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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in **Powerleader Science & Technology Group Limited**, you should at once hand this circular and the accompanying forms of proxy and reply slips to the purchaser or transferee or to the bank, stockbroker or any other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**宝德科技集團股份有限公司**

**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) NOTICES OF EGM**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 20 of this circular.

A letter from Altus Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 32 of this circular.

The EGM will be held at Main Conference Room, 11th Floor, Tower C, Shenzhen International Innovation Centre, No. 1006 Shennan Road, Futian District, Shenzhen, the PRC on 3 September 2020 at 3:00 p.m.. The notice of the EGM is set out on pages N-1 to N-4 of this circular.

Whether or not you intend to attend the EGM, you are reminded to complete the proxy form enclosed with this circular, in accordance with the instructions printed thereon and return the same to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares only) or the Company's registered office at 11th Floor, Tower C, Shenzhen International Innovation Centre (Futian Technology Square), No. 1006 Shennan Road, Xintian Community, Huafu Sub-district, Futian District, Shenzhen, the PRC (for the holders of Domestic Shares only) as soon as possible but in any event not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the said proxy form will not prevent you from attending, and voting in person at, the EGM or any adjourned meeting if you so wish.

\* For identification purposes only

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## CHARACTERISTICS OF GEM

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**Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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.**

**This circular will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from its date of publication and the Company’s website at [www.powerleader.com.cn](http://www.powerleader.com.cn).**

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## DEFINITIONS

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*Unless the context otherwise requires, the following terms in this circular shall have the meanings set out below:*

“Advances”	the short-term capital provided by the Company to the Parent Group or Powerleader Holdings (as the case may be) which constitutes provisions of financial assistance by the Group under the GEM Listing Rules
“Annual Cap Periods”	has the meaning ascribed to it in the sub-section titled “Proposed annual caps” under the section titled “CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FUND COOPERATION FRAMEWORK AGREEMENT” in the Letter from the Board in this circular
“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)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share”	the domestic-invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid up in RMB, and all of such shares are not listed on the Stock Exchange
“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 the Fund Cooperation Framework Agreement and the Guarantee Service Framework Agreement and to approve and ratify the Historical Transactions
“Fund Cooperation Framework Agreement”	the fund cooperation framework agreement entered into between Powerleader Holdings and the Company on 2 July 2020 as supplemented and amended by a supplemental agreement entered into by the same parties on 10 July 2020
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“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
“H Share(s)”	the overseas listed foreign invested ordinary shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in Hong Kong dollars
“Historical Transactions”	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 as described in the section titled “HISTORICAL TRANSACTIONS” in the Letter from the Board in this circular
“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 recommendations 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 and the Historical Transactions
“Independent Financial Adviser”/“Altus Capital”	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 SFO, 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 and the Historical Transactions
“Independent Shareholders”	Shareholders other than Powerleader Holdings
“Latest Practicable Date”	13 August 2020
“Parent Group”	Powerleader Asset Management, and Powerleader Holdings and its subsidiaries (excluding the Group)

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## DEFINITIONS

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“Powerleader Asset Management”	深圳前海宝德資產管理有限公司, a company incorporated in the PRC, which as at the Latest Practicable Date was held as to 87.5% and 12.5% by Mr. Li Ruijie and Ms. Zhang Yunxia respectively and was holding approximately 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 as at the Latest Practicable Date, which is directly and indirectly (through Powerleader Asset Management) held as to 87.5% and 12.5% by Mr. Li Ruijie and Ms. Zhang Yunxia respectively
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	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 reclassification thereof from time to time in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent



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)**

*Executive Directors*

Ms. Zhang Yunxia (*Chairman*)  
Mr. Dong Weiping (*Chief Executive*)

*Non-executive Director*

Mr. Li Ruijie

*Independent non-executive Directors*

Mr. Jiang Baijun  
Dr. Guo Wanda  
Mr. Chan Shiu Yuen Sammy

*Registered Office*

11th Floor, Tower C  
Shenzhen International  
Innovation Centre  
(Futian Technology Square)  
No. 1006 Shennan Road  
Xintian Community  
Huafu Sub-district  
Futian District  
Shenzhen  
The PRC

*Principal Place of Business  
in Hong Kong*

Unit 102, 1/F  
Sunbeam Centre  
27 Shing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

17 August 2020

*To the Shareholders*

Dear Sir or Madam,

**(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) NOTICES OF EGM**

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

Reference is made to the announcements of the Company dated 2 July 2020, 10 July 2020 and 13 July 2020 respectively in relation to the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement and the Historical Transactions. For compliance with the requirements under the GEM Listing Rules, the Company will seek the approval of the Fund Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and approval and ratification of the Historical Transactions by the Independent Shareholders at the EGM.

The purpose of this circular is to provide you with:

- (a) details of the terms of the Fund Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps;
- (b) details of the terms of the Guarantee Service Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps;
- (c) details of the historical provision of financial assistance by the Company to the Parent Group during each of the two years ended 31 December 2018 and 31 December 2019 respectively and the period from 1 January 2020 to 30 June 2020;
- (d) details of the historical payment of Guarantee Fees by the Group to Powerleader Holdings during each of the two years ended 31 December 2018 and 31 December 2019 respectively and the period from 1 January 2020 to 30 June 2020;
- (e) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Fund Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps and the Historical Transactions;
- (f) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Fund Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps and the Historical Transactions;
- (g) a notice of the EGM; and
- (h) other information in accordance with the requirements of the GEM Listing Rules.



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## LETTER FROM THE BOARD

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### 2. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FUND COOPERATION FRAMEWORK AGREEMENT

On 2 July 2020, the Company entered into the Fund Cooperation Framework Agreement with Powerleader Holdings, 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.

#### (i) Principal terms of the Fund Cooperation Framework Agreement

The principal terms of the Fund Cooperation Framework Agreement are set out below:

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%.

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## LETTER FROM THE BOARD

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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.

### (ii) Proposed annual caps

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") respectively, the maximum outstanding daily balance (including the corresponding interests accrued thereon) 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 caps:

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

### (iii) Basis of the proposed annual caps, historical figures and assumptions

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.

Set out below are the historical maximum outstanding daily balances (including the corresponding interests accrued thereon) of the Advances provided by the Company to the Parent Group for the following periods respectively:

<b>Historical figures for the following periods</b> <i>(in RMB)</i> <i>(approx.)</i>		
<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the period from 1 January 2020 to 30 June 2020</b>
531,400,000	1,107,900,000	661,300,000

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## LETTER FROM THE BOARD

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In determining the aforesaid proposed annual caps, the Board has considered that Powerleader Holdings will continue to provide guarantees and collateral/pledge for the Group's bank financing using Powerleader Holdings's internal resources, and the Group will continue to diversify its sources of financing and enhance its debt structure. It is expected that the amount of financial assistance in the form of Advances to be provided by the Company to Powerleader Holdings and the demand of guarantees of the Group to be provided by Powerleader Holdings will remain stable.

### **3. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 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 fund of the Group for a term commencing on 2 July 2020 and ending on 31 December 2022.

#### **(i) Principal terms of the Guarantee Service Framework Agreement**

The principal terms of the Guarantee Service Framework Agreement are set out below:

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.
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## LETTER FROM THE BOARD

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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 (深圳市高新投融資擔保有限公司), 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.

### **(ii) Proposed annual caps**

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:

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

### **(iii) Basis of the proposed annual caps, historical figures and assumptions**

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.

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## LETTER FROM THE BOARD

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Set out below is a summary of the historical transaction amounts of Guarantees provided by Powerleader Holdings to the Group for the following periods respectively:

	<b>Historical figures for the following periods</b> <i>(in RMB)</i>		
	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the period from 1 January 2020 to 30 June 2020</b>
Credit limit of the loans borrowed by the Group and guaranteed by Powerleader Holdings	1,160,000,000	1,455,000,000	1,475,000,000
Guarantee Fees paid by the Group to Powerleader Holdings	23,200,000	29,100,000	13,600,000

It is one of the requirements of commercial banks to obtain guarantees from Powerleader Holdings in order to grant loans to the Group. In determining the aforesaid proposed annual caps, the Board has taken into consideration the growing demand for capital by the Group in view of the Group's future development plans. The Board considers that the aforesaid proposed annual caps after due and careful consideration of relevant historical transactions amount and business plan of the Group is fair and reasonable.

#### 4. HISTORICAL TRANSACTIONS

##### (A) 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, with the maximum outstanding daily balance (including the corresponding interests accrued thereon) of the Advances provided by the Company to the Parent Group at RMB531,416,940.03, 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, with the maximum outstanding daily balance (including the corresponding interests accrued

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thereon) of the Advances provided by the Company to the Parent Group at RMB1,107,949,940.96, 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, with the maximum outstanding daily balance (including the corresponding interests accrued thereon) of the Advances provided by the Company to the Parent Group at RMB661,333,041.96, 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 Latest Practicable Date, the balance of Advances (excluding interest) was RMB593,000,000.

### **(B) 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.

### **(C) Basis of the consideration of the Historical Transactions**

The rate of the interest on the Advances and the rate of the Guarantee Fees under the Historical Transactions 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.

## **5. REASONS FOR ENTERING INTO OF THE FUND COOPERATION FRAMEWORK AGREEMENT AND THE GUARANTEE SERVICE FRAMEWORK AGREEMENT AND THE HISTORICAL TRANSACTIONS**

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

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## LETTER FROM THE BOARD

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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 and the Historical Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **6. GEM LISTING RULES IMPLICATIONS**

#### **(i) 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 Chapter 20 of the GEM Listing Rules.

#### **(ii) In respect of the provision of the Advances**

As at the Latest Practicable Date, Powerleader Holdings was 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 respectively 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 for each of the two years ended 31 December 2018 and 31 December 2019 respectively and for the period from 1 January 2020 to 30 June 2020 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.

One or more of the applicable percentage ratios in respect of the transactions contemplated under the Fund Cooperation Framework Agreement exceed 25%. Accordingly, the provision of the Advances under the Fund Cooperation Framework Agreement constitute major transactions and continuing connected transactions under

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## LETTER FROM THE BOARD

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Chapter 19 and Chapter 20 of the GEM Listing Rules respectively and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 19 and Chapter 20 of the GEM Listing Rules.

**(iii) 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 as mentioned above, 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 applicable reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules in respect of the Historical Transactions. The Company will seek the approval and ratification from the Independent Shareholders at the EGM in this regard.

An Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, whether the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are



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## LETTER FROM THE BOARD

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on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM.

Altus Capital has been appointed by the Company as its independent financial adviser to give recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, whether the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM.

As each of Mr. Li Ruijie and Ms. Zhang Yunxia being a Director is also a director and/or shareholder of Powerleader Holdings and Powerleader Asset Management, such Directors have a material interest in the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement and the Historical Transactions and have abstained from voting on the resolutions of the Board approving and/or ratifying the aforesaid transactions. Save for Mr. Li Ruijie and Ms. Zhang Yunxia, none of the Directors has a material interest in the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement and the Historical Transactions.

### **7. 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:

- (i) 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;
- (ii) 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

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## LETTER FROM THE BOARD

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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;

- (iii) the Board has reviewed and will continue to periodically review the Company's internal control and financial reporting systems and their effectiveness;
- (iv) 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.

### 8. EGM

There is set out on pages N-1 to N-4 of this circular a notice convening the EGM to be held at Main Conference Room, 11th Floor, Tower C, Shenzhen International Innovation Centre, No. 1006 Shennan Road, Futian District, Shenzhen, the PRC on Thursday, 3 September 2020 at 3:00 p.m. at which the relevant ordinary resolutions will be proposed for the approval of the Fund Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and approval and ratification of the Historical Transactions by the Independent Shareholders.

Under the GEM Listing Rules, any Shareholder with a material interest in the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement and the Historical Transactions and any close associates of such Shareholder shall abstain from voting on the relevant resolutions at the EGM. To the best of the Directors' knowledge and belief, as at the Latest Practicable Date, Powerleader Holdings and its associates (holding a total of 102,184,500 Domestic Shares representing approximately 42.05% of total issued Shares) would be required to abstain from voting on ordinary resolution in respect of the Fund Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps and the Historical Transactions.

Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquires, no other Shareholder would be required to abstain from voting on the relevant resolutions at the EGM pursuant to the GEM Listing Rules.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, the vote of the Shareholders at the EGM shall be taken by poll. Accordingly, the resolutions put to vote at the EGM will be taken by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### 9. GENERAL

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).

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 Ms. Zhang Yunxia (both being Directors) 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 Ms. Zhang Yunxia respectively. Powerleader Asset Management is principally engaged in the business of equity investment.

### 10. RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" in this circular after taking into consideration the advice from Altus Capital) consider that the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, and the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions were or are and will be (as the case may be) conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend that the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Fund Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and to approve and ratify the Historical Transactions.

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## LETTER FROM THE BOARD

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### 11. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 20 of this circular, the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 32 of this circular, and the information set out in the appendix to this circular on pages I-1 to II-7 of this circular.

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

\* *For identification purpose only*



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)**

*Executive Directors*

Ms. Zhang Yunxia (*Chairman*)  
Mr. Dong Weiping (*Chief Executive*)

*Non-executive Director*

Mr. Li Ruijie

*Independent non-executive Directors*

Mr. Jiang Baijun  
Dr. Guo Wanda  
Mr. Chan Shiu Yuen Sammy

*Registered Office*

11th Floor, Tower C  
Shenzhen International  
Innovation Centre  
(Futian Technology Square)  
No. 1006 Shennan Road  
Xintian Community  
Huafu Sub-district  
Futian District  
Shenzhen  
The PRC

*Principal Place of Business  
in Hong Kong*

Unit 102, 1/F  
Sunbeam Centre  
27 Shing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

17 August 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**(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) NOTICES OF EGM**

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We refer to the circular of the Company dated 17 August 2020 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, and whether the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Fund Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and to approve and ratify the Historical Transactions.

Altus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions. The text of the letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 32 of the Circular.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 17 of the Circular.

After taking into consideration the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions and the advice of Altus Capital, we consider that the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, and the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions were or are and will be (as the case may be) conducted on normal commercial terms and in the ordinary and usual course

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Fund Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, and to approve and ratify the Historical Transactions.

Yours faithfully,

For and on behalf of the Independent Board Committee of  
**Powerleader Science & Technology Group Limited\***

**Chan Shiu Yuen Sammy**  
*Independent non-executive*  
*Director*

**Guo Wanda**  
*Independent non-executive*  
*Director*

**Jiang Baijun**  
*Independent non-executive*  
*Director*

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), 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, and is prepared for the purposes of incorporation in this circular.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

17 August 2020

*To the Independent Board Committee and the Independent Shareholders*

Powerleader Science & Technology Group Limited  
Unit 102, 1/F  
Sunbeam Centre  
27 Shing Yip Street  
Kwun Tong, Kowloon  
Hong Kong

Dear Sirs,

### **(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**

## **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Fund Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, the Guarantee Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps and the Historical Transactions,



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 17 August 2020 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 2 July 2020, 10 July 2020 and 13 July 2020 respectively in relation to the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement and the Historical Transactions.

### **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.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Historical provision of financial assistance**

Set out below is a summary of Advances and interests incurred in relation to the historical provision of financial assistance by the Company to the Parent Group for each of the year ended 31 December 2018 and 2019, and the six months ended 30 June.

	<b>For the year ended 31 December</b>		<b>For the six months ended</b>
	<b>2018</b>	<b>2019</b>	<b>30 June</b>
	<i>(RMB'million)</i>	<i>(RMB'million)</i>	<i>(RMB'million)</i>
Financial assistance provided by Company to the Parent Group in the form of Advances	1,851.0	2,228.0	971.8
Aggregate amount of interests in relation to the Advances paid by the Parent Group to the Company at an annualised rate of 7%	23.5	51.9	19.8
Balance of Advances (excluding interest) as at the end of the period	nil	536.0	593.0
Maximum outstanding daily balance (including the corresponding interests accrued thereon) of the Advances provided by the Company to the Parent Group	531.4	1,107.9	661.3

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Historical payment of Guarantee Fees

Set out below is a summary of Credit Limit (as defined below) and Guarantee Fees in relation to the historical provision of Guarantees service by Powerleader Holdings to the Group for each of the year ended 31 December 2018 and 2019, and the six months ended 30 June.

	For the year ended 31 December		For the six months ended
	2018	2019	30 June
	(RMB'million)	(RMB'million)	2020
			(RMB'million)
Credit limit in relation to the borrowing of loans by the Group guaranteed by Powerleader Holdings (the "Credit Limit")	1,160.0	1,455.0	1,475.0
Aggregate amount of Guarantee Fees paid by the Group to Powerleader Holdings at 2% per annum of the Credit Limit	23.2	29.1	13.6

### GEM Listing Rules implications

In respect of the provision of the Advances, as at the date of this Circular, 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 respectively 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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 as disclosed above, 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.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun, has been established to advise the Independent Shareholders as to whether the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, whether the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, whether the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests 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.

### OUR INDEPENDENCE

As at the latest practicable date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. We have not acted as an independent financial adviser or financial adviser for any transactions of the Company in the last two years prior to the date of the Circular. With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the independent financial adviser, no arrangement exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

### BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, amongst others, (i) the Fund Cooperation Framework Agreement; (ii) the Guarantee Service Framework Agreement; (iii) historical transaction record of the Historical Transactions; (iv) guarantee service agreement with independent third party and other publicly available quotations; (v) the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); and (vi) other information contained or referred to in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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contained in this circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in this circular and/or provided to us by the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion, we have taken into consideration the following principal factors and reason:

#### **1. Background Information**

##### ***1.1. Information of 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).

As at 31 December 2019, cash and cash equivalents amounted to approximately RMB841.8 million, which represented an increase of approximately 42.6% as compared to approximately RMB590.4 million as at 31 December 2018.

##### ***1.2. Information of the Parent Group and Powerleader Holdings***

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

**2. Reasons for Entering into of the Fund Cooperation Framework Agreement, the Guarantee Service Framework Agreement and the Historical Transactions**

Based on our discussion with the Management, following the change in the policies of financing in the PRC in 2018 where enterprises were required to deleverage, banks in the PRC have been more cautious in extending loans in general. The Group has similarly been affected where the aggregate loan amount extended by banks which the Group has been working with has reduced. In order to obtain more borrowings from banks, the Group had to seek guarantee service from guarantors. We concur with the Management's view that the Guarantee service provided by Powerleader Holdings has ensured that the financing scale of the Group would not be substantially reduced such that the Group's normal operation can be maintained. In line with market norm, we are of the view that it is fair and reasonable that Powerleader Holdings be paid the Guarantee Fees for providing guarantees and collateral/pledge for the Group's bank financing.

The Management note that Powerleader Holdings has informed the Company that its, as well as the Parent Group's financing ability has been weakened as a result. After they have provided the aforesaid guarantees and collateral/pledge in favour of the Group's borrowings, such collateral and pledged assets are no longer available for them to obtain bank facilities for themselves. The Management is of the view, which we concur, that it is fair and reasonable that the Company reciprocates by providing financial assistance to the Parent Group. Such assistance takes the form of short-term capital when the Company has excess capital and the Company can receive interest income in return. The interest rate charged to the Parent Group has been and will be comparable to, if not better, than market. On this basis, the provision of financial assistance by the Company to the Parent Group will have the effect of lowering the cost of capital of the Company.

**3. Terms of the Fund Cooperation Framework Agreement and Historical Provision of Financial Assistance to the Parent Group**

In assessing the reasonableness of the terms under the provision of Advances contemplated under the Fund Cooperation Framework Agreement, we have reviewed the Fund Cooperation Framework Agreement setting out general terms and conditions governing the relevant continuing connected transactions for a term starting from 2 July 2020 to 31 December 2022, pursuant to which 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 annualised rate of 7%. The provision of Advances will also be subject to the Group's availability of excess capital and funds.

In assessing the reasonableness of the historical provision of Advances, we have discussed with the Management and are given to understand that although there was no formal agreement entered into between the Company and the Parent Group which sets out the terms for the provision of such financial assistance, the terms and interest rate of such financial assistance were determined with reference to the then prevailing market price and the consolidated finance cost of the Group through arm's length negotiation between the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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parties on the basis of fairness and reasonableness. The interest rate charged by the Company in relation to the Advances provided to the Parent Group for the two years ended 31 December 2019 and six months ended 30 June 2020 was at an annualised rate of 7%.

To further assess the fairness and reasonableness of the annualised interest rate of 7%, we noted that the Company's average finance costs for 2018, 2019 and the six months ended 30 June 2020 was 6.0%, 5.5% and 5.3% respectively. This represented net interest rate spreads of between 1.0% and 1.7% for provision of the Advances. Further, we have also reviewed the annual reports of the four largest banks in China and noted that the average interest rate on corporate demand deposits ranged from 0.65% to 0.81% during 2018 and 2019. Given that the aforesaid net interest rate spread is higher than the average corporate demand deposits rate, we concur with the Management's view that the provision of Advances using the Group's excess capital and available funds is a fair and reasonable option to the Company.

Based on the above historical market information, we are of the view that the annualised interest rate of 7% charged on the historical financial assistance was favourable to the Group when compared with the Group's past finance cost as well as the then prevailing market rates, and was therefore in the interest of the Company and the Shareholders as a whole. Going forward under the Fund Cooperation Framework Agreement, the rate chargeable by the Group will at the minimum be 7% per annum. The Group is also protected from any increase of market lending rates (in other words, the Group's finance cost) beyond the aforesaid 7%.

Based on the above, we are of the view that terms of the Fund Cooperation Framework Agreement, including the interest rate thereunder, are fair and reasonable through arm's length negotiation between the parties.

#### **4. Terms of the Guarantee Service Framework Agreement and Historical Payment of Guarantee Fees to Powerleader Holdings**

In assessing the reasonableness of the payment of Guarantee Fees contemplated under the Guarantee Service Framework Agreement, we have reviewed the Guarantee Service Framework Agreement setting out general terms and conditions governing the relevant continuing connected transactions for a term starting from 2 July 2020 to 31 December 2022, pursuant to which the Guarantee Fees shall be at the rate of 2% per annum of the amount of guarantees and collateral/pledge provided for the bank financing of the Company by Powerleader Holdings..

In assessing the reasonableness of the historical payment of Guarantee Fees, we have discussed with the Management and are given to understand that although there was no formal agreement entered into between the Company and the Powerleader Holdings which sets out the terms for the payment of Guarantee Fees, the terms of such Guarantee service were determined with reference to the then prevailing market price through arm's length negotiation between the parties on the basis of fairness and reasonableness. The Guarantee Fees were charged at a rate of 2% per annum of the credit limit provided by Powerleader Holdings to facilitate the Group's borrowing of loans for the two years ended 31 December 2019 and six months ended 30 June 2020.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To further assess the fairness and reasonableness of the Guarantee Fee rate of 2% per annum, we have reviewed (i) the guarantee service agreement between an independent third party guarantee firm and the Group; (ii) and relevant publicly available announcements of other listed companies in the PRC. We noted that the guarantee fee rate of 2% has been adopted by all of the above documents we have reviewed. Based on the above, we are of the view that Guarantee Fee rate is in line with market and the terms of the Guarantee Service Framework Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Going forward under the Guarantee Service Framework Agreement, the rate chargeable by Powerleader Holdings will be fixed at 2% per annum. We noted from publicly available information that guarantee fee rate in the market had remained stable at 2% over the past six years.

Based on the above, we are of the view that the terms of the Guarantee Service Framework Agreement, including the Guarantee Fee rate thereunder, are fair and reasonable through arm's length negotiation between the parties.

### 5. Annual Caps

To assess the fairness and reasonableness of the annual caps for the Guarantee Service Framework Agreement, we set out below the details of the historical Guarantee Fees payments by the Group to Powerleader Holdings and the relevant proposed annual cap for each period/year. We noted that the Guarantee Fees paid by the Group to Powerleader Holdings increased by 25.4% from RMB23.2 million for the year ended 31 December 2018 to RMB29.1 million for the year ended 31 December 2019. We also noted that the sum of the Guarantee Fees for the period from 1 January 2020 to 30 June 2020 and the proposed annual cap for the rest of the year increases to RMB33.6 million for 2020 and further increases to RMB40.0 million for 2021 and 2022. According to the Management, the higher expected Guarantee Fees are in line with the Group's expectation of obtaining more loans and maintaining more banking facilities in the next two to three years, and these loans and facilities may require Powerleader Holdings' guarantees under the Guarantee Service Framework Agreement. The Management are of the view, and we concur, that it is prudent and reasonable to maintain more banking facilities in the following years in order to enhance the Group's liquidity position and to finance its business in light of the uncertain impact of the COVID-19 pandemic.

	<b>Historical guarantee fees</b> <i>(in RMB)</i>
Year ended 31 December 2018	23,200,000
Year ended 31 December 2019	29,100,000
Period from 1 January 2020 to 30 June 2020	13,600,000

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>Proposed annual cap</b> <i>(in RMB)</i>
Period from 2 July 2020 to 31 December 2020	20,000,000
Year ending 31 December 2021	40,000,000
Year ending 31 December 2022	40,000,000

To assess the fairness and reasonableness of the annual caps for the Fund Cooperation Framework Agreement, we noted that the proposed annual caps for the maximum outstanding daily balance (including the corresponding interests accrued thereon) of the Advances to be provided by the Company to Powerleader Holdings under the Fund Cooperation Framework Agreement is RMB1,200 million for each of the Annual Cap Periods as presented below.

The maximum outstanding daily balance (including the corresponding interests accrued thereon) of the Advances provided by the Company to the Parent Group was approximately RMB1,108 million during the two years ended 31 December 2019 and the period from 1 January 2020 to 30 June 2020. The proposed annual caps for the Fund Cooperation Framework Agreement is therefore in line with the above historical maximum outstanding daily balance, with a buffer of approximately 8.3%. The buffer is in line with the fact that to reciprocate the potential increase in guarantee which the Company may require from Powerleader Holdings, the Group may increase the amount of Advances to Powerleader Holdings. On this basis, we are of the view that the amount of proposed annual cap below is fair and reasonable.

	<b>Proposed annual cap</b> <i>(in RMB)</i>
Period from 2 July 2020 to 31 December 2020	1,200,000,000
Year ending 31 December 2021	1,200,000,000
Year ending 31 December 2022	1,200,000,000

In view of the foregoing analysis, we consider the proposed annual caps under the Fund Cooperation Framework Agreement and Guarantee Service Framework Agreement for the period from 2 July 2020 to 31 December 2020 and the two years ending 31 December 2022 to be fair and reasonable so far as the Independent Shareholders are concerned.

### **6. Internal Control Procedures**

As stated in the Letter from the Board, with a view to ensuring the timely compliance with the relevant requirements of the GEM Listing Rules and preventing any recurrence of any event similar to the above non-compliance in the future, the Company has enhanced its internal control systems by adopting the various measures, including that: (i) the audit committee of the Company will be entrusted with the responsibility to review and modify the internal control system and update the internal procedures; (ii) the Group's finance department will periodically identify the connected persons of the Company and request such connected persons to notify the Company and the audit committee of the Company

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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immediately in respect of any proposed transactions to be entered into with the Group; (iii) the Board has reviewed and will continue to periodically review the Company's internal control and financial reporting systems and their effectiveness; (iv) a non-executive Director and 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, to ensure future transactions are conducted in compliance with the GEM Listing Rules.

Having discussed with the Management and considered the internal control procedures as set out above, we are of the view that the enhanced internal control procedures adopted by the Company for the continuing connected transactions are adequate.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions are fair and reasonable, and the Fund Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), the Guarantee Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and the Historical Transactions were or are and will be conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**  
**Chang Sean Pey**  
*Executive Director*

*Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

## 1. EFFECT OF THE FUND COOPERATION FRAMEWORK AGREEMENT AND THE HISTORICAL PROVISION OF ADVANCES ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Board considers that the transactions contemplated under the Fund Cooperation Framework Agreement and the historical provision of Advances by the Company to the Parent Group can enhance the future profits and net asset value of the Parent Group, while the Company is entitled to interest income through such provision of financial assistance. Such provision of financial assistance has been or (as the case may be) will be recognized, booked and disclosed as receivables in the Group's accounts, and has increased or (as the case may be) will increase the Group's other receivables and has decreased or will increase (as the case may be) the Group's cash and cash equivalents. Therefore, such provision of financial assistance by the Company to the Parent Group or Powerleader Holdings (as the case may be) has no material financial effect on the Group's total assets and liabilities.

The interest income attributable to the aforesaid provision of financial assistance has been or (as the case may be) will be recognized, booked and disclosed as other income, and accordingly has increased or (as the case may be) will increase the Group's profits.

Save as disclosed above, the provision of financial assistance by the Company to the Parent Group or Powerleader Holdings (as the case may be) has no other material financial effect on the Group's earnings and assets and liabilities.

## 2. STATEMENT OF INDEBTEDNESS

The indebtedness of the Group as at 30 June 2020 is set out in the following table:

	<i>RMB million</i>
Non-current	135.89
Lease Liability	135.89
Long-term borrowings	—
Less: borrowings due within one year	—
Sun-total	—
Current liabilities	1,814.56
Short-term borrowings due within one year	1,324.19
Lease Liability due within one year	15.08
Bill payables	475.29
<b>Total</b>	<b><u>1,950.45</u></b>

The details of such bank borrowings and other borrowings that are secured, guaranteed or unsecured are set out as below:

	<i>RMB million</i>
Secured	871.17
Guaranteed	1,079.28
Unsecured	<u>—</u>
<b>Total</b>	<b><u><u>1,950.45</u></u></b>

As at 30 June 2020, the bank credit facilities available to the Group were about RMB1,767.42 million in total, out of which about RMB89.23 million was unutilized.

Save as disclosed in this circular, as at 30 June 2020, the Group does not have debt securities, outstanding mortgage, collaterals, debentures, loan capitals, bank overdrafts, loans, liabilities under acceptances or other similar indebtedness, or any finance lease or hire purchase commitments or responsibilities under any guarantee or other material contingent liabilities, that are issued but outstanding and statutory or otherwise set out but unissued.

### 3. FINANCIAL AND TRADING PROSPECTS

The Company anticipates that in 2020, with the tremendous support of national policies, and by leveraging the advantages of low latency, high broadband and wide connectivity, 5G will deeply integrate with government, industry, medical, entertainment, transportation, finance, education and other industries, artificial intelligence, deep learning, smart manufacturing and conduct cloud business by enterprise will experience rapid development. As driven by the policy, the Group will continue to focus on the Internet, artificial intelligence, cloud computing, big data and other segments, and complete the commissioning of all processes of “demand, research and development, production, and delivery”, realizing the deep integration of supply and demand business chain, and the real-time docking among demand, research and development and production to completely cover mainstream business requirements such as big data, virtualization and cloud computing. Meanwhile, the Group will speed up in the competition in the Internet era and satisfy the diversified demands of customers for customized products. The Group will center on the key strategy of becoming a manufacturing powerhouse, and relying on its years of experience in cloud computing, will deeply advance business.

The Company is dually driven by products and business models. Continuous product innovation is the inexhaustible driving force for the Company's performance growth, and innovative business model will also contribute to the Company's performance growth. The Company will continue to contribute to the talents pool, product research and development and business model innovation. (1) Talent pool: take every major science and technology project as an opportunity to cultivate and train R&D talents, actively explore co-construction of artificial intelligence laboratory and industry-university-research cooperation base with relevant universities, jointly train students with universities, and recruit outstanding talents to join the Group at appropriate times. (2) Product: research and release a series of hardware platform and product matrix and edge computing products for AI applications. Through the partnership plan, AI products are promoted to be implemented in many sectors such as intelligence city, security monitoring, intelligence manufacturing, enterprise services, visual imaging, intelligence logistics, intelligence medical treatment and intelligence driving. (3) Business model: constantly optimizing the Company's business model, take the initiative to discover customers' needs, constantly improving the service system, and achieve win-win cooperation with customers. The Company will firmly grasp industrial opportunities to develop by leveraging the principal business of the Group, with the aim of constantly flourishing the Group's performance.

#### **4. WORKING CAPITAL**

The Directors are of the opinion that, after due and careful enquiry, taking into account the Group's internal resources, the effect of the Capital Contribution and the transactions contemplated thereunder and existing cash and bank balances, the Group will have sufficient working capital for its present requirements for a period of at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

## 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 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 circular 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 document misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

### (i) Interests in the Shares

Name of Directors	Types of interests	Class of Shares	Number of Domestic Shares held by a controlled corporation	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li Ruijie (Note)	Interest of controlled corporation	Domestic Shares	102,184,500	42.05%	56.07%
Ms. Zhang Yunxia (Note)	Interest of controlled corporation	Domestic Shares	102,184,500	42.05%	56.07%

*Note:* Mr. Li Ruijie is the husband of Ms. Zhang Yunxia. They held 102,184,500 Domestic Shares in aggregate through Powerleader Holdings, which is held by Mr. Li Ruijie and Ms. Zhang Yunxia as to 87.5% and 12.5% respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 and short positions which

they were taken or deemed to have under such provisions of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (c) were otherwise required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were also directors or employees of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO:

<b>Name of Director</b>	<b>Name of company</b>	<b>Position</b>
Zhang Yunxia	Powerleader Holdings	Director
Li Ruijie	Powerleader Holdings	Director

### **3. DIRECTORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up.

### **4. DIRECTORS' INTERESTS IN CONTRACTS**

On 30 September 2019, the Company entered into three tenancy agreements with Shenzhen Baoteng Internet Technology Limited\* (深圳市宝腾互联网科技有限公司), a wholly-owned subsidiary of Shenzhen ZQGAME Co Ltd\* (深圳中青宝互动网络股份有限公司) (“Zqgame”), which in turn is held by the Company and Powerleader Holdings (a company directly and indirectly held as to 87.5% and 12.5% by Mr. Li Ruijie and Ms. Zhang Yunxia (both being Directors) respectively) as to approximately 12.585% and approximately 27.369% respectively, pursuant to which the Company agreed to lease certain premises at Guanlan High-Tech Industrial Park, Longhua New District, Shenzhen, the PRC to Baoteng Internet for a term of three years from 1 October 2019 to 30 September 2022. Details of the said tenancy agreements are set out in the Company’s announcement dated 30 September 2019.

As at the Latest Practicable Date, save for the above, the transactions referred to in sub-sections (a) and (b) of the section titled “MATERIAL CONTRACTS” of this Appendix and the Fund Cooperation Framework Agreement and the Guarantee Service Framework Agreement as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group as at the Latest Practicable Date.



## 5. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any members of the Group which did not expire or was not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

## 6. COMPETING INTERESTS

The ultimate controlling shareholders of the Company and Zqgame are Ms. Zhang Yunxia and Mr. Li Ruijie (both being Directors) respectively. Zqgame carries out the Shenzhen IDC business whereas the Group also operates the Guangzhou IDC business. In connection with an agreement dated 1 September 2016 for the disposal by the Company of the entire equity interest in Shenzhen Baoteng Internet Technology Limited\* (深圳市宝騰互聯網科技有限公司) (details of which are set out in the circular of the Company dated 9 June 2017) (the “**Disposal Agreement**”), the Company executed a non-competition commitment, pursuant to which the Company had undertaken that, as far as the Guangzhou internet data center business is concerned, after the completion of the Disposal Agreement and when the conditions of injecting the Guangzhou IDC business into Zqgame are met and there are no actual obstacles to such injection, the Company may negotiate with Zqgame and upon reaching and entering into a formal agreement to inject the Guangzhou IDC business into Zqgame, the Company may also terminate the Guangzhou IDC Business or transfer it to an unrelated third party to resolve the competition issue. Each of the Company, Powerleader Investment, Ms. Zhang Yunxia and Mr. Li Ruijie has also undertaken that save for the carrying on of the Guangzhou IDC business by the Group, after the completion of the Disposal Agreement and during the time when it/he/she remains to be the controlling shareholder(s) or the de facto controller(s) of Zqgame, it/he/she shall not carry on or participate in any business that is in competition with the businesses carried out by Zqgame as at the date of the Disposal Agreement or the Shenzhen IDC Business by way of self-operation, joint venture, cooperation, etc.

As at the Latest Practicable Date, save as disclosed above, so far as the Directors are aware, none of the Directors, the controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) was interested in any business which competes or may compete with the business of the Group or has any other conflicts of interest with the Group.

## 7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group have been made up.

## 8. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

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 SFO
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Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Altus Capital had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Altus Capital has, or had, no interest, directly or indirectly, in any assets which had been or proposed to be, since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group.

## 10. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the agreement dated 29 March 2019 (the “**Leshan Gaoxin Capital Contribution Agreement**”) entered into between Shenzhen Powerleader Computing System Limited\* (深圳市宝德计算机系统有限公司) (“**Powerleader Computing**”) (an indirect non-wholly-owned subsidiary of the Company) and Leshan Gaoxin Investment Development (Group) Limited\* (樂山高新投資發展(集團)有限公司) (“**Leshan Gaoxin**”), pursuant to which Leshan Gaoxin agreed to make a capital contribution of RMB300,000,000 to Powerleader Computing, payable in two installments, of which RMB8,384,000 would be applied to the registered capital of Powerleader Computing and the remainder of RMB291,616,000 would be applied to the capital reserve of Powerleader Computing, and Leshan Gaoxin would acquire a 15% equity interest in the capital of Powerleader Computing (as

enlarged by the aforesaid capital contribution). On the same date, Powerleader Computing entered into a supplemental agreement with Leshan Gaoxin, Mr. Li Ruijie and Ms. Zhang Yunxia to supplement the Leshan Gaoxin Capital Contribution Agreement with certain undertakings and indemnities to Leshan Gaoxin;

- (b) the agreement dated 26 July 2019 entered into between Powerleader Computing and Small and Medium-sized Enterprises Development Fund (Shenzhen Limited Partnership)\* (中小企業發展基金(深圳有限合夥)) (“**SME Development Fund**”), Guizhou Cultural Travel Equity Investment Fund (Limited Partnership)\* (貴州文旅股權投資基金(有限合夥)) (“**Guizhou Cultural Travel Fund**”) and Ms. Xu Zhuying (SME Development Fund, Guizhou Cultural Travel Fund and Ms. Xu Zhuying, collectively, the “**New Investors**”) pursuant to which SME Development Fund, Guizhou Cultural Travel Fund and Ms. Xu Zhuying agreed to make capital contributions of RMB50,000,000, RMB20,000,000 and RMB30,000,000 to Powerleader Computing respectively, of which RMB2,661,600 would be applied to the registered capital of Powerleader Computing, while the remaining RMB97,338,400 would be applied to the capital reserve of Powerleader Computing, and SME Development Fund, Guizhou Cultural Travel Fund and Ms. Xu Zhuying would acquire 2.273%, 0.909% and 1.364% equity interest in the capital of Powerleader Computing (as enlarged by the aforesaid capital contribution) respectively. On the same date, Powerleader Computing entered into a supplemental agreement with New Investors, Mr. Li Ruijie and Ms. Zhang Yunxia to supplement the Leshan Gaoxin Capital Contribution Agreement with certain undertakings and indemnities to the New Investors; and
- (c) the disposal of 5,270,000 domestic shares of Zqgame with a nominal value of RMB1 each (“**Zqgame Sale Shares**”), which are listed on the Shenzhen Stock Exchange and traded in RMB by the Company for an aggregate consideration of RMB74,412,400.00 (approximately HK\$82,739,000.00) through the Shenzhen Stock Exchange block trading system at an average selling price of approximately RMB14.12 (approximately HK\$15.70) per Zqgame Sale Share on 11 December 2019 and the disposal of 1,746,600 Zqgame Sale Shares through the Shenzhen Stock Exchange centralized bidding system for an aggregate consideration of RMB25,027,098 during the period from 18 December 2019 to 17 April 2020.

## 11. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised three independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun. The audit committee of the Board is chaired by Mr. Chan Shiu Yuen Sammy. The background, directorship and past directorship (if any) of each of the members of the audit committee of the Board are set out below.

Mr. Chan Shiu Yuen Sammy, aged 55, an independent non-executive Director of the Company, has more than 21 years of experience in auditing, accounting, taxation, business consultancy and financial management. Mr. Chan holds a bachelor's degree in Commerce from Dalhousie University, Canada and is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chan was the qualified accountant, company secretary and authorized representative of the Company, the deputy general manager of China Fibretech Limited and the chief financial officer of Newtree Group Holdings Limited. He is currently a director of Brilliant Consultancy Limited, independent non-executive director of Hidili Industry International Development Limited (Stock code: 1393). Mr. Chan has been appointed for the current term of office as an independent non-executive Director on 27 June 2019.

Dr. Guo Wanda, aged 54, an independent non-executive Director of the Company, graduated with a doctoral degree in economics from Nankai University in 1991. He was a former researcher of the Economics Research Institute, Nankai University. He also served as the director of the macro-economic center of the economic forecasting department of The Information Centre of Shenzhen Municipality. He previously served in Shenzhen Guangshun Co., Ltd. (深圳廣順股份有限公司) as the head of the investment department, the secretary of the Board of Directors and an assistant general manager. He served for Guangshun Investment Hubei Shashi Company Limited (廣順投資湖北沙市公司) as the chairman and general manager. He is currently acting as vice president of China Development Institute. Dr. Guo has been appointed for the current term of office as an independent non-executive Director on 27 June 2019.

Mr. Jiang Bajun, aged 58, graduated from the China Central Radio and TV University and majored in Chinese Literature. He was previously a secondary school teacher in Xian. He was engaged by the newspaper, Computerworld, as a special commentator on market development, and hosted a CEO interview program. He was the China market strategic consultant of AST, the market strategic consultant of Create Group, the market strategic consultant of the office automation department of Digital China (Toshiba China business), the market strategic consultant and strategic development consultant of HP China, and also the market strategic consultant of the product market in Compaq in China. Mr. Jiang was engaged as the market strategic consultant of the Hong Kong China Business of NEC (Notebook computer and monitor business), and was appointed the market strategic consultant of the monitor business of PHILIPS China, as well as the market strategic consultant of the peripheral product business of Legend Computer. Mr. Jiang was also the chief consultant in strategic development of Shenzhen Qinzhong Electronics, and the market strategic consultant of Huayu Bancoo. 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. Mr. Jiang has been appointed for the current term of office as an independent non-executive Director on 27 June 2019.

**12. MISCELLANEOUS**

- (a) The registered office of the Company is at 11th Floor, Tower C, Shenzhen International Innovation Centre (Futian Technology Square) No. 1006 Shennan Road, Xintian Community, Huaifu Sub-district Futian District, Shenzhen The People's Republic of China. The head office of the Company is at Powerleader Technology Park, No. 3 Guangyi Road, Guanlan High-Tech Industrial Park, Longhua District, Shenzhen, PRC.
- (b) The Company's Hong Kong H share transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 184 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Dong Weiping. He graduated from Jilin University in the PRC with a bachelor's degree in computer systems engineering.
- (d) The compliance officer of the Company is Mr. Li Ruijie. He graduated from the Nankai University with a double bachelor's degree in economics and electronics in 1989, and obtained an EMBA degree from Cheung Kong Graduate School of Business in 2012.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 102, 1/F, Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong during normal business hours on any weekday (Saturdays and public holidays excluded) from the date of this circular up to and including 3 September 2020, being the date of the EGM:

- (a) the articles of association of the Company;
- (b) a copy of each of the material contracts referred to in the section titled "Material Contracts" in this Appendix II to this circular;
- (c) the Fund Cooperation Framework Agreement;
- (d) the supplemental agreement to the Fund Cooperation Framework Agreement dated 10 July 2020 entered into between the Company and Powerleader Holdings;
- (e) the Guarantee Service Framework Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (g) the letter from Altus Capital, the text of which is set out in this circular;

- (h) the written consent from Altus Capital referred to in the paragraph titled “Expert and Consent” in this Appendix II to this circular;
- (i) the annual reports of the Company for the financial years ended 31 December 2018 and 31 December 2019; and
- (j) this circular.



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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Powerleader Science & Technology Group Limited\* (宝德科技集团股份有限公司) (the “Company”, together with its subsidiaries, the “Group”) will be convened and held at Main Conference Room, 11th Floor, Tower C, Shenzhen International Innovation Centre, No. 1006 Shennan Road, Futian District, Shenzhen, the PRC on Thursday, 3 September 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTIONS**

1. “THAT:

- (a) the fund cooperation framework agreement (the “**Fund Cooperation Framework Agreement**”, a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) dated 2 July 2020 entered into between the Company and Shenzhen Powerleader Investment Holdings Limited\* (深圳市宝德投资控股有限公司) (“**Powerleader Holdings**”) in relation to provision of financial assistance by the Company to Powerleader Holdings and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the relevant annual caps for the period from 2 July 2020 to 31 December 2020 and each of the two years ending 31 December 2021 and 31 December 2022 respectively (as set out in the circular of the Company dated 17 August 2020 be and are hereby approved;

and the directors of the Company (the “**Directors**”) be and are hereby authorised on behalf of the Company to sign, seal, execute, all such other documents and agreements and to do all such acts and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the Fund Cooperation Framework Agreement and the annual caps and the transactions thereby contemplated.”

\* *For identification purposes only*

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## NOTICE OF THE EGM

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2. “**THAT:**

- (a) the guarantee service framework agreement (the “**Guarantee Service Framework Agreement**”, a copy of which has been produced to the meeting marked “B” and initialed by the chairman of the meeting for the purpose of identification) dated 2 July 2020 entered into between the Company and Powerleader Holdings in relation to provision of guarantee service by Powerleader Holdings to the Group and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the relevant annual caps for the period from 2 July 2020 to 31 December 2020 and each of the two years ending 31 December 2021 and 31 December 2022 respectively (as set out in the circular of the Company dated 17 August 2020) be and are hereby approved;

and the Directors be and are hereby authorised on behalf of the Company to sign, seal, execute, all such other documents and agreements and to do all such acts and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the Guarantee Service Framework Agreement and the annual caps and the transactions thereby contemplated.”

3. “**THAT:**

the historical provision of financial assistance by the Company to Powerleader Asset Management Company Limited\* (深圳前海宝德資產管理有限公司), and Powerleader Holdings and its subsidiaries (excluding the Group) for each of the two years ended 31 December 2018 and 31 December 2019 respectively and for the period from 1 January 2020 to 30 June 2020 (details of which are disclosed in the circular of the Company dated 17 August 2020) be and are hereby approved, confirmed and ratified.”

4. “**THAT:**

the historical payment of guarantee fees by the Group to Powerleader Holdings for each of the two years ended 31 December 2018 and 31 December 2019 respectively and for the period from 1 January 2020 to 30 June 2020 (details of which are disclosed in the circular of the Company dated 17 August 2020) be and are hereby approved, confirmed and ratified.”

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

Shenzhen, the PRC  
17 August 2020



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## NOTICE OF THE EGM

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**Notes:**

- (1) The register of members of the Company will be closed from 31 August 2020 to 3 September 2020 (both days inclusive) during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appeared on the register of the Company on or before 4:30 p.m. on 28 August 2020 are entitled to attend and vote at the EGM and may appoint one or more proxies to attend and vote on their behalf. A proxy need not be a shareholder of the Company.
- (2) In order to be valid, the signed form of proxy must be deposited by hand or by post, at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares of the Company), or at the registered address of the Company (for holders of domestic shares of the Company) not less than 24 hours before the time for holding the EGM or any adjournment thereof. If the proxy form is signed by a person under a power of attorney or other authority, a notarised certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
- (3) In order to be valid, the signed form of proxy must be deposited by hand or by post, at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares), or at the registered address of the Company (for holders of domestic shares) not less than 24 hours before the time for holding the EGM or any adjournment thereof. 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.
- (4) Completion and return of the proxy form will not affect the right of the shareholders of the Company to attend and vote at the EGM. In such event, the proxy form will be deemed to have been revoked.
- (5) Shareholders or their proxies shall produce their identity documents when attending the EGM.
- (6) The EGM is expected to last for 3 September 2020. Shareholders of the Company or their proxies attending the meeting shall be responsible for their own travel and accommodation expenses.

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## NOTICE OF THE EGM

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(7) Details of the registered address of the Company are as follows:

11th Floor, Tower C, Shenzhen International Innovation Centre (Futian Technology Square), No. 1006 Shennan Road, Xintian Community, Huafu Sub-district, Futian District, Shenzhen, the People's Republic of China

Tel: (86 755) 2752 8988

Fax: (86 755) 2752 8988

Postal Code: 518026

Contact person: Mr. Dong Weiping

*As at the date of this notice, 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 notice, 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 notice 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 notice misleading.*

*This notice will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from its date of publication and the Company's website at [www.powerleader.com.cn](http://www.powerleader.com.cn).*

*\* For identification purpose only*