acquisition of the Powerleader Computing by Taiji Computer, integration can be achieved and synergy can be created between the computing hardware business (which forms part of the Server and Software Businesses) and the computing software business of Taiji Computer. Revenue growth of Taiji Computer can be sustained and competitiveness of Taiji Computer in the market can be enhanced. As the consideration of the Disposal is proposed to be settled by the issue of Total Consideration Shares to the Group, the prospects of revenue growth, boost in share price and dividend distribution of the Taiji Computer will bring potentially substantial benefits to the Group which will become a shareholder of the Taiji Computer following completion of the Disposal. Depending on the business development plan and future development strategy of the Company and for the purpose of increasing the general

working capital of the Company, the Group may dispose of part of the Total Consideration Shares after the expiry of the lock-up periods as mentioned under the section headed “Non-disposal undertakings”.

The Company intends to use the net proceeds (after deducting the relevant costs and expenses in connection with the Disposal) for repayment of bank loans which amounted to RMB1.4 billion as at 30 September 2015 and for investments in fixed assets, of which RMB60 million is expected to be used in the construction of internet data center in Shenzhen and RMB165 million is expected to be used in the construction of internet data center in Guangzhou.

The Directors consider that the terms of the Buy-back Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole after considering the following:

1. The maximum compensation amount to be paid by the Company and PC Research Institute under the Profit Guarantee Compensation and the Asset Impairment Compensation shall not exceed the total consideration of the Disposal, and such total consideration is based on a valuation by an appraised institution with due qualifications using a valuation method commonly adopted in the market.
2. The calculation for the Profit Guarantee Compensation is with reference to the audited net profit attributable to the shareholders of Powerleader Computing after deducting extraordinary items in its consolidated accounts for the financial years ended 31 December 2016, 2017 and 2018, which the Company considers to be a normal commercial term and was arrived at after arms-length negotiations with Taiji Computer.
3. After the Disposal, the Group will become the second largest shareholder of Taiji Computer, and the Directors expect that the Company will benefit from the synergies generated from the businesses integration of Taiji Computer and Powerleader Computing.

Based on the above reasons and benefits, the Directors consider that the terms of the Disposal, the Acquisition and the Buy-back Option are fair and reasonable, and these transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

III. INFORMATION ON POWERLEADER COMPUTING

Powerleader Computing is a company incorporated in the PRC with limited liability and has a registered capital of RMB38,000,000. The equity interests in Powerleader Computing is owned as to 100% by the Company before the Completion.

Powerleader Computing is principally engaged in production and sale of computer hardware and peripherals, computer parts and sale of computer software.

The audited net assets of Powerleader Computing, based on PRC accounting standards, was approximately RMB40.76 million as at 31 December 2014.

The following is the financial information of Powerleader Computing for the years ended 31 December 2013 (audited) and 31 December 2014 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2014 (audited)	For the year ended 31 December 2013 (audited)
Net profits before taxation	approximately RMB-11.43 million	approximately RMB-6.24 million
Net profits after taxation	approximately RMB-9.18 million	approximately RMB-3.88 million

The Company is expected to gain approximately RMB1,643.05 million from the Disposal, and such gain is calculated by reference to the total consideration to be received under the Disposal less the long-term equity investments in Powerleader Computing and Powerleader Software, being RMB12.75 million and RMB10.2 million respectively.

IV. INFORMATION ON POWERLEADER SOFTWARE

Powerleader Software is a company incorporated in the PRC with limited liability and has a registered capital of RMB10,000,000. The equity interests in Powerleader Software is owned as to 100% by Powerleader Computing.

Powerleader Software is principally engaged in computer hardware and software development, network technology development (excluding provision of Internet access services), hardware embedded software and system development.

The audited net assets of Powerleader Software, based on PRC accounting standards, was approximately RMB84.65 million as at 31 December 2014.

The following is the financial information of Powerleader Software for the years ended 31 December 2013 (audited) and 31 December 2014 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2014 (audited)	For the year ended 31 December 2013 (audited)
Net profits before taxation	approximately RMB23.81 million	approximately RMB35.45 million
Net profits after taxation	approximately RMB21.97 million	approximately RMB29.62 million

V. INFORMATION ON THE GROUP AND TAIJI COMPUTER

The Group

The principal business of the Group is the provision of cloud computing products and related solutions and services, which mainly includes (i) Cloud Infrastructure as a Service (IaaS) — comprising provision of equipment such as cloud servers and cloud storage and their related solutions (such as research and development and production of differentiated cloud equipment, overall solutions design of cloud infrastructure in relation to systems integration in cloud projects and its implementation, after sales and technical support services) under the Company’s own brand name “宝德”; (ii) Cloud Module as a Service (MaaS) — comprising research and development, design, manufacturing and sale of cloud computing equipment related components under the Company’s own brand name “宝德”, agency distribution of key components of cloud computing equipment and provision of related value added services (such as components combination solution design (i.e. providing optimised component options when clients select key components of cloud computing equipment) and compatibility test); and (iii) Software as a Service and Platform as a Service (SaaS and PaaS) — comprising development of cloud computing software and platforms and provision of related services (such as system maintenance and software update services).

Taiji Computer

Taiji Computer is principally engaged in IT Service Integration, which includes (i) industry solutions and services; (ii) IT consulting; and (iii) IT products value-added services. Industry solutions and services refer to the range of services provided to industrial customers, such as government, public utilities, finance and energy. The core of such services focuses on software development for industry application, covering IT infrastructure, system integration and system operation and maintenance.

IT consulting refers to professional services involved in IT operating model design, program and project management, infrastructure design, outsourcing management, IT monitoring services, system assessment, etc.

IT products value-added services refer to the value-added services provided for sales and development, system maintenance and functional enhancements of IT products, including enterprise systems built on software platforms, servers and data storage and management.

The audited net assets of Taiji Computer, based on PRC accounting standards, was approximately RMB2,025 million as at 31 December 2014.

The following is the financial information of Taiji Computer for the years ended 31 December 2013 (audited) and 31 December 2014 (audited) respectively, which were prepared in accordance with the applicable accounting standards in the PRC:

	For the year ended 31 December 2014 (audited)	For the year ended 31 December 2013 (audited)
Net profits before taxation	approximately RMB218.334 million	approximately RMB192.62 million
Net profits after taxation	approximately RMB198.19 million	approximately RMB179.97 million

VI. GEM LISTING RULES IMPLICATIONS

As (i) the relevant percentage ratios in respect of the Disposal exceed 75% and (ii) the relevant percentage ratios in respect of the Acquisition exceed 100%, the Disposal and the Acquisition constitute a very substantial disposal and a very substantial acquisition respectively of the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Disposal and the Acquisition are subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the exercise of the Buy-back Option will not be at the discretion of the Group, according to Rule 19.74(1) of the GEM Listing Rules, the grant of the Buy-back Option is classified as a transaction under Chapter 19 of the GEM Listing Rules as if the option had been exercised by reference to the applicable percentage ratios. Since the applicable percentage ratios for the grant of the Buy-back Option exceed 75%, the grant of Buy-back Option constitutes a very substantial disposal of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

A circular of the Company containing further details of the Disposal, the Acquisition and the Buy-back Option, the notice convening the EGM together with proxy form and reply slip and any other information as required by the GEM Listing Rules is expected to be despatched to the Shareholders on or before 15 January 2016.

VII. RESUMPTION OF TRADING

At the request of the Company, the trading in the H Shares of the Company has been halted on the Stock Exchange with effect from 9:00 a.m. on 23 December 2015, pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the H Shares of the Company with effect from 9:00 a.m. on 24 December 2015.

VIII. DEFINITIONS

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

“Acquisition”	the subscription by the Company and PC Research Institute for the Total Consideration Shares to be issued pursuant to the Agreement
“Agreement”	the conditional agreement dated 22 December 2015 entered into between the Company, PC Research Institute and Taiji Computer in relation to the Disposal and the Acquisition
“Asset Impairment Compensation”	the compensation to be made by the Company and PC Research Institute to Taiji Computer when the value of asset impairment of Powerleader Computing is greater than total compensation amount paid under the Profit Guarantee Compensation, details of which are set out in the section headed “Profit Guarantee Compensation Agreement — Asset Impairment Compensation” in this announcement
“Asset Acquisition Agreement”	the asset acquisition agreement dated 22 December 2015 entered into between the Company and Powerleader Computing in relation to the transfer of the Subject Assets from the Company to Powerleader Computing prior to Completion
“Benchmark Date”	31 July 2015, the valuation date of Powerleader Computing
“Board”	the board of directors of the Company
“Business Day”	a day on which commercial banks are generally opened for business in the PRC (excluding Sundays and public holidays)
“Buy-back Option”	Taiji Computer’s option to repurchase Taiji Computer Shares held by the Company and PC Research Institute in the event the Company and PC Research Institute are required to make the Profit Guarantee Compensation and/or the Asset Impairment Compensation
“Company”	Powerleader Science & Technology Group Limited (宝德科技集团股份有限公司), a joint stock company incorporated in the PRC with limited liability whose H Shares are listed on GEM (Stock Code 8236)
“Company Consideration Shares”	35,402,500 new Taiji Computer Shares to be allotted and issued, credited as fully paid, to the Company for the settlement of the part of consideration of the Disposal in accordance with the terms of the Agreement
“Company Sale Interest”	90% equity interests of Powerleader Computing owned by the Company

“Compensation Period”	the financial year in which the Completion takes place and the two financial years thereafter
“Completion”	completion of the Disposal in accordance with the terms of the Agreement
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Company Sale Interest and PCR Sale Interest by the Company and PC Research Institute to Taiji Computer in accordance with the terms of the Agreement, the Asset Acquisition Agreement and the Profit Guarantee Compensation Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Disposal, the Acquisition and the Buy-Back Option
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IaaS Business”	Cloud Infrastructure as a Service — provision of cloud server and cloud storage equipment as well as related solutions
“Liangzi Weiye Acquisition”	the proposed acquisition of 100% equity interests of *Beijing Liangzi Weiye Information Company Limited (北京量子偉業信息技術股份有限公司) by Taiji Computer from its 10 shareholders
“MaaS Business”	Cloud Module as a Service — provision of research and development, design, manufacturing and sale of cloud computing equipment related components as well as cloud computing equipment key components agency distribution and related value-added services
“Powerleader Computing”	Shenzhen Powerleader Computing System Limited (深圳市寶德計算機系統有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“PC Consideration Shares”	3,933,611 new Taiji Computer Shares to be allotted and issued, credited as fully paid, to PC Research Institute for the settlement of the part of consideration of the Disposal in accordance with the terms of the Agreement

“PC Research Institute”	Shenzhen Powerleader Cloud Computing Research Institute Limited (深圳市宝德雲計算研究院有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“PCR Sale Interest”	10% equity interests of Powerleader Computing owned by PC Research Institute
“PRC”	the People’s Republic of China
“Profit Guarantee Compensation Agreement”	a profit guarantee compensation agreement dated 22 December 2015 entered into by the Company, PC Research Institute and Taiji Computer
“Profit Guarantee Compensation”	the compensation to be made by the Company and PC Research Institute to Taiji Computer for failure to achieve profit guarantee in respect of Powerleader Computing, details of which are set out in the section headed “Profit Guarantee Compensation Agreement” in this announcement
“Powerleader Software”	Shenzhen Powerleader Software Development Limited Limited (深圳市宝德軟件開發有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Powerleader Computing
“Reference Day”	23 December 2015, being the announcement date in relation to the resolutions passed at the forty-first meeting of fourth session of the board of directors of Taiji Computer
“Relevant Period”	the period commencing after the Benchmark Date to the date of completion of the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SaaS & PaaS Business”	Software and Platform as a Service — provision of development and services of cloud computing related software and platform
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council

“Server and Software Businesses”	mainly comprise of: (i) server related business: including research and development, manufacturing and sales of servers and corresponding solutions, which are further divided into servers, storage and others; (ii) private cloud business: to provide clients with overall solutions for the corporation grade cloud computing systems built on Powerleader servers, which include consultancy services, development services and operation management services for the corporation cloud computing platforms; (iii) other research and development businesses such as software or mainboard which are related to businesses described in (i) and (ii); and (iv) other businesses conducted by Powerleader Computing or its subsidiaries before the completion of the Agreement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Assets”	the assets, rights, interests and obligations of the Group (other than Powerleader Computing) to be transferred to Powerleader Computing and Powerleader Software under the Asset Acquisition Agreement, details of which are set out in the section headed “The Agreement — Transfer of Subject Assets before Completion by way of internal restructuring”
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Taiji Computer”	Taiji Computer Corporation Limited (太極計算機股份有限公司), a limited company incorporated in PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange
“Taiji Computer Non-public Issuance”	the proposed non-public issue of new Taiji Computer Shares to not more than 10 qualified specified investors for fund raising by Taiji Computer
“Taiji Computer Shares”	the ordinary shares of nominal value of RMB1.00 each in the share capital of Taiji Computer, which are listed on the Shenzhen Stock Exchange (stock code: 002368)
“Taiji Computer Transactions”	the Disposal, the Liangzi Weiye Acquisition and the Taiji Computer Non-public Issuance
“Total Consideration Shares”	Company Consideration Shares and PC Consideration Shares

“%”

per cent

By order of the Board
Zhang Yunxia
(張雲霞)
Chairman

Shenzhen, the PRC, 23 December 2015

As at the date of this announcement, the executive directors of the Company are Ms. Zhang Yunxia, Mr. Dong Weiping and Mr. Ma Zhumao; the non-executive directors are Mr. Li Ruijie, Mr. Sun Wei and Mr. Xu Yueming and independent non-executive directors are Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and the Company’s website at www.powerleader.com.cn.

* For identification purpose only