



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)

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

**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 Main Board. 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.**

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*This report, for which the directors of the Company (the “Directors”) of Powerleader Science & Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 report 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 report misleading.*

\* For identification purposes only

## INTERIM RESULTS

The board of Directors (the “Board”) is pleased to report the unaudited results of the Company for the three months and six months ended 30 June 2020 (the “Six-Month Period”) together with the comparative unaudited figures for the same period in 2019 as follows:

### CONSOLIDATED INCOME STATEMENT

Items	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB (Unaudited)	2019 RMB (Unaudited)	2020 RMB (Unaudited)	2019 RMB (Unaudited)
<b>I. Total operating income</b>		<b>911,406,634.49</b>	875,491,525.85	<b>1,785,099,403.85</b>	1,684,138,656.76
Including: operating revenue	3	911,406,634.49	875,491,525.85	1,785,099,403.85	1,684,138,656.76
<b>II. Total operating cost</b>		<b>900,523,553.50</b>	842,289,117.49	<b>1,741,787,508.59</b>	1,606,546,897.87
Including: Cost of operation		824,766,000.43	788,317,018.92	1,609,720,599.13	1,510,638,202.75
Business taxes and surcharges		718,463.51	699,398.82	1,156,703.12	1,468,325.62
Selling expenses		15,073,488.04	20,235,522.55	29,778,023.62	33,603,191.71
Administration expenses		19,574,706.98	13,136,332.2	33,642,162.92	27,898,774.82
Research and development expenses		8,930,538.06	8,992,710.56	14,405,642.56	13,096,573.47
Finance costs	5	31,460,356.48	13,265,010.29	53,084,377.24	22,198,705.35
Including: Interest expenses		18,770,060.48	18,488,227.26	43,061,143.92	37,379,910.10
Interest income		679,494.66	2,891,382.40	960,691.16	3,541,693.14
Add: Other income		6,996,065.55	29,750.00	8,247,715.11	1,745,000.00
Investment income (loss is denoted as “( )”)		4,435,286.74	3,063,920.21	5,098,108.27	3,479,435.97
Including: Gain on investment in associates and joint ventures		461,267.46		1,102,362.49	3,479,435.97
Gain on changes in fair value (loss is denoted by “( )”)		(5,253.72)		6,053.10	
Loss of credit impairment (loss is denoted by “( )”)					
Impairment loss of assets (loss is denoted by “( )”)		1,068,666.45		1,127,872.11	(2,356,875.85)
Gain on disposal of assets (loss is denoted by “-”)		(25,414.01)		(25,414.01)	—
<b>III. Operating profit (loss is denoted as “( )”)</b>		<b>23,352,432.00</b>	36,296,078.57	<b>57,766,229.84</b>	82,816,194.86
Add: Non-operating income	4	597,930.47	538,187.86	653,025.87	588,713.37
Less: Non-operating expenses		338,970.10	153,130.52	611,670.52	271,672.17
<b>IV. Total Profit (total loss is denoted as “( )”)</b>		<b>23,611,392.37</b>	36,681,135.91	<b>57,807,585.19</b>	83,133,236.06
Less: Income tax expenses	6	7,559,004.87	7,172,904.62	9,422,577.06	8,699,464.50
<b>V. Net profit (net loss is denoted as “( )”)</b>		<b>16,052,387.50</b>	29,508,231.29	<b>48,385,008.13</b>	74,433,771.56
Net profit attributable to shareholders of the parent company		2,430,356.92	21,966,385.49	19,869,925.70	57,925,263.23
Profit or loss of minority interests		13,622,030.58	7,541,845.80	28,515,082.43	16,508,508.33
<b>VI. Earnings per share:</b>					
(1) Basic earnings per share	8	0.010	0.090	0.082	0.238
(2) Diluted earnings per share	8	0.010	0.090	0.082	0.238
<b>VII. Other comprehensive income</b>					
Other comprehensive income which cannot be reclassified to profit or loss in subsequent accounting periods		—	—	—	—
Other comprehensive income which will be reclassified to profit or loss in subsequent accounting periods upon satisfying the required conditions		—	—	—	—
<b>VIII. Total comprehensive income (net loss is denoted as “( )”)</b>		<b>16,052,387.50</b>	29,508,231.29	<b>48,385,008.13</b>	74,433,771.56
Total comprehensive income attributable to shareholders of the parent company		2,430,356.92	21,966,385.49	19,869,925.70	57,925,263.23
Total comprehensive income attributable to minority interests		13,622,030.58	7,541,845.80	28,515,082.43	16,508,508.33

## CONSOLIDATED BALANCE SHEET

Items	Notes	30 June 2020 RMB (Unaudited)	31 December 2019 RMB (Audited)
<b>Current Assets:</b>			
Monetary Capital		846,170,232.11	841,786,012.87
Financial assets held for trading		43,891.97	118,366.53
Derivative financial assets			
Notes receivables		5,281,290.38	36,467,864.80
Accounts receivables	12	585,998,130.12	577,317,759.19
Financing receivables			8,165,006.14
Prepayments		160,924,342.87	30,765,334.37
Other receivables	13	1,217,441,315.91	895,774,885.90
Including: Interest receivables			
Dividend receivables		795,645.65	795,645.65
Inventories		552,799,801.61	524,579,916.48
Contractual assets			
Non-current assets due within one year			
Other current assets		350,597,859.08	348,224,682.05
<b>Total current assets</b>		<b>3,719,256,864.05</b>	<b>3,263,199,828.33</b>
<b>Non-current assets:</b>			
Long-term receivables			
Long-term equity investments	11	106,241,261.98	105,138,899.49
Other equity instrument investments		54,729,000.00	54,729,000.00
Other non-current financial assets		19,691,924.27	19,691,924.27
Investment properties	10	338,195,700.13	338,195,700.13
Fixed assets	9	218,260,300.44	223,499,673.29
Construction in progress	9	293,183,011.33	288,551,090.15
Right-of-use assets		217,898,027.59	204,303,869.24
Intangible assets		7,241,612.41	6,095,356.39
Development expenditure			
Goodwill			
Long-term prepayments		8,364,231.14	6,222,470.94
Deferred income tax assets		9,546,531.27	11,338,644.76
Other non-current assets		58,549,725.00	58,786,671.90
<b>Total non-current assets</b>		<b>1,331,901,325.56</b>	<b>1,316,553,300.56</b>
<b>Total assets</b>		<b>5,051,158,189.61</b>	<b>4,579,753,128.89</b>

Items	Notes	30 June 2020 RMB (Unaudited)	31 December 2019 RMB (Audited)
<b>Current liabilities:</b>			
Short-term loans	15	1,324,763,302.31	1,293,743,774.22
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payables	14	479,497,937.45	261,389,597.12
Accounts payables		424,062,147.17	354,760,110.87
Receipts in advance			
Contractual liabilities		177,550,340.24	76,831,882.58
Employee remuneration payables		541,150.96	9,260,603.48
Tax and levy payables		55,327,709.18	76,603,178.64
Other payables		228,070,442.68	195,251,139.34
Including: Interest payables		1,912,273.50	1,912,273.50
Dividend payables			
Liabilities classified as held for sale			
Non-current liabilities repayable within one year		15,081,137.57	34,457,468.86
Other current liabilities			1,080,899.61
<b>Total current liabilities</b>		<b>2,704,894,167.56</b>	<b>2,303,378,654.72</b>
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payables			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		135,890,706.13	115,459,166.38
Long-term payables			
Long-term employee remuneration payables			
Provisions			
Deferred income		15,466,600.50	14,393,600.50
Deferred income tax liabilities		56,750,243.21	56,750,243.21
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>208,107,549.84</b>	<b>186,603,010.09</b>
<b>Total Liabilities</b>		<b>2,913,001,717.40</b>	<b>2,489,981,664.81</b>

Items	<i>Notes</i>	<b>30 June 2020</b> <b>RMB</b> <b>(Unaudited)</b>	31 December 2019 <b>RMB</b> <b>(Audited)</b>
<b>Shareholders' equity:</b>			
Capital	16	<b>243,000,000.00</b>	243,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves		<b>289,299,488.72</b>	289,299,488.72
Less: Treasury shares			
Other comprehensive income		<b>201,206,468.99</b>	201,206,468.99
Special reserves			
Surplus reserves		<b>30,414,133.15</b>	30,414,133.15
General Risk Reserves			
Undistributed profits		<b>929,639,691.83</b>	909,769,766.13
<b>Total equity attributable to shareholders of the parent company</b>		<b><u>1,693,559,782.69</u></b>	<b><u>1,673,689,856.99</u></b>
Minority interests		<b><u>444,596,689.52</u></b>	<u>416,081,607.09</u>
<b>Total shareholders' equity</b>		<b><u>2,138,156,472.21</u></b>	<b><u>2,089,771,464.08</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>5,051,158,189.61</u></b>	<b><u>4,579,753,128.89</u></b>

## CONSOLIDATED CASH FLOW STATEMENT

Items	As of 30 June 2020 <i>RMB</i> (Unaudited)	As of 30 June 2019 <i>RMB</i> (Unaudited)
<b>I. Cash flow from operating activities:</b>		
Cash received from sales of goods and rendering of services	1,980,375,053.65	1,831,789,747.02
Refund of taxes and levies received		
Other cash receipts relating to operating activities	38,763,372.37	176,453,725.62
<b>Sub-total of cash inflow from operating activities</b>	<b>2,019,138,426.02</b>	2,008,243,472.64
Cash paid for goods and services	1,789,512,548.21	1,811,395,798.53
Cash paid to and on behalf of employees	34,747,318.74	32,460,686.58
Payments of taxes and levies	15,112,190.92	22,984,118.61
Other cash payments relating to operating activities	164,305,528.94	358,382,049.29
<b>Sub-total of cash outflow from operating activities</b>	<b>2,003,677,586.81</b>	2,225,222,653.01
<b>Net cash flow from operating activities</b>	<b>15,460,839.21</b>	(216,979,180.37)
<b>II. Cash flow from investing activities:</b>		
Cash received from investments		
Cash received from returns on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other operating units		
Other cash receipts relating to investing activities		76,100,834.49
<b>Sub-total of cash inflow from investing activities</b>		76,100,834.49
Cash paid on acquisition of fixed assets, intangible assets and other long-term assets	7,933,439.28	17,288,657.52
Cash paid on investments		
Net cash paid on acquisition of subsidiaries and other operating units		
Other cash payments relating to investing activities		
<b>Sub-total of cash outflow from investing activities</b>	<b>7,933,439.28</b>	17,288,657.52
<b>Net cash flow from investing activities</b>	<b>(7,933,439.28)</b>	58,812,176.97

Items	As of 30 June 2020 RMB (Unaudited)	As of 30 June 2019 RMB (Unaudited)
<b>III. Cash flow from financing activities:</b>		
Cash received from investments		300,000,000.00
Including: Cash received by subsidiaries from absorbing investments from minority shareholders		300,000,000.00
Cash received from loans	<b>1,921,066,299.00</b>	1,294,190,684.18
Cash received from issuing bonds		
Cash received from other financing activities		
<b>Sub-total of cash inflow from financing activities</b>	<b>1,921,066,299.00</b>	1,594,190,684.18
Cash payments for settlement of loans	<b>1,867,563,197.64</b>	1,379,126,841.22
Cash payments for distribution of dividends, profit or interest expenses	<b>43,061,143.92</b>	37,379,910.10
Including: Cash payments for distribution of dividends and profit to minority shareholders		
Cash payment for other financing activities		
<b>Sub-total of cash outflow from financing activities</b>	<b>1,910,624,341.56</b>	1,416,506,751.32
<b>Net cash flow from financing activities</b>	<b>10,441,957.44</b>	177,683,932.86
<b>IV. Effect of foreign exchange rate changes to cash and cash equivalents</b>		
<b>V. Net increase in cash and cash equivalents</b>	<b>17,969,357.37</b>	19,516,929.46
Add: Balance of cash and cash equivalents at the beginning of the period	<b>611,742,083.83</b>	406,478,308.13
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>629,711,441.20</b>	425,995,237.59

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Items	Amount for the period									
	Attributable to shareholders of the parent company									
	Share Capital	Capital Reserves	Less: Treasury shares	Other Comprehensive Income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interests	Total Shareholders' equity
<b>I. Balance at the end of last year</b>	243,000,000.00	289,299,488.72	—	201,206,468.99	—	30,414,133.15	—	909,769,766.13	416,081,607.09	2,089,771,464.08
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors in previous periods	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at beginning of year</b>	243,000,000.00	289,299,488.72	—	201,206,468.99	—	30,414,133.15	—	909,769,766.13	416,081,607.09	2,089,771,464.08
<b>III. Changes (increase/decrease) for the year</b> (decrease is denoted by “(”)”)	—	—	—	—	—	—	—	19,869,925.70	28,515,082.43	48,385,008.13
(1) Total comprehensive income	—	—	—	—	—	—	—	19,869,925.70	28,515,082.43	48,385,008.13
(2) Contribution from shareholders and reduction in capital	—	—	—	—	—	—	—	—	—	—
1. Ordinary share contributed by shareholders	—	—	—	—	—	—	—	—	—	—
2. Capital contribution by holders of other equity instruments	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payments included under shareholders' equity	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(3) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(4) Internal transfer of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recovery of losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Changes in defined benefit scheme carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—
(5) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Appropriation during the year	—	—	—	—	—	—	—	—	—	—
2. Utilised during the year	—	—	—	—	—	—	—	—	—	—
(6) Others	—	—	—	—	—	—	—	—	—	—
<b>IV. Balance at the end of the year</b>	<u>243,000,000.00</u>	<u>289,299,488.72</u>	<u>—</u>	<u>201,206,468.99</u>	<u>—</u>	<u>30,414,133.15</u>	<u>—</u>	<u>929,639,691.83</u>	<u>444,596,689.52</u>	<u>2,138,156,472.21</u>



Items	Amount for previous year									
	Attributable to shareholders of the parent company									
	Share Capital	Capital Reserves	Less: Treasury shares	Other Comprehensive Income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interests	Total Shareholders' equity
<b>I. Balance at the end of last year</b>	243,000,000.00	122,563,288.06	—	98,527,821.61	—	29,241,867.59	—	797,704,999.92	119,34,9411.70	1,410,387,388.88
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors in previous periods	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at beginning of year</b>	243,000,000.00	122,563,288.06	—	98,527,821.61	—	29,241,867.59	—	797,704,999.92	119,34,9411.70	1,410,387,388.88
<b>III.Changes (increase/decrease) for the year (decrease is denoted by “( )”)</b>	—	166,736,200.66	—	102,678,647.38	—	1,172,265.56	—	112,064,766.21	296,732,195.39	679,384,075.20
(1) Total comprehensive income	—	—	—	102,678,647.38	—	—	—	113,237,031.77	45,767,488.49	261,683,167.64
(2) Contribution from shareholders and reduction of capital	—	166,736,200.66	—	—	—	—	—	(14,187,879.60)	250,964,706.90	417,700,907.56
1. Ordinary shares contributed by shareholders	—	—	—	—	—	—	—	—	—	—
2. Capital contribution by holders of other equity instruments	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payment included under shareholders' equity	—	—	—	—	—	—	—	—	—	—
4. Others	—	166,736,200.66	—	—	—	—	—	—	250,964,706.90	417,700,907.56
(3) Profit appropriation	—	—	—	—	—	1,172,265.56	—	-1,172,265.56	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	1,172,265.56	—	-1,172,265.56	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(4) Internal transfer of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recovery of losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Changes in defined benefit scheme carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—
(5) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Appropriation during the year	—	—	—	—	—	—	—	—	—	—
2. Utilised during the year	—	—	—	—	—	—	—	—	—	—
(6) Others	—	—	—	—	—	—	—	—	—	—
<b>IV. Balance at the end of the year</b>	<u>243,000,000.00</u>	<u>289,299,488.72</u>	<u>—</u>	<u>201,206,468.99</u>	<u>—</u>	<u>30,414,133.15</u>	<u>—</u>	<u>909,769,766.13</u>	<u>416,081,607.09</u>	<u>2,089,771,464.08</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2020*

### **1. GENERAL**

The Company was established in the People's Republic of China (the "PRC") on 20 August 1997, as a limited liability company and transformed to a joint stock limited company on 31 July 2001. The Company was listed on the GEM of the Stock Exchange of Hong Kong Limited on 12 December 2002 by way of placing.

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

### **2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared based on a going concern basis and in accordance with the requirements of "Accounting Standards for Business Enterprises — Basic Standard" and 40 Specific Accounting Standards issued by the Ministry of Finance (MOF) of the PRC (including 5 new issued or revised standards issued in January and February 2014), and Application Guidance for Accounting Standards for Business Enterprises, Interpretations to Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (collectively referred to as "ASBE") and in compliance with the disclosure requirements of "Regulation of the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Requirements for Financial Reporting (revised 2010)" of the China Securities Regulatory Commission, the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

### 3. OPERATING INCOME

Operating income represents the amounts received and accounts receivables for services provided and goods sold to customers, net of returns and discounts. The operating income recognized for the six months ended 30 June 2020 together with comparative unaudited figures for the corresponding period in 2019 are as follows:

An analysis of the Group's operating income and results by operating segments is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 <i>RMB</i> (Unaudited)	2019 <i>RMB</i> (Unaudited)	2020 <i>RMB</i> (Unaudited)	2019 <i>RMB</i> (Unaudited)
Revenue from principal businesses				
Including: Server, storage and solution provider	<b>711,689,386.81</b>	830,432,602.64	<b>1,470,053,766.97</b>	1,595,025,562.82
Electronic equipment and accessories (non-server and storage) distribution business	<b>176,547,033.23</b>	18,284,975.40	<b>261,688,374.26</b>	44,465,146.97
Guangzhou Internet Data Center business	<b>21,169,866.98</b>	17,336,884.26	<b>46,203,992.96</b>	31,499,346.98
Industrial park development, operation and property management business	<b>3,007,103.77</b>	2,620,438.52	<b>5,886,047.28</b>	4,711,384.02
Other operating revenue	<b>(1,006,756.30)</b>	6,816,625.03	<b>1,267,222.38</b>	8,437,215.97
<b>Total</b>	<b>911,406,634.49</b>	875,491,525.85	<b>1,785,099,403.85</b>	1,684,138,656.76
Results from principal businesses				
Including: Server, storage and solution provider	<b>82,904,559.25</b>	72,119,522.84	<b>146,594,774.97</b>	147,608,014.44
Electronic equipment and accessories (non-server and storage) distribution business	<b>(4,055,182.62)</b>	987,720.91	<b>4,955,093.65</b>	2,432,082.47
Guangzhou Internet Data Center business	<b>4,244,527.48</b>	4,650,048.69	<b>16,675,666.44</b>	10,353,272.43
Industrial park development, operation and property management business	<b>3,007,103.77</b>	2,620,438.52	<b>5,886,047.28</b>	4,711,384.02
Other operating results	<b>539,626.18</b>	6,796,775.97	<b>1,267,222.38</b>	8,395,700.65
<b>Total</b>	<b>86,640,634.06</b>	87,174,506.93	<b>175,378,804.72</b>	173,500,454.01
Finance costs	<b>31,460,356.48</b>	13,265,010.29	<b>53,084,377.24</b>	22,198,705.35
Share of profit from associates	<b>461,267.46</b>	3,063,920.21	<b>1,102,362.49</b>	3,479,435.97
Profit before tax	<b>23,611,392.37</b>	36,681,135.91	<b>57,807,585.19</b>	83,133,236.06
Income tax expenses	<b>7,559,004.87</b>	7,172,904.62	<b>9,422,577.06</b>	8,699,464.50
Net profit for the period	<b><u>16,052,387.50</u></b>	<u>29,508,231.29</u>	<b><u>48,385,008.13</u></b>	<u>74,433,771.56</u>

#### 4. NON-OPERATING INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income				
(government subsidies)	<b>6,996,065.55</b>	29,750.00	<b>8,247,715.11</b>	1,745,000.00
Others	<b>597,930.47</b>	538,187.86	<b>653,025.87</b>	588,713.37
Total	<b><u>7,593,996.02</u></b>	<u>567,937.86</u>	<b><u>8,900,740.98</u></b>	<u>2,333,713.37</u>

#### 5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses	<b>18,770,060.48</b>	18,488,227.26	<b>43,061,143.92</b>	37,379,910.10
Less: Interest income	<b>679,494.66</b>	2,891,382.40	<b>960,691.16</b>	3,541,693.14
Add: Loss on exchange	<b>8,832,221.19</b>	—	<b>5,491,649.70</b>	—
Less: Gain on exchange	—	4,109,085.04	<b>4,662,163.18</b>	16,829,214.45
Handling charges	<b>4,537,569.47</b>	1,777,250.47	<b>5,492,274.78</b>	5,189,702.84
Total	<b><u>31,460,356.48</u></b>	<u>13,265,010.29</u>	<b><u>53,084,377.24</u></b>	<u>22,198,705.35</u>

#### 6. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax				
(written back)/charge PRC	<b>5,889,553.10</b>	6,506,594.18	<b>7,152,822.01</b>	7,510,346.74
Hong Kong	<b>1,669,451.77</b>	666,310.44	<b>2,269,755.05</b>	1,189,117.76
Total	<b><u>7,559,004.87</u></b>	<u>7,172,904.62</u>	<b><u>9,422,577.06</u></b>	<u>8,699,464.50</u>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Shenzhen Technology and Information Bureau, Finance Bureau of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Shenzhen Local Taxation Bureau in 2009, and was subject to an EIT rate of 15% from 2009 onwards; The Company passed the reassessment conducted by Scientific Technological Innovation Committee of Shenzhen City\* (深圳市科技創新委員會), Financial Committee of Shenzhen City\* (深圳市財政委員會), and Shenzhen Tax Bureau under State Tax Administration on 16 October 2018, and continued to be regarded as a national high-tech enterprise, and was subject to EIT at a rate of 15%. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computing System Co., Ltd. (深圳市宝德計算機系統有限公司) (“Powerleader Computing”) and Shenzhen Powerleader Software Development Limited (深圳市宝德軟件開發有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% for the period ended 30 June 2020 (for the period ended 30 June 2019: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau; On 17 August 2017, Powerleader Computing passed the reassessment conducted by Scientific Technological Innovation Committee of Shenzhen City\* (深圳市科技創新委員會), Financial Committee of Shenzhen City\* (深圳市財政委員會), Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau, and continued to be regarded as a national high-tech enterprise. Powerleader Computing was subject to EIT at a rate of 15% during the period ended 30 June 2020 (during the period ended 30 June 2019: 15%).

Powerleader Software has been regarded as a national high-tech enterprise since 2011 by Shenzhen Bureau of Science, Technology and Information Council (深圳市科技工貿和信息化委員會), Financial Committee of Shenzhen City\* (深圳市財政委員會), Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. On 17 August 2017, Powerleader Software passed the reassessment conducted by Scientific Technological Innovation Committee of Shenzhen City\* (深圳市科技創新委員會), Financial Committee of Shenzhen City\* (深圳市財政委員會), Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau, and continued to be regarded as a national high-tech enterprise. Powerleader Software was subject to EIT at a rate of 15% for the period ended 30 June 2020 (for the period ended 30 June 2019: 15%).

Hong Kong Profits tax is calculated at 16.5% (for the six months ended 30 June 2019: 16.5%) of the estimated assessable profit for the Six-Month Period.

## 7. INTERIM DIVIDENDS

At a meeting held on 14 August 2020, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
Net profit attributable to shareholders of the parent company	<b>2,430,356.92</b>	21,966,385.49	<b>19,869,925.70</b>	57,925,263.23
<b>Number of shares</b>				
Weighted average number of issued shares for the purpose of basic earnings per share	<b>243,000,000</b>	243,000,000	<b>243,000,000</b>	243,000,000

The calculation of the basic and diluted earnings per share is based on the net profit attributable to the shareholders of the parent company of RMB19,869,925.70 (for the six months ended 30 June 2019: RMB57,925,263.23) and the weighted average number of 243,000,000 shares in issue (2019: 243,000,000 shares) for the Six-Month Period.

Diluted earnings per share are the same as basic earnings per share because the Company had no dilutive potential shares for the Six-Month Period (for the six months ended 30 June 2019: nil).

## 9. FIXED ASSETS AND CONSTRUCTION IN PROGRESS

During the period, the Group spent RMB4,631,921.18 (the same period of 2019: RMB17,288,657.52) on acquisition of property, plant and equipment.

## 10. INVESTMENT PROPERTIES

During the period, the balance of the Group's investment properties was RMB338,195,700.13 (the same period of 2019: RMB217,941,689.01).

## 11. LONG-TERM EQUITY INVESTMENTS

### Long-term equity investments accounted for using equity method

Name of investee	Proportion of shareholdings (%)	Proportion of voting rights (%)	Investment cost (RMB)	Beginning balance (RMB) (Audited)	Increase for the period (RMB) (Unaudited)	Decrease for the period (RMB) (Unaudited)	Ending balance for the period (RMB) (Unaudited)	Cash dividend received for the period (RMB)
Accounted for using equity method								
Shenzhen Zq Interactive Network Co., Limited <sup>Note</sup>	12.44	12.44	3,000,000.00	105,138,899.49	1,102,362.49	—	106,241,261.98	—
<b>Total</b>			<u>3,000,000.00</u>	<u>105,138,899.49</u>	<u>1,102,362.49</u>	<u>—</u>	<u>106,241,261.98</u>	<u>—</u>

*Note:* Shenzhen Zqgame Interactive Network Co., Limited (referred to as “Zqgame”) was formerly known as “Shenzhen Powerleader Network Technology Limited”. Its principal business is the development and operation of network games. It was established jointly by the Company and its controlling shareholder, Powerleader Holdings in 2000, in which the Company held 99% of its equity interest and Powerleader Holdings held 1% of its equity interest. After a number of shareholding changes from 2007 to 2010 and the listing of Zqgame in A shares GEM Board in 2010, the shareholding of the Company in Zqgame was diluted from 20.40% to 15.30%. In 2015, a total of 1,038,600 stock options were exercised by the share incentive targets of Zqgame, and the shareholdings of the Company was diluted from 15.30% to 15.24%. In 2018, a total of 3,670,000 restricted shares were granted by way of share incentive of Zqgame, and the shareholding of the Company was diluted from 15.24% to 15.03%. In 2019, the Company disposed of 5,270,000 A Shares of Zqgame and 1,326,600 A Shares of Zqgame through the Shenzhen Stock Exchange block trading system and Shenzhen Stock Exchange centralized bidding system respectively and the Company still holds 12.585% equity interests of Zqgame after the completion of such disposals. In April 2020, the Company disposed of 420,000 Shares of Zqgame through the Shenzhen Stock Exchange centralized bidding system and the Company still holds 12.4448% equity interests of Zqgame after the completion of such disposal. As the Company takes up 1 seat out of the 6 directors in the board of Zqgame, the Company exercises significant influence over Zqgame accordingly, and Zqgame is accounted for by using equity method.

## 12. ACCOUNTS RECEIVABLES

The Group allows sales credit period ranging from three to six months to its trade customers. The aging of accounts receivable is analysed as follows:

	30 June 2020 <i>RMB</i> (Unaudited)	31 December 2019 <i>RMB</i> (Audited)
Within 1 month	133,105,817.78	198,040,706.20
1–3 months	201,362,951.53	169,119,000.06
4–6 months	99,473,262.37	87,476,478.94
Over 6 months	213,737,034.50	189,640,007.90
	<u>61,680,936.06</u>	<u>66,958,433.91</u>
Less: Allowance for bad debts		
Accounts receivable, net	<u>585,998,130.12</u>	<u>577,317,759.19</u>

## 13. OTHER RECEIVABLES

	30 June 2020 <i>RMB</i> (Unaudited)	31 December 2019 <i>RMB</i> (Audited)
Other receivables	1,259,158,245.12	937,491,815.11
Less: Allowance for bad debts	42,512,574.86	42,512,574.86
Other receivables, net	<u>1,216,645,670.26</u>	<u>894,979,240.25</u>

## 14. ACCOUNTS PAYABLES

The age analysis of accounts payables is as follows:

	30 June 2020 <i>RMB</i> (Unaudited)	31 December 2019 <i>RMB</i> (Audited)
Within 1 month	296,806,058.33	231,563,365.83
1–3 months	53,528,982.92	47,274,872.02
4–6 months	14,478,578.58	14,573,782.73
Over 6 months	59,248,527.34	61,348,090.29
	<u>424,062,147.17</u>	<u>354,760,110.87</u>
Total	<u>424,062,147.17</u>	<u>354,760,110.87</u>

## 15. SHORT-TERM LOANS

Category	Currency	As of 30 June 2020 (Unaudited)		
		Amount in original currency	Exchange rate	Equivalent in RMB
Guaranteed loans	RMB			1,126,971,152.78
Guaranteed loans	US\$	27,858,049.23	7.100	<u>197,792,149.53</u>
<b>Total</b>				<b><u>1,324,763,302.31</u></b>

Category	Currency	As of 31 December 2019 (Audited)		
		Amount in original currency	Exchange rate	Equivalent in RMB
Guaranteed loans	RMB			1,110,475,161.91
Guaranteed loans	US\$	26,270,550.20	6.9762	<u>183,268,612.31</u>
<b>Total</b>				<b><u>1,293,743,774.22</u></b>



**Details of guarantee:**

<b>Lender</b>	<b>Currency</b>	<b>Loan principal (in original currency)</b>	<b>Guarantor</b>
China Construction Bank (Shenzhen Housing and Urban Construction branch) (Current loan)	RMB	590,000,000.00	Powerleader Holdings, Hong Kong Baotong, Hong Kong Powerleader, Li Ruijie, Zhang Yunxia
Industrial Bank Co. Ltd. (Shenzhen Wen Jin sub- branch)	RMB	160,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Industrial and Commercial Bank of China (Buji branch)	RMB	250,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
China Resources Bank (Shenzhen branch)	RMB	50,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Shenzhen Baoan Rongxing Rural Bank	RMB	30,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Bank of Communications (Futian branch)	RMB	95,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia, Hongde Real Estate, Deyunhui
Bank of Beijing (Shenzhen branch)	RMB	7,600,000.00	Gaoxin Investment, Li Ruijie, Zhang Yunxia,
Bank of China (Central branch)	RMB	10,000,000.00	Powerleader Science & Technology, Li Ruijie, Zhang Yunxia
Postal Savings Bank (Shenzhen Longgang branch)	RMB	130,000,000.00	Gaoxin Investment, Zhang Yunxia
China Everbright Bank (Shenzhen branch)	RMB	8,200,000.00	Gaoxin Investment, Li Ruijie, Zhang Yunxia,
China CITIC Bank International	RMB	80,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia, Hongde Real Estate
United Overseas Bank (Shenzhen branch)	RMB	48,171,152.78	Powerleader Science & Technology, Li Ruijie, Zhang Yunxia, Baotong Information
Shanghai Commercial Bank (Hong Kong Sham Shui Po branch)	US\$	2,440,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Bank of China (Hong Kong) Limited (Telford House, Kowloon Bay branch)	US\$	6,000,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Hongkong and Shanghai Banking Corporation Limited (Telford Garden branch)	US\$	11,218,049.23	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping

## 16. SHARE CAPITAL

Name of shareholder/category	As of 31 December 2019 (RMB) (Audited)		Movements during the period					As of 30 June 2020 (RMB) (Unaudited)	
	Amount	Proportion (%)	Issue of new shares	Bonus issue	Transfer from capital reserves	Others	Subtotal	Amount	Proportion (%)
Shares with restrictions on trading									
State shares	—	—	—	—	—	—	—	—	—
National legal persons shares	—	—	—	—	—	—	—	—	—
Other domestic shares	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Including: Domestic legal person shares	165,000,000.00	67.90	—	—	—	—	—	165,000,000.00	67.90
Domestic limited partnership shares	17,250,000.00	7.10	—	—	—	—	—	17,250,000.00	7.10
Foreign investors shares	—	—	—	—	—	—	—	—	—
Including: Overseas legal person shares	—	—	—	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—	—	—	—
Total of shares with restrictions on trading	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Shares without restrictions on trading									
RMB ordinary shares	—	—	—	—	—	—	—	—	—
Domestic listed foreign investors shares	—	—	—	—	—	—	—	—	—
Overseas listed foreign investors shares	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
Others	—	—	—	—	—	—	—	—	—
Total of shares without restrictions on trading	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
<b>Total Shares</b>	<b>243,000,000.00</b>	<b>100</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>243,000,000.00</b>	<b>100</b>

Pursuant to the articles of association of the Company, except for the currency in which dividends are paid, all shares issued by the Company rank pari passu with each other in all respects.

## 17. CAPITAL COMMITMENTS

### (a) Commitments under operating leases

At 30 June 2020, the Company as lessee had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	<b>30 June 2020</b> <i>RMB</i> <b>(Unaudited)</b>	31 December 2019 <i>RMB</i> (Audited)
Within one year	<b>23,773,926.89</b>	21,603,527.67
In the second to fifth year (both years inclusive)	<b>180,783,274.26</b>	169,963,040.33
Total	<b><u>204,557,201.15</u></b>	<b><u>191,566,568.00</u></b>

### (b) Capital commitments contracted but not provided for in respect of:

	<b>30 June 2020</b> <i>RMB</i> <b>(Unaudited)</b>	31 December 2019 <i>RMB</i> (Audited)
Construction-in-progress	<b>46,673,982.60</b>	39,227,101.20

## 18. SEGMENT INFORMATION

The reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. The Group has 4 reportable segments. These reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. The management of the Group evaluates their operating results regularly, in order to make decisions about resources to be allocated to these segments and to assess their performance. The main products and services rendered by each reportable segment of the Group are server, storage and solution; electronic equipment and accessories (non-server and storage) distribution; Guangzhou Internet Data Center business; industrial park development, operation and property management business.

The segment information of the Group is as follows:

<b>Operating segment</b>	<b>Principal operations</b>
Server, storage and solution provider	— Provision of server, storage and other equipment and related solutions
Electronic equipment and accessories (non-server and storage) distribution business	— Provision of agency distribution and value-added services for non-server and storage related parts
Guangzhou Internet Data Center business	— Provision of data center supporting facilities and space solutions
Industrial park development, operation and property management business	— Provision of full service of industrial parks and related property management

## Profit or loss, assets and liabilities of reportable segments

Operating results of each segment represent total revenue generated by each segment (including revenue from external transactions and intra-segmental transactions) after deducting expenses incurred by each segment; depreciation and amortisation and impairment loss of the assets attributable to each segment; net interest expenses on bank deposits and bank loans directly attributable the segment; net amount of other operating income and expenses.

### *For the six months ended 30 June 2020 (Unaudited)*

Items	Server, storage and solution provider (RMB)	Electronic equipment and accessories (non- server and storage) distribution business (RMB)	Guangzhou Internet Data Center business (RMB)	Industrial park development, operation and property management business (RMB)	Unallocated (RMB)	Elimination (RMB)	Total (RMB)
Operating revenue	1,470,053,766.97	262,955,596.64	46,203,992.96	5,886,047.28			1,785,099,403.85
Including: Revenue from external transactions	1,470,053,766.97	262,955,596.64	46,203,992.96	5,886,047.28			1,785,099,403.85
Revenue from intra- segment transactions							
Operating costs	1,323,458,992.00	256,733,280.61	29,528,326.52				1,609,720,599.13
Expenses for the period	69,023,614.92	8,047,362.72	4,104,227.48	97,473.48	50,794,230.86		132,066,909.46
Total segment operating profit (total loss)	83,604,187.59	(52,120,418.78)	12,573,146.63	5,788,573.80	1,026,010.89	6,936,085.06	57,807,585.19
Total assets	2,707,184,893.02	1,477,048,949.13	1,184,563,973.02	153,278,471.96	1,236,928,242.72	(1,707,846,340.24)	5,051,158,189.61
Including: Significant impairment loss of individual assets							
Total liabilities	1,437,698,634.10	1,096,509,256.88	760,153,893.51	95,376,375.26	1,210,467,473.94	(1,687,203,916.29)	2,913,001,717.40
Supplementary information							
Capital expenditure	2,463,763.92		5,473,983.76				7,937,747.68
Impairment loss recognised in the period	(1,811,700.86)						(1,811,700.86)
Including: Impairment loss of goodwill							
Depreciation and amortisation expenses	3,036,694.43	1,684,463.82	10,564,376.36		703,438.32		15,988,972.93
Non-cash expenses other than impairment loss, depreciation and amortisation	5,574,367.83	129,467.74	114,563.57				5,818,399.14

***For the six months ended 30 June 2019 (Unaudited)***

Items	Server, storage and solution provider (RMB)	Electronic equipment and accessories (non-server and storage) distribution business (RMB)	Guangzhou Internet Data Center business (RMB)	Industrial park development, operation and property management business (RMB)	Unallocated (RMB)	Elimination (RMB)	Total (RMB)
Operating revenue	1,598,235,567.99	50,363,731.29	31,499,346.98	4,711,384.02	—	(671,373.52)	1,684,138,656.76
Including: Revenue from external transactions	1,597,779,489.70	50,148,436.06	31,499,346.98	4,711,384.02	—	—	1,684,138,656.76
Revenue from intra- segment transactions	456,078.29	215,295.23	—	—	—	(671,373.52)	—
Operating costs	1,450,439,214.64	39,724,287.08	21,146,074.55	—	—	(671,373.52)	1,510,638,202.75
Expenses for the period	57,812,601.79	10,764,376.46	8,568,699.40	2,904,463.38	18,215,429.94	—	98,265,570.97
Total segment operating profit (total loss)	91,197,890.62	(124,932.25)	1,784,573.03	1,806,920.64	(15,010,651.95)	—	79,653,800.09
Total assets	1,921,750,969.99	1,342,783,984.22	563,874,973.92	53,647,987.89	865,317,883.04	(1,027,398,154.14)	3,719,977,644.92
Including: Significant impairment loss of individual assets	—	—	—	—	—	—	—
Total liabilities	935,768,403.85	616,764,656.74	401,291,915.08	35,609,799.87	515,532,000.42	(569,810,291.48)	1,935,156,484.48
Supplementary information	—	—	—	—	—	—	—
Capital expenditure	559,931.36	417,886.03	13,926,197.71	—	—	—	14,904,015.10
Impairment loss recognised in the period	—	(2,356,875.85)	—	—	—	—	(2,356,875.85)
Including: Impairment loss of goodwill	—	—	—	—	—	—	—
Depreciation and amortisation expenses	2,982,999.63	1,472,482.46	11,222,474.96	—	2,174,372.93	—	17,852,329.98
Non-cash expenses other than impairment loss, depreciation and amortisation	—	—	—	—	—	—	—

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the overall operation of Powerleader Science & Technology Group was stable. In respect of its principal businesses:

- (i) Revenue from server, storage and solution provider amounted to RMB1,470,053,766.97, representing a decrease of 7.84% over the same period;
- (ii) Revenue from electronic equipment and accessories (non-server and storage) distribution business amounted to RMB261,688,374.26, representing an increase of 488.52% over the same period;
- (iii) Revenue from Guangzhou Internet Data Centre business amounted to RMB46,203,992.96, representing an increase of 46.68% over the same period;
- (iv) Revenue from industrial park development, operations and property management amounted to RMB5,886,047.28, representing an increase of 24.93% over the same period;
- (v) Revenue from other businesses amounted to RMB1,267,222.38, representing a decrease of 84.98% over the same period.

## FINANCIAL REVIEW

Turnover of the Group for the Six-Month Period amounted to RMB1,785,099,403.85, representing an increase of 5.99% when compared to RMB1,684,138,656.76 in the same period of 2019, which was attributable to the fact that the Group has expanded to information technology application innovation (“ITAI”) business due to strategic planning adjustments. Meanwhile, the Group’s electronic equipment and accessories (non-server and storage) distribution business recorded significant growth, which was mainly due to the white home appliance distribution business.

Consolidated gross profit margin of the Group for the Six-Month Period was 9.82%, representing a decrease of 0.48% when compared to that of 10.30% in the same period of 2019, which was mainly as a result of the special offer and rebate decrement of CPU from INTEL in the first half of the year, casting an impact on the Group’s overall gross profit margin.

The Group’s distribution costs and administrative and other expenses for the Six-Month Period increased by 4.33% to RMB77,825,829.10 from RMB74,598,540.00 for the same period of last year, which was mainly due to the significant increase in the staff cost and related expenses resulting from the expansion of ITAI business.

## **BUSINESS REVIEW AND PROSPECT**

### **Server, storage and solution provider**

In the first half of 2020, due to the impact of economic downturn and the epidemic resulting from the novel coronavirus epidemic outbreak and the trade frictions between China and the United States, domestic server market was filled with uncertainties and challenges. To hedge against the epidemic impact on the economy, the Political Bureau of the Central Committee formally proposed to speed up the construction progress of new infrastructure such as 5G network and data center in March, so as to vigorously promote the industry informatization such as smart government administration, smart transportation, smart medical care and smart grid. ITAI industry is under large-scale development in China. With 20 years of market and R&D experience in servers, the Group keeps up closely with market demand, has deployed in provinces such as Sichuan, Guangxi, Hunan and Shaanxi, established production line or sets up political enterprise sales teams, and united upstream partners to develop the market together. Although the current structural changes in server market and industry pose challenges on the Group, however, it also provides tremendous opportunities to seize the market. During the Reporting Period, the Group actively developed the groups of application developers and software vendors to provide adaptive hardware products for the scenario requirements of edge computing, strengthened channel layout, and improved its warehousing, logistics, technical standards and also the service support capabilities.

Looking forward into the second half of 2020, the epidemic in the PRC will be under normalized control and economic recovery will be the focus. With the commencement of the new infrastructure, the new era of information technologies such as cloud computing, big data, artificial intelligence, and block chain will develop rapidly, and market demand for servers will continue to grow. The Group will continue to improve its operational management, comprehensive operational capabilities and the overall quality of all staff, so as to meet the high-standard goals in the second half of 2020.

### **Market Promotion**

In the first half of 2020, the market promotion of the Group was focused on industry hotspots such as new infrastructure and information innovation, along with the slogan of “Powerleader, Computing Driving The Future”, to strengthen its positioning and promotion as China’s leading IT product and solution provider, striving to play an important role in information innovation and digital economy construction. It mainly used marketing activities and public relations and promotion as major channels to improve Powerleader’s brand reputation and promoted the implementation of front-end sales orders through Powerleader’s new products, new solutions, application cases, company dynamic activities, and industry layout.

With regard to marketing activities, Powerleader organized online seminars on 4 topics, namely artificial intelligence, cloud computing, edge computing and big data, under the “Computing Driving The Future” series, focusing on server-related artificial intelligence, big data centres, 5G and industrial internet entwining the new infrastructure, and cooperated with excellent partners and users, such as Intel, NVIDIA, Seagate, Cloudwalk, Extreme Vision, Transwarp and Yonghong, to present customers with industry trends, forward-looking technologies, excellent products and solutions, and ultimate application experience in specific sectors, while providing more references and choices for digital transformation and applications of customers’ businesses. Powerleader actively participated in the Intel Data Innovation Summit that was held online to present Powerleader’s innovative products and solutions that are used in the construction of the digital economy through online booth, and provided participants with product information, product videos, online Q&A, and other interactions and experiences. The above had effectively promoted its new products and further enhanced its product influence, demonstrated the Company’s technical capability and competitive advantage in the server segment, and received high customer recognition, thereby catalyzing a positive impact on the Company’s production and operation.

Focusing on the acceleration of ITAI, Powerleader strengthened the promotion of products and solutions of Kunpeng computing to enhance its brand awareness and recognition among the channels and users. In the first half of 2020, Powerleader held a launching ceremony for the first prototype production line of ITAI in Sichuan, a launching ceremony for Kunpeng products of Digital GX & Powerleader, and the national exhibition tour of Powerleader-Kunpeng channel empowerment conference in Shenzhen and Guangzhou successively. It also actively participated in various regional Kunpeng conferences hosted by Huawei to introduce and present Powerleader’s business layout, product planning, ecological adaptation, and industry applications in ITAI, paving the way for the development of ITAI business actively.

With regard to public relations and promotion, Powerleader actively participated in the final combat against the epidemic through science and technology, focused on uniting with people as a whole. With the epidemic effectively controlled in the PRC as well as the rapid development of new infrastructure, Powerleader actively advocated the provision of computing power for new infrastructure, and widely promoted Powerleader’s products, such as AI, cloud computing, big data, edge computing, Hyperconverged Infrastructure, cloud storage, and HPC, as well as integrated industry solutions, so as to promote the exploration of business opportunities of Powerleader server and the implementation of business orders.



In the second half of 2020, Powerleader’s marketing activities will adhere to the principle of integrating online and offline activities and coordinating activities and promotion, and continue to strengthen the professional image and leading position of Powerleader servers in the IA market. At the same time, it will expand its influence in the ITAI market, so as to consolidate the role of IA server in digital economy construction and ensure that domestic products can securely seize the huge opportunities in the new infrastructure and ITAI business.

## **Honours**

In January 2020: Powerleader Computing was awarded the Demonstration Enterprise for Craftsman Cultivation in Shenzhen;

In January 2020: Powerleader Computing was nominated for the Shenzhen Industrial Award;

In January 2020: Powerleader Computing was awarded the 18th Shenzhen Enterprise Innovation Record — Independent Innovation Model Enterprise;

In January 2020: AI reasoning servers PR2710P of Powerleader was awarded the Product Research and Development Innovation Project Award at the 18th Shenzhen Enterprise Innovation Record;

In January 2020: Powerleader Computing was awarded the “Excellent Partner of DTmobile”;

In January 2020: Powerleader Computing was awarded the “Innovative Enterprise in 2019” by Shenzhen Computer Industry Association;

In January 2020: AI reasoning servers PR2710P of Powerleader was awarded the “Good Products of Shenzhen” by Shenzhen Computer Industry Association;

In January 2020: AI training servers PR4908P of Powerleader was awarded the “Good Products of Shenzhen” by Shenzhen Computer Industry Association;

In January 2020: Powerleader Computing was awarded the “Guangdong Innovative Enterprise”.

## **Electronic Equipment and Accessories (Non-server and Storage) Distribution Business**

Shenzhen Powerleader Zhiyuan Technology Limited (“Powerleader Zhiyuan”), a subsidiary of the Group, is responsible for the electronic equipment and accessories (non-server and storage) distribution business of the Group. In the first half of 2020, with the turnaround in the epidemic outbreak, the market was on the gradual recovery, and Powerleader Zhiyuan also devoted great efforts to develop products and explore customers in terms of strategy. By relying on its superior industrial brands, the Company continued to concentrate on industrial application as well as its solutions, so as to provide more efficient, convenient and comprehensive services to customers.

In the second half of 2020, Powerleader Zhiyuan will grasp the new trend in the infrastructure construction market, explore more suitable products and projects, and provide better services and develop industrial market through our already gradually-improved channels and solution capability. With the rapid development of national industrialization, it will also take chances to seek for more cooperation with home brand-owners and enrich product diversification, aiming to furnish the existing customers with more products and services and increase customers’ loyalty. At the same time, Powerleader Zhiyuan will keep on delivering all-round services to customers from products to solutions as well as after sales technical-support in the AI, Internet of things and 5G application segments.

## **Guangzhou Internet Data Centre Business**

In the first half of 2020, Guangzhou IDC continued its sound cooperation with China Telecom, while at the same time, actively expanded its relations with China Unicom.

Firstly, we continued to expand the sales of equipment cabinet and bandwidth businesses, and as a result, business with customers from quality cloud application platforms like Huawei and Ucloud continued to grow, representing an increase of 20% over the same period. At the same time, owing to the robust development in the government cloud market, the IDC custody related to government cloud business continued to increase.

Secondly, the IDC phase two had rolled out its equipment cabinets successively.

At the same time, based on its cooperation with various operators, Guangzhou IDC vigorously expanded its in-depth cooperation including its cloud business cooperation of the segmented market in vertical industry as well as the maintenance of data center. Such business has already entered into contract-signing phase.

Furthermore, Guangzhou IDC actively carried out cooperation with Guangzhou governments at all levels in terms of cloud security and cloud applications, and conducted blockchain, cloud security and other new value-added business cooperation with the three major operators.

Looking forward into the second half of 2020, the Guangzhou cloud computing business will continue to maintain its rapid growth. At the same time, it will accelerate its pace to carry out various plans and works, so as to resume back to the level before the epidemic outbreak as soon as possible.

### **Industrial Park Development, Operations and Property Management**

In the first half of 2020, the Company had applied for resumption of work in production and operation in the Guangming project to Guangming sub-district office in Shenzhen in March, and currently cleaning out the work-site and building the hoardings so as to make active preparations for the construction commencement. Powerleader • AI Valley project, established by Powerleader Science & Technology, proceeded as planned in an orderly manner. The Project will involve the construction of a “Five bases, One platform + integrated support” industrial function system. “Five bases” refer to artificial intelligence innovation base, futuristic technology intelligence innovation base, future industry scientific innovation base, digital cultural research innovation base, and science and technology finance innovation base, while “One platform” refers to science and technology services mass innovation platform. By constructing “Five bases and One platform”, the project will introduce and nurture a new wave of emerging industries enterprises and science and technology services enterprises, expanding industrial richness, optimizing industrial structure, raising industrial quality and efficiency, and accelerating the formation of modernized industrial systems with artificial intelligence as foundation, modern service industry as support, emerging industries as leaders, and competitive traditional industries as characteristics.

### **Industrial Investment Business and Other Businesses**

In the first half of 2020, the Company’s industrial investment mainly consisted of companies that could coordinate with the Company’s industrial chain business or resources.

In the second half of 2020, the Company will enhance its management capabilities and synergies for its industrial investment projects, and improve its industry competitiveness.

On 17 April 2020, the Company disposed of 420,000 A Shares of Zqgame, an associated company, through the Shenzhen Stock Exchange centralized bidding system at a total consideration of RMB5,145,000. It disposed of 1,746,600 Sale Shares of Zqgame through the Shenzhen Stock Exchange centralized bidding system at a total consideration of RMB25,027,098 during the period from 18 December 2019 to 17 April 2020, whereby the Company still holds 12.4448% equity interests of Zqgame after the completion of such disposals.

## **Employee Information**

As at 30 June 2020, the number of employees of the Company was 860 (30 June 2019: 720). Total staff costs amounted to RMB33,691,810.27 for the Six-Month Period when compared to RMB31,235,512.15 for the same period in 2019.

## **Capital Management**

In the first half of 2020, as the novel coronavirus epidemic in the PRC was effectively under control and the economic situation gradually improved, the government continued to implement prudent monetary policies. The effect of loan prime rate reform was apparent and had increased currency transmission efficiency and led to a significant decrease in loan interest rates. The Company will continue to enhance its communication and cooperation with financial institutions, reduce loan interest rate deal by deal, as well as strengthen the management of accounts receivable from customers and establish a sound supervision and control mechanism, so as to ensure the efficiency and safety of capital utilization.

## **Government Affairs**

In the first half of 2020, the Group conducted research and development projects actively and obtained a number of qualification accreditations from the government. With cloud computing, server, big data as its core content, the Company applied for a number of qualification accreditations and project funding, and certain number of its research projects have passed the inspection and acceptance procedures. In connection with the cooperation with external parties, the Company has been conducting R&D cooperation with institutes and R&D institutions with a view to absorbing skilled professionals and advanced technologies.

In January 2020, Powerleader Software received the special fund for industrial development of Longhua District — R&D Incentive and Reward Support;

In February 2020, Powerleader Software received the second batch of funding support of Shenzhen for invention patents;

In March 2020, Powerleader Software received the special fund for industrial development of Longhua District — Shanghai Import Expo Reward Support;

In April 2020, Powerleader Science & Technology received the Reward Support for the Productivity Expansion and Efficiency Enhancement Projects of Key Industrial Enterprises in Shenzhen;

In April 2020, Powerleader Computing received the 2019 Reward Support for Industrial Stable Growth in Longhua District;

In May 2020, Powerleader Computing was awarded the Reward Support of Shenzhen Research and Development Sponsor Scheme;

In April 2020, Powerleader Software was awarded the Reward Support of Shenzhen Research and Development Sponsor Scheme;

In June 2020, Powerleader Computing was awarded Shenzhen Special Sponsor Scheme for Technological Innovation and Double-fold Growth — Dual Improvement in Quality and Brand Project;

In the second half of 2020, the Company will keep on conducting research and development projects, improve Powerleader's brand and enhance our cooperation with higher education institutions and science research institutions, with a view to create a good cooperation environment for the technology innovation of the Group.

### **Assets, Liabilities and Shareholders' Equity**

As at 30 June 2020, current assets of the Group amounted to RMB3,719,256,864.05 (31 December 2019: RMB3,263,199,828.33), which mainly comprised of monetary capital of RMB846,170,232.11 (31 December 2019: RMB841,786,012.87), trade and bills receivables of RMB591,279,420.50 (31 December 2019: RMB613,785,623.99), inventories of RMB552,799,801.61 (31 December 2019: RMB524,579,916.48). Non-current assets amounted to RMB1,331,901,325.56 (31 December 2019: RMB1,316,553,300.56), which mainly comprised of long-term equity investment of RMB106,241,261.98 (31 December 2019: RMB105,138,899.49), investment properties of RMB338,195,700.13 (31 December 2019: RMB338,195,700.13), fixed assets of RMB218,260,300.44 (31 December 2019: RMB223,499,673.29), construction in progress of RMB293,183,011.33 (31 December 2019: RMB288,551,090.15), intangible assets and development costs of RMB7,241,612.41 (31 December 2019: RMB6,095,356.39). Total assets were RMB5,051,158,189.61 (31 December 2019: RMB4,579,753,128.89).

As at 30 June 2020, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,324,763,302.31 (31 December 2019: RMB1,293,743,774.22), bills payables and accounts payables of RMB903,560,084.62 (31 December 2019: RMB616,149,707.99). Non-current liabilities mainly included lease liabilities of RMB135,890,706.13 (31 December 2019: RMB115,459,166.38). Total liabilities were RMB2,913,001,717.40 (31 December 2019: RMB2,489,981,664.81).

As at 30 June 2020, the Group's equity attributable to the shareholders of the parent company was RMB1,693,559,782.69 (31 December 2019: RMB1,673,689,856.99).

## **MAJOR RISKS**

### **Foreign Exchange Risk**

The purchase and sales of Cloud Infrastructure as a Service (IaaS) were mainly denominated in RMB, of which part of the purchase of cloud servers and cloud storage and other related equipment was denominated in USD, while the purchase and sales of Cloud Module as a Service (MaaS) were mainly denominated in USD, which may have related foreign exchange risks.

### **Market Competition Risk**

The industry in which the Company is located is a combination of knowledge-intensive and capital-intensive industries with high market concentration. If the Company cannot increase marketing and brand promotion to continuously meet customer needs, and further increase popularity and recognition, the Company will face market competition risks.

### **Technical Risk**

Computer technology has the characteristic of fast updating, with new technologies, new products and new concepts emerging one after another. If the Company fails to enrich technical reserves or update the new technology in time, it may have an adverse impact on the Company's performance and development.

### **Contingent Liabilities**

The Group had no other significant contingent liabilities for the Six-Month Period.

### **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for the Six-Month Period.

## DIRECTORS', SUPERVISORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN SHARES AND DEBT SECURITIES

At as 30 June 2020, the interests or short positions of the directors, supervisors and chief executive of the Company and their associates in the shares and debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to shares transactions, underlying shares and debt securities were as follows:

### Shares of the Company

Name of director	Number of the Company's Domestic Shares held	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li Ruijie ( <i>Note 1</i> )	102,184,500	42.05%	56.07%
Ms. Zhang Yunxia ( <i>Note 1</i> )	102,184,500	42.05%	56.07%

*Note 1:* Mr. Li Ruijie is the husband of Ms. Zhang Yunxia. They held 102,184,500 Domestic Shares in aggregate through Shenzhen Powerleader Investment Holdings Company Limited, which is held as to 87.5% and 12.5% by Mr. Li Ruijie and Ms. Zhang Yunxia respectively.

Save as disclosed above, as at 30 June 2020, none of the directors, supervisors and chief executive of the Company and their associates had any interests or short positions in any shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or the transactions of the shares and debt securities which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 30 June 2020, the Company or any of its subsidiaries was not a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## SHARE OPTION SCHEME

Up to 30 June 2020, the Company has not adopted any share option scheme nor granted any option.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2020, the Directors are not aware of any other interests or short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## LONG POSITIONS IN DOMESTIC SHARES

	Number of Shares	Capacity	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's Issued Domestic Share
Powerleader Investment ( <i>Note</i> )	102,184,500	Beneficial owner	42.05%	56.07%
Shenzhen Hengtong Dayuan Electronic Limited	31,851,750	Beneficial owner	13.11%	17.48%
Qu Shui Shijilongxiang Science & Technology Development Limited	15,963,750	Beneficial owner	6.57%	8.76%
Urumqi Yali Anda Investment Co., Ltd* (烏魯木齊雅利安達股權投資 有限公司)	15,000,000	Beneficial owner	6.17%	8.23%

*Note:* Powerleader Investment, a limited liability company established in the PRC, which is held as to 87.5% and 12.5% (including held indirectly) by Mr. Li and Ms. Zhang respectively, holds 102,184,500 Domestic Shares in aggregate.



## **COMPETING BUSINESS AND CONFLICTS OF INTERESTS**

The ultimate controlling shareholders of the Company and Zqgame are Ms. Zhang Yunxia and Mr. Li Ruijie respectively. Zqgame carries out the Shenzhen IDC business whereas the Group also operates the Guangzhou IDC business. The Company's de facto controller(s), Mr. Li Ruijie and Ms. Zhang Yunxia, entered into a non-competition commitment with the Company on 1 September 2016, pursuant to which, the Company had undertaken that, as far as the Guangzhou internet data center business is concerned, upon the completion and fulfillment of the conditions of injecting the Guangzhou IDC business into Zqgame and such injection has no substantial obstacles, 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 above, after the completion 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 Agreement or the Shenzhen IDC Business by way of self-operation, joint venture, cooperation, etc.

As of 30 June 2020, none of the Directors, initial management shareholders and their respective associates (as defined in the GEM Listing Rules) held any other interest in any business which competes or may compete with the Group or had any other conflict of interest with the Group.

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

Throughout the six months ended 30 June 2020, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

The Company adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Six-Month Period. Having made specific enquiries of all directors, the Company's directors have complied with such code of conduct and required standard of dealings throughout the Six-Month Period.

## AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 27 June 2019 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are to (i) provide an important link between the Board and the Group’s auditors for matters within the scope of the Group’s audit and (ii) review the effectiveness of external audit, internal control and risk evaluation. At present, the Committee comprises three independent non-executive directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun. The Group’s financial statements for the Six-Month Period have been reviewed by the Committee, which was of the opinion that such statements complied with applicable accounting standards, Stock Exchange and legal requirements, and that adequate disclosures were made.

## PURCHASE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased and sold or redeemed any of the Company’s shares during the Six-Month Period.

By order of the board  
**Zhang Yunxia**  
*Chairman*

Shenzhen, the PRC  
14 August 2020

*As at the date of this report, 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 report 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).*