



宝德科技集團股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

**INTERIM RESULTS REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 (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 this report or any statement herein misleading.

* *For identification purpose only*

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to announce that the unaudited results of the Company for the three months and six months ended 30 June 2014 (“Six Months Period”) together with comparative unaudited figures for the same periods in 2013 as follows:

CONSOLIDATED INCOME STATEMENT

Items	Note	Three months ended 30 June		Six months ended 30 June	
		2014 RMB (Unaudited)	2013 RMB (Unaudited) (Restated)	2014 RMB (Unaudited)	2013 RMB (Unaudited) (Restated)
I. Total operating revenue		486,182,891.12	432,767,396.18	740,239,198.22	762,785,135.14
Including: operating revenue	3	486,182,891.12	432,767,396.18	740,239,198.22	762,785,135.14
II. Total operating cost		475,314,463.01	414,031,461.25	713,509,097.46	729,813,529.45
Including: Cost of operation		433,907,867.61	376,597,344.52	638,460,005.22	662,063,842.27
Sales tax and levies		486,143.42	519,359.55	860,862.43	1,273,814.82
Selling expenses		9,688,636.74	9,956,905.31	19,101,919.45	19,388,648.05
Administrative expenses		19,512,292.65	16,019,352.82	29,749,247.89	26,764,209.93
Finance costs	5	11,719,522.59	10,938,499.05	25,337,062.47	20,323,014.38
Impairment loss of assets		—	—	—	—
Add: Gain on fair value changes (loss is denoted as “()”)		—	—	—	—
Investment income (loss is denoted as “()”)		2,574,023.66	2,212,487.20	2,703,094.79	4,649,214.93
Including: Share of profit of associates and jointly controlled entity		2,499,257.77	2,090,791.01	2,520,815.98	2,679,481.99
III. Operating profit (loss is denoted as “()”)		13,442,451.77	20,948,422.13	29,433,195.55	37,620,820.62
Add: Non-operating income	4	4,196,189.65	1,532,498.47	11,020,232.39	8,674,639.56
Including: Gain on disposal of non-current assets		—	—	—	—
Less: Non-operating expenses		4,413.24	41,662.70	19,686.07	67,966.65
Including: Loss on disposal of non-current assets		—	—	—	—
IV. Total Profit (Total loss is denoted as “()”)		17,634,228.18	22,439,257.90	40,433,741.87	46,227,493.53
Less: Income tax expenses	6	2,170,481.40	4,969,181.13	4,456,361.82	6,627,821.15
V. Net profit (Net loss is denoted as “()”)		15,463,746.78	17,470,076.77	35,977,380.05	39,599,672.38
Attributable to shareholders of the Company		15,463,669.60	17,478,452.10	35,816,018.21	39,632,291.81
Minority interests		77.18	(8,375.33)	161,361.84	(32,619.43)
VI. Earnings per share					
(1) Basic earnings per share	8	0.064	0.072	0.147	0.163
(2) Diluted earnings per share		0.064	0.072	0.147	0.163
VII. Other comprehensive income		—	—	—	—
Other comprehensive income which cannot be recycled to profit or loss in subsequent accounting periods		—	—	—	—
Other comprehensive income which can be recycled to profit or loss in subsequent accounting periods if conditions are satisfied		—	—	—	—
VIII. Total comprehensive income (Net loss is denoted as “()”)		15,463,746.78	17,470,076.77	35,977,380.05	39,599,672.38
Total comprehensive income attributable to shareholders of the Company		15,463,669.60	17,478,452.10	35,816,018.21	39,632,291.81
Total comprehensive income attributable to minority interests		77.18	(8,375.33)	161,361.84	(32,619.43)

CONSOLIDATED BALANCE SHEET

Items	Note	30 June 2014 RMB	31 December 2013 RMB
Current Assets:			
Bank balance and cash		368,362,284.03	370,444,415.57
Financial assets at fair value through profit or loss		862,198.90	362,198.90
Notes receivable		7,936,453.00	19,850,837.81
Accounts receivable	12	405,715,405.62	395,920,420.06
Prepayments		26,246,068.05	32,346,250.20
Interest receivables		—	—
Dividend receivables		—	—
Other receivables	13	186,507,550.40	173,759,856.44
Inventories		301,319,677.70	190,991,433.57
Non-current assets classified as held for disposal and assets in an asset group classified as held for disposal		—	—
Non-current assets due within 1 year		—	—
Other current assets		145,365.53	93,815.82
		<u>1,297,095,003.23</u>	<u>1,183,769,228.37</u>
Total current assets		<u>1,297,095,003.23</u>	<u>1,183,769,228.37</u>
Non-current assets:			
Available-for-sale financial assets		—	—
Held-to-maturity investment		—	—
Long-term accounts receivable		—	—
Long-term equity investment	11	206,786,596.99	204,433,275.76
Investment Properties		16,707,095.20	16,838,422.38
Fixed assets		199,101,758.60	201,220,888.57
Construction in progress		62,850,376.69	24,249,172.78
Construction material		—	—
Fixed assets pending for disposal		—	—
Intangible assets		41,002,708.59	96,832,657.57
Development expenditure	10	41,755,226.30	37,043,811.51
Goodwill		—	—
Long-term prepayments		51,622.05	52,652.89
Deferred income tax assets		988,469.02	988,469.02
Other non-current assets		—	—
		<u>569,243,853.44</u>	<u>581,659,350.48</u>
Total non-current assets		<u>569,243,853.44</u>	<u>581,659,350.48</u>
Total assets		<u>1,866,338,856.67</u>	<u>1,765,428,578.85</u>

Items	Note	30 June 2014 RMB	31 December 2013 RMB
Current liabilities:			
Short-term loans	15	656,980,062.43	552,801,859.89
Financial liabilities at fair value through profit or loss		—	—
Notes payable		—	—
Accounts payable	14	180,598,158.36	165,464,646.87
Receipts in advance		21,699,549.34	18,681,340.48
Employee emolument payables		670,899.22	5,400,368.45
Tax payables		10,719,292.27	14,818,814.62
Interest payables		—	394,625.00
Dividend payables		—	—
Other payables		28,734,198.22	47,496,439.82
Liabilities classified as held for disposal		—	—
Non-current liabilities repayable within one year		100,000,000.00	60,000,000.00
Other current liabilities		1,165,906.73	2,532,190.51
Total current liabilities		<u>1,000,568,066.57</u>	<u>867,590,285.64</u>
Non-current liabilities:			
Long-term loans		80,000,000.00	140,000,000.00
Long-term payables		—	—
Payables for special project		—	—
Provisions		—	—
Deferred income tax liabilities		1,513,303.41	1,513,303.41
Other non-current liabilities		—	8,637,000.00
Total non-current liabilities		<u>81,513,303.41</u>	<u>150,150,303.41</u>
Total Liabilities		<u>1,082,081,369.98</u>	<u>1,017,740,589.05</u>
Shareholders' equity:			
Capital	16	243,000,000.00	243,000,000.00
Capital reserves		31,987,251.85	31,987,251.85
Less: Treasury shares		—	—
Special reserves		—	—
Surplus reserves		34,601,238.65	34,601,238.65
General Risk Reserves		—	—
Undistributed profits		474,533,536.80	437,634,780.76
Exchange difference on translation of financial statements denominated in foreign currency		—	—
Equity attributable to shareholders of the Company		<u>784,122,027.30</u>	<u>747,223,271.26</u>
Minority interests		135,459.39	464,718.54
Total shareholders' equity		<u>784,257,486.69</u>	<u>747,687,989.80</u>
Total liabilities and shareholders' equity		<u>1,866,338,856.67</u>	<u>1,765,428,578.85</u>

CONSOLIDATED CASH FLOW STATEMENT

Items	Note	As at 30 June 2014 RMB (Unaudited)	As at 30 June 2013 RMB (Unaudited) (Restated)
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		811,194,488.43	857,569,382.32
Refund of taxes and levies		1,771,733.33	8,235,640.64
Other cash receipts relating to operating activities		6,352,647.42	9,285,753.39
Sub-total of cash inflows from operating activities		819,318,869.18	875,090,776.35
Cash paid for goods and services		749,003,068.98	777,400,537.60
Cash paid to and on behalf of employees		21,396,877.25	19,046,669.11
Payments of taxes and levies		12,645,473.76	22,123,281.63
Other cash payments relating to operating activities		27,736,075.79	163,152,607.15
Sub-total of cash outflows from operating activities		810,781,495.78	981,723,095.49
Net cash flows from operating activities		8,537,373.40	(106,632,319.14)
II. Cash flows from investing activities			
Cash received from investments		49,500,000.00	20,000,000.00
Cash received from returns on investments		167,494.74	1,193,400.00
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		—	—
Sub-total cash inflows from investing activities		49,667,494.74	21,193,400.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		65,830,652.75	4,511,752.64
Cash paid on investments		28,000,000.00	—
Net cash paid on acquisition of subsidiaries and other operating units		—	—
Other cash payments relating to investing activities		—	—
Sub-total cash outflows from investing activities		93,830,652.75	4,511,752.64
Net cash flows from investing activities		(44,163,158.01)	16,681,647.36
III. Cash flows from financing activities			
Cash received from financing		—	—
Including: Cash received from investment from minority shareholders		—	—
Cash received from loans		920,068,648.83	931,796,238.25
Cash received from insuring bonds		—	—
Cash received from other financing activities		2,643,748.23	—
Sub-total cash inflows from financing activities		922,712,397.06	931,796,238.25
Cash payments for settlement of loans		863,764,547.47	695,530,626.91
Cash payments for interest expenses, distribution of dividend or profits		25,066,744.01	21,292,925.46
Including: cash payments for distribution of dividends or profit to minority shareholders		—	—
Other cash payments relating to financing activities		—	—
Sub-total cash outflows from financing activities		888,831,291.48	716,823,552.37
Net cash flows from financing activities		33,881,105.58	214,972,685.88
IV. Effect of foreign exchange rate changes to cash and cash equivalents		—	—
V. Increase in cash and cash equivalents		(1,744,679.03)	125,022,014.11
Add: Cash and cash equivalents at beginning of period		331,919,213.53	189,852,785.38
VI. Cash and cash equivalents at end of period		330,174,534.50	314,874,799.49

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	This period									
	Attributable to shareholders of the Company									
	Share capital	Capital reserves	Less: Treasury share	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Minority interests	Total shareholders' equity
RMB	RMB			RMB		RMB		RMB	RMB	
I. Balance at the end of last year	243,000,000.00	31,987,251.85	—	—	34,601,238.65	—	437,634,780.76	—	464,718.54	747,687,989.80
Add: Changes in accounting policy										
Correction of errors of previous years (unaudited)	—	—	—	—	—	—	—	—	—	—
II. Balance at beginning of year	243,000,000.00	31,987,251.85	—	—	34,601,238.65	—	437,634,780.76	—	464,718.54	747,687,989.80
III. Increase/decrease for the period (decrease in denoted as “0”)										
(1) Net profit	—	—	—	—	—	—	36,898,756.04	—	(329,259.15)	36,569,496.89
(2) Other comprehensive income	—	—	—	—	—	—	35,816,018.21	—	161,361.84	35,977,380.05
Sub-total of (1) and (2)	—	—	—	—	—	—	35,816,018.21	—	170,740.85	35,986,759.06
(3) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	(500,000.00)	(500,000.00)
1. Injection from shareholders	—	—	—	—	—	—	—	—	—	—
2. Share-based payment included in the amount of Stockholders' equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	(500,000.00)	(500,000.00)
(4) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Transfer to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Transfer to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Internal structure of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Make good of losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(6) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Provision for the year	—	—	—	—	—	—	—	—	—	—
2. Utilisation of the year	—	—	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	1,082,737.83	—	—	1,082,737.83
IV. Balance at end of period	243,000,000.00	31,987,251.85	—	—	34,601,238.65	—	474,533,536.80	—	135,459.39	784,257,486.69

Last period (Restated)

Attributable to shareholders of the Company

Item	Share capital	Capital reserves	Less: Treasury share	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Minority interests	Total shareholders' equity
	RMB	RMB			RMB		RMB		RMB	RMB
I. Balance at the end of last year	243,000,000.00	28,729,862.88	—	—	34,601,238.65	—	399,561,058.90	—	158,070.60	706,050,231.03
Add: Changes in accounting policy										
Correction of errors of previous years (unaudited)	—	—	—	—	—	—	—	—	—	—
II. Balance at beginning of year	243,000,000.00	28,729,862.88	—	—	34,601,238.65	—	399,561,058.90	—	158,070.60	706,050,231.03
III. Increase/decrease for the period (decrease in denoted as “0”)	—	—	—	—	—	—	39,632,291.81	—	167,380.57	39,799,672.38
(1) Net profit	—	—	—	—	—	—	39,632,291.81	—	(32,619.43)	39,599,672.38
(2) Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Sub-total of (1) and (2)	—	—	—	—	—	—	39,632,291.81	—	(32,619.43)	39,599,672.38
(3) Contribution from shareholders										
and reduction of capital	—	—	—	—	—	—	—	—	200,000.00	200,000.00
1. Injection from shareholders	—	—	—	—	—	—	—	—	—	—
2. Share-based payment included										
in the amount of										
Stockholders' equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
(4) Profit appropriation										
1. Transfer to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Transfer to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Internal structure of shareholder's interests										
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Make good of losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(6) Special reserves										
1. Provision for the year	—	—	—	—	—	—	—	—	—	—
2. Utilisation of the year	—	—	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	—	—	—	—
IV. Balance at end of period	243,000,000.00	28,729,862.88	—	—	34,601,238.65	—	439,193,350.71	—	325,451.17	745,849,903.41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 became a joint stock limited company on 31 July 2001. The Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 12 December 2002 by way of placement.

The Group is a cloud computing solutions supplier in the PRC with self-innovation capability; it operates in the PRC and Hong Kong, and is mainly engaged in (i) Cloud Infrastructure as a Service (IaaS) — Provision of equipment such as cloud servers and cloud storage and their related solutions; (ii) Cloud Module as a Service (MaaS) — Research and development, design, manufacturing and sales of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services; and (iii) Software and Platform as a Service (SaaS & PaaS) — Development of cloud computing software and platforms and provision of related services.

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 Standards issued by the Ministry of Finance (MOF) of the PRC (Including 5 new or revised standards issued 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 "Accounting Standards for Business Enterprises" or "CAS") and also comply with the applicable disclosure requirements of "Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (2010 revised)" issued by China Securities Regulatory Commission, Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

3. OPERATING INCOME

Operating income represents the amounts received and receivables for services provided and goods sold to customers, net of returns and allowances. Operating income recognised for the six months ended 30 June 2014 together with comparative unaudited figures for the corresponding period in 2013 are as follows:

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

	For the three months ended		For the six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Operating revenue				
Including: Cloud Infrastructure				
as a Service	121,047,267.00	102,536,229.91	205,130,862.45	209,072,855.07
Cloud Module as a Service	358,663,444.27	327,182,171.47	525,741,979.10	548,815,864.17
Software and Platform				
as a Service	4,410,671.56	382,730.01	5,558,466.69	871,109.34
Other operating revenue	2,061,508.29	2,666,264.79	3,807,889.98	4,025,306.56
Total	486,182,891.12	432,767,396.18	740,239,198.22	762,785,135.14
Results of operating revenue				
Including: Cloud Infrastructure				
as a Service	13,533,511.24	17,689,352.60	32,692,792.47	33,366,806.84
Cloud Module as a Service	10,563,882.91	12,365,462.81	25,786,069.79	28,024,574.32
Software and Platform				
as a Service	1,752,582.41	(304,826.93)	2,020,227.97	(416,374.47)
Results of other business	1,004,516.44	1,536,977.46	2,750,898.13	2,896,019.23
Total	26,854,493.00	31,286,965.94	63,249,988.36	63,871,025.92
Finance costs	11,719,522.59	10,938,499.05	25,337,062.47	20,323,014.38)
Share of profit from associates	2,499,257.77	2,090,791.01	2,520,815.98	2,679,481.99
Profit before taxation	17,634,228.18	22,439,257.90	40,433,741.87	46,227,493.53
Income tax expense	2,170,481.40	4,969,181.13	4,456,361.82	6,627,821.15)
Net profit for the period	15,463,746.78	17,470,076.77	35,977,380.05	39,599,672.38

4. NON-OPERATING INCOME

	For the three months ended		For the six months ended	
	30 June		30 June	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Government subsidies	3,037,000.00	825,800.00	9,137,000.00	5,916,350.00
Others	1,159,189.65	706,698.47	1,883,232.39	2,758,289.56
Total	4,196,189.65	1,532,498.47	11,020,232.39	8,674,639.56

5. FINANCE COSTS

	For the three months ended		For the six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Interest expenses	9,743,606.24	12,060,328.58	21,804,034.82	21,293,463.38
Less: Interest income	176,187.35	169,058.94	213,898.34	236,468.45
Add: Loss on exchange			846,578.72	
Less: Gain on exchange	2,708.34	2,976,746.52		3,523,165.57
Handling charges	2,154,812.04	2,023,975.93	2,900,347.27	2,789,185.02
Total	<u>11,719,522.59</u>	<u>10,938,499.05</u>	<u>25,337,062.47</u>	<u>20,323,014.38</u>

6. INCOME TAX EXPENSE

	For the three months ended		For the six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Current income tax (credit)/charge				
PRC	(71,486.27)	4,706,340.75	561,610.92	4,618,862.54
Hong Kong	2,241,967.67	262,840.38	3,894,750.90	2,008,958.61
Total	<u>2,170,481.40</u>	<u>4,969,181.13</u>	<u>4,456,361.82</u>	<u>6,627,821.15</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 Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau in 2009, and was subject to EIT at a rate of 15% from the year 2009. The Company passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau on 12 September 2012, 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”) as well as 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% during the period ended 30 June 2014 (during the period ended 30 June 2013: 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 31 October 2011, Powerleader Computing passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, 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 2014 (during the period ended 30 June 2013: 15%).

Pursuant to an approval document (Shen Guo Shui Bao Guan Jian Mian Bei An 2009 no. 4) (《深國稅寶觀減免備案2009第4號》) dated 11 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, Powerleader Software is qualified as a software enterprise and entitled to an exemption from EIT for the years 2009 and 2010 and a 50% reduction in EIT from 2011 to 2013. Powerleader Software was subject to EIT at a rate of 15% during the period ended 30 June 2014 (during the period ended 30 June 2013: 12.5%).

Hong Kong Profits tax is calculated at 16.5% (for the six months ended 30 June 2013: 16.5%) of the estimated assessable profit for the Six Months Period.

7. INTERIM DIVIDEND

At a meeting held on 14 August 2014, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2014.

8. EARNINGS PER SHARE

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

	For the three months ended		For the six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Earnings				
Net profit attributable to shareholders of the Company	15,463,669.60	17,478,452.10	35,816,018.21	39,632,291.81
Number of shares				
Weighted average number of issued shares for the purpose of basic earnings per share	243,000,000	243,000,000	243,000,000	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 Company of RMB35,816,018.21 (for the six months ended 30 June 2013: RMB39,632,291.81) and the weighted average number of 243,000,000 shares in issue (2013: 2,430,000,000 shares; after the share consolidation on the basis of every ten shares of RMB0.10 each consolidated into one Consolidated Share of RMB1.00 each was implemented by the Company on 27 December 2013, the corresponding earnings per share for 2013 was calculated on the basis of 243,000,000 shares) during the Six Months Period.

Diluted earnings per share is the same as basic earnings per share because the Company had no dilutive potential shares for the Six Months Period (for the six months ended 30 June 2013: nil).

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB51,581,479.97 (the same period of 2013: RMB4,512,367.19) on acquisition of property, plant and equipment.

10. DEVELOPMENT COSTS

During the period, the Group spent RMB4,711,414.79 (the same period of 2013: RMB3,294,401.43) on development costs.

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	Beginning balance	Increase for the period	Decrease for the period	Ending balance for the period	Cash dividend
								received for the period
Accounted for using equity method								
Shenzhen Zqgame Interactive Network Co., Limited ^{Note 1}	15.3	15.30	3,000,000.00	144,704,848.48	2,922,402.28	167,494.74	147,459,756.02	167,494.74
Beijing Haiyun Jiexun Technology Limited ^{Note 2}	25	33.33	15,000,000.00	16,541,031.28	(358,158.55)	—	16,182,872.73	—
Sichuan Baoteng Internet Technology Limited ^{Note 3}	49	66.67	42,000,000.00	43,187,395.99	(43,427.75)	—	43,143,968.24	—
Total			60,000,000.00	204,433,275.75	2,520,815.98	167,494.74	206,786,596.99	167,494.74

Note 1: Shenzhen Zqgame Interactive Network Co., Limited (referred to as “Zqgame”) is formerly known as Shenzhen Powerleader Network Technology Limited. It is engaged in development and operating network games. It was established jointly by the Company and the controlling shareholder of the Company, Powerleader Investment in 2000. The Company owned 99% shareholding while Powerleader Investment owned 1%. 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%. As the Company has 2 out of the 8 directors in the board of Zqgame, the Company has significant influence over Zqgame. Accordingly, Zqgame is accounted for using equity method.

Note 2: Beijing Haiyun Jiexun Technology Limited was established on 25 May 2010 in Beijing by Lin Zhiguo who invested RMB5 million. According to the capital increment agreement entered into on 18 October 2013, the Company would contribute a total of RMB15 millions in 3 tranches. Up to 30 June 2014, the Company had contributed RMB15 million, of which RMB1,666,666.67 was applied to increase the registered capital. The registered capital after the change was RMB6,666,666.67. The shareholding of Zhang Zhengyu, Li Hua and the Company were 49.5%, 25.5% and 25% respectively. The legal representative is Li Hua. The Company has 1 out of 3 directors in the board. It is accounted for using equity method.

Note 3: Sichuan Baoteng Internet Technology Limited (referred to as “Sichuan Baoteng”) was invested and established by Sichuan Mingguan Network Technology Limited (referred to as “Sichuan Mingguan”). It obtained its business registration licence on 30 September 2013. The registered capital at the time of establishment was RMB1 million. On 30 October 2013, the Company entered into the capital increment agreement that the Company subscribed the newly increased capital in Sichuan Baoteng of RMB0.9608 million at a consideration of RMB42 million. After the increment of capital, the registered capital of Sichuan Baoteng was RMB1.9608 million. The shareholding of Sichuan Mingguan and the Company was 51% and 49% respectively. The board of directors in Sichuan Baoteng has 3 directors, 2 of them were appointed by the Company. The Company has 66.67% voting rights in the board of directors. However, the significant decision of Sichuan Baoteng must be agreed by all directors and shareholders, therefore, it is accounted for using equity method. Up to 30 June 2014, the Company has made investment cost of RMB32 million.

12. ACCOUNTS RECEIVABLE

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:

	As at 30 June 2014 <i>RMB</i> (Unaudited)	As at 31 December 2013 <i>RMB</i> (Audited)
Within 1 month	195,578,758.67	157,378,468.27
1–3 months	97,467,462.06	88,464,184.49
4–6 months	94,567,462.82	106,575,332.25
Over 6 months	31,478,295.26	57,473,582.17
	<hr/>	<hr/>
Less: allowance for bad debts	13,376,573.19	13,971,147.12
Accounts receivable, net	<u>405,715,405.62</u>	<u>395,920,420.06</u>

13. OTHER RECEIVABLES

	As at 30 June 2014 <i>RMB</i> (Unaudited)	As at 31 December 2013 <i>RMB</i> (Audited)
Other receivables	187,199,706.68	174,452,012.72
Less: allowance for bad debts	692,156.28	692,156.28
Other receivables, net	<u>186,507,550.40</u>	<u>173,759,856.44</u>

14. ACCOUNTS PAYABLE

The aging of accounts payable is analysed as follows:

	As at 30 June 2014 <i>RMB</i> (Unaudited)	As at 31 December 2013 <i>RMB</i> (Audited)
Within 1 month	106,971,939.72	87,477,960.11
1–3 months	29,576,164.25	26,467,930.34
4–6 months	30,472,764.91	36,572,264.05
Over 6 months	13,577,289.48	14,946,492.37
	<hr/>	<hr/>
Total	<u>180,598,158.36</u>	<u>165,464,646.87</u>

15. SHORT-TERM LOANS

Category	Currency	As at 30 June 2014		
		Amount in original currency	Exchange rate	Amount in RMB
Guaranteed loans	RMB	265,000,000.00	1	265,000,000.00
Guaranteed loans	US\$	63,222,590.71	6.20	391,980,062.43
Total				<u>656,980,062.43</u>

Category	Currency	As at 31 December 2013		
		Amount in original currency	Exchange rate	Amount in RMB
Guaranteed loans	RMB	260,000,000.00	1	260,000,000.00
Guaranteed loans	US\$	48,024,710.90	6.0969	292,801,859.89
Total				<u>552,801,859.89</u>

Details of guarantee:

Lender	Currency	Loan principal in original currency	Guarantor
The Industrial Bank	RMB	139,962,775.00	Powerleader Investment Holding Company Limited (“Powerleader Investment”), Li Ruijie (“Mr. Li”)
Bank of China	US\$	4,148,619.30	Powerleader Investment, Mr. Li, Shenghen Powerleader Computing System Limited (“Powerleader Computing”)
Construction Bank of China	US\$	33,791,544.00	Powerleader Investment, Zhang Yunxia (“Ms. Zhang”), Mr. Li
Ping An Bank	US\$	7,923,209.00	Powerleader Investment, Mr. Li
	RMB	40,000,000.00	Powerleader Investment, the Company
Citic Bank	RMB	25,000,000.00	Ms. Zhang, Mr. Li
China Merchants Bank	RMB	20,000,000.00	Powerleader Investment, Mr. Li, Ms. Zhang
China Resource Bank	RMB	60,000,000.00	Powerleader Investment, Mr. Li, Ms. Zhang
Standard Chartered Bank	US\$	2,597,000.00	Powerleader Science & Technology (HK) Limited (“Hong Kong Powerleader”), Mr. Li, Ms. Zhang, Dong Weiping (“Mr. Dong”)
ANZ	US\$	4,075,300.00	Hong Kong Powerleader, Mr. Li, Ms. Zhang, Mr. Dong
Bank of China (Hong Kong)	US\$	3,200,000.00	Hong Kong Powerleader, Mr. Li, Ms. Zhang, Mr. Dong
Shanghai Commercial Bank	US\$	4,267,116.00	Hong Kong Powerleader, Mr. Li, Ms. Zhang, Mr. Dong

Details of interest rates:

The annual interest rates for the short-term loans were 1.9396% to 7.8000%, the weighted average annual interest rates 4.8390% (2013: annual interest rate was 1.9396% to 7.2000%, weighted average interest rate 4.1210%).

16. SHARE CAPITAL

Name of shareholder/category	As at 31 December 2013		Movements					As at 30 June 2014	
	Amount	Proportion (%)	Issue of new shares	Bonus issue	Transfer from capital reserves	Others	Sub-total	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	150,000,000.00	61.73	—	—	—	—	—	150,000,000.00	61.73
Domestic natural persons shares	32,250,000.00	13.27	—	—	—	—	—	32,250,000.00	13.27
Foreign investors shares	—	—	—	—	—	—	—	—	—
Including: Overseas legal persons shares	—	—	—	—	—	—	—	—	—
Overseas natural persons 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
Total share capital	243,000,000.00	100	—	—	—	—	—	243,000,000.00	100

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 2014, the Company as lessee had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	As at 30 June 2014 <i>RMB</i> (Unaudited)	As at 31 December 2013 <i>RMB</i> (Audited)
Within one year	1,846,475.00	1,678,260.00
In the second to fifth year inclusive	1,246,436.00	1,384,522.00
Total	<u>3,092,911.00</u>	<u>3,062,782.00</u>

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

	As at 30 June 2014 RMB (Unaudited)	As at 31 December 2013 RMB (Audited)
Construction-in-progress	<u>128,364,643.36</u>	<u>48,200,797.00</u>

18. RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2014, the Group paid rent amounting to RMB140,000.00 (the same period of 2013: RMB140,000.00) to Ms. Zhang for office premises.

19. SEGMENT INFORMATION

The reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. The Group has 3 reportable segments. These reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system reportable segment. The Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. The main products and services rendered each reportable segment are servers; parts; and softwares and others respectively.

The segment information of the Group are as follows:

Operating segment	Principal operations
Cloud Infrastructure as a Service (IaaS)	— Provision of equipment such as cloud servers and cloud storage and their related solutions
Cloud Module as a Service (MaaS)	— Research and development, design and manufacturing of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services
Software and Platform as a Service (SaaS and PaaS)	— Development of cloud computing software and platforms and provision of related services

Segment results, assets and liabilities

Operating results of each segment represent total revenue generated by each segment (including revenue from transaction with third parties and intra-segmental transaction) 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 2014 (Unaudited)

Item	Cloud Infrastructure as a Service (IaaS)	Cloud Module as a Service (MaaS)	Software and Platform as a Service (SaaS and PaaS)	Unallocated	Elimination	Total
Operating revenue	212,658,160.48	539,069,386.12	19,711,877.23	—	(31,200,225.61)	740,239,198.22
Including: Revenue from external transactions	205,849,944.40	528,830,787.13	5,558,466.69	—	—	740,239,198.22
Revenue from intra-segment transactions	4,808,216.08	12,238,598.99	14,153,410.54	—	(31,200,225.61)	—
Operating costs	162,863,588.50	500,787,236.07	6,009,406.26	—	(31,200,225.61)	638,460,005.22
Expenses for the period	22,575,560.96	17,531,795.26	3,988,429.28	30,953,306.74	—	75,049,092.24
Total segment operating profit (loss)	22,490,985.18	30,334,671.26	13,887,055.02	(26,278,969.59)	—	40,433,741.87
Total assets	1,057,635,465.05	937,145,694.10	89,849,891.15	716,699,266.26	(934,991,459.89)	1,866,338,856.67
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	410,054,491.46	567,723,589.15	9,062,461.02	826,818,078.86	(731,577,250.51)	1,082,081,369.98
Supplementary information	—	—	—	—	—	—
Capital expenditure	84,857,732.83	126,472.26	7,847,462.94	—	—	92,831,668.03
Impairment loss recognised in the period	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—
Depreciation and amortisation expenses	4,763,724.49	2,210,573.47	1,694,762.30	4,427,583.15	—	13,096,643.41
Non-cash expenses other than impairment loss, depreciation, amortisation	1,658,739.91	1,657,374.54	804,857.48	—	—	4,120,971.93

For the six months ended 30 June 2013 (Unaudited)

Item	Cloud Infrastructure as a Service (IaaS)	Cloud Module as a Service (MaaS)	Software and Platform as a Service (SaaS and PaaS)	Unallocated	Elimination	Total
Operating revenue	212,372,323.81	556,023,940.05	21,229,247.67	—	(26,840,376.39)	762,785,135.14
Including: Revenue from external transactions	210,521,973.75	551,392,052.05	871,109.34	—	—	762,785,135.14
Revenue from intra-segment transactions	1,850,350.06	4,631,888.00	20,358,138.33	—	(26,840,376.39)	—
Operating costs	161,492,819.94	526,938,126.37	473,272.35	—	(26,840,376.39)	662,063,842.27
Expenses for the period	16,485,638.58	18,517,418.40	2,756,483.63	29,990,146.57	—	67,749,687.18
Total segment operating profit (loss)	25,674,839.49	32,842,204.25	16,332,591.57	(28,622,141.78)	—	46,227,493.53
Total assets	912,600,988.58	876,995,472.24	81,264,352.66	745,368,263.47	(849,409,430.67)	1,766,819,646.28
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	414,513,888.49	481,654,869.43	25,627,717.01	706,474,893.37	(606,276,602.43)	1,021,994,765.87
Supplementary information	—	—	—	—	—	—
Capital expenditure	4,195,753.50	164,836.38	5,974,638.48	1,354,245.47	—	11,689,473.83
Impairment loss recognised in the period	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—
Depreciation and amortisation expenses	4,221,754.54	1,940,666.16	1,294,965.02	4,085,667.74	—	11,543,053.46
Non-cash expenses other than impairment loss, depreciation, amortisation	1,255,959.74	2,530,906.96	656,971.54	—	—	4,443,838.24

20. RECONCILIATION OF PROFIT FOR THE SIX MONTHS ENDED 30 JUNE 2013 UNDER HK GAAP AND PRC GAAP

Item	Financial statements under HK GAAP	Reclassification	Financial statements under PRC GAAP (Restated)	Explanation of reclassification
Total operating revenue	758,615,301.09	4,169,834.05	762,785,135.14	Reclassified from other income and profit; reclassified to sales tax and levies
Total operating costs	732,299,548.65	—	729,813,529.45	
Cost of operation	662,063,842.27	—	662,063,842.27	
Sales tax and levies	—	1,273,814.82	1,273,814.82	Reclassified from total operating revenue
Selling expenses	19,388,648.05	—	19,388,648.05	
Administrative and other expenses	29,553,794.95	(29,553,794.95)	—	Reclassified to administrative expenses, finance costs, non-operating expenses
Administrative expenses	—	26,764,209.93	26,764,209.93	
Finance costs	21,293,463.38	970,449.00	20,323,014.38	Reclassified with other income and profit, administrative costs
Other income and profit	15,261,526.16	(15,261,526.16)	—	Reclassified to total operating revenue, non-operating revenue
Gain on fair value changes	(29,161.32)	29,161.32	—	Reclassified to investment income
Share of profit in joint ventures and associates	2,679,176.25	(2,679,176.25)	—	Reclassified to investment income
Other investment income	2,000,000.00	(2,000,000.00)	—	Reclassified to investment income
Investment income	—	4,649,214.93	4,649,214.93	
Operating profit	46,227,293.53	(8,606,472.91)	37,620,820.62	
Add: Non-operating income	—	8,674,639.56	8,674,639.56	Reclassified with other income and profit
Less: Non-operating expenses	—	67,966.65	67,966.65	Reclassified with administrative and other expenses
Total profit	46,227,493.53	—	46,227,493.53	
Less: Income tax expenses	6,627,821.15	—	6,627,821.15	
Net profit	39,599,672.38	—	39,599,672.38	
Net profit attributable to:				
Shareholders of the Company	39,632,091.81	—	39,632,291.81	
Minority interests	(32,619.43)	—	(32,619.43)	

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, Powerleader Science & Technology Group continued its operation with a clear strategic positioning as a “leading cloud computing solutions provider with the capability of autonomous innovation in China.” Based on the leading technology developed over the years, a competent research and development (“R&D”) team, a strict management system, extensive sales channels and quality customer services, the Group provided comprehensive cloud computing solutions and related services by focusing on the five key business sectors underpinned by cloud computing solutions and services providers, namely, Cloud Infrastructure as a Service (IaaS), Cloud Module as a Service (MaaS), Software as a Service (SaaS), Platform as a Service (PaaS), Client as a Service (CaaS).

Firstly, we vigorously developed our IaaS segment through enhancing our autonomous innovation capacity, continuing the optimization of products and solutions for mid-to-high-end cloud servers, cloud storage, HPC and all-in-one PC for big data, and strengthening our overall capacity for solutions related to enterprises’ private clouds and public clouds, with a view to providing customers with pay-per-use cloud services that are simple, effective, flexible in expansion, and safe and stable. We also proactively participated in construction projects of cloud computing infrastructure, such as Intelligent City, E-Government Affairs, Secure City, Intelligent Transportation, Broadband China and 4G.

Secondly, we continued to expand our MaaS segment through consolidating our core competitiveness with self-owned brands, reinforcing the development of our sales system, raising the standard for sales management, expanding the room of cooperation with suppliers, diversifying the portfolio of products distributed by agents, actively seeking cooperative channel partners and providing them and industry customers with timely and sufficient supply of components and professional technical support, so as to solidify our position as a leading supplier components related to cloud computing in the PRC.

Thirdly, we accelerated our SaaS and PaaS segments through focusing on demands for the application associated with cloud computing and big data by providing quality, diversified and tailor-made software and services to our customers.

Riding on the global trend of cloud computing development, the Company will capitalize on the opportunities of growth arising from cloud computing, big data and mobile Internet, as well as consolidating our core competitive strengths in the fields of IaaS, MaaS, SaaS and PaaS. Looking forward, the Company will fully utilize its advantages in technology, resources and markets attributed to its facilities of cloud infrastructure through autonomous innovation, cooperation with external parties and strategic investments. Also, the Company will continually exploit the market potential of cloud module and speed up the development of software and platform, aiming at driving the integration of leading resources in both the up-stream and down-stream of the industry chain. As such, the Company will develop an all-round capacity for solutions that covers the industry chain of cloud computing with features in comprehensiveness and professionalism, and with which the Company may maintain our leading position in the cloud computing industry in the PRC.

FINANCIAL REVIEW

Turnover of the Group for the Six Months Period amounted to RMB740,239,198.22, representing a decrease of 2.96% compared to RMB762,785,135.14 in the same period of 2013, which was attributable to a small drop in turnover from the Group’s principal activities, being Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment and their related solutions, and Cloud Module as a Service (MaaS) — providing R&D, design, manufacturing and

sales of cloud computing equipment related components, as well as agency distribution for key components of cloud computing equipment and related value-added services. In particular, turnover from IaaS and MaaS decreased by 1.89% and 4.20%.

Consolidated gross profit margin of the Group for the Six Months Period was approximately 13.75%, representing a minor increase over approximately 12.73% for the same period in 2013, mainly as a result of the implementation of the cloud strategy by the Company to enhance the added value of the products, which kept the gross profit margin rising.

The Group's distribution costs and administrative and other expenses rose by approximately 5.85% to RMB48,851,167.34 from RMB46,152,857.98 for the same period last year, mainly due to the increase in personnel costs and marketing expenses during the process of further implementation of the cloud strategy by the Company. In addition, greater R&D efforts in products and technology of cloud computing also drove up the R&D cost and other related expenses of the Company.

BUSINESS REVIEW AND PROSPECT

Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment as well as their related solutions

In the first half of 2014, the Company, on the one hand, actively catered to the needs of its customers. On the other hand, it continued to strengthen the R&D of equipment related to cloud servers and cloud storage, improve the sales and management system, enhance the industrial marketing and expansion, actively engage in the construction of intelligent city project and boost up the capacity of cloud computing solutions. The drop in overall gross profit margin of equipment related to cloud servers and cloud storage and their related solutions was attributable to the macro economic environment of the PRC.

In the second half of 2014, along with the development of cloud computing and big data business, the Company will continue to rely on its cloud computing solutions to strengthen the sales system that interconnected with regions and industries. In respect of the R&D of new products, the Company will recruit additional R&D staff and persist on developing products that fulfill the customers' requirements and meet their needs for applications. At the same time, the Company will keep abreast of innovation and enhance its core strengths in face of an increasingly competitive market. In respect of team management, the Company will continue to improve its sales and management system, foster outstanding pre-sales and after-sales team members and stay alert to customers' needs, so as to provide its customers with the most suitable solutions. Further, the Company will make every effort in contributing to the advance and progress of the cloud computing industry in the PRC by in-depth exploration in government, education, military machineries, electricity, Internet, telecommunication and financial sectors for opportunities and potential for development.

Market promotion

In the first half of 2014, the Company substantially raised the popularity and influence of the its brand by focused marketing initiatives with regard to its new IT strategy, and the application of solutions and new products in various industries through media promotion, marketing activities, WeChat and Weibo.

In respect of the new IT strategy, the Company launched Powerleader's new IT strategy with a featured slogan, “自主安全、智慧業務、互聯網化” (Safety, Intelligent Business, Internetized) in April 2014. Based on in-house R&D, the new strategy adopts Internet thinking as the way to search for new business opportunities, so as to achieve business breakthrough and growth. The Company helped

its traditional customers adopt a new operation system with new IT that applies cloud computing and big data. The Company can not only ensure stability of the operation system, but also perform new duties, such as cost reduction, innovation and achieving cost-efficiency.

In respect of cloud computing, the Company continued its in-house R&D, concentrated on bringing innovations to the industry with emphasis on the capacity of its solutions, and actively deployed and implemented its cloud computing strategy. In May 2014, the Company demonstrated its cloud server, cloud IDC, cloud application and big data products and solutions to the audience on the scene of the Sixth China Cloud Computing Conference and successfully attracted the attention of a large number of IT corporations.

In respect of security surveillance, the Company launched its latest storage server products for CCTV series in an industrial seminar. It also actively participated in various exhibitions for security surveillance industry and showcased an array of security surveillance products, which significantly increased the Company's sales opportunities in the security surveillance market and highlighted the positive image of Powerleader servers in terms of its professional technology.

In respect of the Intelligent City, the Company participated in the "Seventh International Public Security Products Expo 2014," in April 2014 and illustrated its constructions plans and applications for the Intelligent City, and the new products and successful cases were published in the industrial magazines and websites at the same time. The Company's commitment and contribution to an intelligent China and intelligent government greatly raised the progressive image of Powerleader.

In respect of military machinery, the Company enhanced its in-house R&D capability that fully covers from software and hardware to integrated system, with particular focus on the features of military products, including compactness, durability, stability and swiftness. Through organising the seminars of military machinery organized by the Company and participating the exhibitions for military, machinery and information technology, the Company demonstrated safe and reliable products and efficient and convenient "one-stop" solutions to customers.

In the second half of 2014, under the backdrop of national information security, cloud computing and big data, the Company will continue to conduct major promotional activities for the launch of new products, big data server products, high-end storage products and different sectors such as security, military machineries and intelligent city through various channels, including marketing activities, advertisements, WeChat and Weibo, such that the Company can promote its brandname to a wide variety of customers.

Honours:

In January 2014, Powerleader Technology was awarded the prize "Outstanding Performance on Brand Marketing 2013";

In February 2014, Powerleader PR4840R server won the "Product Innovation Award of the Year in China's Server Product Market 2013-2014";

In February 2014, Powerleader was awarded the position of "Executive Board Member Entity of the Council of China Intelligent City Industry Alliance";

In March 2014: Powerleader was awarded the position of "Executive Vice Chairman and Vice President Entity of China Intelligent City Development and Investment Alliance and Shenzhen Institute of Intelligent City";

In April 2014, Powerleader's safe and controlled dual server products in 2013 were recognized as new high technology products of Guangdong Province;

In April 2014, Powerleader's efficient quad-route server products in 2013 was recognized as new high technology products of Guangdong Province;

In June 2014, Powerleader's Cloud Computing Data Centre in Guanlan, Shenzhen was awarded 3A Green Data Centre Accreditation in Design.

Cloud Module as a Service (MaaS) — providing R&D, design, manufacturing and sales of cloud computing equipment related components, as well as agency distribution for key components of cloud computing equipment and related value-added services

In the first half of 2014, the Company continued to strengthen the agency distribution for components related to cloud computing and related value-added services. It initiated close cooperation with more sectors and industries, and formed alliance with established companies to take advantages of each other's advantages, so as to provide comprehensive services to the numerous business partners. Meanwhile, the Company actively explored the market, optimized product variety and improved its inventory management. It also continued to advance the R&D of components related to cloud computing equipment and their industrialization. Owing to the increasing competition in the market, the Company's turnover recorded a decrease as compared to the corresponding period of last year.

In the second half of 2014, the Company will keep abreast of the market needs and strengthen its in-house R&D technology, combine the components for cloud computing equipment with actual application of big data and cloud services, and enhance the capability of its staff. Meanwhile, the Company will provide products and solutions that are more controllable and flexible to its customers and ultimate users. At the same time, it will keep close ties with business partners, such that it can reach new heights in the IT industry with the latest innovation in technology and achieve a new era of brilliant success together.

Software and Platform as a Service (SaaS & PaaS) — Development and Services of Cloud Computing Related Software and Platform

In the first half of 2014, Powerleader cloud platform, independently developed and designed by the Company, has officially commenced commercial operation. It showed great improvement in system functions and features, as a result, the turnover SaaS sector recorded a significant growth compared to the corresponding period last year. At the same time, the Company made good use of its accumulated experience in cloud computing technology and advantages in manufacture of cloud server by initiating the R&D of all-in-one equipment for private cloud.

In the second half of 2014, the Company will capture market opportunities, devote more resources to Powerleader cloud platform and continue to provide customers with pay-per-use cloud services that are simple, effective, flexible in expansion, and safe and stable. Also, the Company will make available the public cloud services and private all-in-one equipment for private cloud with strong market competitiveness to satisfy the needs of customers and assist Chinese enterprises to swiftly enter the era of cloud computing, so that they may rapidly grow with lower cost and fully enjoy the benefits of an intelligent future.

Data Centres

With wide application of cloud computing, prosperous development of mobile Internet market, and the arriving of the age of big data, the data centres in enterprises has been experiencing a huge demand. In the first half of 2014, the Company, with rich experience in the fields of tailor-made cloud server and tailor-made cloud software and through long-term strategic cooperative relationship and mutual trust with operators, continued to provide various enterprises with tailor-made data centres and cloud computing services that suit their needs of development.

In the second half of 2014, the Company will adjust its resources allocation for the customer groups of different corporate sizes and from respective fields with various demands, in order to meet their requirements. In the meantime, the Company will help its customers to formulate a three to five years plan and design for their data centre structure with reference to their strategic targets of business development and the current operating environment, so that the infrastructure of their data centres can effectively support their current operating systems as well as the new operating system to be established in the future. Therefore, the Company can not only lower the costs of customers, but also offer them an operating environment that is eco-friendly, low wastage and highly efficient.

Capital Management

In the first half of 2014, in order to mitigate the adverse impacts that might result from fluctuations in the financial market, our financing activities mainly consisted of applications for medium and long-term loan. Meanwhile, the Company integrated its advantageous resources to broaden and maintain its external financing channels in order to secure credit facilities of lower cost and risk and effectively maintain the finance costs of Company within a reasonable range.

In the second half of 2014, the Company will focus on its business requirements and continue to implement adjustment to its debt structure and control funding cost, so as to provide a favorable financing environment and stable funding support to the Company for its sustainable business development. While broadening and maintaining external financing channels, the Company will continue to strengthen its internal capital management by implementing stricter cost audit over each business segment, and foster a strong cost control awareness within the Company and maximize the efficiency of capital use.

Principal Associated Company of the Group

In the first half of 2014, 深圳中青宝互动网络股份有限公司 (Shenzhen ZQ Game Co., Ltd) (“ZQ Game”), a principal associated company of the Group, recorded a turnover of RMB205,144,692.74. Net profit attributable to ordinary shareholders of the Company amounted to RMB19,100,668.52, representing an increase of 9.07% over the same period of last year. For its strict adherence to the general strategic guidance of “four horizontal and one vertical”, referring the four horizontal and parallel business lines in “user-end games”, “web page games”, “mobile games” and “mobile social platform” and one vertical business line in “oversea operation”, ZQ Game benefited from the complementary effect of the guidance to yield significant growth in both internal and external level, resulting in a well-equipped condition for rapid overall growth. With respect to user-end games, ZQ Game initiated a fine-tuning strategy in sub-sectors in the market. In terms of web page games, ZQ Game as agent had rolled out the game product 《天命》 (“Destiny”), which posted satisfactory operating results. Moreover, ZQ Game has built up its inventory of web page games and expects successive launches in the second half of 2014.

Government Affairs

In the first half of 2014, the Company stepped up its effort in applying for government project funding and awards. With cloud computing as 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 2014, Powerleader Computing was granted the funding (subsidies of loan interest) for Industrial Development Projects in Futian District;

In February 2014, Powerleader Software was one of the companies to receive the first batch of funding under the Subsidy Scheme for Intellectual Property of Shenzhen in 2014;

In March 2014, Powerleader Computing's "Research on the Key Technology for Platform Handling Big Data On the Basis of Cloud Computing" was admitted as an approved R&D project under the Science and Technology Scheme of Shenzhen 2014;

In April 2014, Powerleader Technology's "Demonstration for Industrial Application of Powerleader Desktop Cloud System" was admitted as an approved project under the Development Project Funding Scheme of Shenzhen 2014 on the Next Generation Information of Technology Industry;

In April 2014, Powerleader Technology's "Safe and Controllable Dual Server" and "Powerleader Efficient Quad-route Server" were accredited as High-New Technology Products in Guangdong Province;

In May 2014, Powerleader was recognized as a Demonstration Base of Innovative Industrialization for SME in Guangdong Province.

In the second half of 2014, the Company will continue to apply for new funding and honours and further raise the rate of successful applications. The Group will conduct an overall review of the strengths and weaknesses on the tasks in 2013, collect government information and complete all the project applications in order to lift up the brand reputation of Powerleader. The Company will strive to add new impetus to Powerleader's technology innovation by further cooperation with institutes and R&D institutions.

Assets, Liabilities and Shareholders' Equity

As at 30 June 2014, current assets of the Group amounted to RMB1,297,095,003.23 (31 December 2013: RMB1,183,769,228.37), which mainly comprised of monetary assets of RMB368,362,284.03 (31 December 2013: RMB370,444,415.57), trade and bills receivables of RMB413,651,858.62 (31 December 2013: RMB415,771,257.87), inventories of RMB301,319,677.70 (31 December 2013: RMB190,991,433.57). Non-current assets amounted to RMB569,243,853.44 (31 December 2013: RMB581,659,350.48), which mainly comprised of long-term equity investment of RMB206,786,596.99 (31 December 2013: RMB204,433,275.76), fixed assets of RMB199,101,758.60 (31 December 2013: RMB201,220,888.57), intangible assets and development costs of RMB82,757,934.89 (31 December 2013: RMB133,876,469.08). Total assets were RMB1,866,338,856.67 (31 December 2013: RMB1,765,428,578.85).

As at 30 June 2014, the Group's current liabilities mainly comprised of short-term borrowings of RMB656,980,062.43 (31 December 2013: RMB552,801,859.89) and trade payables of RMB180,598,158.36 (31 December 2013: RMB165,464,646.87). Non-current liabilities mainly included Long-term borrowings of RMB80,000,000 (31 December 2013: RMB140,000,000). Total liabilities were RMB1,082,081,369.98 (31 December 2013: RMB1,017,740,589.05).

As at 30 June 2014, the Group's equity attributable to the shareholders of the parent was RMB784,122,027.30 (31 December 2013: RMB747,223,271.26).

EMPLOYEE INFORMATION

As at 30 June 2014, headcount of the Company was 773 (30 June 2013: 653). The total staff costs amounted to RMB21,396,877.25 for the Six Months Period compared to RMB19,046,669.11 for that of the same period in 2013.

The Company participates in a pension scheme organized by local government in the PRC. The scheme is a defined contribution scheme in nature. Contribution to the scheme is based on 16% of the applicable payroll costs.

CURRENCY RISK

The Company sales were substantially denominated in RMB and the purchases were denominated in USD and RMB. The Group did not make any arrangement to hedge against its exchange risk during the Six Months Period as it was considered that the exchange risk faced by the Group was minimal.

CONTINGENT LIABILITIES

As at 30 June 2014, the Directors were not aware of any significant contingent liabilities.

INTERIM DIVIDEND

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

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

At as 30 June 2014, the interests or short positions of the directors, supervisors and the 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 securities transactions, underlying shares and debt securities by the Directors 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 (<i>Note</i>)	102,184,500	42.05%	56.07%
Ms. Zhang (<i>Note</i>)	102,184,500	42.05%	56.07%

Note: Mr. Li is the husband of Ms. Zhang . They hold in aggregate 102,184,500 Domestic Shares through Powerleader Investment Holding Company Limited ("Powerleader Investment") which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

Save as disclosed above, as at 30 June 2014, none of the directors, supervisors and chief executive of the Company and their associates had any interests or short positions in any shares, 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 securities 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 2014, 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 2014, the Company has not adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2014, the Directors are not aware of any other interests and 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 Shares
Powerleader Investment (<i>Note</i>)	102,184,500	Beneficial owner	42.05%	56.07%
深圳市恆通達遠電子有限公司	23,958,000	Beneficial owner	9.86%	13.15%
哈爾濱世紀龍翔科技開發有限公司	15,963,750	Beneficial owner	6.57%	8.76%
天津誠柏股權投資合夥企業 (Limited Partnership)	15,000,000	Beneficial owner	6.17%	8.23%

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, initial management shareholders or any of their respective associates (as defined in GEM Listing Rules) of the Company had any interests in any businesses which compete or may compete with the businesses of the Group or any other conflicts of interest which any such person may have with the Group as at 30 June 2014.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the six months ended 30 June 2014, 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 Growth Enterprise Market 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 Months 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 Months Period.

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the Group’s auditors in matters coming within the scope of the Group’s audit and (ii) to review the effectiveness of the external audit, internal controls 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 Months Period have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the 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 or redeemed any of the Company’s shares during the Six Months Period.

By order of the Board
Zhang Yunxia
Chairman

Shenzhen, PRC, 14 August 2014

As at the date hereof, the Board comprises a total of 9 directors, including Ms. Zhang Yunxia, Mr. Dong Weiping and Mr. Ma Zhumao as executive directors, Mr. Li Ruijie, Mr. Sun Wei and Mr. Li Donglei as non-executive directors and Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun as independent non-executive directors.

This report will remain on the “Latest Company Reports” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and will be published on the website of the Company at www.powerleader.com.cn.