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宝德科技集团股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock Code: 8236)

DISCLOSEABLE TRANSACTION IN RELATION TO THE CAPITAL CONTRIBUTION AND DEEMED DISPOSAL OF SHENZHEN POWERLEADER COMPUTING SYSTEM LIMITED

Reference is made to the announcement of the Company dated 27 December 2017, 24 May 2018 and 29 March 2019 in relation to the Previous Capital Contributions.

On 26 July 2019, Powerleader Computing (an indirect non wholly-owned subsidiary of the Company) entered into the Capital Contribution Agreement with SME Development Fund, Guizhou Cultural Travel Fund and Madam Xu Zhuying pursuant to which SME Development Fund, Guizhou Cultural Travel Fund and Madam 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 will be applied to the registered capital of Powerleader Computing, while the remaining RMB97,338,400 will be applied to the capital reserve of Powerleader Computing. On the same date, Powerleader Computing entered into the Supplemental Agreement with the New Investors, Madam Zhang and Mr. Li, by which Madam Zhang and Mr. Li provided certain undertakings and indemnities to the New Investors.

* For identification purposes only

As at the date of this announcement, the Company, Powerleader VC (a wholly-owned subsidiary of the Company) and the Other Investors own approximately 20.40%, 47.59% and 32.01% of the equity interest in Powerleader Computing respectively. Upon the completion of the Capital Contribution, the Company, Powerleader VC, the Other Investors and the New Investors will own approximately 19.469%, 45.427%, 30.558% and 4.546% of the equity interest in the Powerleader Computing respectively. The registered capital of Powerleader Computing will increase from RMB55,893,400 to RMB58,555,000. As the Company and Powerleader VC will still own approximately 64.896% of the equity interest in Powerleader Computing in aggregate following the completion of the Capital Contribution, Powerleader Computing will continue to be an indirect non-wholly owned subsidiary of the Company.

GEM LISTING RULES IMPLICATIONS

At present and prior to completion of the Capital Contribution, the Group owns as to approximately 67.99% of the equity interest in Powerleader Computing. The Capital Contribution will result in the Group's interest in Powerleader Computing being diluted from 67.99% to 64.896%. Pursuant to Rule 19.29 of the GEM Listing Rules, the Capital Contribution will be a deemed disposal of the Company's interest in a subsidiary. As one or more of the applicable percentage ratios of the Capital Contribution is more than 5% but less than 25%, the Capital Contribution constitutes a discloseable transaction which is subject to the announcement requirements under Chapter 19 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 27 December 2017, 24 May 2018 and 29 March 2019 in relation to the Previous Capital Contributions.

The Board announces that on 26 July 2019, Powerleader Computing (an indirect non wholly-owned subsidiary of the Company engaged in business related to the computer servers, storage and solutions) entered into the Capital Contribution Agreement for contribution of capital by SME Development Fund, Guizhou Cultural Travel Fund and Madam Xu Zhuying.

THE CAPITAL CONTRIBUTION AGREEMENT

Date: 26 July 2019

Parties:

- (1) Powerleader Computing;
- (2) SME Development Fund;
- (3) Guizhou Cultural Travel Fund; and
- (4) Madam Xu Zhuying.

To the best of the Directors' knowledge, information and belief after having made reasonable inquiries, SME Development Fund, Guizhou Cultural Travel Fund and Madam Xu Zhuying and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Capital Contribution Agreement, SME Development Fund, Guizhou Cultural Travel Fund and Madam Xu Zhuying agreed to make capital contributions of RMB50,000,000, RMB20,000,000 and RMB30,000,000 to Powerleader Computing respectively. The total capital contributions amount to RMB100,000,000, of which RMB2,661,600 will be applied to the registered capital of Powerleader Computing, while the remainder of RMB97,338,400 will be applied to the capital reserve of Powerleader Computing.

The New Investors shall pay their respective entire amounts of capital contributions to Powerleader Computing within fifteen days from the date of signing of the Capital Contribution Agreement.

As at the date of this announcement, the Company, Powerleader VC (a wholly-owned subsidiary of the Company) and the Other Investors own approximately 20.40%, 47.59% and 32.01% of the equity interest in Powerleader Computing respectively. Upon the completion of the Capital Contribution, the Company, Powerleader VC, Other Investors and New Investors will own approximately 19.469%, 45.427%, 30.558% and 4.546% of the equity interest in the Powerleader Computing respectively. The registered capital of Powerleader Computing will increase from RMB55,893,400 to RMB58,555,000. As the Company and Powerleader VC will own approximately 64.896% of the equity interest in Powerleader Computing in aggregate after completion of the Capital Contribution, Powerleader Computing will continue to be an indirect non-wholly owned subsidiary of the Company.

Basis of the Consideration

The amount of the Capital Contribution is determined after arm's length negotiations between Powerleader Computing and the New Investors, taking into account (i) the assessed value of the entire shareholders' interest of Powerleader Computing as at the benchmark date of 30 September 2018 used in the Leshan Gaoxin Capital Contribution, details of which were disclosed in the announcement dated 29 March 2019 and the circular dated 10 May 2019 of the Company, (ii) the Leshan Gaoxin Capital Contribution had completed, and (iii) the increase in net asset value of Powerleader Computing during the period from the aforementioned benchmark date up to the date of this announcement. The consideration for the Capital Contribution is approximately equal to the amount of new capital required to obtain a 4.546% equity interest in Powerleader Computing (as enlarged by the Capital Contribution) based on the aforesaid assessed value of the entire shareholders' interest and net asset value of Powerleader Computing prior to the Capital Contribution.

THE SUPPLEMENTAL AGREEMENT

On 26 July 2019, Powerleader Computing also entered into the Supplemental Agreement with the New Investors, Mr. Li (as indemnifier) and Madam Zhang (as indemnifier) to supplement the Capital Contribution Agreement, the principal terms of which are as follows:

Unless consented by the New Investors in writing, within thirty-six months from the completion of the Capital Contribution:

- (1) Powerleader Computing shall not in anyway dilute the New Investors' shareholding interest in Powerleader Computing. If Powerleader Computing decides to increase its capital, the New Investors shall have the same pre-emptive right as other shareholders of Powerleader Computing to contribute capital on the same terms;
- (2) Powerleader Computing shall not carry out further financing at a transaction price lower than that for the Capital Contribution (the "**Undertaking**"); and
- (3) where Mr. Li and Madam Zhang and any individual, legal person or organization directly holding equity interest in Powerleader Computing that is controlled by Mr. Li and Madam Zhang ("**Concert Parties**") intend to transfer equity interest in Powerleader Computing, the New Investors shall according to law have the same pre-emptive right as other shareholders of Powerleader Computing on the same terms.

Indemnities

If any of the following happens, the New Investors shall have the right to require Mr. Li and Madam Zhang to indemnify for their losses in accordance with the terms of the Supplemental Agreement as follows:

- (1) where, within thirty-six months after completion of the Capital Contribution, further financing has been carried out by Powerleader Computing in breach of the Undertaking, or where agreements or arrangements have been reached between new investor(s) and Powerleader Computing, Mr. Li, Madam Zhang or their Concert Parties to the effect that the investment price or cost paid by such investor(s) is lower than that for the Capital Contribution, Mr. Li and Madam Zhang shall compensate the New Investors by cash or by equity interest in Powerleader Computing, which shall be calculated in the following manner:
 - (a) for compensation by cash, the amount shall be (i) the sum of registered capital in Powerleader Computing held by the New Investors, times (ii) the difference between the investment price per RMB in the registered capital of Powerleader Computing paid by the New Investors and that paid by the third party investor(s); and

- (b) for compensation by equity interest in Powerleader Computing, the amount shall be (i) the total sum of investment by the New Investors for the Capital Contribution divided by investment price per RMB in the registered capital of Powerleader Computing paid by the third party investor(s), minus (ii) the sum of registered capital in Powerleader Computing contributed by the New Investors; and
- (2) where any third party other than the New Investors (except pursuant to equity incentive arrangement by Powerleader Computing to its management or core employees that has been approved by the board of directors or by the shareholders in general meeting of Powerleader Computing) makes capital contribution to the registered capital of Powerleader Computing after completion of the Capital Contribution at an investment price lower than that for the Capital Contribution, Mr. Li and Madam Zhang shall compensate the New Investors in such manner as the parties may agree, which in any event shall not be less than the amount as calculated in accordance with sub-paragraph (1) above.

Other terms

Equity incentive arrangement by Powerleader Computing to its management or core employees shall be carried out by way of transfer of equity interest by the controlling shareholder of Powerleader Computing to the subject to be incentivized or to a staff shareholding platform or in other manner permitted by law, and the price for acquisition of equity interest shall not be lower than the per share net asset value.

Powerleader Computing agrees to provide the New Investors its annual, interim, quarterly financial reports, its operation plans and financial budgets for the upcoming year, and a report on applications of the fund provided under the Capital Contribution from the date of completion of the Capital Contribution.

Upon completion of the Capital Contribution, the New Investors agree to assist the development of Powerleader Computing and its subsidiaries, and provide them all-rounded support including in the area of financial services, mergers and acquisitions, strategic planning and financing.

INFORMATION ON POWERLEADER COMPUTING

Powerleader Computing is a company incorporated in the PRC. It and its subsidiaries are mainly engaged in the provision of computer servers, storage and solutions.

The following table sets out the audited consolidated financial information of Powerleader Computing for the two financial years ended 31 December 2017 and 31 December 2018:

	As of 31 December 2017 (RMB)	As of 31 December 2018 (RMB)
Net profit before tax	4,619,150.91	148,993,088.63
Net profit after tax	4,348,420.37	136,316,602.20

The audited consolidated net asset value of Powerleader Computing as at 31 December 2018 was RMB596,481,275.12

CHANGES TO SHAREHOLDING STRUCTURE OF POWERLEADER COMPUTING

At present and prior to completion of the Capital Contribution, the registered share capital of Powerleader Computing is RMB55,893,400 and owned by its shareholders as follows:

Shareholders of Powerleader Computing	Percentage in the total registered share capital (approximately)
Powerleader VC	47.59%
The Company	20.40%
Leshan Gaoxin Investment Development (Group) Limited* (樂山高新投資發展(集團)有限公司)	15.00%
Tianjin Baocheng Yuchuang Business Management Partners (LP)* (天津宝誠煜創企業管理合夥企業(有限合夥))	4.47%
Tianjin Baocheng Yuanchuang Business Management Partners (LP)* (天津宝誠淵創企業管理合夥企業(有限合夥))	4.45%
Tianjin Baocheng Xiangchuang Business Management Partners (LP)* (天津宝誠祥創企業管理合夥企業(有限合夥))	2.59%
Tianjin Baojie Hechuang Business Management Partners (LP)* (天津宝傑合創企業管理合夥企業(有限合夥))	1.68%
Tianjin Baoyun Gongchuang Business Management Partners (LP)* (天津宝雲共創企業管理合夥企業(有限合夥))	1.54%
Tianjin Baolun Jiechuang Business Management Partners (LP)* (天津宝倫捷創企業管理合夥企業(有限合夥))	1.26%
Tianjin Baolong Huichuang Business Management Partners (LP)* (天津宝龍慧創企業管理合夥企業(有限合夥))	1.02%
	<hr/> <hr/> 100%

Immediately after the completion of the Capital Contribution, the registered share capital of Powerleader Computing will increase to RMB58,555,000 and will be owned by its shareholders as follows:

Shareholders of Powerleader Computing	Percentage in the total registered share capital (approximately)
Powerleader VC	45.427%
The Company	19.469%
Leshan Gaoxin Investment Development (Group) Limited* (樂山高新投資發展(集團)有限公司)	14.318%
Tianjin Baocheng Yuchuang Business Management Partners (LP)* (天津宝誠煜創企業管理合夥企業(有限合夥))	4.265%
Tianjin Baocheng Yuanchuang Business Management Partners (LP)* (天津宝誠淵創企業管理合夥企業(有限合夥))	4.246%
Tianjin Baocheng Xiangchuang Business Management Partners (LP)* (天津宝誠祥創企業管理合夥企業(有限合夥))	2.475%
SME Development Fund	2.273%
Tianjin Baojie Hechuang Business Management Partners (LP)* (天津宝傑合創企業管理合夥企業(有限合夥))	1.607%
Tianjin Baoyun Gongchuang Business Management Partners (LP)* (天津宝雲共創企業管理合夥企業(有限合夥))	1.466%
Madam Xu Zhuying	1.364%
Tianjin Baolun Jiechuang Business Management Partners (LP)* (天津宝倫捷創企業管理合夥企業(有限合夥))	1.204%
Tianjin Baolong Huichuang Business Management Partners (LP)* (天津宝龍慧創企業管理合夥企業(有限合夥))	0.977%
Guizhou Cultural Travel Fund	0.909%
	<hr/> <hr/> 100%

REASONS AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The proceeds from the Capital Contribution will replenish the working capital of Powerleader Computing, enabling it to further expand the scale of business and increase its profitability.

The introduction of the New Investors as strategic investors pursuant to the Capital Contribution will enhance the investor portfolio of Powerleader Computing. Further, as mentioned above, the New Investors undertake in the Supplemental Agreement to fully assist Powerleader Computing and its subsidiaries in the aspects of financial services,

mergers and acquisitions, strategic planning and financing etc. Therefore, the Capital Contribution will improve Powerleader Computing's management structure, corporate image, credibility and capabilities.

The Directors consider that the terms of Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company will continue to assess from time to time any need for further fund raising by Powerleader Computing based on its strategic and business developments.

INFORMATION ON THE PARTIES TO THE AGREEMENTS

The Group is principally engaged in the provision of cloud computing and related solutions and services, including (i) provision of computer servers, storage and solutions; (ii) distribution of electronic equipment and accessories (non-server/storage); (iii) Guangzhou IDC business; (iv) industrial park development, operations and property management; and (v) industrial investment (non-server/storage).

SME Development Fund is an equity investment fund within effective duration duly established in the PRC. It is managed by Shenzhen Guozhong Venture Capital Management Company Limited, and was duly registered as a private equity fund in the PRC on 20 February 2017 (fund no. SR2284). It is the first entity fund established under the National Small and Medium-sized Enterprises Development Fund. The total investment of SME Development Fund is RMB6 billion, of which RMB1.5 billion is contributed by the central government of PRC and RMB4.5 billion is contributed by the Shenzhen government and other investors.

Guizhou Cultural Travel Fund is a state-owned equity investment fund within effective duration duly established in the PRC. It is managed by Guizhou Cultural Industry Investment Company Limited, and was duly registered as a private equity fund in the PRC on 18 September 2017 (fund no. SX1214). It is controlled by Guizhou Radio Film and TV Media Group. It is principally engaged in equity investment business.

Madam Xu Zhuying is a PRC citizen with civil capacity.

Madam Zhang and Mr. Li are both Directors who are, through a company controlled by them, interested in approximately 42.05% of the issued share capital of the Company.

GEM LISTING RULES IMPLICATIONS

At present and prior to the Capital Contribution, the Group owns as to 67.99% of the equity interest in Powerleader Computing. The Capital Contribution will result in the Group's interest in Powerleader Computing being diluted from 67.99% to 64.896%. Pursuant to Rule 19.29 of the GEM Listing Rules, the Capital Contribution will be a deemed disposal of the Company's interest in a subsidiary. As one or more of the applicable percentage ratios of the Capital Contribution is more than 5% but less than 25%, the Capital Contribution constitutes a discloseable transaction which is subject to the announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Agreements”	collectively, the Capital Contribution Agreement and the Supplemental Agreement
“Board”	the board of Directors
“Capital Contribution”	the capital contribution made by SME Development Fund, Guizhou Cultural Travel Fund and Madam Xu Zhuying to Powerleader Computing pursuant to the terms of the Agreements in the aggregate amount of RMB100,000,000
“Capital Contribution Agreement”	the capital contribution agreement dated 26 July 2019 entered into between Powerleader Computing, SME Development Fund, Guizhou Cultural Travel Fund and Madam Xu Zhuying in relation to the Capital Contribution
“Company”	Powerleader Science & Technology Group Limited* (宝德科技集團股份有限公司), a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the GEM (Stock Code: 8236)
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Guizhou Cultural Travel Fund”	Guizhou Cultural Travel Equity Investment Fund (Limited Partnership)* (貴州文旅股權投資基金(有限合夥)), a private equity fund duly registered in the PRC on 18 September 2017 (fund no. SX1214)
“Leshan Gaoxin”	Leshan Gaoxin Investment Development (Group) Limited* (樂山高新投資發展(集團)有限公司)
“Leshan Gaoxin Capital Contribution”	the capital contribution made by Leshan Gaoxin pursuant to the capital contribution agreement dated 29 March 2019 entered into between Powerleader Computing and Leshan Gaoxin, as disclosed in the announcement dated 29 March 2019 and the circular dated 10 May 2019 of the Company
“Madam Xu Zhuying”	Madam Xu Zhuying (徐珠英)
“Madam Zhang”	Madam Zhang Yunxia, an executive Director
“Mr. Li”	Mr. Li Ruijie, a non-executive Director
“New Investors”	Collectively, SME Development Fund, Guizhou Cultural Travel Fund and Madam Xu Zhuying
“Other Investors”	the existing shareholders of Powerleader Computing other than the Company and Powerleader VC
“Powerleader Computing”	Shenzhen Powerleader Computing System Limited* (深圳市寶德計算器系統有限公司), a company incorporated in the PRC with limited liability
“Powerleader VC”	Khorgas Powerleader Venture Capital Limited* (霍爾果斯寶德創業投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Previous Capital Contributions”	the capital contributions to Powerleader Computing by the Other Investors, the details of which were disclosed in the announcements of the Company dated 27 December 2017, 24 May 2018 and 29 March 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company

“SME Development Fund”	Small and Medium-sized Enterprises Development Fund (Shenzhen Limited Partnership)* (中小企業發展基金(深圳有限合夥)), a private equity fund duly registered in the PRC on 20 February 2017 (fund no. SR2284)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to Capital Contribution Agreement dated 26 July 2019 entered into between Powerleader Computing, SME Development Fund, Guizhou Cultural Travel Fund, Madam Xu Zhuying, Mr. Li and Madam Zhang in relation to Capital Contribution
“%”	per cent

By order of the Board
Powerleader Science & Technology Group Limited*
(宝德科技集團股份有限公司)
Zhang Yunxia
Chairman

Shenzhen, the PRC
26 July 2019

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

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

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

* for identification purposes only