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宝德科技集团股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock Code: 8236)

(1) MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF FUND COOPERATION FRAMEWORK AGREEMENT

(2) CONTINUING CONNECTED TRANSACTION IN RESPECT OF GUARANTEE SERVICE FRAMEWORK AGREEMENT

(3) MAJOR AND CONNECTED TRANSACTIONS IN RESPECT OF HISTORICAL PROVISION OF FINANCIAL ASSISTANCE

(4) CONNECTED TRANSACTIONS IN RESPECT OF HISTORICAL PAYMENT OF GUARANTEE FEES

(5) SUPPLEMENTAL INFORMATION IN RELATION TO 2019 ANNUAL REPORT AND ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FUND COOPERATION FRAMEWORK AGREEMENT

On 2 July 2020, Powerleader Holdings and the Company entered into the Fund Cooperation Framework Agreement, pursuant to which, the Company may from time to time provide financial assistance to Powerleader Holdings in the form of Advances to satisfy the demand for short-term fund of Powerleader Holdings for a term commencing on 2 July 2020 and ending on 31 December 2022.

GUARANTEE SERVICE FRAMEWORK AGREEMENT

On 2 July 2020, Powerleader Holdings and the Company entered into the Guarantee Service Framework Agreement, pursuant to which, Powerleader Holdings may from time to time provide Guarantee service to the Group to satisfy the demand for short-term funds of the Group for a term commencing on 2 July 2020 and ending on 31 December 2022.

HISTORICAL PROVISION OF FINANCIAL ASSISTANCE

During the year ended 31 December 2018, the Company provided financial assistance to the Parent Group in the form of Advances of RMB1,851,000,000, and the aggregate amount of interests in relation to the Advances at an annualized rate of 7% paid by the Parent Group to the Company amounted to RMB23,500,000. As at 31 December 2018, the balance of Advances (excluding interest) was nil. During the year ended 31 December 2019, the Company provided financial assistance to the Parent Group in the form of Advances of RMB2,228,000,000, and the aggregate amount of interests in relation to the Advances at an annualized rate of 7% paid by the Parent Group to the Company amounted to RMB51,900,000. As at 31 December 2019, the balance of Advances (excluding interest) was RMB536,000,000. During the period from 1 January 2020 to 30 June 2020, the Company provided financial assistance to the Parent Group in the form of Advances of RMB971,800,000, and the aggregate amount of interests in relation to the Advances at an annualized rate of 7% paid by the Parent Group to the Company amounted to RMB19,800,000. As at the date of this announcement, the balance of Advances (excluding interest) was RMB593,000,000.

HISTORICAL PAYMENT OF GUARANTEE FEES

During the year ended 31 December 2018, in consideration of the service by Powerleader Holdings in providing Guarantees to facilitate the borrowing of loans by the Group of credit limit of RMB1,160,000,000 in aggregate, an aggregate amount of Guarantee Fees of RMB23,200,000 was paid by the Group to the Powerleader Holdings. During the year ended 31 December 2019, in consideration of the service by the Powerleader Holdings in providing Guarantees to facilitate the borrowing of loans by the Group of credit limit of RMB1,455,000,000 in aggregate, an aggregate amount of Guarantee Fees of RMB29,100,000 was paid by the Group to the Powerleader Holdings. During the period from 1 January 2020 to 30 June 2020, in consideration of the service by the Powerleader Holdings in providing Guarantees to facilitate the borrowing of loans by the Group of credit limit of RMB1,475,000,000 in aggregate, an aggregate amount of Guarantee Fees of RMB13,600,000 was paid by the Group to the Powerleader Holdings.

GEM LISTING RULES IMPLICATIONS

In respect of the provision of the Advances

As at the date of this announcement, Powerleader Holdings is a substantial shareholder of the Company holding approximately 42.05% of the total issued share capital of the Company. Powerleader Asset Management is the holding company of Powerleader Holdings, and is therefore an associate of Powerleader Holdings. Thus, Powerleader Holdings and Powerleader Asset Management are connected persons of the Company under Rules 20.07(1) and 20.07(4) of the GEM Listing Rules respectively, and the provision of the Advances constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the highest ratio of the applicable percentage ratios in respect of the Advances, for each of the two years ended 31 December 2018 and 31 December 2019 and for the period from 1 January 2020 to 30 June 2020, exceed 25%, the historical provision of the Advances by the Company to the Parent Group constituted major transactions and connected transactions under Chapter 19 and under Chapter 20 of the GEM Listing Rules respectively and were therefore subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

As the highest ratio of the applicable percentage ratios of the annual caps in respect of the transactions contemplated under the Fund Cooperation Framework Agreement exceed 25%, the provision of the Advances under the Fund Cooperation Framework Agreement will constitute major transactions and continuing connected transactions under Chapter 19 and under Chapter 20 of the GEM Listing Rules respectively and are therefore subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

As the assets ratio in respect of the Advances and the annual caps in respect of the transactions contemplated under the Fund Cooperation Framework Agreement exceeds 8%, the Company is also under a general disclosure obligation under Rule 17.15 of the GEM Listing Rule.

In respect of the payment of the Guarantee Fees

Since Powerleader Holdings is a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules, the historical payment of the Guarantee Fees by the Group to Powerleader Holdings constituted connected transactions of the Company and the payment of Guarantee Fees under the Guarantee Service Framework Agreement will constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one of the applicable percentage ratios (other than profits ratio) of the Guarantee Fees paid by the Group to Powerleader Holdings for the year ended 31 December 2019 exceeds 5%, the payment of the Guarantee Fees for the year ended 31 December 2019 was subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. Despite all of the applicable percentage ratios (other than profits ratio) of the Guarantee Fees paid by the Group to Powerleader Holdings for the year ended 31 December 2018 and for the period from 1 January 2020 to 30 June 2020 are less than 5%, the Company will voluntarily seek approval from the Independent Shareholders to also ratify such historical payment of Guarantee Fees for such periods.

As the highest ratio of the applicable percentage ratios (other than profits ratio) of the annual caps in respect of the transactions contemplated under the Guarantee Service Framework Agreement exceeds 5%, the payment of the Guarantee Fees under the Guarantee Service Framework Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

EGM

The Company proposes to seek the approval of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder, the Guarantee Service Framework Agreement and the transactions contemplated thereunder, and approval and ratification of the historical provision of financial assistance by the Company to the Parent Group and the historical payment of Guarantee Fees by the Group to Powerleader Holdings by the Independent Shareholders at the EGM. A circular of the Company containing further details of the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement, the aforesaid historical provision of financial assistance by the Company to the Parent Group and the aforesaid historical payment of Guarantee Fees by the Group to Powerleader Holdings, 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 20 July 2020.

SUPPLEMENTAL INFORMATION IN RELATION TO 2019 ANNUAL REPORT AND ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The audited net profit of the Company for the year ended 31 December 2019 increased by RMB19,700,000 or 14% as compared with the unaudited net profit for the year ended 31 December 2019 published by the Company on 31 March 2020. This was mainly due to the increase in interest income and loss of credit impairment for the year ended 31 December 2019, which, the increase in interest income was due to the historical provision of financial assistance by the Company to the Parent Group in the form of Advances while netting off historical payment of Guarantee Fees. The interest of the Advances was computed by the Company based on the actual utilisation period of the funding at an annualised interest rate of 7%, and the total interest amount payable by the Parent Group to the Company was RMB51,894,291.64. On the other hand, the amount of Guarantee Fees paid by the Group to Powerleader Holdings amounted to RMB29,100,000.00, which was computed based on 2% of the total actual guarantee limit of RMB1,455,000,000.00. As a result, the interest income recognised was RMB22,794,291.64 after deducting the aforesaid Guarantee Fees.

The audited loss of credit impairment for the year ended 31 December 2019 amounted to RMB52,632,910.52, representing an increase of RMB3,142,462.38 as compared with the unaudited amount for the year ended 31 December 2019 of RMB49,490,448.14 published on 31 March 2020, which was attributable to:

1. the supplemental recognition of interest income due to the increase in other receivables of RMB22,794,291.64 and the amount provided for loss of credit impairment computed at the rate of 3% was RMB683,828.75;
2. the increase in credit impairment loss of RMB2,458,633.63 due to the re-measurement of credit impairment of other receivables.

FUND COOPERATION FRAMEWORK AGREEMENT

Principal terms of the Fund Cooperation Framework Agreement are as follows:

Date : 2 July 2020

Parties : (1) Powerleader Holdings; and
(2) the Company

Term : From 2 July 2020 to 31 December 2022 (both dates inclusive).

The Fund Cooperation Framework Agreement is renewable for another term of three years (provided that the relevant approvals are obtained from the Board and the renewal has complied with the requirements of the GEM Listing Rules), unless any party decides not to renew the Fund Cooperation Framework Agreement by giving at least 30 days' prior written notice to the other party.

Subject matter : The Company may from time to time provide financial assistance to Powerleader Holdings in the form of Advances to satisfy the demand of Powerleader Holdings for short-term funds, provided that the parties are in compliance with relevant laws and regulations.

Consideration : The interest in relation to the Advances shall be at the rate of the higher of (i) the RMB one-year lending rates for financial institutions as prescribed by the People's Bank of China from time to time; and (ii) an annualized rate of 7%.

The rate of the interest on the Advances is determined with reference to market price and the finance cost of the company through arm's length negotiation between the parties on the basis of fairness and reasonableness.

Powerleader Holdings shall pay the relevant accrued interest of the previous quarter to the Company on or before the 10th business day of the following quarter.

Proposed annual caps and Basis of annual caps for the Fund Cooperation Framework Agreement

In the period from 2 July 2020 to 31 December 2020 and in each of the two years ending 31 December 2021 and 31 December 2022 (the “**Annual Cap Periods**”), the maximum aggregate amount of the Advances to be provided by the Company to Powerleader Holdings pursuant to the Fund Cooperation Framework Agreement shall not exceed the following respective proposed annual cap:

For the period from 2 July 2020 to 31 December 2020	Proposed annual cap <i>(in RMB)</i>	
	For the year ending 31 December 2021	For the year ending 31 December 2022
1,200,000,000	2,000,000,000	2,000,000,000

The aforesaid proposed annual caps in respect of the Fund Cooperation Framework Agreement are determined with reference to (i) the historical amount of financial assistance provided by the Company to the Parent Group; and (ii) the long-term stable cooperation relationship between the Company and Powerleader Holdings.

GUARANTEE SERVICE FRAMEWORK AGREEMENT

Principal terms of the Guarantee Service Framework Agreement are as follows:

- Date : 2 July 2020
- Parties : (1) Powerleader Holdings; and
(2) the Company
- Term : From 2 July 2020 to 31 December 2022 (both dates inclusive).

The Guarantee Service Framework Agreement is renewable for another term of three years (provided that the relevant approvals are obtained from the Board and the renewal has complied with the requirements of the GEM Listing Rules), unless any party decides not to renew the Fund Cooperation Framework Agreement by giving at least 30 days’ prior written notice to the other party.

Subject matter : Powerleader Holdings may from time to time provide guarantees and collateral/pledge for the bank financing of the Company (or its subsidiaries) to ensure that the financing scale of the Company would not be substantially reduced and to maintain the Company's normal operation, provided that the parties are in compliance with relevant laws and regulations.

Consideration : The Guarantee Fees shall be at the rate of 2% per annum.

The rate of the Guarantee Fees is the rate charged by Shenzhen HTI Financing Guarantee Co., LTD (深圳市高新投融资擔保有限公司), being an independent third party and determined with reference to market price.

The Company (or its subsidiaries) shall pay the relevant accrued Guarantee Fees of the previous quarter to Powerleader Holdings on or before the 10th business day of the following quarter.

Proposed annual caps and Basis of annual caps for the Guarantee Service Framework Agreement

For each of the Annual Cap Periods, the maximum amount of Guarantee Fees payable by the Group to Powerleader Holdings pursuant to the Guarantee Service Framework Agreement shall not exceed the following respective proposed annual cap:

Proposed annual cap		
<i>(in RMB)</i>		
For the period from 2 July 2020 to 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
20,000,000	40,000,000	40,000,000

The aforesaid proposed annual caps in respect of the Guarantee Service Framework Agreement are determined with reference to (i) the historical amount of Guarantee Fees in respect of the Guarantees service provided by Powerleader Holdings to the Group; and (ii) the long-term stable cooperation relationship between the Company and Powerleader Holdings.

HISTORICAL PROVISION OF FINANCIAL ASSISTANCE

During the year ended 31 December 2018, the Company provided financial assistance to the Parent Group in the form of Advances of RMB1,851,000,000, and the aggregate amount of interests in relation to the Advances at an annualized rate of 7% paid by the Parent Group to the Company amounted to RMB23,500,000. As at 31 December 2018, the balance of Advances (excluding interest) was nil.

During the year ended 31 December 2019, the Company provided financial assistance to the Parent Group in the form of Advances of RMB2,228,000,000, and the aggregate amount of interests in relation to the Advances at an annualized rate of 7% paid by the Parent Group to the Company amounted to RMB51,900,000. As at 31 December 2019, the balance of Advances (excluding interest) was RMB536,000,000.

During the period from 1 January 2020 to 30 June 2020, the Company provided financial assistance to the Parent Group in the form of Advances of RMB971,800,000, and the aggregate amount of interests in relation to the Advances at an annualized rate of 7% paid by the Parent Group to the Company amounted to RMB19,800,000. As at the date of this announcement, the balance of Advances (excluding interest) was RMB593,000,000.

HISTORICAL PAYMENT OF GUARANTEE FEES

During the year ended 31 December 2018, in consideration of the service by Powerleader Holdings in providing Guarantees to facilitate the borrowing of loans by the Group of credit limit of RMB1,160,000,000 in aggregate, an aggregate amount of Guarantee Fees of RMB23,200,000 was paid by the Group to Powerleader Holdings.

During the year ended 31 December 2019, in consideration of the service by Powerleader Holdings in providing Guarantees to facilitate the borrowing of loans by the Group of credit limit of RMB1,455,000,000 in aggregate, an aggregate amount of Guarantee Fees of RMB29,100,000 was paid by the Group to Powerleader Holdings.

During the period from 1 January 2020 to 30 June 2020, in consideration of the service by Powerleader Holdings in providing Guarantees to facilitate the borrowing of loans by the Group of credit limit of RMB1,475,000,000 in aggregate, an aggregate amount of Guarantee Fees of RMB13,600,000 was paid by the Group to Powerleader Holdings.

BASIS OF THE CONSIDERATION OF HISTORICAL PROVISION OF FINANCIAL ASSISTANCE AND THE HISTORICAL PAYMENT OF GUARANTEE FEES

The rate of the interest on the Advances and the rate of the Guarantee Fees were determined with reference to market price, the consolidated finance cost of the Group through arm's length negotiation between the parties on the basis of fairness and reasonableness.

REASONS FOR ENTERING INTO OF THE FUND COOPERATION FRAMEWORK AGREEMENT AND THE GUARANTEE SERVICE FRAMEWORK AGREEMENT, THE HISTORICAL PROVISION OF FINANCIAL ASSISTANCE TO THE PARENT GROUP AND THE HISTORICAL PAYMENT OF GUARANTEE FEES

Due to the change in the national policies of finance of the PRC in 2018, Powerleader Holdings has provided guarantees and collateral/pledge for the Group's bank financing to ensure that the financing scale of the Group would not be substantially reduced and to maintain the Group's normal operation. As the provision of the aforesaid guarantees and collateral/pledge by Powerleader Holdings to the Group has weakened the financing ability of the Parent Group, the Company provides financial assistance to the Parent Group in the form of short-term capital in return for interests when the Company has redundant capital. The provision of financial assistance by the Company to the Parent Group also facilitates reduction of the cost of capital of the Company.

The Directors are of the view that the terms of the Fund Cooperation Framework Agreement and the Guarantee Service Framework Agreement, the aforesaid historical provision of financial assistance by the Company to the Parent Group and the aforesaid historical payment of the Guarantee Fees by the Group to Powerleader Holdings are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

In respect of the Guarantees

Pursuant to Rule 20.88 of the GEM Listing Rules, the Board is of the view that the Guarantees are based on normal commercial terms or terms more favourable to the Group, and the Group's assets are not pledged for the Guarantees, accordingly, the provision of Guarantees to the Group are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

In respect of the provision of the Advances

As at the date of this announcement, Powerleader Holdings is a substantial shareholder of the Company holding approximately 42.05% of the total issued share capital of the Company. Powerleader Asset Management is the holding company of Powerleader Holdings, and is therefore an associate of Powerleader Holdings. Thus, Powerleader Holdings and Powerleader Asset Management are connected persons of the Company under Rule 20.07(1) and 20.07(4) of the GEM Listing Rules respectively, and the provision of the Advances constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the highest ratio of the applicable percentage ratios in respect of the Advances, for each of the two years ended 31 December 2018 and 31 December 2019 and for the period from 1 January 2020 to 30 June 2020, exceed 25%, the historical provision of the Advances by the Company to the Parent Group constituted major transactions and connected transactions under Chapter 19 and under Chapter 20 of the GEM Listing Rules respectively and were therefore subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

As the highest ratio of the applicable percentage ratios of the annual caps in respect of the transactions contemplated under the Fund Cooperation Framework Agreement exceed 25%, the provision of the Advances under the Fund Cooperation Framework Agreement constitute major transactions and continuing connected transactions under Chapter 19 and under Chapter 20 of the GEM Listing Rules respectively and are therefore subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

As the assets ratio in respect of the Advances and the annual caps in respect of the transactions contemplated under the Fund Cooperation Framework Agreement exceeds 8%, the Company is also under a general disclosure obligation under Rule 17.15 of the GEM Listing Rule.

In respect of the payment of the Guarantee Fees

As disclosed above, since Powerleader Holdings is a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules, the historical payment of the Guarantee Fees by the Group to Powerleader Holdings constituted connected transactions of the Company and the payment of Guarantee Fees under the Guarantee Service Framework Agreement will constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one of the applicable percentage ratios (other than profits ratio) of the Guarantee Fees paid by the Group to Powerleader Holdings for the year ended 31 December 2019 exceeds 5%, the payment of the Guarantee Fees for the year ended 31 December 2019 was subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. Despite all of the applicable percentage ratios (other than profits ratio) of the Guarantee Fees paid by the Group to Powerleader Holdings for the year ended 31 December 2018 and for the period from 1 January 2020 to 30 June 2020 are less than 5%, the Company will voluntarily seek approval from the Independent Shareholders to also ratify such historical payment of Guarantee Fees for such periods.

As the highest ratio of the applicable percentage ratios (other than profits ratio) of the annual caps in respect of the transactions contemplated under the Guarantee Service Framework Agreement exceeds 5%, the payment of the Guarantee Fees under the Guarantee Service Framework Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Due to deviations in the understanding of the GEM Listing Rules by the relevant management personnel of the Company, the Company failed to be in timely compliance with the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules in respect of the aforesaid historical provision of financial assistance by the Company to the Parent Group and the aforesaid historical payment of the Guarantee Fees by the Group to Powerleader Holdings. The Company will seek the approval and ratification from the Independent Shareholders at the EGM in this regard.

INTERNAL CONTROL PROCEDURES TO BE CONDUCTED FOR FUTURE COMPLIANCE WITH THE GEM LISTING RULES

With a view to ensuring the timely compliance with the relevant requirements of the Listing Rules and preventing any recurrence of any event similar to the above non-compliance in the future, the Company will enhance its internal control systems by adopting the following measures:

- (1) the audit committee of the Company consisting of all the three independent non-executive Directors will be entrusted with the responsibility to review and modify the internal control system and update the internal procedures with reference to the Listing Rules as and when necessary;
- (2) the Group's finance department will periodically provide the management of the Company with a list of the connected persons of the Company and their corresponding relationships with the Group, and will request such connected persons to notify the Company and the audit committee of the Company immediately in respect of any proposed transactions to be entered into by the Group with any of such connected persons;

- (3) the Board has reviewed and will continue to periodically review the Company's internal control and financial reporting systems and their effectiveness;
- (4) Mr. Li Ruijie (a non-executive Director) and Mr. Dong Weiping (the company secretary of the Company) are designated to be responsible for monitoring transactions of the Group for compliance with Chapter 19 and Chapter 20 as well as other requirements under the GEM Listing Rules, and the Company will seek legal advice and/or other professional advice from time to time, as and when necessary, to ensure future transactions are conducted in compliance with the relevant requirements of the Listing Rules.

EGM

The Company proposes to seek the approval of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder, the Guarantee Service Framework Agreement and the transactions contemplated thereunder, and approval and ratification of the abovementioned historical provision of financial assistance by the Company to the Parent Group and the abovementioned historical payment of Guarantee Fees by the Group to Powerleader Holdings by the Independent Shareholders at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder, the Guarantee Service Framework Agreement and the transactions contemplated thereunder, the abovementioned historical provision of financial assistance by the Company to the Parent Group and the abovementioned historical payment of the Guarantee Fees by the Group to Powerleader Holdings. Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun have been appointed by the Board to serve as members of the Independent Board Committee. Altus Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders as to, among other things, whether the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder, the Guarantee Service Framework Agreement and the transactions contemplated thereunder, the abovementioned historical provision of financial assistance by the Company to the Parent Group and the abovementioned historical payment of the Guarantee Fees by the Group to Powerleader Holdings are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolution to be proposed at the EGM.

A circular of the Company containing further details of the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement, the abovementioned historical provision of financial assistance by the Company to the Parent Group and the abovementioned historical payment of Guarantee Fees by the Group to Powerleader Holding, 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 20 July 2020.

SUPPLEMENTAL INFORMATION IN RELATION TO 2019 ANNUAL REPORT AND ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the Unaudited Annual Results Announcement, the 2019 Annual Report and the 2019 Annual Results Announcement.

The audited net profit of the Company for the year ended 31 December 2019 increased by RMB19,700,000 or 14% as compared with the unaudited net profit for the year ended 31 December 2019 published by the Company on 31 March 2020. This was mainly due to the increase in interest income and loss of credit impairment for the year ended 31 December 2019, which, the increase in interest income was due to the historical provision of financial assistance by the Company to the Parent Group in the form of Advances while netting off historical payment of Guarantee Fees as disclosed above. The interest on the Advances was computed by the Company based on the actual utilisation period of the funding at an annualised interest rate of 7%, and the total interest amount paid by the Parent Group to the Company was RMB51,894,291.64. On the other hand, the amount of Guarantee Fees paid by the Group to Powerleader Holdings amounted to RMB29,100,000.00, which was computed based on 2% of the total actual guarantee limit of RMB1,455,000,000.00. As a result, the interest income recognised was RMB22,794,291.64 after deducting the aforesaid Guarantee Fees.

The audited loss of credit impairment for the year ended 31 December 2019 amounted to RMB52,632,910.52, representing an increase of RMB3,142,462.38 as compared with the unaudited amount for the year ended 31 December 2019 of RMB49,490,448.14 published on 31 March 2020, which was attributable to:

1. the supplemental recognition of interest income due to the increase in other receivables of RMB22,794,291.64 and the amount provided for loss of credit impairment computed at the rate of 3% was RMB683,828.75;
2. the increase in credit impairment loss of RMB2,458,633.63 due to the re-measurement of credit impairment of other receivables.

Reasons for the discrepancies between the 2019 Annual Report and the 2019 Annual Results Announcement

Due to the deviations in the understanding of the relevant rules by the relevant management personnel of the Company, there was no entry in the Company's books of account or disclosure in the Unaudited Annual Results Announcement in respect of the capital transactions and guarantees with the Parent Group. After the publication of the Unaudited Annual Results Announcement, the auditors of the Company, during the process of auditing, learnt about the capital transactions and guarantees between the Group and the Parent Group, and proposed appropriate accounting adjustments to be made. After verification of relevant materials and full communication with the audit committee and the auditors of the Company, the Group recognized the interest income and re-assessed the credit impairment, and the relevant financial figures have been adjusted in the audited 2019 Annual Results Announcement accordingly. As stated above, the Company will seek the approval and ratification from the Independent Shareholders at the EGM in relation to the historical provision of financial assistance by the Company to the Parent Group and the historical payment of the Guarantee Fees by the Group to Powerleader Holdings.

INFORMATION ON THE GROUP

The Group is a cloud computing solutions provider in the PRC with proprietary innovation capability, and operates in the PRC and Hong Kong. The Group's principal businesses are (i) server, storage and solution provider business; (ii) electronic equipment and accessories (non-server and storage) distribution business; (iii) Guangzhou Internet Data Centre business; (iv) industrial park development, operation and property management business; and (v) industrial investment business (non-server and storage).

INFORMATION ON THE PARENT GROUP AND POWERLEADER HOLDINGS

Powerleader Holdings is a company incorporated in the PRC, and is directly and indirectly (through Powerleader Asset Management) held as to 87.5% and 12.5% by Mr. Li Ruijie and Madam Zhang Yunxia respectively. Powerleader Holdings is principally engaged in the business of equity investment.

Powerleader Holdings is a non-wholly owned subsidiary of Powerleader Asset Management, a company incorporated in the PRC, which is directly held as to 87.5% and 12.5% by Mr. Li Ruijie and Madam Zhang Yunxia respectively. Powerleader Asset Management is principally engaged in the business of equity investment.

DEFINITIONS

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

“2019 Annual Report”	the annual report of the Company for the year ended 31 December 2019
“2019 Annual Results Announcement”	the annual results announcement for the year ended 31 December 2019 published by the Company on 29 May 2020
“Advances”	the short-term capital provided by the Company to the Parent Group which constitutes provisions of financial assistance by the Group under the GEM Listing Rules
“Altus Capital Limited”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement, the historical provision of financial assistance by the Company to the Parent Group and the historical payment of the Guarantee Fees by the Group to Powerleader Holdings
“Annual Cap Periods”	has the meaning ascribed to it in the sub-section titled “Proposed Annual Caps and Basis of Annual Caps for the Fund Cooperation Framework Agreement” in this announcement
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Powerleader Science & Technology Limited* (宝德科技集團股份有限公司), a joint stock company incorporated in the PRC with limited liability whose H shares are listed on GEM (Stock Code: 8236)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	an extraordinary general meeting of the Company proposed to be convened and held for the Independent Shareholders to consider and, if thought fit, among other things, approve and ratify the provision of the Advances
“Fund Cooperation Framework Agreement”	the fund cooperation framework agreement entered into between Powerleader Holdings and the Company on 2 July 2020
“GEM”	GEM of the Hong Kong Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee Fees”	the guarantee fees of 2% per annum on the amount of the loans granted to the Group in relation to the Guarantees
“Guarantees”	the guarantees and collateral/pledge provided by Powerleader Holdings to facilitate the borrowing of loans by the Group
“Guarantee Service Framework Agreement”	the guarantee service framework agreement entered into between Powerleader Holdings and the Company on 2 July 2020
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving advice and making recommendation to the Independent Shareholders in respect of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder, the Guarantee Service Framework Agreement and the transactions contemplated thereunder, the historical provision of financial assistance by the Company to the Parent Group and the historical payment of the Guarantee Fees by the Group to Powerleader Holdings
“Independent Shareholders”	Shareholders other than Powerleader Holdings
“Parent Group”	Powerleader Asset Management, and Powerleader Holdings and its subsidiaries (excluding the Group)
“Powerleader Asset Management”	深圳前海宝德資產管理有限公司, a company incorporated in the PRC, which is held as to 87.5% and 12.5% by Mr. Li Ruijie and Madam Zhang Yunxia respectively, and holds 57.33% of the total issued share capital of Powerleader Holdings

“Powerleader Holdings”	Shenzhen Powerleader Investment Holdings Limited* (深圳市宝德投資控股有限公司), a company incorporated in the PRC holding approximately 42.05% of all of the Company’s issued share capital, and is directly and indirectly (through Powerleader Asset Management) held as to 87.5% and 12.5% by Mr. Li Ruijie and Madam Zhang Yunxia respectively
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Unaudited Annual Results Announcement”	the unaudited annual results announcement for the year ended 31 December 2019 published by the Company on 31 March 2020
“%”	per cent

By order of the Board
Powerleader Science & Technology Group Limited*
Zhang Yunxia
(張雲霞)
Chairman

Shenzhen, the PRC
2 July 2020

As at the date of this announcement, the Board comprises 6 Directors, including executive Directors Ms. Zhang Yunxia and Mr. Dong Weiping; non-executive director Mr. Li Ruijie and independent non-executive directors Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 purposes only*