



**Powerleader Science & Technology Group Limited\***  
(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 8236

## Annual Report 2014



中国云  
中国云  
赢宝德云  
宝德云  
赢宝德云



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Zhang Yunxia (*Chairman*)  
Dong Weiping (*President*)  
Ma Zhumao (*Vice President*)

## NON-EXECUTIVE DIRECTORS

Li Ruijie (*Vice Chairman*)  
Sun Wei  
Li Donglei

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Shiu Yuen Sammy  
Guo Wanda  
Jiang Baijun

## SUPERVISORS

Shu Ling  
Li Xiaowei  
Zhou Liqin

## COMPANY SECRETARY

Xu Yueming

## COMPLIANCE OFFICER

Li Ruijie

## AUDIT COMMITTEE

Chan Shiu Yuen Sammy (*Chairman*)  
Guo Wanda  
Jiang Baijun

## REMUNERATION AND APPRAISAL COMMITTEE

Chan Shiu Yuen Sammy (*Chairman*)  
Guo Wanda  
Jiang Baijun

## NOMINATION COMMITTEE

Chan Shiu Yuen Sammy (*Chairman*)  
Guo Wanda  
Jiang Baijun

## STOCK CODE

08236 (H Share)

## AUDITOR

ShineWing Certified Public Accountants (Special General Partnership)

## LEGAL ADVISOR

Woo Kwan Lee & Lo (*As to Hong Kong laws*)

## PRINCIPAL BANKERS

Construction Bank  
The Export-Import Bank of China  
Industrial Bank Co., Ltd.

## HONG KONG H SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## REGISTERED OFFICE

Room 43A, 43rd Floor, Block C  
Electronics Science & Technology Building  
Shennan Road Central  
Futian District  
Shenzhen  
The PRC

## COMPANY WEBSITE

[www.powerleader.com.cn](http://www.powerleader.com.cn)

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Powerleader Technology Park  
3 Guanyi Rd  
Guanlan High-Tech Park  
Longhua New District  
Shenzhen  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 105, 1/F, Sunbeam Centre  
27 Shing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

## AUTHORISED REPRESENTATIVES

Dong Weiping  
Xu Yueming

## FINANCIAL SUMMARY

| RESULTS  | Year ended 31 December |                 |                 |                 |                 |
|--|------------------------|-----------------|-----------------|-----------------|-----------------|
|  | 2014<br>RMB'000        | 2013<br>RMB'000 | 2012<br>RMB'000 | 2011<br>RMB'000 | 2010<br>RMB'000 |
| Total Revenue                                      | <b>1,852,839</b>       | 1,560,678       | 1,750,773       | 1,714,837       | 1,114,336       |
| Gross Profit                                       | <b>227,155</b>         | 184,319         | 220,777         | 190,442         | 120,002         |
| Gross Profit Margin                                | <b>12.26%</b>          | 11.81%          | 12.61%          | 11.11%          | 10.77%          |
| Profit attributable to shareholders of the Company | <b>53,997</b>          | 50,224          | 78,743          | 74,256          | 130,697         |

| Financial Position                                 | As at 31 December |                 |                 |                 |                 |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|
|  | 2014<br>RMB'000   | 2013<br>RMB'000 | 2012<br>RMB'000 | 2011<br>RMB'000 | 2010<br>RMB'000 |
| Total assets                                       | <b>2,291,283</b>  | 1,765,429       | 1,461,978       | 1,494,106       | 1,462,330       |
| Total liabilities                                  | <b>1,487,987</b>  | 1,017,741       | 755,928         | 854,599         | 917,451         |
| Minority Interests                                 | <b>(2)</b>        | 465             | 158             | 211             | 21,015          |
| Equity attributable to shareholders of the Company | <b>803,299</b>    | 747,223         | 705,892         | 639,296         | 523,864         |

## CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board") of Powerleader Science & Technology Group Limited (hereinafter referred to as the "Company"), I am pleased to present the results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2014.

### FINANCIAL HIGHLIGHTS

For the year ended 31 December 2014, the Group's revenue was RMB1,852,839,421, representing an increase of approximately 18.72% as compared to the revenue of RMB1,560,677,930 for the year ended 31 December 2013. Audited profit attributable to shareholders amounted to RMB53,997,052, representing an increase of approximately 7.51% as compared to RMB50,223,722 for the year ended 31 December 2013.

### RESULTS REVIEW

2014, during which cloud computing gained momentum and mega data became a hot topic. This year turned out to be a fruitful year for the Company through our solid efforts and achievements. The Company undertook large scale reforms to position cloud computing as our business focus while bringing server business to the strategic level of the Group. We refocused on the server, distribution and cloud IDC businesses and strengthened our position as a leading cloud computing solution provider with proprietary intellectual property rights. Meanwhile, the Company solidified our research and development (R&D) foundation, strengthened our quality management and expanded our brand communications. We dedicated our efforts in penetrating into various industries and markets and strived to improve our comprehensive services. These measures have laid down an improved foundation for our corporate development, and paved the way for Powerleader's further development in 2015.

#### **Cloud Infrastructure as a Service (IaaS) — provision of cloud server and cloud storage related equipment as well as related solutions**

In 2014, China's cloud computing industry demonstrated its importance in the IT market and became a "new normal", which presented robust demands for cloud infrastructures and became a driver of the relatively rapid growth of cloud server and cloud storage related equipment as well as related solutions. Under this macro market environment, the Company, as one of the players in the cloud computing industry, sufficiently leveraged on our outstanding sales mechanism and our strong capacity in product R&D and innovation, focused on the creation of the finest and most advanced products. Meanwhile, leveraging on our position as a domestic manufacturer, we continued to work on our edges for further development. We continued to explore the emerging markets, and provided improved independent and controllable overall solutions for domestic user from different industries. During this year, the revenue from IaaS increased year on year by 27.39%.

In 2014, thanks to the government's fostering of localization, the Company promoted the domestic manufactured secured and controllable cloud servers and cloud solutions with proprietary R&D in various sectors, such as energy, medical, defense and public security, thereby enhanced the brand's influence vertically along the industrial chain. Meanwhile, the Company hosted and participated in industrial conferences covering cloud computing, internet, SmartCity, military industry and education, which strengthened the Company's position within the industry and enhanced the brand's sphere of influence in the industry.

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

As a result of gradual recovery in the agency distribution segment of cloud computing equipment related components in China, the total revenue of this business in 2014 increased year on year by 16.05% from that of the previous year. Upholding the operation philosophy of "customer-oriented, press-forward with ambition" and the principle of "customer-first", the Company provided customized services with the best quality to manufacturing, business and channel customers. We have established extensive and steady supply channels equipped with a comprehensive high technology industrial supply chain, which comprised of 26 branch institutions and over 300 channel suppliers. Our network has spanned across the country with a coverage of over 40 cities. Thorough top-down penetration has been extended from the business sectors down to value-added services delivered to individual enterprise and from provincial cities down to county-level cities, enabling compatibility with the operational strategies and business model of the manufacturers and business entities, while integrating our plentiful products and resources to provide one-stop solutions to customers.



## CHAIRMAN'S STATEMENT

### **Software and Platform as a Service (SaaS & PaaS) — provision of development and services of cloud computing related software and platform**

In 2014, leveraged on our integrated software-hardware advantage and technology edges built up over the years, the Company continued our ambitious expansion, which accelerated our transformation to cloud business. Meanwhile, we optimized our operation management model and enhanced our marketing capabilities in line with the current cloud computing development trend, the progress in cloud computing business model and future potential market demands, we formulated our strategies well ahead of the future developments with innovations, which translated into further implementation of technology-sharing and software reuse, thereby providing multi-dimensional cloud services on the basis of capacity on demand, pay on demand and centralized management.

### **R&D achievements and intellectual property rights**

During the year, cloud computing presented an excellent history-making development opportunity to the domestic information services industry. In light of this, the Company continued to focus on innovative R&D and technology investment. We have sufficiently leveraged on our expertise in proprietary server R&D and customized services and endeavored in the provision of mega data infrastructure equipment and solutions. Benefited from the foundation laid down by our 2 quad server and 4 quad server with proprietary R&D and design, we had developed additional proprietary products and presented a wider range of choices for the domestic users. Moreover, after years of persistent R&D, the Company had shown remarkable achievements in intellectual property rights, which evidenced by an aggregate of 49 patents, 39 computer software copyrights and 13 trademarks.

### **Future development strategies**

The Company has put forward a clear strategic positioning as "China's leading cloud computing solutions provider with proprietary innovation capability". Leveraging on our edges built up over the years in terms of our solid technology capabilities, outstanding R&D team, stringent management systems, extensive sales channels and quality customer services, we provide a comprehensive range of cloud computing solutions and related services in the five key business segments engaged 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) and Client as a Service (CaaS).

Firstly, we will devote our efforts in developing Cloud Infrastructure as a Service (IaaS) and strengthen our proprietary innovation capacity. We will build up a center for cloud computation and data for the collection, storage, analysis and search of massive information. Optimization will be continued for products and solutions such as mid-to-high-end cloud servers, cloud storage, HPC and big data appliance. Overall solution capacity for private cloud for companies and public cloud will be strengthened so as to provide customers with simplified, efficient, flexible, expandable, secured and stable pay-per-use cloud services. The Company will also proactively participate in cloud computing infrastructure construction projects such as smart city, e-government affairs, internet of things, intelligent transportation, broadband China and 4G.

Secondly, we will continue to expand Cloud Module as a Service (MaaS). While our proprietary brand advantage serves to reinforce our core competitiveness, we will step up our efforts for establishing our sales system and improve the standards for sales management. Further cooperation with suppliers will be implemented and we will expand the product portfolio for agency distribution. We are going to proactively attract additional channel partners and provide channel partners and peer customers with timely and sufficient support in component supplies and professional technologies. Such efforts will assert our position as a leading supplier of cloud computing equipment related components in the PRC.

Thirdly, we will accelerate the development of Software and Platform as a Service (SaaS & PaaS). With a focus on demands for the cloud computing and mega data applications, we will provide quality, diversified and customized software services to our customers.

Riding on the global development trend of cloud computing, the Company will seize the development opportunities in cloud computing, mega data and mobile Internet, with a view to reinforcing our core competitive advantages in the fields of IaaS, MaaS and SaaS and PaaS. Looking forward, the Company will continue to engage in proprietary innovation, external cooperation and strategic investments so as to fully leverage on our advantages in technology, resources and market attributed to our cloud infrastructure in exploiting the market potential of cloud module and accelerate the development of software and platform and catalyze the integration of advantageous resources from up-stream to down-stream along the industrial chain. As we develop an all-round and professional integrated solution capacity that covers the entire cloud computing industry chain, we can maintain our leading position in the cloud computing industry in the PRC.

# CHAIRMAN'S STATEMENT

## APPRECIATION

Finally, on behalf of the Board of Directors, I would like to express heartfelt gratitude to our customers and suppliers for their enduring support to and trust in the Group, and to extend thanks to all the staff of the Group for diligence and dedication. We have already entered into another new chapter of "internetization", digitalization and intellectualization transformation, and will embrace enlarged opportunities for the cloud computing, mega data and internet of things sectors. In 2015, the Group will capture these history-making opportunities to reform and forge ahead as a unity and bring promising returns to our shareholders.

**Powerleader Science & Technology Group Limited**  
**Zhang Yunxia**  
*Chairman*

Shenzhen, the PRC  
28 April 2015



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the financial year ended 31 December 2014, the Group recorded an revenue of RMB1,852,839,421 and profit attributable to equity owners of the Company of RMB53,997,052 as compared to revenue and profit attributable to equity owners of RMB1,560,677,930 and RMB50,223,722 for the year ended 31 December 2013, representing an increase of 18.72% and 7.51% respectively. Earnings per share was RMB0.2222 (2013: RMB0.2067) and net assets per share of the Company was RMB3.31 (2013: RMB3.07).

### Revenue

The revenue of the Group for the year ended 31 December 2014 and the comparative figures of 2013 as classified by businesses were as follows:

|  | 2014                 |            | 2013                 |            | Change<br>%  |
|--|----------------------|------------|----------------------|------------|--------------|
|  | RMB                  | %          | RMB                  | %          |              |
| <b>Income from the principal business</b>        |                      |            |                      |            |              |
| Cloud Infrastructure as a Service (IaaS)         | 536,722,121          | 28.97      | 421,329,862          | 27.00      | 27.39        |
| Cloud Module as a Service (MaaS)                 | 1,297,465,299        | 70.03      | 1,117,986,407        | 71.63      | 16.05        |
| Software and Platform as a Service (SaaS & PaaS) | 8,872,032            | 0.48       | 13,740,162           | 0.88       | (35.43)      |
| Income from other business                       | 9,779,969            | 0.52       | 7,621,499            | 0.49       | 28.32        |
| <b>Total</b>                                     | <b>1,852,839,421</b> | <b>100</b> | <b>1,560,677,930</b> | <b>100</b> | <b>18.72</b> |

The Group's revenue was mainly derived from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS). With reference to the table above, for the year ended 31 December 2014, revenue from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS) amounted to RMB536,722,121 and RMB1,297,465,299 respectively (2013: RMB421,329,862 and RMB1,117,986,407), accounted for 28.97% and 70.03% (2013: 27% and 71.63%) of total revenue respectively. Revenue from Cloud Infrastructure as a Service (IaaS) increased by 27.39%, which was mainly attributable to the Group's optimization of our product mix during the year. Revenue from Cloud Module as a Service (MaaS) increased by 16.05%, mainly due to gradual economic recovery during the year. Further details of business analysis are set out in the paragraph "Business Review" below.

### Gross Profit

|  | Revenue              |                      | Gross profit       |                    | Gross profit margin |              |
|--|----------------------|----------------------|--------------------|--------------------|---------------------|--------------|
|  | 2014<br>RMB          | 2013<br>RMB          | 2014<br>RMB        | 2013<br>RMB        | 2014<br>%           | 2013<br>%    |
| <b>Income from the principal business</b>        |                      |                      |                    |                    |                     |              |
| Cloud Infrastructure as a Service (IaaS)         | 536,722,121          | 421,329,862          | 147,902,126        | 105,313,561        | 27.56               | 25.00        |
| Cloud Module as a Service (MaaS)                 | 1,297,465,299        | 1,117,986,407        | 70,985,735         | 68,111,605         | 5.47                | 6.09         |
| Software and platform as a Service (SaaS & PaaS) | 8,872,032            | 13,740,162           | 3,310,996          | 7,471,503          | 37.32               | 54.38        |
| Income from other business                       | 9,779,969            | 7,621,499            | 4,956,576          | 3,422,245          | 50.68               | 44.90        |
| <b>Total</b>                                     | <b>1,852,839,421</b> | <b>1,560,677,930</b> | <b>227,155,433</b> | <b>184,318,914</b> | <b>12.26</b>        | <b>11.81</b> |

The Group's gross profit increased from RMB184,318,914 for the year ended 31 December 2013 to RMB227,155,433 for the year ended 31 December 2014, representing an increase of 23.24%.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's overall gross profit margin increased from 11.81% for the year ended 31 December 2013 to 12.26% for the year ended 31 December 2014. Gross profit margin of Cloud Infrastructure as a Service (IaaS) increased from that of 2013. These were mainly attributable to the decrease in procurement cost of raw materials of cloud server and cloud storage related equipment. Further details of business analysis are set out in the paragraph "Business Review" below.

### Sales expenses

Sales expenses mainly comprised of, amongst others, salaries of sales personnel, marketing expenses, rents and transportation cost. For the year ended 31 December 2014, sales expenses in total were RMB45,674,561, compared to the total sales expenses of RMB42,666,930 for the year ended 31 December 2013, representing an increase of 7.05% from last year.

### Administrative expenses

Administrative expenses mainly comprised of, amongst others, amortization of intangible assets, salaries of management personnel, depreciation, R&D cost. For the year ended 31 December 2014, total administrative expenses were RMB63,769,919, compared to the total administrative expenses of RMB54,415,289 for the year ended 31 December 2013, representing an increase of 17.19% from last year.

### Finance costs

Finance costs mainly comprised of, amongst others, interest expenses, exchange gain or loss, and handling fees. For the year ended 31 December 2014, total finance costs were RMB60,769,922, compared to the total finance costs of RMB45,344,781 for the year ended 31 December 2013, representing an increase of 34.02% from last year.

### Assets, liabilities and shareholders' equity

As at 31 December 2014, current assets of the Group amounted to RMB1,599,207,848 (2013: RMB1,183,769,228), which mainly comprised of cash and cash equivalent of RMB465,885,673 (2013: RMB370,444,416), trade and bills receivables of RMB524,315,498 (2013: RMB415,771,258), inventories of RMB321,873,816 (2013: RMB190,991,434). Non-current assets amounted to RMB692,075,430 (2013: RMB581,659,350), which mainly comprised of long-term equity investment of RMB195,544,136 (2013: RMB204,433,276), fixed assets of RMB267,943,202 (2013: RMB 201,220,889), intangible assets and development costs of RMB90,760,528 (2013: RMB133,876,469). Total assets were RMB2,291,283,278 (2013: RMB1,765,428,579).

As at 31 December 2014, the Group's current liabilities mainly comprised of short-term borrowings of RMB976,112,408 (2013: RMB552,801,860) and accounts payable of RMB259,973,782 (2013: RMB165,464,647). Non-current liabilities mainly included long-term borrowings of RMB0 (2013: RMB140,000,000). Total liabilities were RMB1,487,986,690 (2013: RMB1,017,740,589).

As at 31 December 2014, the Group's equity attributable to the shareholders of the Company was RMB803,298,849 (2013: RMB747,223,271).

### Significant investment, acquisition and disposal of subsidiaries and associates

The Company entered into the relevant equity interest transfer agreement on 12 February 2014 to sell 99% of equity interest in Nanjing Powerleader Cloud Computing Technology Limited to Shenzhen Powerleader Investment Holdings Limited ("Powerleader Holdings") at the consideration of RMB49.50 million. Upon completion of the transaction, the Company ceased to hold its equity interest. The transaction had been reviewed and approved by the Yuhuatai sub-branch of the Administration for Industry & Commerce in Nanjing on 19 February 2014, the transaction does not constitute a discloseable transaction of the Company.

The Company entered into a partnership agreement on 11 June 2014 to invest RMB10 million in Shenzhen Qianhai Pengde Mobile Internet Venture Capital Fund (Limited Partnership) (深圳市前海鵬德移動互聯網創業投資基金(有限合夥)). Upon completion of the transaction, the Company would hold 4% of its equity interest, the transaction had been reviewed and approved by the Market and Quality Supervision Commission of Shenzhen Municipality on 4 September 2014, the transaction does not constitute a discloseable transaction of the Company.

The Company entered into a share transfer agreement on 25 August 2014 to sell 90% of equity interests in (Shenzhen Powerleader Communication Technology Limited\* 深圳市宝德通訊技術有限公司) to (Powerleader Investment Holdings Company Limited\* 深圳市宝德投資控股有限公司, "Powerleader Holdings") for a consideration of RMB1.30 million. Upon completion of the transaction, the Company ceased to hold any of its equity interest. The transaction had been reviewed and approved by the Market and Quality Supervision Commission of Shenzhen Municipality on 2 September 2014, the transaction does not constitute a discloseable transaction of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

Powerleader Science & Technology (HK) Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement on 26 December 2014 to invest US\$1 million in SurDoc Corp. Upon completion of the transaction, the Company would hold 2.86% of its equity interest, the transaction does not constitute a discloseable transaction of the Company.

### Currency Risk

The Company and some of its subsidiaries conduct sales and procurement settlement in foreign currencies, which expose the Group to foreign currency risks. In 2014, approximately 62% (2013: 62%) of the Group's sales were denominated in currencies other than the functional currency of the Group's entities for the sales, and approximately 21% (2013: 21%) of the costs were denominated in the Group entities' functional currencies.

### Gearing Ratio

As at 31 December 2014, the gearing ratio of the Group was approximately 64.94% (2013: 57.65%), which is determined by the Group as the percentage of total liabilities to total assets. The gearing ratio increased by 7.29 percentage points compared to last year.

## BUSINESS REVIEW

### Cloud Infrastructure as a Service (IaaS) — provision of cloud server and cloud storage related equipment as well as related solutions

In 2014, China's cloud computing industry demonstrated its importance in the IT market and became a "new normal", which presented robust demands for cloud infrastructures and became a driver of the relatively rapid growth of cloud server and cloud storage related equipment as well as related solutions. Under this macro market environment, the Company, as one of the players in the cloud computing industry, sufficiently leveraged on our outstanding sales mechanism and our strong capacity in product R&D and innovation, focused on the creation of the finest and most advanced products. Meanwhile, leveraging on our position as a domestic manufacturer, we continued to work on our edges for further development. We continued to explore the emerging markets, and provided improved independent and controllable overall solution solutions for domestic user from different industries. During this year, the revenue from IaaS increased by year on year 27.39%.

In the R&D front, the Company launched new products developed by proprietary innovation in tandem with Intel's E7v2, the latest generation of the Xeon processor. At the same time, the Company also upgraded the entire series of new servers featured with independent, controllable, wireless design, modular design and high computation capability and scalability, providing users with a useful tool for critical operational tasks and resources intensive usage. The Company built up our unique competitive advantages in the development of 4 quad, high-end and universal server products, differentiating ourselves from other domestic manufacturers to a considerable extent and brought new application experience and outstanding value for users with information security and independent controllable concerns.

In the sales front, the Company placed cloud server business as our strategic development focus for the Group's cloud computing infrastructure and services, improved our sales management system of "Solution-based regional sales and industrial sales interconnection network" (以解決方案為依託，區域銷售與行業銷售縱橫互聯) and accurately positioned while expanding our sales team so as to enhance its synergetic performance. Meanwhile, we proactively recruited channel members in second and third tier cities to expand into these market by leveraging on channel resources. We formed alliance with other industrial players to fully tap into the market while maintaining rapid development.

In the marketing front, the Company conducted brand promotion by way of public relations promotion, marketing events, advertisement placement and We media communications. In particular, in line with the reading habits in the era of mobile internet, the Company stepped up our efforts in enhancing our promotion in the We media, and built upon our official WeChat and Weibo accounts, we promoted our news and marketing events by leveraging on the social circle of our suppliers, customers and employees so as to attract broader attention and participation, and comprehensively improved Powerleader's professional image and leading position as well.

In 2014, thanks to the government's fostering of localization, the Company promoted the domestic manufactured secured and controllable cloud servers and cloud solutions with proprietary R&D in various sectors, such as energy, medical, defense and public security, thereby enhanced the brand's influence vertically along the industrial chain. Meanwhile, the Company hosted and participated in industrial conferences covering cloud computing, internet, SmartCity, military industry and education, which strengthened the Company's position within the industry and enhanced the brand's sphere of influence in the industry.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Honors:

In January 2014, Powerleader Science & Technology Group received the "Outstanding Performance on Brand Marketing Award 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 Science & Technology Group became the "Executive Board Member Entity of the China Smart City Industry Alliance";

In March 2014, Powerleader Science & Technology Group became the "Executive Vice Chairman and Executive Vice President Entity of China Intelligent City Development and Investment Alliance and Shenzhen Institute of Intelligent City";

In March 2014, Powerleader Science & Technology Group became the entity in charge of the formulation of "Standards of Smart City (Industrial Zone) Series";

In April 2014, Powerleader Science & Technology Group's secured and controllable 2 quad server products in 2013 had been recognized as high-tech products of Guangdong Province;

In April 2014, Powerleader Science & Technology Group's high-performance 4 quad server products in 2013 had been recognized as high-tech products of Guangdong Province;

In June 2014, Powerleader Science & Technology Group's Center for Cloud Computing and Data (Shenzhen-Guanlan) had been granted the 3A Green Data Center Accreditation in Design;

In June 2014, Powerleader Science & Technology Group became the "Executive Chancellor Entity of the Security and Defense Storage Technology Innovation Industrial Alliance";

In June 2014, Shenzhen Baoteng Internet Technology Limited became the committee member entity of "Cloud Computing Development and Policies Forum";

In July 2014, Powerleader Science & Technology Group became the "Vice President Entity of the First Session of the Council of the Shenzhen Smart City Industrial Promotion Association";

In August 2014, Powerleader Science & Technology Group was granted the title of "Key Supplier for Domestic Products for Information Network Application and Security Solutions in Jilin Province 2014-2015";

In September 2014, Powerleader Science & Technology Group received the mega data technology innovation and application award in the "First China Smart City Smart Cup Award 2014";

In October 2014, Powerleader Science & Technology Group was recognized by Intel China Ltd. as an IntelClusterReady accredited cooperation partner;

In October 2014, Powerleader's Center for Cloud Computing and Data (Shenzhen-Guanlan) had been granted the "Data Center of the Year" 2013-2014;

In November 2014, Powerleader's Center for Cloud Computing and Data (Shenzhen-Guanlan) had been granted the Local Internet Outstanding Contribution Award;

In December 2014, the Group became the "Executive Chancellor Entity of the Seventh Session of the Executive Board of Sichuan Information Security and Communications Security Magazine".

## MANAGEMENT DISCUSSION AND ANALYSIS

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

As a result of gradual recovery in the agency distribution segment of cloud computing equipment related components in China, the total revenue from this business in 2014 increased year on year by 16.05% from that of the previous year. Upholding the operation philosophy of “customer-oriented, press-forward with ambition” and the principle of “customer-first”, the Company increased R&D investment and provided customized services with the best quality to manufacturing, business and channel customers. We have established extensive and steady supply channels equipped with a comprehensive high technology industrial supply chain, which comprised of 26 branch institutions and over 300 channel suppliers. Our network has spanned across the country with a coverage of over 40 cities. Thorough top-down penetration has been extended from the business sectors down to value-added services delivered to individual enterprise and from provincial cities down to county-level cities, enabling compatibility with the operational strategies and business model of the manufacturers and business entities, while integrating our plentiful products and resources to provide one-stop solutions to customers.

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

In 2014, leveraged on our integrated software-hardware advantage and technology edges built up over the years, the Company continued our ambitious expansion, which accelerated our transformation to cloud business. Meanwhile, we optimized our operation management model and enhanced our marketing capabilities in line with the current cloud computing development trend, the progress in cloud computing business model and future potential market demands, we formulated our strategies well ahead of the future developments with innovations, which translated into further implementation of technology-sharing and software reuse, thereby providing multi-dimensional cloud services on the basis of capacity on demand, pay on demand and centralized management.

#### *Powerleader's cloud platform*

Powerleader's cloud platform integrates resources such as cloud computing, cloud networking, cloud storage, cloud security and cloud delivery. It serves to minimize the hardware procurement, operation and maintenance costs, thereby providing customers with cloud services featured with simplicity and efficiency, with flexibility brought by scalability yet guaranteed with secured and stable performance and pay-per-use convenience. During the year, the Company increased R&D investments of Powerleader's cloud platform related products and continued the in-depth development of our marketing service model, which further improved Powerleader's cloud platform by launching cloud hosting with flexible scalability and high-performance cloud storage services. Meanwhile, we strengthened our marketing team and improved our professional services standard, so that we could guarantee our customers with the smooth delivery of the simplest and most convenient services.

#### *Cloud hosting*

Powerleader's cloud hosting products were derived from Powerleader's cloud platform, which constitute an integral part of the infrastructure applications of Powerleader's cloud computing. Powerleader's cloud hosting represents a new generation of hosting service available for lease. With an integration of high-performance servers and quality network band width, it could effectively address the problems of traditional hosting, which is expensive yet quality non-guaranteed services, and can fully satisfy the requirements of small and medium size enterprises and individual host owners towards hosting services, that are cost-effectiveness, reliability and manageability.

#### *CDN acceleration platform*

Powerleader's CDN acceleration services system fully addressed the fundamental problems of slow website response experienced by users due to narrow band width, high traffic and uneven POP distribution. Users could obtain the required content from the most convenient access so as to ease up the internet congestion and speed up the user response time of the websites. At the same time, we have integrated our quality resources comprised of our own independent computer room in Shenzhen and Guangzhou and backbone network nodes distributed over different region, so as to achieve cloud acceleration functions by national coverage of core backbone networks, speed-up content delivery and response from the nearest router.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Data centers*

Data centers are hardware infrastructure of IaaS. Powerleader's Center for Cloud Computing and Data is a leading third party data center in the industry which emphasis on neutrality, security and environmental protection, it is also the execution arm of Powerleader's cloud strategies in our future cloud services. Powerleader's data center had been set up in accordance with the international Tier 3+ standards with reference to international leading modular design philosophies, it adopted first class infrastructure equipment around the globe and followed green and energy conservation design philosophies. Apart from the provision of a series of infrastructure and value added services such as daily maintenance, event management, system optimization and commission maintenance services, we specifically provided customized modification services for computer room, electricity, non-standard computer cabinets and others according to special customer requirements, and specifically designed customized service processes as specifically requested by customers. We also provided separate spare parts room and assemble room for the storage and assembly of servers. In addition, the Center for Cloud Computing and Data integrated Powerleader's advantages in both hardware and software, and our unique network resources advantages, so as to provide standardized and customized data center services with highly secured, stable, reliable, flexible, available and wide band width network access, management, IT operation administration and maintenance services.

### **Bank financing and capital management**

In 2014, against the backdrop of a complicated and challenging economic and financial landscape and an ever-changing market environment, the Company proactively rode on the trends in interest rate marketization, financial integration and information networkization. In respect of bank financing, the Company actively expanded our access to financing, improved our financing structure and enhanced the level of financing. In respect of capital management, we evaded from the potential risks brought by emerging businesses, established a healthy internal capital management system and improved risk classification so as to enhance the efficiency of capital utilization and achieve highly effective capital operation.

### **GOVERNMENT SUPPORT**

In 2014, the Company continued to keep abreast of the cloud computing industrial policies unveiled by PRC governments at different levels proactively. Through flexible measures such as proprietary innovations, joint R&D efforts and learning from and sharing with other industrial players, we continued to foster our R&D efforts for the next generation cloud computing infrastructure with an emphasis on cloud server software and hardware and cloud management platform, which have been highly approved of and supported by the government. In respect of external cooperation among industrial players, academic institutions and research institutions, the Company improved the exchange and cooperation mechanism with major scientific research institutions and higher education institutions, such as East China University of Science and Technology and National University of Defense Technology, with a view to groom talents in the field of high technology through joint efforts, so as to strive for better development for the cloud computing industry.

In 2014, the Group received a number of highly influential government subsidies, which are detailed as follows:

In January 2014, Powerleader Computing had been granted the subsidies on loan interest from the District Development Funding Scheme in Futian District;

In February 2014, Powerleader Software was one of the companies to receive the first batch of Intellectual Property Rights subsidies of Shenzhen in 2014;

In March 2014, Powerleader Computing's "Research on the Key Technologies for Mega Data Processing Platform On the Basis of Cloud Computing" was admitted as an approved project under the Science and Technology Scheme(technology development classification) of Shenzhen 2014;

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

In April 2014, Powerleader Science & Technology Group's "Secured and Controllable 2 Quad Server" and "Powerleader's high-performance 4 Quad-route Server" were accredited as High-Tech Products of Guangdong Province;

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



## MANAGEMENT DISCUSSION AND ANALYSIS

In July 2014, Powerleader Science & Technology Group's "R&D of cloud-based Powerleader security data storage services platform" project passed the completion acceptance test for the technological development projects with special funding for industrial development in Futian District;

In August 2014, Powerleader Software's "Internet Speed Accelerators" project passed the completion acceptance test for the Internet industrial development projects with special funding in Shenzhen;

In September 2014, Powerleader Software's "R&D of cloud server virtual management platform" project was admitted as an approved project in the 2014 technology innovation funding scheme for small and medium enterprises in Longhua New District;

In September 2014, Powerleader Computing renewed the 2014 accreditation as a national high-tech enterprise;

In September 2014, Powerleader Software passed the 2014 national high-tech enterprise review.

### ASSOCIATED COMPANY

Shenzhen Zqgame Co., Ltd (深圳中青宝互动网络股份有限公司) (hereinafter referred to as "Zqgame") is a 15.30%-owned associated company of the Group which is principally engaged in the principal business of development and operation of online games. The turnover of Zqgame in 2014 is RMB489,527,552.74, representing an increase of 50.87% compared to RMB324,475,994.23 in the same period of 2013. It is mainly attributable to the fact that Zqgame strived to develop mobile game while streamlining the client end game and webgame products to maintain its advantages in the area of client end games and web games. The company accelerated its swift transformation to a light game content provider through the dual development by organic and external growth in the area of web game and mobile game. At the same time, Zqgame's own distribution business and operation overseas delivered remarkable results and laid down the foundation for further development. The company's business development in North America, South America, Middle East, South East Asia, Taiwan, Japan, Korea and Russia are stabilizing and laid down a solid foundation for the future development of the company. Zqgame's net profit attributable to the shareholders of the listed company in 2014 was RMB(22,035,893.48), representing a decrease of 143.18% as compared to RMB51,027,332.23 in the corresponding period in 2013, mainly due to the impairment of intangible assets and development expenditures.

### HUMAN RESOURCES

#### Human resources planning, recruitment and performance appraisal

During the year, the Group optimized our human resources management system and improved our talent recruitment and management system with reference to our targets of overall development strategies, while giving sufficient consideration to internal and external changes. We enhanced and improved the Group's remuneration and performance appraisal system, clearly defined the duties of and attached importance to the appraisal of each position, while strengthening the loyalty and sense of responsibility of our staff, with a view to ensure the steady and orderly operation of the Group.

#### Building and Training of Talent Pool

We arranged regular staff trainings in enterprise systems, business manners, safety and working skills, and set up knowledge and training data base for key posts. These measures aim at improving staff skills and quality substantially, so as to lay down solid human resources foundation for long term enterprise development. At the same time, we initiated outdoor training, so that our staff could apply the knowledge acquired in training on work, and kept improving both the Company and individuals to achieve growth as a whole.

#### Corporate culture and staff relationships

The Company strengthened the building up and promotion of a "people oriented" culture. We have created a united and friendly, yet ambitious working environment by hosting events such as culture promotion season, external visits by management and staff trainings, so that we could bring the cultural philosophies into actions, and ultimately realize corporate cultural self-awareness and enhance staff loyalty.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECT

**Set forth below is the summary of relevant policies formulated by the PRC government at different levels for supporting the development of cloud computing industry in 2014:**

#### *Policies of the State Council:*

With a view to implement the “National Development Plan on strategic emerging industries under the Twelfth Five-Year Plan”, “Several Opinions on Promoting Information Consumption and Expanding Domestic Demands” and to improve the domestic cloud computing innovation development standard, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Industry and Information Technology and the Ministry of Science and Technology decided to conduct the coordinated implementation of the cloud computing projects in 2014. This project primarily provides support to three key sectors, namely, the development of public cloud computing service platform, cloud computing platform-based mega data services, R&D and promotional projects for cloud computing and mega data solutions.

In August 2014, with the consent of the State Council, the “Guiding Opinions on the Robust Development of Smart Cities” was issued by eight ministries and commissions, namely, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Public Security, the Ministry of Public Security, the Ministry of Finance, the Ministry of Land and Resources, the Ministry of Housing and Urban-Rural Development and the Ministry of Transport. It proposes to complete the development of a batch of distinctive smart cities by 2020, so as to amplify the clustering and radiation effects and significantly enhance the collective competitive advantages. It is expected that solid effects will be witnessed in (among others) protection of and improvement in livelihood and services, public administration innovation and maintenance of internet security.

According to the news from the Chinese government’s official website, Premier Li Keqiang, in chairing an executive meeting of the State Council on 15 November 2014, validated the measures to facilitate the innovative development of cloud computing so as to nurture for the growth of new businesses and industries. The meeting considered that the acceleration of cloud computing development and the formation of new business types in the information industry are important for the facilitation of the upgrading of traditional industries and the growth of emerging industries. The meeting determined to proactively support the integration and development of cloud computing and internet of things and mobile internet, catalyze the cloud computing based new business types, such as on-line R&D and design, education, medical and intelligent manufacturing. Cloud computing has been determined as a key project backed by the State, which will accelerate the domestic penetration of cloud computing. Internet services providers and mobile phone manufacturers are going to initiate their participation in the cloud computing industry and subsequent supportive policies will be rolled out successively, in addition to the capital influx in the industry, the whole sector will be developed in full gear.

#### *Policies of the People’s Government of Guangdong Province:*

The General Office, People’s Government of Guangdong Province, formulated the Cloud Computing Development Plan of the Guangdong Province (2014-2020) in April 2014, with a view to capture the early strategic opportunities arising from the development of cloud computing and foster the development of cloud computing in Guangdong province as well as enhance the informatization level of the province. Which aims at the acceleration of cloud computing infrastructure development, fostering of the proprietary innovation and industrialization of cloud computing technologies as well as facilitating the popularity of cloud computing.

In October 2014, Dongguan issued the “Implementation Opinion on the Acceleration of Cloud Computing Development in Dongguan City”, which suggested that the coverage of cloud computing would include (among others) e-government affairs, transportation and logistics, medical and healthcare, culture and education, corporate services. It aims at growing the cloud computing application industry and related industries to a size of over RMB 100 billion by 2017.

**In 2015, against the backdrop of in-depth implementation of national cloud computing related policies and increasing demands in cloud computing, the Company will seize the promising development opportunities to realize the healthy and rapid development of various operations, the related prospects are set out as below:**

#### *Cloud Infrastructure as a Service (IaaS) — provision of cloud server and cloud storage related equipment as well as related solutions*

Looking into 2015, following the penetration of cloud computing and mega data and as the new generation information technologies, such as virtualization and cloud computing, gained popularity, more industrial users have adopted solutions including (among others) public cloud and private cloud to modify the constituents of their original solutions, this trend will become a long term driver fueling the growth of cloud server and cloud storage related equipment and their solutions. Powerleader will leverage on its strong proprietary R&D capacity to achieve innovative breakthrough, improve our operation and management capacity continuously to keep abreast of the market and focus on the industry to bring services to our customers with improved quality.

## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of R&D, the Company will continue to increase our investment in R&D and work on cloud computing products and solutions. We will work closely with Intel and Seagate as well as various research institutions and associations of the industry to extend our contributions to an ever perfect and comprehensive information industry in China. In respect of sales management, the Company will leverage on our advantages in our healthy sales mechanism to optimize our human resources structure, improve our sales performance appraisal system and incentive system. So that we could leverage on our advantages on one hand, and on the other hand, continue to expand into emerging markets and seek for great leap-forward development. In respect of brand building and marketing, the Company will continue to plan, host, co-host and participate in marketing events of various industries by means of media promotions, marketing events and We media. We will focus our promotion efforts on the solutions and enhance the sphere of influence of the Powerleader brand.

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

Looking into 2015, the Company will continue to build upon our existing businesses and strengthen our sales team by continuous in-depth development of our marketing service model and to implement business transformation by improving our service system. At the same time, the Company will proactively improve the internal supply process, optimize our structural management and work closely with more leading enterprises in different sectors and industries, so as to achieve “win-win” cooperation for resources integration and contribute to the fostering and deepening of cloud computing in China.

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

Looking into 2015, in reaction to the pleas from the government, the Company will dedicate our efforts in cloud computing development to implement proprietary innovation and industrialization of cloud computing technologies. In respect of R&D of cloud computing related software and platforms, the Company will increase our investment in the integration of related products such as big data appliance along with the cloud server product resources, which form our integrated software-hardware product strategy. The Company will provide customers with more comprehensive value added services through the private cloud platform management technology, while enhancing the product value of the servers and increasing the sales of server products. In respect of marketing strategies, the Company will sufficiently leverage on the Group's advantages to capture market opportunities ahead of others. We will provide customers with simplified, efficient, flexible, expandable, secured and stable pay-per-use cloud services.

*Bank financing and capital management*

Looking into 2015, the Company will further optimize our debt structure in light of the financing conditions, so as to integrate the advantages of the Company with available bank resources. We will formulate specific financing plans to maintain continuous meticulous capital management, to foster of various businesses of the Company and achieve breakthroughs to the extent practicable. At the same time, the internal capital management standard of the Company will be tightened to reduce finance costs in light of the authorization delegation and credit granting policies. The Company will strengthen the risk inspection, investigation and treatment on fund utilization of different business segments so as to guarantee a safe application of the capitals, and continue to strengthen the professional management standards for the capitals, thereby realizing efficient operation.

*Human Resources*

Looking into 2015, the human resources policies of the Company shall be subject to changes arising from corporate management, structural conditions, operation conditions and operational targets, and shall support the enterprise strategies based on a detailed, objective and in-depth analysis, and facilitate for the integration and inter-penetration between the human resources management system and the corporate culture. We will strengthen our multi-channels and multi-dimensional human resources recruitment pipe-line as well as enhance and improve the Group's remuneration and performance appraisal system, clearly defined the duties of and attached importance to the appraisal of each position, so that performance management will be conducted in an equal and fair way to sufficiently secure the stable and orderly operation of the enterprise.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following sets out the biographical details of the Directors, supervisors and senior management of the Company:

### DIRECTORS

#### Executive directors

Ms. Zhang Yunxia, aged 49, the Company's founder, chairman of the Board and an executive Director. Ms. Zhang graduated from the Faculty of Computer Engineering in Software of Nankai University, Tianjin in 1988, and obtained a master's degree in tourism management from the same university in 1990. She had previously served in Shenzhen Wan Tong Software Engineering Limited. She co-founded Shenzhen Xin Le He Electronics Limited with Mr. Li Ruijie in 1991 and co-founded the Company with Mr. Li Ruijie in 1997. At present, she is mainly serving as a director of Powerleader Holdings (宝德投控) and of Zqgame. She is also concurrently acting as the vice president of the Shenzhen Software Industry Association, and vice president of the Shenzhen Association of Women Entrepreneurs. She has been appointed for the current term of office as an executive Director on 26 June 2013, and is responsible for the management of the overall strategies and policies of the Company.

Mr. Dong Weiping, aged 54, an executive Director and president of the Company. Mr. Dong graduated from Jilin University in the PRC with a bachelor's degree in computer systems engineering. Since 1982, Mr. Dong has served in a number of information technology companies. Prior to joining the Company in August 2000, he has worked for Hong Kong Laser Computer Limited as sales manager for the China division. Mr. Dong has been appointed for the current term of office as an executive Director on 26 June 2013, and is responsible for the overall operation management of the Company.

Mr. Ma Zhumao, aged 50, an executive Director and vice president of the Company. He graduated with a master's degree in Engineering from the Computer Faculty of the Tianjin University (天津大學) in 1988, and subsequently obtained a master's degree in Business Administration from Guanghua School of Management, Peking University in 2003. Mr. Ma previously worked for Tianjin Institute of Computer Application Technology as an engineer, Shenzhen Wan Tong Software Engineering Limited as an assistant general manager, 深圳愛華電子有限公司 (Shenzhen Ai Hua Electronics Limited) as a senior engineer and its affiliated companies as the deputy general manager and chief engineer, TCL Computer Co., Ltd. as technical director, and 綿陽聚星超級計算技術有限公司 as director and vice president. He is currently serving as a supervisor of Zqgame. Mr. Ma has been appointed for the current term of office as an executive Director on 26 June 2013.

#### Non-executive Directors

Mr. Li Ruijie, aged 47, the founder, vice chairman of the Board and a non-executive Director of the Company. He graduated from the Nankai University with a double bachelor's degree in economics and electronics in 1989, and obtained an EMBA degree from Cheung Kong Graduate School of Business in 2012. He had previously served in Shenzhen Shanbao Electronics Co., Ltd. Shenzhen Wan Tong Software Engineering Limited. He co-founded Shenzhen Xin Le He Electronics Limited with Ms. Zhang Yunxia in 1991 and co-founded the Company with Ms. Zhang Yunxia in 1997. At present, he is mainly serving as the chairman of Powerleader Holdings (宝德投控) and as the chairman and general manager of Zqgame. He is also concurrently serving as an expert in the cloud computing research center under the Ministry of Industry and Information Technology Software and Integrated Circuit Promotion Centre (CSIP), as an executive vice president in Shenzhen General Chamber of Commerce Chaoshan Chamber of Commerce, as an executive director of Shenzhen General Chamber of Commerce (Association of the Industrialists and Businessmen), as the vice president of Futian General Chamber of Commerce, and Shenzhen Charity Federation as vice president, among other positions in public service. Mr. Li has been appointed for the current term of office as a non-executive Director on 26 June 2013.

Mr. Sun Wei, aged 50, a non-executive Director of the Company, graduated with a bachelor's degree and a master's degree in Engineering from Harbin Shipbuilding Engineering Institute in July 1987 and September 1992, respectively. He graduated with a master's degree in Business Administration from China Europe International Business School in Beijing in September 2005, and obtained a doctoral degree in Engineering from Harbin Engineering University in June 2006, during which time he published 5 articles in national top-notch publications, and was awarded two Third Class Awards in Provincial (Municipal) Scientific & Technological Achievement. Currently, he is serving as chairman and general manager for Harbin Shiji Longxiang Technology Development Co., Ltd. Mr. Sun has been appointed for the current term of office as a non-executive Director on 26 June 2013.

Mr. Li Donglei, aged 47, a non-executive Director of the Company, graduated from the department of computer science of Shandong University with a bachelor's degree in science in 1989, majoring in scientific and technological intelligence. He served as an engineer of the information center of the Second Light Industry Bureau of Shandong Province, and served as the general manager of Jinan Company of Hui Cong Group (慧聰集團濟南公司). He is currently acting as the general manager of Beijing Integrated Business Consulting Co., (北京鑫聯合智業企業顧問有限公司). Mr. Li has been appointed for the current term of office as a non-executive Director on 26 June 2013.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Independent Non-executive Directors

Mr. Chan Shiu Yuen Sammy, aged 50, an independent non-executive Director of the Company, has more than 21 years of experience in auditing, accounting, taxation, business consultancy and financial management. Mr. Chan holds a bachelor's degree in Commerce from Dalhousie University, Canada and is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chan was the qualified accountant, company secretary and authorized representative of the Company, the deputy general manager of China Fibretech Limited. He is currently a director of Brilliant Consultancy Limited and the chief financial officer of Newtree Group Holdings Limited. Mr. Chan has been appointed for the current term of office as an independent non-executive Director on 26 June 2013.

Dr. Guo Wanda, aged 49, an independent non-executive Director of the Company, graduated with a doctoral degree in economics from Nankai University in 1991. He was a former researcher of the Economics Research Institute, Nankai University. He also served as the director of the macro-economic center of the economic forecasting department of The Information Centre of Shenzhen Municipality. He previously served in Shenzhen Guangshun Co., Ltd. (深圳廣順股份有限公司) as the head of the investment department, the secretary of the Board of Directors and an assistant general manager. He served for Guangshun Investment Hubei Shashi Company Limited (廣順投資湖北沙市公司) as the chairman and general manager. He is currently acting as an independent director of Shenzhen MYS Environmental Protection & Technology Company Ltd. (美盈森) (stock code: 002303), and HIT Shouchuang Technology Co., Ltd. (工大首創) (stock code: 600857). He is the vice president of China Development Institute of Shenzhen, the chairman of Shenzhen Association of Management Consultants, and also a committee member of the advisory committee of Shenzhen municipal government. He has been appointed for the current term of office as an independent non-executive Director on 26 June 2013.

Mr. Jiang Baijun, aged 53, he graduated from the China Central Radio and TV University and majored in Chinese Literature. He was previously a secondary school teacher in Xian. He was engaged by the newspaper, Computerworld, as a special commentator on market development, and hosted a CEO interview program. He was the China market strategic consultant of AST, the market strategic consultant of Create Group, the market strategic consultant of the office automation department of Digital China (Toshiba China business), the market strategic consultant and strategic development consultant of HP China, and also the market strategic consultant of the product market in Compaq in China. Mr. Jiang was engaged as the market strategic consultant of the Hong Kong China Business of NEC (Notebook computer and monitor business), and was appointed the market strategic consultant of the monitor business of PHILIPS China, as well as the market strategic consultant of the peripheral product business of Legend Computer. Mr. Jiang was also the chief consultant in strategic development of Shenzhen Qinzhong Electronics, and the market strategic consultant of Huayu Bancoo. Mr. Jiang has been the market strategic consultant of the PC business of IBM China (notebook computer business), as well as the market strategic consultant of the Panasonic business and FUJITSU business of the China Daheng Group. Mr. Jiang has been appointed for the current term of office as an independent non-executive Director on 26 June 2013.

### SUPERVISORS

Ms. Shu Ling, aged 40, graduated with a bachelor's degree in biology education from Guizhou Normal University. She is currently the chairman of the supervisory committee of the Company and the assistant to the director and the operation officer of Powerleader Cloud Computing Research Institute.

Ms. Li Xiaowei, aged 38, holds a bachelor's degree in electrical automation engineering from Xian University of Technology in the PRC. Ms. Li had worked with Jiangsu Yizheng Wellong Piston Ring Co., Ltd. as an equipment maintenance engineer. Ms. Li is currently a supervisor of the Company, and the chief operation officer of Baotong Zhiyuan, a subsidiary of the Company.

Ms. Zhou Liqin, aged 42, graduated from the Jingdezhen Ceramic Institute with a bachelor's degree, is currently a supervisor and the procurement director of the Company.

### COMPANY SECRETARY

Mr. Xu Yueming, aged 41, is the vice president, chief financial officer and company secretary of the Company. He is a Chinese certified public accountant, a Chinese certified tax agent and a qualified senior accountant in China. Mr. Xu holds a bachelor's degree in economics from Hangzhou Institute of Electronic Engineering. He worked in the finance department of Shenzhen SEG Samsung Glass Co., Ltd., the audit department of Shenzhen China Accounting Company and the finance department of HL Corp. (Shenzhen) (深圳信隆實業股份有限公司). He previously worked for Shenzhen Yuto Printing & Packing Co., Ltd. (深圳市裕同印刷包裝有限公司). Mr. Xu is currently acting as a director of Shenzhen Woer Heat-Shrinkable Material Co., Ltd. (沃爾核材) (stock code: 002130). Mr. Xu is also an expert for the assessment of the government funded projects in Futian District, Shenzhen and the deputy chairman of the Shenzhen Longhua second branch of China Zhi Gong Party.



## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Mr. Zhang Xu, aged 54, the Company's vice president and president of the technology research institute. He graduated with a bachelor's degree from the Faculty of Radio of the University of Science and Technology of China, and a master's degree from the Space Science and Applied Research Centre, the Chinese Academy of Sciences. He was the ASIC chip design manager of OPTI Computer Inc. in United States. He was a senior ASIC design engineer of Divio Inc. in the United States. He was a senior engineer of core switching network equipment of Nortel Networks in the United States. He was also R&D manager of enterprise-class network equipment of Nortel Networks in China. He was the chief engineer of the Super Micro Computer, Inc. in the United State He worked for Inspur Electronic Information Industry Co., Ltd. (浪潮信息 (stock code: 000977)) as chief product director and deputy general manager of high-end servers R&D department.

Mr. Zhong Xu, aged 48, the Company's vice president. He graduated with a bachelor's degree in software from the Computer and Science Faculty of Nankai University. He served as a senior network system administrator in Critical Mass Inc., Canada and a senior software engineer in Hitachi ID Systems, Inc. of Canada. He is experienced in the areas of product design, software research and development and corporate governance.

Mr. Xie Ruhua, aged 38, the Company's vice president. He is a member of the Communist Party of China. He graduated with a bachelor's degree in management from the Nanchang University and an EMBA degree from the Renmin University of China. He is experienced in TMT, server, cloud computing and mega data sectors. He served as marketing manager of China United Network Communications Group Co., Ltd, regional general manager of Jiangsu Province and the general manager of the group of government affairs of Dawning Information Industry Co., Ltd. (Stock code: 603019), senior vice president of Beijing Supercloud Technology Co., Ltd. He is currently the deputy chairman of Beijing and Jiangxi IT association and an executive committee member of the General Manager Club of China Data Center.

Mr. Xu Yueming is the vice president and chief financial officer of the Company. Please refer to the above paragraph headed "COMPANY SECRETARY" in this section for his biographical background.



## REPORT OF THE SUPERVISORS

To all shareholders,

During the year, the Supervisory Committee (“Supervisory Committee”) of Powerleader Science & Technology Group Limited upheld the principles of honesty and integrity, worked scrupulously with reasonable care, diligence and proactive initiatives to discharge its statutory supervisory duties of safeguarding the lawful interests of the shareholders of the Company in compliance with the Companies Law of the People’s Republic of China, the relevant laws and regulations of Hong Kong and the Company’s Articles of Association.

During the year, the Supervisory Committee had reviewed the operation and development plans of the Company in a prudent approach and provided reasonable suggestions to the Board. Moreover, the Supervisory Committee conducted stringent and effective supervision as to whether the significant policy decisions and specific decisions made by the management of the Company were in compliance with the relevant laws and regulations and the Company’s Articles of Association and whether the interest of the shareholders had been protected.

The Supervisory Committee earnestly reviewed the Director’s Report proposed to be submitted by the Board at the forthcoming annual general meeting and the financial statements of the Group for the year ended 31 December 2014 audited by ShineWing CPA (Special General Partnership). The Supervisory Committee is of the view that the financial report had been prepared in accordance with relevant accounting standards and gives a true and fair view on the financial position and operating results of the Group.

The Supervisory Committee considers that all members of the Board and other senior management of the Company had observed the principles of diligence, honesty and integrity, faithfully discharged their duties as required under the Company’s Articles of Association and earnestly executed resolutions of the general meeting and the Board of Directors during the year. We did not find any abuse of authority or infringement of the interests of shareholders and employees of the Company by the Directors and senior management or non-compliance with relevant laws, regulations and the Company’s Articles of Association.

In the coming year, the Supervisory Committee will continue to perform its supervisory duties with loyalty and diligence in accordance with the Company’s Articles of Association and relevant requirements of the Listing Rules, so as to safeguard and protect the interests of the Company and shareholders from infringement.

By Order of the Supervisory Committee

**Shu Ling**

*Chairman of the Supervisory Committee*

Shenzhen, PRC  
28 April 2015

# DIRECTORS' REPORT

The Directors hereby present the annual report and the audited financial statements for the year ended 31 December 2014.

## PRINCIPAL BUSINESSES

The Group's principal businesses are the provision of cloud computing products and their related solutions and services, which mainly include:

- (i) Cloud Infrastructure as a Service (IaaS) — provision of cloud server and cloud storage related equipment as well as related solutions;
- (ii) Cloud Module as a Service (MaaS) — provision of R&D, design, manufacturing and sale of cloud computing equipment related components as well as cloud computing equipment, key components agency distribution and related value-added services; and
- (iii) Software and Platform as a Service (SaaS & PaaS) — provision of development and services of cloud computing related software and platform.

Details of the principal businesses of the Company's subsidiaries are set out in note VIII to the financial statements.

## RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 35. The Directors do not recommend the payment of final dividend for the year ended 31 December 2014 (final dividend payment for the year ended 31 December 2013: RMB0 per shares, totaling RMB0 payment:).

## DISTRIBUTABLE RESERVES

In accordance with the Company's Articles of Association, the net income available for distribution will be the lesser as determined in accordance with (i) PRC accounting standards and regulations and (ii) International Financial Reporting Standards or the accounting standards of the places where the Company issues its shares. The Directors determined that the Company's distributable reserves as at 31 December 2014 and 2013 were RMB491,631,833 and RMB437,634,781 respectively.

## SHARE CAPITAL

Details of the movements in the share capital of the Group during the year are set out in note VI.29 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note VI.11 and 12 to the financial statements.

## DIRECTORS AND SUPERVISORS

The Directors of the Company during the year and up to the date of this report were:

### Executive Directors:

Ms. Zhang Yunxia ("Ms. Zhang")  
Mr. Dong Weiping ("Mr. Dong")  
Mr. Ma Zhumao ("Mr. Ma")

### Non-executive Directors:

Mr. Li Ruijie ("Mr. Li")  
Mr. Sun Wei ("Mr. Sun")  
Mr. Li Donglei

## DIRECTORS' REPORT

### Independent non-executive Directors:

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

### Supervisors:

Ms. Shu Ling  
Ms. Li Xiaowei  
Ms. Zhou Liqin

### DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including the executive, non-executive and independent non-executive Directors) has entered into a service contract with the Company, in each case, for a term of three years with effect from the date of their appointments, subject to termination pursuant to the right of termination as stipulated in the relevant service contract. The basic salary of each of the Directors for the year ended 31 December 2014 is as set out below:

| Name of Director                            | RMB        |
|---|------------|
| <b>Executive Directors:</b>                 |            |
| Ms. Zhang                                   | 222,860.52 |
| Mr. Dong                                    | 458,157.03 |
| Mr. Ma                                      | 218,864.02 |
| <b>Non-executive Directors:</b>             |            |
| Mr. Li                                      | 77,055.68  |
| Mr. Sun                                     | 60,850.00  |
| Mr. Li Donglei                              | 60,850.00  |
| <b>Independent non-executive Directors:</b> |            |
| Mr. Chan Shiu Yuen Sammy ("Mr. Chan")       | 60,108.00  |
| Dr. Guo Wanda ("Dr. Guo")                   | 60,850.00  |
| Mr. Jiang Baijun ("Mr. Jiang")              | 60,850.00  |

All Directors re-entered into service contracts with the Company on 26 June 2013.

Each of the supervisors has entered into a service contract with the Company, in each case, for a term of three years with effect from the date of their appointment, subject to termination under certain circumstances as stipulated in the relevant service contract. The basic salary of each of the supervisors for the year ended 31 December 2014 is as set out below:

| Name of Supervisor | RMB        |
|--------------------|------------|
| Ms. Shu Ling       | 126,468.70 |
| Ms. Li Xiaowei     | 137,010.45 |
| Ms. Zhou Liqin     | 118,135.95 |

The supervisors, Ms Shu Ling and Ms. Li Xiaowei, entered into a supervisor's service contract with the Company on 26 June 2013. As Mr. Chen Zhen Zhe had vacated his office, Ms. Zhou Liqin entered into a supervisor's service contract with the Company on 1 February 2014.

## DIRECTORS' REPORT

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

As at 31 December 2014, interests or short positions of the Directors, supervisors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or the interests or short positions required to be entered into the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the requirements in Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by the Directors were as follows:

#### Shares of the Company

| Name of Director | Number of Domestic Shares held by a controlled corporation | Approximate percentage of the Company's issued share capital | Approximate percentage of the Company's issued Domestic Shares |
|------------------|--|--|--|
| Mr. Li (Note)    | 102,184,500  | 42.05%   | 56.07%   |
| Ms. Zhang (Note) | 102,184,500  | 42.05%   | 56.07%   |

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

Save as disclosed above, as at 31 December 2014, none of the Directors, supervisors and chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or any interest or short positions required to be entered into the register required to be kept pursuant to section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

### SHARE OPTION SCHEME

As of 31 December 2014, the Company has neither adopted any share option scheme nor granted any option.

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

During the year, neither the Company nor any of its subsidiaries was a party to any arrangements to allow the Directors or the supervisors of the Company to acquire benefits by the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the Directors and 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.

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance, to which the Company or its subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2014, so far as known to the Directors, no other interests or short positions of substantial shareholders of the Company and other persons in shares, underlying shares or debentures, which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required to be entered into the register referred to in section 336 of the SFO.

| Long Positions in Domestic Shares                               | Number of Domestic Shares | Capacity         | Approximate percentage of the Company's issued share capital | Approximate percentage of the Company's issued Domestic Shares |
|---|---------------------------|------------------|--|--|
| Shenzhen Powerleader Investment Holdings Company Limited (Note) | 102,184,500               | Beneficial owner | 42.05%   | 56.07%   |

Note: Shenzhen Powerleader Investment Holdings Company Limited, 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, held 102,184,500 Domestic Shares in aggregate.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the year are set out in note 10 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

### Sales

|                                       |        |
|---------------------------------------|--------|
| — the largest customer                | 7.73%  |
| — five largest customers in aggregate | 22.13% |

### Purchase

|                                      |        |
|--------------------------------------|--------|
| — the largest supplier               | 39.33% |
| — five largest supplies in aggregate | 56.28% |

None of the Directors, supervisors, their associates or any shareholder of the Company (which to the knowledge of the Directors and the supervisors owns more than five per cent interest in the issued share capital) had an interest in any of the five largest suppliers or customers of the Group.

## COMPETING BUSINESS AND CONFLICT OF INTEREST

None of the Directors, initial management shareholders and their respective associates (as defined in GEM Listing Rules) held any interest in any business which competes or may compete with the Group or had any other conflict of interest with the Group as at 31 December 2014.

## CODE OF CORPORATE GOVERNANCE PRACTICE

The Board believes that the Company had complied with the Code of Corporate Governance Practice (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM during the year.

## DIRECTORS' REPORT

### 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 act as an important link between the Board and the Group's auditor for issues fall under the scope of audit of the Group and (ii) to review the effectiveness of the external audit and of the internal control and risk evaluation of the Company. At present, the Committee comprises three independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda, and Mr. Jiang Baijun. During the year, the Committee held four meetings for the purpose of reviewing the annual report of 2013, the quarterly reports of the first and third quarters of 2014 as well as the interim report of 2014. The Committee has also reviewed the annual results for the year ended 31 December 2014 and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements of the Stock Exchange and other legal requirements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings and there is no restriction upon such rights under the laws of the PRC.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

### AUDITOR

ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) acted as the auditors of the Company for the year ended 31 December 2014, whose appointment was approved at the annual general meeting convened on 22 May 2014, such appointment was effective from 22 May 2012 and it will hold the office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board  
**Zhang Yunxia**  
Chairman

Shenzhen, the PRC  
28 April 2015



## CORPORATE GOVERNANCE REPORT

During the year, the Company has reviewed its internal governance measures in accordance with the provisions as set out in the Code on Corporate Governance Practices (the "Code"). The management of the Company has been aware of various internal governance measures in order to gain understanding towards the Code. The management held meetings and discussions on irregular basis to evaluate whether the internal governance measures are effective and have been complied with. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has formulated a model code regarding to the 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. All Directors have confirmed their compliance with such model code and the requirements under standard of dealings and the model code for securities transactions by the Directors throughout the year ended 31 December 2014 upon specific enquiries.

### THE BOARD AND BOARD MEETING

The Board which currently comprises nine Directors, is responsible for corporate strategy, annual, interim and quarterly results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Significant matters of the Company delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for approved by the Board before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out under "Biographical details of the Directors, Supervisors and Senior Management". All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has experience sufficient for their positions so as to perform their respective duties effectively.

The Company appointed three independent non-executive Directors who have appropriate qualifications and sufficient experience to carry out their duties so as to protect the interests of shareholders. Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun are the independent non-executive Directors. Mr. Chan Shiu Yuen Sammy has been re-appointed as an independent non-executive Director for another term of three years from 26 June 2013. Dr. Guo Wanda has been re-appointed as an independent non-executive Director for another term of three years from 26 June 2013 and Mr. Jiang Baijun has been re-appointed as an independent non-executive Director for another term of three years from 26 June 2013. All three of them are subject to re-election and re-appointment and other related provisions as stipulated in the articles of association of the Company, provided that the terms of appointments may be terminated under mutual agreement between the Director and the Company.

The Board held 17 Board meetings during the year under review. Details of the attendance of the Directors are as set out in the table below:

| Director  | Attendance |
|---|------------|
| <b>Executive Directors</b>                          |            |
| Ms. Zhang Yunxia ( <i>Chairman</i> )                | 17/17      |
| Mr. Dong Weiping ( <i>Chief Executive Officer</i> ) | 17/17      |
| Mr. Ma Zhumao                                       | 17/17      |
| <b>Non-executive Directors</b>                      |            |
| Mr. Li Ruijie ( <i>Vice Chairman</i> )              | 17/17      |
| Mr. Sun Wei   | 17/17      |
| Mr. Li Donglei                                      | 17/17      |
| <b>Independent Non-executive Directors</b>          |            |
| Mr. Chan Shiu Yuen Sammy                            | 17/17      |
| Dr. Guo Wanda                                       | 17/17      |
| Mr. Jiang Baijun                                    | 17/17      |

## CORPORATE GOVERNANCE REPORT

Except for the husband and wife relationship between Ms. Zhang Yunxia, the chairman of the Board of the Company and an executive Director, and Mr. Li Ruijie, the vice chairman of the Board and a non-executive Director, there is no other family or material relationship among members of the Board.

Apart from the regular Board meetings during the year, Board meetings are held when a Board-level decision on a particular matter is required. The Directors receive detailed agenda and minutes of committee meetings prior to each Board meeting.

### Continuing Professional Development of Directors

As of 31 December 2014, the Directors of the Company attended seminars and training programs organized by various professional institutions and bodies. Reading materials on, amongst others, the latest updates of business, operation, corporate control, legal and regulatory matters had also been provided to all Directors for their reference and study.

*Participation in continuing professional development activities*

| Name  | Updates on regulatory information | Attending trainings/ presentations/ seminars/forums |
|---|-----------------------------------|---|
| <b>Executive Directors</b>                          |                                   |   |
| Ms. Zhang Yunxia ( <i>Chairman</i> )                | ✓                                 | ✓   |
| Mr. Dong Weiping ( <i>Chief Executive Officer</i> ) | ✓                                 | ✓   |
| Mr. Ma Zhumao                                       | ✓                                 | ✓   |
| <b>Non-executive Directors</b>                      |                                   |   |
| Mr. Li Ruijie ( <i>Vice Chairman</i> )              | ✓                                 | ✓   |
| Mr. Sun Wei   | ✓                                 | ✓   |
| Mr. Li Donglei                                      | ✓                                 | ✓   |
| <b>Independent non-executive Directors</b>          |                                   |   |
| Mr. Chan Shiu Yuen Sammy                            | ✓                                 | ✓   |
| Dr. Guo Wanda                                       | ✓                                 | ✓   |
| Mr. Jiang Baijun                                    | ✓                                 | ✓   |

During the year, the Board has at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and with at least one independent non-executive Director possessing appropriate professional qualification, or accounting or related financial management expertise.

### LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has maintained liability insurance policies for its Directors, supervisors and senior management in March 2014, and those policies are suitable for its Directors, supervisors and senior management.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Ms. Zhang Yunxia is the chairman of the Board and an executive Director and Mr. Dong Weiping is the chief executive officer of the Company and an executive Director.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's articles of association set out a formal procedure for the appointment of new Directors to the Board. Any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall retire and be eligible for re-election at the next general meeting after appointment.

## CORPORATE GOVERNANCE REPORT

### TERM OF APPOINTMENT OF EXECUTIVE DIRECTORS

Ms. Zhang Yunxia was reappointed as an executive Director on 26 June 2013 for a term of three years. Mr. Dong Weiping was reappointed as an executive Director on 26 June 2013 for a term of three years, and Mr. Ma Zhumao was reappointed as an executive Director on 26 June 2013 for a term of three years. All the existing appointments shall be subject to re-election and re-appointment and other related provisions as stipulated in the articles of association of the Company, provided that the term of appointment may be terminated by mutual agreement between the Director and the Company.

### TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Li Ruijie was reappointed as a non-executive Director on 26 June 2013 for a term of three years. Mr. Sun Wei was reappointed as a non-executive Director on 26 June 2013 for a term of three years. Mr. Li Donglei was reappointed as a non-executive Director on 26 June 2013 for a term of three years. All the existing appointments shall be subject to re-election and re-appointment and other related provisions as stipulated in the articles of association of the Company, provided that the term of appointment may be terminated by mutual agreement between the Director and the Company.

### TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Shiu Yuen Sammy was reappointed as an independent non-executive Directors on 26 June 2013 for a term of three years. Dr. Guo Wanda was reappointed as an independent non-executive Directors on 26 June 2013 for a term of three years. Mr. Jiang Baijun was reappointed as an independent non-executive Directors on 26 June 2013 for a term of three years. All the existing appointments shall be subject to re-election and re-appointment and other related provisions as stipulated in the articles of association of the Company, provided that the term of appointment may be terminated by mutual agreement between the Director and the Company.

### GENERAL MEETINGS

The general meetings of the Company possesses the highest authority. A total of one general meetings were convened in 2014. On 22 May 2014, the Company convened the annual general meeting, at which the Director's Report, the Report of the Supervisors, the financial statements and the reappointment of ShineWing Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year ended 31 December 2014 were approved and passed by way of ordinary resolutions, and the Directors have been authorized to determine its remuneration.

### AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee include reviewing and supervising the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun. The chairman of the audit committee is Mr. Chan Shiu Yuen Sammy.

The audit committee held 4 meetings during the year under review. Details of the attendance record of the members of the audit committee are set out as follows:

| Member                   | Attendance |
|--------------------------|------------|
| Mr. Chan Shiu Yuen Sammy | 4/4        |
| Dr. Guo Wanda            | 4/4        |
| Mr. Jiang Baijun         | 4/4        |

The audit committee had reviewed all of the Group's unaudited quarterly and interim results for the year ended 31 December 2014 and audited annual results of 2014, and are of the opinion that the preparation of such results complied with the applicable accounting standards and requirements of the Stock Exchange and other legal requirements, and that adequate disclosure have been made.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION AND APPRAISAL COMMITTEE

The remuneration and appraisal committee was established in December 2005. The chairman of the committee is Mr. Chan Shiu Yuen Sammy, an independent non-executive Director, and other members include Dr. Guo Wanda and Mr. Jiang Baijun, both being independent non-executive Directors.

The roles and duties of the remuneration committee include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation, including any compensation for loss of office or appointment, and the making of recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as comparison of salaries paid by other companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and feasibility of performance-based remuneration.

During the period under review, a meeting of the remuneration committee was held on 28 March 2014. Details of the attendance record of the remuneration committee meeting are set out as follows:

| Member                   | Attendance |
|--------------------------|------------|
| Mr. Chan Shiu Yuen Sammy | 1/1        |
| Dr. Guo Wanda            | 1/1        |
| Mr. Jiang Baijun         | 1/1        |

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the non-executive Directors are fair and reasonable.

## NOMINATION COMMITTEE

The nomination committee was established in December 2005. The chairman of the committee is Mr. Chan Shiu Yuen Sammy, an independent non-executive Director, and other members are Dr. Guo Wanda and Mr. Jiang Baijun, both being independent non-executive Directors.

Board of Directors' responsibilities in relation to nomination of Directors include: (i) to review the structure, size and composition of the Board; (ii) identify individuals suitable to become Board members; and (iii) to convene general meeting in relation to appointment and re-appointment of Directors of the Company.

During the period under review, a meeting of the nomination committee was held on 28 March 2014. Details of the attendance of the nomination committee meeting are as follows:

| Member                   | Attendance |
|--------------------------|------------|
| Mr. Chan Shiu Yuen Sammy | 1/1        |
| Dr. Guo Wanda            | 1/1        |
| Mr. Jiang Baijun         | 1/1        |

## AUDITOR'S REMUNERATION

During the year under review, the remuneration to the external auditor of the Company was RMB718,331.

## COMPANY SECRETARY

The Company has appointed Mr. Xu Yueming as the company secretary. Mr. Xu Yueming confirmed that he has taken part in the relevant professional training for not less than 15 hours during the year.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company encourages the shareholders to attend the general meetings of the Company. The notice of general meeting is issued 45 days prior to the holding of the meeting. According to the requirements of the articles of association, shareholders holding ten per cent or more of the issued and outstanding voting shares of the Company are entitled to convene an extraordinary general meeting by submitting written request to the Board. Shareholders have the right to supervise the business activities of the Company, and make recommendations or inquiries in relation thereto.

When requesting for review of inquiries or access to information, shareholders should submit a prior written notice to the Company in this regard, the Company shall provide such information as requested by the shareholders as soon as possible. Inquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Room 105, 1/F, Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company's annual general meeting provides a good opportunity for its Directors to meet and communicate with shareholders. All Directors will make best effort to attend the annual general meeting, in order to answer questions from shareholders. According to the disclosure requirements under the GEM Listing Rules, the Company makes an accurate and complete disclosure of all discloseable and important issues required to be disclosed on the website designated by the relevant regulatory authority in a timely fashion, in order to ensure the shareholders' rights to information and participation.

The Company has set up a dedicated department to deal with investor relations. And it strictly complies with the relevant requirements including the "Shareholders Communication Policy", so as to ensure that shareholders and investors can have access to the relevant information on the Company promptly, equally and timely. In this manner, we ensure that shareholders can have better understanding about the Company, while enabling shareholders to exercise their rights in an informed way, thus effectively ensuring that the Company establishes good communications with shareholders and investors.

The Company's website (<http://www.powerleader.com.cn>) offers a communication channel between the Company and shareholders and potential investors of the Company. Apart from disclosure of all necessary information to the shareholders in compliance with the Listing Rules of the Stock Exchange, updates on the Company's business development and operation are also available on the Company's website.

## ACCOUNTABILITY AND AUDIT

The Directors were responsible for overseeing the preparation of the financial statements for the year ended 31 December 2014. The Directors' responsibility for the preparation of the financial statements and the auditor's responsibility are set out in the Auditor's Report.

## INTERNAL CONTROL

The Company reviews its internal control system regularly to ensure the effectiveness and adequacy of the internal control system. The Company convened meetings regularly to discuss measures in relation to financial, operational and risk management control.

# AUDITOR'S REPORT



信永中和会计师事务所

ShineWing  
certified public accountants

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## TO THE SHAREHOLDERS OF POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED

We have audited the accompanying financial statements of Powerleader Science & Technology Group Limited (hereinafter referred to as "Powerleader Science & Technology Company"), which comprise the consolidated and Company balance sheets as at 31 December 2014, the consolidated and Company income statements, the consolidated and Company cash flow statements and the consolidated and Company statements of changes in owners' equity for the year 2014 and notes to these financial statements.

### 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Powerleader Science & Technology Company is responsible for the preparation and the fair presentation of the financial statements. These responsibilities include (1) the preparation of financial statements in accordance with the requirements of Accounting Standards for Business Enterprises ("ASBE") that reflect a fair view; (2) the design, implementation and maintenance of internal controls such that the financial statements are free from material misstatement whether due to fraud or error.

### 2. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards. Those standards require that we comply with professional ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified public accountant's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In conducting risk assessments, certified public accountant considers the internal controls relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. An audit also includes evaluating the appropriateness of the accounting policies selected and used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 3. AUDIT OPINION

In our opinion, the financial statements of Powerleader Science & Technology Company have been prepared in accordance with ASBE and reflect fairly, in all material aspects, the consolidated and Company financial position of Powerleader Science & Technology Company as at 31 December 2014 and of their financial performance and their cash flows for the year 2014.

ShineWing Certified Public Accountants  
(Special General Partnership)

Beijing, China

Chinese Certified Public Accountant  
**Guo Jinlong**

Chinese Certified Public Accountant  
**Qiu Lequn**

28 April 2015



# CONSOLIDATED BALANCE SHEET

As at 31 December 2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item   | Note  | Closing balance         | Opening balance  |
|--|-------|-------------------------|------------------|
| <b>Current Assets:</b>   |       |                         |                  |
| Cash and cash equivalents  | VI.1  | <b>465,885,673.02</b>   | 370,444,415.57   |
| Financial assets at fair value through profit or loss for the current period | VI.2  | —                       | 362,198.90       |
| Notes receivable   | VI.3  | <b>27,772,871.40</b>    | 19,850,837.81    |
| Accounts receivable  | VI.4  | <b>496,542,626.13</b>   | 395,920,420.06   |
| Prepayments  | VI.5  | <b>32,922,620.33</b>    | 32,346,250.20    |
| Interest receivables   |       | —                       | —                |
| Dividend receivables   |       | —                       | —                |
| Other receivables  | VI.6  | <b>233,467,980.03</b>   | 173,759,856.44   |
| Inventories  | VI.7  | <b>321,873,815.99</b>   | 190,991,433.57   |
| Assets classified as held for sale   |       | —                       | —                |
| Non-current assets due within 1 year   |       | —                       | —                |
| Other current assets   | VI.8  | <b>20,742,261.23</b>    | 93,815.82        |
| <b>Total current assets</b>  |       | <b>1,599,207,848.13</b> | 1,183,769,228.37 |
| <b>Non-current assets:</b>   |       |                         |                  |
| Available-for-sale financial assets  | VI.9  | <b>4,000,000.00</b>     | —                |
| Held-to-maturity investment  |       | —                       | —                |
| Long-term accounts receivable  |       | —                       | —                |
| Long-term equity investment  | VI.10 | <b>195,544,136.28</b>   | 204,433,275.76   |
| Investment Properties  | VI.11 | <b>13,883,577.12</b>    | 16,838,422.38    |
| Fixed assets   | VI.12 | <b>267,943,201.85</b>   | 201,220,888.57   |
| Construction in progress   | VI.13 | <b>116,741,077.26</b>   | 24,249,172.78    |
| Construction material  |       | —                       | —                |
| Fixed assets disposal  |       | —                       | —                |
| Intangible assets  | VI.14 | <b>69,635,911.97</b>    | 96,832,657.57    |
| Development expenditure  | VI.15 | <b>21,124,616.31</b>    | 37,043,811.51    |
| Goodwill   |       | —                       | —                |
| Long-term prepayments  | VI.16 | <b>1,244,188.13</b>     | 52,652.89        |
| Deferred income tax assets   | VI.17 | <b>1,958,721.16</b>     | 988,469.02       |
| Other non-current assets   |       | —                       | —                |
| <b>Total non-current assets</b>  |       | <b>692,075,430.08</b>   | 581,659,350.48   |
| <b>Total assets</b>  |       | <b>2,291,283,278.21</b> | 1,765,428,578.85 |

Zhang Yunxia  
Director

Dong Weiping  
Director

Zhang Yunxia  
Legal Representative

Xu Yueming  
Chief Financial Officer

Tang Rongxun  
Head of Financial Section

# CONSOLIDATED BALANCE SHEET

As at 31 December 2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Note  | Closing balance         | Opening balance  |
|---|-------|-------------------------|------------------|
| <b>Current liabilities:</b>   |       |                         |                  |
| Short-term loans  | VI.18 | <b>976,112,408.03</b>   | 552,801,859.89   |
| Financial liabilities at fair value through profit or loss for the current period |       | —                       | —                |
| Notes payable   |       | —                       | —                |
| Accounts payable  | VI.19 | <b>259,973,782.34</b>   | 165,464,646.87   |
| Receipts in advance   | VI.20 | <b>14,699,090.26</b>    | 18,681,340.48    |
| Employee remuneration payables  | VI.21 | <b>6,892,898.10</b>     | 5,400,368.45     |
| Tax and levy payables   | VI.22 | <b>19,129,411.79</b>    | 14,818,814.62    |
| Interest payables   | VI.23 | <b>363,125.00</b>       | 394,625.00       |
| Dividend payables   |       | —                       | —                |
| Other payables  | VI.24 | <b>59,152,722.63</b>    | 47,496,439.82    |
| Liabilities classified as held for sale   |       | —                       | —                |
| Non-current liabilities repayable within one year                                 | VI.25 | <b>140,000,000.00</b>   | 60,000,000.00    |
| Other current liabilities   | VI.26 | <b>7,076,252.28</b>     | 2,532,190.51     |
| <b>Total current liabilities</b>  |       | <b>1,483,399,690.43</b> | 867,590,285.64   |
| <b>Non-current liabilities:</b>   |       |                         |                  |
| Long-term loans   | VI.27 | —                       | 140,000,000.00   |
| Bond payables   |       | —                       | —                |
| Including: Preference shares  |       | —                       | —                |
| Perpetual bonds   |       | —                       | —                |
| Long-term payables  |       | —                       | —                |
| Long-term employee remuneration payables  |       | —                       | —                |
| Special payables  |       | —                       | —                |
| Provisions  |       | —                       | —                |
| Deferred income   | VI.28 | <b>4,587,000.00</b>     | 8,637,000.00     |
| Deferred income tax liabilities   | VI.17 | —                       | 1,513,303.41     |
| Other non-current liabilities   |       | —                       | —                |
| <b>Total non-current liabilities</b>  |       | <b>4,587,000.00</b>     | 150,150,303.41   |
| <b>Total Liabilities</b>  |       | <b>1,487,986,690.43</b> | 1,017,740,589.05 |
| <b>Owners' equity:</b>  |       |                         |                  |
| Capital   | VI.29 | <b>243,000,000.00</b>   | 243,000,000.00   |
| Other equity instrument   |       | —                       | —                |
| Including: Preference share   |       | —                       | —                |
| Perpetual bonds   |       | —                       | —                |
| Capital reserves  | VI.30 | <b>34,042,006.02</b>    | 31,984,904.09    |
| Less: Treasury shares   |       | —                       | —                |
| Other comprehensive income  | VI.31 | <b>23,771.40</b>        | 2,347.76         |
| Special reserves  |       | —                       | —                |
| Surplus reserves  | VI.32 | <b>34,601,238.65</b>    | 34,601,238.65    |
| General Risk Reserves   |       | —                       | —                |
| Undistributed profits   | VI.33 | <b>491,631,832.64</b>   | 437,634,780.76   |
| <b>Total equity attributable to shareholders of the Company</b>                   |       | <b>803,298,848.71</b>   | 747,223,271.26   |
| Minority interests  | VI.34 | <b>(2,260.93)</b>       | 464,718.54       |
| <b>Total shareholders' equity</b>   |       | <b>803,296,587.78</b>   | 747,687,989.80   |
| <b>Total liabilities and shareholders' equity</b>                                 |       | <b>2,291,283,278.21</b> | 1,765,428,578.85 |

Zhang Yunxia  
Director

Dong Weiping  
Director

Zhang Yunxia  
Legal Representative

Xu Yueming  
Chief Financial Officer

Tang Rongxun  
Head of Financial Section

# BALANCE SHEET OF THE COMPANY

As at 31 December 2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item   | Note   | Closing balance         | Opening balance         |
|--|--------|-------------------------|-------------------------|
| <b>Current Assets:</b>   |        |                         |                         |
| Cash and cash equivalents  | XVI.1  | 336,038,114.77          | 246,262,016.87          |
| Financial assets at fair value through profit or loss for the current period |        | —                       | —                       |
| Notes receivable   | XVI.2  | 27,772,871.40           | 15,436,627.81           |
| Accounts receivable  | XVI.3  | 228,824,168.19          | 85,848,775.60           |
| Prepayments  | XVI.4  | 3,383,951.61            | 1,685,000.00            |
| Interest receivables   |        | —                       | —                       |
| Dividend receivables   | XVI.5  | 80,000,000.00           | 80,000,000.00           |
| Other receivables  | XVI.6  | 349,101,951.86          | 447,300,444.15          |
| Inventories  | XVI.7  | 109,095,502.25          | 58,431,065.69           |
| Assets classified as held for sale   |        | —                       | —                       |
| Non-current assets due within 1 year   |        | —                       | —                       |
| Other current assets   | XVI.8  | 215,152.39              | 9,625.29                |
| <b>Total current assets</b>  |        | <b>1,134,431,712.47</b> | <b>934,973,555.41</b>   |
| <b>Non-current assets:</b>   |        |                         |                         |
| Available-for-sale financial assets  | XVI.9  | 4,000,000.00            | —                       |
| Held-to-maturity investment  |        | —                       | —                       |
| Long-term accounts receivable  |        | —                       | —                       |
| Long-term equity investment  | XVI.10 | 317,722,886.28          | 367,012,025.75          |
| Investment Properties  | XVI.11 | 13,883,577.12           | 16,838,422.38           |
| Fixed assets   | XVI.12 | 143,183,440.22          | 71,839,171.99           |
| Construction in progress   | XVI.13 | 109,369,691.77          | 22,662,263.78           |
| Construction material  |        | —                       | —                       |
| Fixed assets disposal  |        | —                       | —                       |
| Intangible assets  | XVI.14 | 16,946,873.05           | 7,672,535.58            |
| Development expenditure  | XVI.15 | 7,313,199.44            | 10,548,913.03           |
| Goodwill   |        | —                       | —                       |
| Long-term prepayments  | XVI.16 | 1,221,294.44            | —                       |
| Deferred income tax assets   | XVI.17 | —                       | —                       |
| Other non-current assets   |        | —                       | —                       |
| <b>Total non-current assets</b>  |        | <b>613,640,962.32</b>   | <b>496,573,332.51</b>   |
| <b>Total assets</b>  |        | <b>1,748,072,674.79</b> | <b>1,431,546,887.92</b> |

Zhang Yunxia  
Director

Dong Weiping  
Director

Zhang Yunxia  
Legal Representative

Xu Yueming  
Chief Financial Officer

Tang Rongxun  
Head of Financial Section

# BALANCE SHEET OF THE COMPANY

As at 31 December 2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Note   | Closing balance         | Opening balance  |
|---|--------|-------------------------|------------------|
| <b>Current liabilities:</b>   |        |                         |                  |
| Short-term loans  | XVI.18 | <b>679,728,724.38</b>   | 472,589,731.55   |
| Financial liabilities at fair value through profit or loss for the current period |        | —                       | —                |
| Notes payable   |        | —                       | —                |
| Accounts payable  | XVI.19 | <b>386,851,526.59</b>   | 171,554,067.34   |
| Receipts in advance   | XVI.20 | <b>7,180,480.47</b>     | 9,013,472.63     |
| Employee remuneration payables  | XVI.21 | <b>3,523,010.32</b>     | 2,791,611.22     |
| Tax and levy payables   | XVI.22 | <b>12,939,905.60</b>    | 13,101,217.54    |
| Interest payables   | XVI.23 | <b>363,125.00</b>       | 394,625.00       |
| Dividend payables   |        | —                       | —                |
| Other payables  | XVI.24 | <b>87,505,349.73</b>    | 125,758,867.27   |
| Liabilities classified as held for sale   |        | —                       | —                |
| Non-current liabilities repayable within one year                                 | XVI.25 | <b>140,000,000.00</b>   | 60,000,000.00    |
| Other current liabilities   | XVI.26 | <b>3,736,554.28</b>     | 538,288.85       |
| <b>Total current liabilities</b>  |        | <b>1,321,828,676.37</b> | 855,741,881.40   |
| <b>Non-current liabilities:</b>   |        |                         |                  |
| Long-term loans   | XVI.27 | —                       | 140,000,000.00   |
| Bond payables   |        | —                       | —                |
| Including: Preference shares  |        | —                       | —                |
| Perpetual bonds   |        | —                       | —                |
| Long-term payables  |        | —                       | —                |
| Long-term employee remuneration payables  |        | —                       | —                |
| Special payables  |        | —                       | —                |
| Provisions  |        | —                       | —                |
| Deferred income   | XVI.28 | <b>2,587,000.00</b>     | 4,237,000.00     |
| Deferred income tax liabilities   | XVI.17 | —                       | —                |
| Other non-current liabilities   |        | —                       | —                |
| <b>Total non-current liabilities</b>  |        | <b>2,587,000.00</b>     | 144,237,000.00   |
| <b>Total Liabilities</b>  |        | <b>1,324,415,676.37</b> | 999,978,881.40   |
| <b>Owners' equity:</b>  |        |                         |                  |
| Capital   | XVI.29 | <b>243,000,000.00</b>   | 243,000,000.00   |
| Other equity instrument   |        | —                       | —                |
| Including: Preference share   |        | —                       | —                |
| Perpetual bonds   |        | —                       | —                |
| Capital reserves  | XVI.30 | <b>31,229,290.96</b>    | 29,172,189.03    |
| Less: Treasury shares   |        | —                       | —                |
| Other comprehensive income  | XVI.31 | <b>23,771.40</b>        | 2,347.76         |
| Special reserves  |        | —                       | —                |
| Surplus reserves  | XVI.32 | <b>34,601,238.65</b>    | 34,601,238.65    |
| Undistributed profits   | XVI.33 | <b>114,802,697.41</b>   | 124,792,231.08   |
| <b>Total shareholders' equity</b>   |        | <b>423,656,998.42</b>   | 431,568,006.52   |
| <b>Total liabilities and shareholders' equity</b>                                 |        | <b>1,748,072,674.79</b> | 1,431,546,887.92 |

Zhang Yunxia  
Director

Dong Weiping  
Director

Zhang Yunxia  
Legal Representative

Xu Yueming  
Chief Financial Officer

Tang Rongxun  
Head of Financial Section

# CONSOLIDATED INCOME STATEMENT

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item   | Note  | Amount for this year    | Amount for last year |
|--|-------|-------------------------|----------------------|
| <b>I. Total revenue</b>  | VI.38 | <b>1,852,839,420.50</b> | 1,560,677,930.33     |
| Including: revenue   | VI.38 | <b>1,852,839,420.50</b> | 1,560,677,930.33     |
| <b>II. Total operating cost</b>  |       | <b>1,800,563,649.03</b> | 1,526,366,606.32     |
| Including: Operating cost  | VI.38 | <b>1,625,683,987.49</b> | 1,376,359,016.30     |
| Business taxes and surcharges  | VI.39 | <b>1,924,483.09</b>     | 2,251,636.52         |
| Sales expenses   | VI.40 | <b>45,674,560.79</b>    | 42,666,930.00        |
| Administrative expenses  | VI.41 | <b>63,769,919.26</b>    | 54,415,288.51        |
| Finance costs  | VI.42 | <b>60,769,922.35</b>    | 45,344,781.41        |
| Impairment loss of assets  | VI.43 | <b>2,740,776.05</b>     | 5,328,953.58         |
| Add: Gain on changes in fair value (loss is denoted as “()”)   | VI.44 | <b>(362,198.90)</b>     | 183,505.65           |
| Gain on investment (loss is denoted as “()”)   | VI.45 | <b>(7,017,232.86)</b>   | 11,065,648.37        |
| Including: Gain on investment to associates and joint ventures   | VI.45 | <b>(10,172,065.04)</b>  | 8,702,275.77         |
| <b>III. Operating profit (loss is denoted as “()”)</b>   |       | <b>44,896,339.71</b>    | 45,560,478.03        |
| Add: Non-operating income  | VI.46 | <b>7,206,490.31</b>     | 11,387,188.83        |
| Including: Gain on disposal of non-current assets  | VI.46 | <b>1,074,754.56</b>     | 5,214.53             |
| Less: Non-operating expenses   | VI.47 | <b>258,666.88</b>       | 279,156.38           |
| Including: Loss on disposal of non-current assets  | VI.47 | <b>94,318.12</b>        | 103,662.27           |
| <b>IV. Total Profit (total loss is denoted as “()”)</b>  |       | <b>51,844,163.14</b>    | 56,668,510.48        |
| Less: Income tax expenses  | VI.48 | <b>(2,187,521.84)</b>   | 6,338,140.68         |
| <b>V. Net profit (net loss is denoted as “()”)</b>   |       | <b>54,031,684.98</b>    | 50,330,369.80        |
| Net profit attributable to shareholders of the Company   |       | <b>53,997,051.88</b>    | 50,223,721.86        |
| Profit or loss attributable to minority interests  |       | <b>34,633.10</b>        | 106,647.94           |
| <b>VI. Other comprehensive income net of tax</b>   |       | <b>21,423.64</b>        | (9,527.61)           |
| Other comprehensive income net of tax attributable to owners of the Company  |       | <b>21,423.64</b>        | (9,527.61)           |
| (I) Other comprehensive income which will not be reclassified to profit or loss  |       | —                       | —                    |
| 1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes                                |       |                         |                      |
| 2. Share of other comprehensive income of investee that will not be reclassified to profit or loss under equity method |       |                         |                      |
| (II) Other comprehensive income which will be reclassified to profit or loss   | VI.54 | <b>21,423.64</b>        | (9,527.61)           |
| 1. Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method     | VI.54 | <b>21,423.64</b>        | (9,527.61)           |
| 2. Gain or loss on changes in fair value of available-for-sale financial assets  |       |                         |                      |
| 3. Gain or loss on reclassification of held-to-maturity investment to available-for-sale financial assets              |       |                         |                      |
| 4. Effective portion in gain or loss on cash flow hedging  |       |                         |                      |
| 5. Exchange difference arising from translation of foreign currency denominated financial statements                   |       |                         |                      |
| 6. Others  |       |                         |                      |
| Other comprehensive income attributable to minority interest net of tax  |       |                         |                      |
| <b>VII. Total comprehensive income</b>   |       | <b>54,053,108.62</b>    | 50,320,842.19        |
| Total comprehensive income attributable to shareholders of the Company   |       | <b>54,018,475.52</b>    | 50,214,194.25        |
| Total comprehensive income attributable to minority interests  |       | <b>34,633.10</b>        | 106,647.94           |
| <b>VIII. Earnings per share:</b>   |       |                         |                      |
| (I) Basic earnings per share   | VI.53 | <b>0.2222</b>           | 0.2067               |
| (II) Diluted earnings per share  | VI.53 | <b>0.2222</b>           | 0.2067               |

In respect of business combination under common control occurred during the year, net profit realized by the combining party before combination was RMB0, net profit realized by combining party was RMB0 last year.

Zhang Yunxia  
Director

Dong Weiping  
Director

Zhang Yunxia  
Legal Representative

Xu Yueming  
Chief Financial Officer

Tang Rongxun  
Head of Financial Section

# INCOME STATEMENT OF THE COMPANY

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item   | Note  | Amount for this year   | Amount for last year |
|--|-------|------------------------|----------------------|
| <b>I. Revenue</b>  | VI.37 | <b>593,666,120.18</b>  | 214,262,063.78       |
| Less: Operating cost   | VI.37 | <b>487,554,820.55</b>  | 173,540,689.03       |
| Business taxes and surcharges  | VI.38 | <b>854,541.77</b>      | 614,811.85           |
| Sales expenses   | VI.39 | <b>19,244,587.44</b>   | 4,044,094.91         |
| Administrative expenses  | VI.40 | <b>36,660,181.78</b>   | 28,420,586.85        |
| Finance costs  | VI.41 | <b>53,191,675.95</b>   | 38,080,444.36        |
| Assets impairment loss   | VI.42 | <b>2,022,392.17</b>    | (1,033,409.88)       |
| Add: Gain on changes in fair value (loss is denoted as “()”)   |       | —                      | —                    |
| Gain on investment (loss is denoted as “()”)   | VI.43 | <b>(9,772,065.04)</b>  | 9,206,395.78         |
| Including: Gain on investment to associates and joint ventures   | VI.43 | <b>(10,172,065.04)</b> | 8,702,275.77         |
| <b>II. Operating profit (loss is denoted as “()”)</b>  |       | <b>(15,634,144.52)</b> | (20,198,757.56)      |
| Add: Non-operating income  | VI.44 | <b>2,671,302.48</b>    | 3,781,684.16         |
| Including: Gain on disposal of non-current assets  | VI.44 | <b>1,073,452.96</b>    | 114.53               |
| Less: Non-operating expenses   | VI.45 | <b>178,002.06</b>      | 249,099.14           |
| Including: Loss on disposal of non-current assets  | VI.45 | <b>15,463.71</b>       | 77,402.52            |
| <b>III. Total Profit (total loss is denoted as “()”)</b>   |       | <b>(13,140,844.10)</b> | (16,666,172.54)      |
| Less: Income tax expenses  | VI.46 | <b>(3,151,310.43)</b>  | —                    |
| <b>IV. Net profit (net loss is denoted as “()”)</b>  |       | <b>(9,989,533.67)</b>  | (16,666,172.54)      |
| <b>V. Other comprehensive income net of tax</b>  |       | <b>21,423.64</b>       | (9,527.61)           |
| (I) Other comprehensive income which will not be reclassified to profit or loss  |       | —                      | —                    |
| 1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes                                |       |                        |                      |
| 2. Share of other comprehensive income of investee that will not be reclassified to profit or loss under equity method |       |                        |                      |
| (II) Other comprehensive income which will be reclassified to profit or loss   | VI.50 | <b>21,423.64</b>       | (9,527.61)           |
| 1. Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method     | VI.50 | <b>21,423.64</b>       | (9,527.61)           |
| 2. Gain or loss on changes in fair value of available-for-sale financial assets  |       |                        |                      |
| 3. Gain or loss on reclassification of held-to-maturity investment to available-for-sale financial assets              |       |                        |                      |
| 4. Effective portion in gain or loss on cash flow hedging  |       |                        |                      |
| 5. Exchange difference arising from translation of foreign currency denominated financial statements                   |       |                        |                      |
| 6. Others  |       |                        |                      |
| <b>VI. Total comprehensive income</b>  |       | <b>(9,968,110.03)</b>  | (16,675,700.15)      |
| <b>VII. Earnings per share:</b>  |       |                        |                      |
| (I) Basic earnings per share   |       |                        |                      |
| (II) Diluted earnings per share  |       |                        |                      |

Zhang Yunxia  
Director

Dong Weiping  
Director

Zhang Yunxia  
Legal Representative

Xu Yueming  
Chief Financial Officer

Tang Rongxun  
Head of Financial Section



## CONSOLIDATED CASH FLOW STATEMENT

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item   | Note  | Amount for this year    | Amount for last year |
|--|-------|-------------------------|----------------------|
| <b>I. Cash flows generated from operating activities:</b>  |       |                         |                      |
| Cash received from sale of goods and rendering of services   |       | <b>1,904,866,655.02</b> | 1,652,103,876.65     |
| Refund of taxes and levies received  |       | <b>3,799,946.97</b>     | 4,171,969.22         |
| Other cash receipts relating to operating activities   | VI.55 | <b>49,859,855.75</b>    | 17,351,915.42        |
| <b>Sub-total of cash inflows from operating activities</b>   |       | <b>1,958,526,457.74</b> | 1,673,627,761.29     |
| Cash paid for purchase of goods and receiving services   |       | <b>1,818,888,286.86</b> | 1,462,191,096.22     |
| Cash paid to and on behalf of employees  |       | <b>44,827,493.57</b>    | 42,556,369.54        |
| Payments of taxes and levies   |       | <b>24,918,627.25</b>    | 34,542,498.40        |
| Other cash payments relating to operating activities   | VI.55 | <b>101,469,495.94</b>   | 83,613,540.80        |
| <b>Sub-total of cash outflows from operating activities</b>  |       | <b>1,990,103,903.62</b> | 1,622,903,504.96     |
| <b>Net cash flows generated from operating activities</b>  |       | <b>(31,577,445.88)</b>  | 50,724,256.33        |
| <b>II. Cash flows generated from investing activities:</b>   |       |                         |                      |
| Cash received from recovery of investments   |       | —                       | 24,829,526.75        |
| Cash received from returns on investments  |       | <b>1,286,084.71</b>     | 1,556,772.64         |
| Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets           |       | <b>3,948,115.16</b>     | 185,230.94           |
| Net cash received from disposal of subsidiaries and other business units                                 |       | <b>49,384,312.65</b>    | —                    |
| Other cash receipts relating to investing activities   |       | —                       | —                    |
| <b>Sub-total cash inflows from investing activities</b>  |       | <b>54,618,512.52</b>    | 26,571,530.33        |
| Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets |       | <b>204,075,919.72</b>   | 52,287,152.33        |
| Cash paid on investments   |       | <b>33,000,000.00</b>    | 19,000,000.00        |
| Net cash paid to acquire subsidiaries and other business units   |       | —                       | —                    |
| Other cash payments relating to investing activities   |       | —                       | —                    |
| <b>Sub-total cash outflows from investing activities</b>   |       | <b>237,075,919.72</b>   | 71,287,152.33        |
| <b>Net cash flows generated from investing activities</b>  |       | <b>(182,457,407.20)</b> | (44,715,622.00)      |



# CONSOLIDATED CASH FLOW STATEMENT

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Note  | Amount for this year    | Amount for last year |
|---|-------|-------------------------|----------------------|
| <b>III. Cash flows generated from financing activities:</b>                             |       |                         |                      |
| Cash received from capital contributions  |       | —                       | —                    |
| Including: cash received by subsidiaries from capital contribution by minority interest |       |                         |                      |
| Cash received from loans  |       | <b>1,948,438,996.67</b> | 1,799,169,170.81     |
| Cash received from bonds issuance   |       |                         |                      |
| Other cash receipts from financing activities   | VI.55 | —                       | 8,503,522.38         |
| <b>Sub-total cash inflows from financing activities</b>                                 |       | <b>1,948,438,996.67</b> | 1,807,672,693.19     |
| Cash payments for settlement of debts   |       | <b>1,585,128,448.53</b> | 1,609,262,419.79     |
| Cash payments for distribution of dividend, profits or interests settlement             |       | <b>54,722,043.50</b>    | 57,793,361.69        |
| Including: payments of dividends and profits to minority shareholders by subsidiaries   |       |                         |                      |
| Other cash payments relating to financing activities                                    | VI.55 | <b>46,326,618.01</b>    | —                    |
| <b>Sub-total cash outflows from financing activities</b>                                |       | <b>1,686,177,110.04</b> | 1,667,055,781.48     |
| <b>Net cash flows generated from financing activities</b>                               |       | <b>262,261,886.63</b>   | 140,616,911.71       |
| <b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>              |       | <b>1,010,118.54</b>     | (4,915,483.24)       |
| <b>V. Net increase in cash and cash equivalents</b>                                     |       | <b>49,237,152.09</b>    | 141,710,062.80       |
| Add: Balance of cash and cash equivalents at beginning of period                        |       | <b>331,919,213.53</b>   | 190,209,150.73       |
| <b>VI. Balance of cash and cash equivalents at end of year</b>                          |       | <b>381,156,365.62</b>   | 331,919,213.53       |

Zhang Yunxia  
Director

Dong Weiping  
Director

Zhang Yunxia  
Legal Representative

Xu Yueming  
Chief Financial Officer

Tang Rongxun  
Head of Financial Section

# CASH FLOW STATEMENT OF THE COMPANY

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item   | Note   | Amount for this year    | Amount for last year |
|--|--------|-------------------------|----------------------|
| <b>I. Cash flows generated from operating activities:</b>                                      |        |                         |                      |
| Cash received from sale of goods and rendering of services                                     |        | 495,312,424.54          | 174,878,150.06       |
| Refund of taxes and levies   |        | —                       | —                    |
| Other cash receipts relating to operating activities   | XVI.51 | 153,825,380.24          | 9,035,906.53         |
| <b>Sub-total of cash inflows from operating activities</b>                                     |        | <b>649,137,804.78</b>   | 183,914,056.59       |
| Cash paid for purchase of goods and receiving services   |        | 414,020,529.85          | 139,769,132.15       |
| Cash paid to and on behalf of employees  |        | 28,221,500.00           | 8,513,518.25         |
| Payments of taxes and levies   |        | 6,935,146.75            | 6,501,592.42         |
| Other cash payments relating to operating activities   | XVI.51 | 61,367,473.21           | 184,680,210.79       |
| <b>Sub-total of cash outflows from operating activities</b>                                    |        | <b>510,544,649.81</b>   | 339,464,453.61       |
| <b>Net cash flows generated from operating activities</b>                                      |        | <b>138,593,154.97</b>   | (155,550,397.02)     |
| <b>II. Cash flows generated from investing activities:</b>                                     |        |                         |                      |
| Cash received from recovery of investments   |        | —                       | 20,304,014.31        |
| Cash received from returns on investments  |        | 795,600.00              | 61,193,400.00        |
| Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets |        | 1,477,147.18            | 54,918.00            |
| Net cash received from disposal of subsidiaries and other business units                       |        | 49,500,000.00           | 173,563.48           |
| Other cash receipts relating to investing activities   |        | —                       | —                    |
| <b>Sub-total cash inflows from investing activities</b>  |        | <b>51,772,747.18</b>    | 81,725,895.79        |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets                |        | 179,552,665.38          | 14,401,273.07        |
| Cash paid on investments   |        | 42,000,000.00           | 38,800,000.00        |
| Net cash paid to acquire subsidiaries and other business units                                 |        | —                       | —                    |
| Other cash payments relating to investing activities   |        | —                       | —                    |
| <b>Sub-total cash outflows from investing activities</b>                                       |        | <b>221,552,665.38</b>   | 53,201,273.07        |
| <b>Net cash flows generated from investing activities</b>                                      |        | <b>(169,779,918.20)</b> | 28,524,622.72        |

# CASH FLOW STATEMENT OF THE COMPANY

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Note   | Amount for this year    | Amount for last year |
|---|--------|-------------------------|----------------------|
| <b>III. Cash flows generated from financing activities:</b>                 |        |                         |                      |
| Cash received from capital contributions                                    |        | —                       | —                    |
| Cash received from loans  |        | <b>1,168,928,193.80</b> | 1,218,494,105.77     |
| Cash received from bonds issuance   |        |                         |                      |
| Other cash receipts from financing activities                               | XVI.51 | —                       | 11,175,413.12        |
| <b>Sub-total cash inflows from financing activities</b>                     |        | <b>1,168,928,193.80</b> | 1,229,669,518.89     |
| <b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>  |        |                         |                      |
| Cash payments for settlement of debts                                       |        | <b>1,001,465,934.21</b> | 949,146,980.38       |
| Cash payments for distribution of dividend, profits or interests settlement |        | <b>48,293,067.13</b>    | 51,818,005.85        |
| Other cash payments relating to financing activities                        | XVI.51 | <b>19,512,036.60</b>    | —                    |
| <b>Sub-total cash outflows from financing activities</b>                    |        | <b>1,069,271,037.94</b> | 1,000,964,986.23     |
| <b>Net cash flows generated from financing activities</b>                   |        | <b>99,657,155.86</b>    | 228,704,532.66       |
| <b>V. Net increase in cash and cash equivalents</b>                         |        |                         |                      |
|   |        | <b>70,264,061.30</b>    | 99,360,754.50        |
| Add: Balance of cash and cash equivalents at beginning of period            |        | <b>211,223,695.43</b>   | 111,862,940.93       |
| <b>VI. Balance of cash and cash equivalents at end of year</b>              |        | <b>281,487,756.73</b>   | 211,223,695.43       |

**Zhang Yunxia**  
Director

**Dong Weiping**  
Director

**Zhang Yunxia**  
Legal Representative

**Xu Yueming**  
Chief Financial Officer

**Tang Rongxun**  
Head of Financial Section

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Share capital  | Other equity instrument |                    |        | This year<br>Attributable to shareholders of the Company |                             |                                  |                     |                     |                          |                          | Total<br>Shareholders'<br>equity |                      |
|---|----------------|-------------------------|--------------------|--------|--|-----------------------------|----------------------------------|---------------------|---------------------|--------------------------|--------------------------|----------------------------------|----------------------|
|   |                | Preference<br>share     | Perpetual<br>bonds | Others | Capital<br>reserves                                      | Less:<br>Treasury<br>shares | Other<br>comprehensive<br>income | Special<br>reserves | Surplus<br>reserves | General risk<br>reserves | Undistributed<br>profits |                                  | Minority<br>interest |
|   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  |                      |
| <b>I. Balance at the end of last year</b>   | 243,000,000.00 | —                       | —                  | —      | 31,984,904.09  | —                           | 2,347.76                         | —                   | 34,601,238.65       | —                        | 437,634,780.76           | 464,718.54                       | 747,687,989.80       |
| 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 | —                       | —                  | —      | 31,984,904.09  | —                           | 2,347.76                         | —                   | 34,601,238.65       | —                        | 437,634,780.76           | 464,718.54                       | 747,687,989.80       |
| <b>III. Changes (increase/decrease) for the year (decrease is denoted in "(I)")</b> | —              | —                       | —                  | —      | 2,057,101.93   | —                           | 21,423.64                        | —                   | —                   | —                        | 53,997,051.88            | (466,979.47)                     | 55,608,597.98        |
| (I) Total comprehensive income  |                |                         |                    |        |  |                             | 21,423.64                        |                     |                     |                          | 53,997,051.88            | 34,633.10                        | 54,053,108.62        |
| (II) Contribution from shareholders and reduction of capital                        |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  |                      |
| 1. Ordinary share contributed by shareholders                                       |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          | (501,612.57)                     | (501,612.57)         |
| 2. Capital contribution by holders of other equity instrument                       |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          | (501,612.57)                     | (501,612.57)         |
| 3. Amount of share-based payment included under shareholders' equity                |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 4. Others   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| (III) Profit appropriation  |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 1. Transfer to surplus reserves   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 2. Transfer to general risk reserves  |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 3. Distribution to shareholders   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 4. Others   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| (IV) Internal transfer of shareholders' equity                                      |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 1. Capitalization of capital reserves   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 2. Capitalization of surplus reserves   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 3. Surplus reserves for making up losses  |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 4. Others   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| (V) Special reserves  |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 1. Transfer during the year   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| 2. Utilised during the year   |                |                         |                    |        |  |                             |                                  |                     |                     |                          |                          |                                  | —                    |
| (VI) Others   |                |                         |                    |        | 2,057,101.93   |                             |                                  |                     |                     |                          |                          |                                  | 2,057,101.93         |
| <b>IV. Balance at the end of the year</b>   | 243,000,000.00 | —                       | —                  | —      | 34,042,006.02  | —                           | 23,771.40                        | —                   | 34,601,238.65       | —                        | 491,631,832.64           | (2,260.93)                       | 803,296,587.78       |

**Zhang Yunxia**  
Director

**Dong Weiping**  
Director

**Zhang Yunxia**  
Legal Representative

**Xu Yueming**  
Chief Financial Officer

**Tang Rongxun**  
Head of Financial Section

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Share capital  | Other equity instrument |                 |        | Capital reserves | Last year<br>Attributable to shareholders of the Company |                            |                  |                  | Undistributed profits | Minority interest | Total Shareholders' equity |                       |
|---|----------------|-------------------------|-----------------|--------|------------------|--|----------------------------|------------------|------------------|-----------------------|-------------------|----------------------------|-----------------------|
|   |                | Preference share        | Perpetual bonds | Others |                  | Less: Treasury shares                                    | Other comprehensive income | Special reserves | Surplus reserves |                       |                   |                            | General risk reserves |
|   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| <b>I. Balance at the end of last year</b>   | 243,000,000.00 |                         |                 |        | 28,717,987.51    |  | 11,875.37                  |                  | 34,601,238.65    |                       | 399,561,058.90    | 158,070.60                 | 706,050,231.03        |
| 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 |                         |                 |        | 28,717,987.51    |  | 11,875.37                  |                  | 34,601,238.65    |                       | 399,561,058.90    | 158,070.60                 | 706,050,231.03        |
| <b>III. Changes (increase/decrease) for the year (decrease is denoted in "(I)")</b> |                |                         |                 |        | 3,266,916.58     |  | (9,527.61)                 |                  |                  |                       | 38,073,721.86     | 306,647.94                 | 41,637,758.77         |
| (I) Total comprehensive income  |                |                         |                 |        |                  |  | (9,527.61)                 |                  |                  |                       | 50,223,721.86     | 106,647.94                 | 50,320,842.19         |
| (II) Contribution from shareholders and reduction of capital                        |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   | 200,000.00                 | 200,000.00            |
| 1. Ordinary share contributed by shareholders                                       |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   | 200,000.00                 | 200,000.00            |
| 2. Capital contribution by holders of other equity instrument                       |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 3. Amount of share-based payment included under shareholders' equity                |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 4. Others   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| (III) Profit appropriation  |                |                         |                 |        |                  |  |                            |                  |                  |                       | (12,150,000.00)   |                            | (12,150,000.00)       |
| 1. Transfer to surplus reserves   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 2. Transfer to general risk reserves  |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 3. Distribution to shareholders   |                |                         |                 |        |                  |  |                            |                  |                  |                       | (12,150,000.00)   |                            | (12,150,000.00)       |
| 4. Others   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| (IV) Internal transfer of shareholders' equity                                      |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 1. Capitalization of capital reserves   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 2. Capitalization of surplus reserves   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 3. Surplus reserves for making up losses  |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 4. Others   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| (V) Special reserves  |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 1. Transfer for the year  |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| 2. Utilised during the year   |                |                         |                 |        |                  |  |                            |                  |                  |                       |                   |                            |                       |
| (VI) Others   |                |                         |                 |        | 3,266,916.58     |  |                            |                  |                  |                       |                   |                            | 3,266,916.58          |
| <b>IV. Balance at the end of the year</b>   | 243,000,000.00 |                         |                 |        | 31,984,904.09    |  | 2,347.76                   |                  | 34,601,238.65    |                       | 437,634,780.76    | 464,718.54                 | 747,687,989.80        |

**Zhang Yunxia**  
Director

**Dong Weiping**  
Director

**Zhang Yunxia**  
Legal Representative

**Xu Yueming**  
Chief Financial Officer

**Tang Rongxun**  
Head of Financial Section

# STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Share capital  | Other equity instrument |                 |        | This year        |                       |                            |                  |                  | Total Shareholders' equity |                       |
|---|----------------|-------------------------|-----------------|--------|------------------|-----------------------|----------------------------|------------------|------------------|----------------------------|-----------------------|
|   |                | Preference share        | Perpetual bonds | Others | Capital reserves | Less: Treasury shares | Other comprehensive income | Special reserves | Surplus reserves |                            | Undistributed profits |
|   |                |                         |                 |        |                  |                       |                            |                  |                  |                            |                       |
| <b>I. Balance at the end of last year</b>   | 243,000,000.00 | —                       | —               | —      | 29,172,189.03    | —                     | 2,347.76                   | —                | 34,601,238.65    | 124,792,231.08             | 431,568,006.52        |
| Add: Changes in accounting policies   |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| Correction of errors in previous periods  |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| Others  |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| <b>II. Balance at beginning of year</b>   | 243,000,000.00 | —                       | —               | —      | 29,172,189.03    | —                     | 2,347.76                   | —                | 34,601,238.65    | 124,792,231.08             | 431,568,006.52        |
| <b>III. Changes (increase/decrease) for the year (decrease is denoted in "( )")</b> | —              | —                       | —               | —      | 2,057,101.93     | —                     | 21,423.64                  | —                | —                | (9,968,110.03)             | (7,889,584.46)        |
| (I) Total comprehensive income  |                |                         |                 |        |                  |                       | 21,423.64                  |                  |                  | (9,968,110.03)             | (9,946,686.39)        |
| (II) Contribution from shareholders and reduction of capital                        | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | —                          | —                     |
| 1. Ordinary share contributed by shareholders                                       |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| 2. Capital contribution by holders of other equity instrument                       |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| 3. Amount of share-based payment included under shareholders' equity                |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| 4. Others   |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| (III) Profit appropriation  | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | —                          | —                     |
| 1. Transfer to surplus reserves   |                |                         |                 |        |                  |                       |                            |                  |                  | —                          | —                     |
| 2. Distribution to shareholders   |                |                         |                 |        |                  |                       |                            |                  |                  | —                          | —                     |
| 3. Others   |                |                         |                 |        |                  |                       |                            |                  |                  | —                          | —                     |
| (IV) Internal transfer of shareholders' equity                                      | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | —                          | —                     |
| 1. Capitalization of capital reserves   |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| 2. Capitalization of surplus reserves   |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| 3. Surplus reserves for making up losses  |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| 4. Others   |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| (V) Special reserves  | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | —                          | —                     |
| 1. Transfer for the year  |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| 2. Utilised during the year   |                |                         |                 |        |                  |                       |                            |                  |                  |                            | —                     |
| (VI) Others   |                |                         |                 |        | 2,057,101.93     |                       |                            |                  |                  |                            | 2,057,101.93          |
| <b>IV. Balance at the end of the year</b>   | 243,000,000.00 | —                       | —               | —      | 31,229,290.96    | —                     | 23,771.40                  | —                | 34,601,238.65    | 114,824,121.05             | 423,678,422.06        |

**Zhang Yunxia**  
Director

**Dong Weiping**  
Director

**Zhang Yunxia**  
Legal Representative

**Xu Yueming**  
Chief Financial Officer

**Tang Rongxun**  
Head of Financial Section



# STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2014

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

| Item  | Share capital  | Other equity instrument |                 |        | Capital reserves | Last year             |                            | Special reserves | Surplus reserves | Undistributed profits | Total Shareholders' equity |
|---|----------------|-------------------------|-----------------|--------|------------------|-----------------------|----------------------------|------------------|------------------|-----------------------|----------------------------|
|   |                | Preference share        | Perpetual bonds | Others |                  | Less: Treasury shares | Other comprehensive income |                  |                  |                       |                            |
| <b>I. Balance at the end of last year</b>   | 243,000,000.00 |                         |                 |        | 25,905,272.45    |                       | 11,875.37                  |                  | 34,601,238.65    | 153,608,403.62        | 457,126,790.09             |
| Add: Changes in accounting policies   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| Correction of errors in previous periods  |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| Others  |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| <b>II. Balance at beginning of year</b>   | 243,000,000.00 | —                       | —               | —      | 25,905,272.45    | —                     | 11,875.37                  | —                | 34,601,238.65    | 153,608,403.62        | 457,126,790.09             |
| <b>III. Changes (increase/decrease) for the year (decrease is denoted in "0")</b> | —              | —                       | —               | —      | 3,266,916.58     | —                     | (9,527.61)                 | —                | —                | (28,816,172.54)       | (25,558,783.57)            |
| (I) Total comprehensive income  |                |                         |                 |        |                  |                       | (9,527.61)                 |                  |                  | (16,666,172.54)       | (16,675,700.15)            |
| (II) Contribution from shareholders and reduction of capital                      | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | —                     | —                          |
| 1. Ordinary share contributed by shareholders                                     |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 2. Capital contribution by holders of other equity instrument                     |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 3. Amount of share-based payment included under shareholders' equity              |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 4. Others   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| (III) Profit appropriation  | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | (12,150,000.00)       | (12,150,000.00)            |
| 1. Transfer to surplus reserves   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 2. Distribution to shareholders   |                |                         |                 |        |                  |                       |                            |                  |                  | (12,150,000.00)       | (12,150,000.00)            |
| 3. Others   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| (IV) Internal transfer of shareholders' equity                                    | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | —                     | —                          |
| 1. Capitalization of capital reserves   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 2. Capitalization of surplus reserves   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 3. Surplus reserves for making up losses  |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 4. Others   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| (V) Special reserves  | —              | —                       | —               | —      | —                | —                     | —                          | —                | —                | —                     | —                          |
| 1. Transfer for the year  |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| 2. Utilised during the year   |                |                         |                 |        |                  |                       |                            |                  |                  |                       | —                          |
| (VI) Others   |                |                         |                 |        | 3,266,916.58     |                       |                            |                  |                  |                       | 3,266,916.58               |
| <b>IV. Balance at the end of the year</b>   | 243,000,000.00 | —                       | —               | —      | 29,172,189.03    | —                     | 2,347.76                   | —                | 34,601,238.65    | 124,792,231.08        | 431,568,006.52             |

**Zhang Yunxia**  
Director

**Dong Weiping**  
Director

**Zhang Yunxia**  
Legal Representative

**Xu Yueming**  
Chief Financial Officer

**Tang Rongxun**  
Head of Financial Section

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## I. BASIC INFORMATION OF THE COMPANY

Powerleader Science & Technology Group Limited (hereinafter referred to as the “Company”, referred to as the “Group” together with its subsidiaries, formerly known as Shenzhen Powerleader Science & Technology Group Limited). It was established in 1997 in Shenzhen as a limited liability company and was reformed to a joint stock company as a whole in 2001. It has obtained the business licence for enterprise legal person of registration number 440301501122438. The registered capital was RMB243 millions. The legal person representative is Zhang Yunxia. The registered address is Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen. The principal place of business is Powerleader Science & Technology Park, 3 Guanyi Road, Guanlan Hi-Tech Industrial Park, Longhua New District, Shenzhen and Unit 105, 1/F, Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

Upon approval Jianguohezi [2002] No.10 “Reply and Approval on the agreement to overseas listed foreign shares issuance by Shenzhen Powerleader Science & Technology Co., Limited” dated 13 May 2002 from China Securities Regulatory Commission, the Company made an overseas initial public offering of 220,000,000 ordinary shares (H shares) of RMB0.1 each at the offer price of HK\$0.28 per share. The shares were listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (Stock name: “POWERLEADER”; stock code: 08236) on 12 December 2002. After the initial public offering, the original 66,000,000 ordinary shares of the Company of RMB1 each were split into 660,000,000 shares of RMB0.1 each, comprising 532,290,000 domestic non-tradable natural person shares; and 127,710,000 domestic non-tradable legal person shares. The Company’s total share capital was 880,000,000 shares upon issuance.

The proceeds received by the Company by the issuance of overseas listed foreign H shares was RMB50,774,000, PricewaterhouseCoopers Zhong Tian CPAs Limited Company issued a capital verification report Puhuyongdaoyanzi [2003] No.28 in January 2003.

Upon approval Zhengjianguohezi [2004] No.23 “Reply and approval on the agreement to additional overseas listed foreign shares issuance by Shenzhen Powerleader Science & Technology Co., Limited” dated 28 June 2004 from China Securities Regulatory Commission, the Company issued 23 million H shares to the public by way of capital increase issuance on 14 April 2005. The share capital changed to RMB90,300,000 upon the capital increase issuance. The above-mentioned capital change was verified by Shenzhen Pengcheng Certified Public Accountants Co. Ltd. with a capital verification report Shenpengsuoyanzi [2005] No.073 dated 30 May 2005.

Upon consideration and approval at the Extraordinary General Meeting of the Company on 8 October 2007, the registered capital of the Company was increased by RMB135.45 million by capitalizing capital reserves and undistributed profits. The registered capital after such change was RMB225.75 million. The above-mentioned capital injection was verified by ShineWing Certified Public Accountants Shenzhen Branch with a capital verification report (XYZH/2007SZATS050-2).

Pursuant to the general mandate granted to the Board to issue shares pursuant to a special resolution passed at the Annual General Meeting held on 20 May 2010, the Board resolved to issue 451.5 million shares to the public, representing 20% of the shares issued as at 20 May 2010. On 28 January 2011, the Company entered into agreements with Shenzhen Jinbo Litong Investment Partnership (Limited Partnership), Shenzhen Jiachong Joint Investment Partnership (Limited Partnership) and Shenzhen Shizhi Zhengli Investment Partnership (Limited Partnership) to issue 72.5 million shares, 50 million shares and 50 million shares respectively to these three companies, which was 172.5 million shares in aggregate at the variable issuance price of RMB0.25 per share. The above-mentioned capital increase had been verified by Shenzhen Sijie Certified Public Accountants (General partnership) with a capital verification report Sijieyanzi [2011] No. A21612. The procedures for industrial and commercial registration change were completed on 25 November 2011.

Upon approval (document Shenjingmaoxinxizi [2012] No.1448) from Economy, Trade and Information Commission of Shenzhen Municipality, Beijing Alice Anderson Technology Development Limited and Shenzhen Luheng Technology Limited transferred their 5.17% and 1% of shareholdings in the Company respectively to Tianjin Chengbai Equity Investment Partnership (Limited Partnership) on 18 September 2012. The procedures of industrial and commercial registration change were completed on 29 October 2012.

Upon approvals at the extraordinary general meeting, H share class meeting and domestic share class meeting on 11 November 2013, every 10 shares of the Company of RMB0.10 each were consolidated into 1 share of RMB1.00 each.

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## I. BASIC INFORMATION OF THE COMPANY *(continued)*

As of 31 December 2014, the total share capital of the Company was 243 million shares of RMB1.00 each, comprising 182.25 million restricted shares, accounted for 75% of the total capital, and 60.75 million non-restricted shares, accounted for 25% of the total capital. The capital structure was as follows:

Expressed in: RMB'000

| Company Name   | Amount            | Shareholding Percentage (%) |
|--|-------------------|-----------------------------|
| Shenzhen Powerleader Investment Holdings Limited                     | 102,184.50        | 42.05                       |
| Shenzhen Hengtong Dayuan Electronic Limited                          | 23,958.00         | 9.86                        |
| Harbin Century Longxiang Science & Technology Development Limited    | 15,963.750        | 6.57                        |
| Tianjin Chengbai Equity Investment Partnership (Limited Partnership) | 15,000.00         | 6.17                        |
| Shenzhen Luheng Technology Limited                                   | 7,893.75          | 3.25                        |
| Shenzhen Jinbo Litong Investment Partnership (Limited Partnership)   | 7,250.00          | 2.98                        |
| Shenzhen Jiachong Joint Investment Partnership (Limited Partnership) | 5,000.00          | 2.06                        |
| Shenzhen Zhizheng Lida Investment Partnership (Limited Partnership)  | 5,000.00          | 2.06                        |
| Overseas listed foreign shares                                       | 60,750.00         | 25.00                       |
| <b>Total</b>   | <b>243,000.00</b> | <b>100.00</b>               |

The Company is a player in the computer industry, its principal business scope covers: computer software, hardware and interface devices; research and development of computer peripherals, production and sale of self-produced products; import and export business.

The controlling shareholder of the Company is Shenzhen Powerleader Investment Holdings Limited (hereinafter referred to as "Powerleader Holdings"). The ultimate controllers of the Group are Li Ruijie and Zhang Yunxia. The General Meeting is the sovereign body of the Company. It exercises its rights of resolution in respect of significant events such as operating directions, fund raising, investment and profit appropriations of the company in accordance with the laws. The Board is responsible to the General Meeting. It exercises its rights of making operation decisions in accordance with the laws. Managers are responsible for organizing and implementing the resolutions passed by the General Meeting and Board Meeting and are in charge of the management of production and operations.

The Group has set up 14 functional departments, namely, the President Office, the General Management Center, the Procurement Center, the Production Center, the R&D Center, the Marketing Center, the Products Center, the Branding Center, the Cloud Computing Software Application Center, the Finance Center, the Quality Management Department, the Enterprise Development Department, the Securities Investment Department and the Internal Audit Department.

## II. THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The scope of the consolidated financial statements of the Group covers 8 second-tier subsidiaries and 2 third-tier subsidiaries, including the Company, Powerleader Computing, Hong Kong Powerleader and Baotong Zhiyuan. Comparing to last year, the Company added a company, the Guangzhou Baoyun Information Technology Co., Ltd., due to new establishment and has removed, the Nanjing Powerleader Cloud Computing Technology Limited, Shenzhen Powerleader Communication Technology Limited (深圳市宝德通讯技术有限公司), due to decrease in shareholdings. For details of changes in the scope of consolidated financial statements, please see note VII, for details of subsidiaries fall within the scope of the consolidated financial statements, please see note VIII.1.

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

### 1. Basis for preparation

These financial statements have been prepared on a going concern basis based on transactions and events effectively incurred and in accordance with the "Accounting Standards for Business Enterprises" and relevant requirements (hereinafter collectively referred to as "ASBE" ) issued by the Ministry of Finance of the PRC and the "Regulation of the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (revised 2014)" 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, and on the basis of accounting policies and accounting estimates referred to in "IV. Principle accounting policies and accounting estimates" in these notes.

### 2. On-going concern

The Group has near-term profit-making history and is supported by financial resources. It is of the opinion that it is reasonable to prepare the financial statements on on-going concern basis.

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of Compliance to ASBE

The financial statements of the Group for the year 2014 are in compliance with the requirements of the ASBE and give a true and complete view on such information as the financial position of the Company and the Group as at 31 December 2014, and the operating results and cash flows for year 2014.

### 2. Accounting year

The accounting year runs with the Gregorian calendar which lasts from 1 January to 31 December.

### 3. Functional currency

The functional currency of the Group is Renminbi ("RMB").

The Group adopts RMB as the currency for the preparation of these financial statements.

### 4. Accounting treatments for business combination under common control and not under common control

Assets and liabilities acquired by the Group, as the combining party, in business combination under common control are measured at the carrying amount of the combined party in the consolidated statements of the ultimate controller as at the date of combination. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration of combination paid shall be adjusted against the capital reserves. If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

The identifiable assets, liabilities and contingent liabilities acquired in a business combination not under common control are measured at fair value as at the acquisition date. The cost of combination is the sum of the fair value of cash or non-cash assets paid, liabilities issued or assumed and equity securities issued by the Group to obtain the control of the acquiree as at the acquisition date, and various directly related expenses incurred in the business combination (for business combination achieved through multiple transactions by phases, the combination cost of which is the sum of the cost of each individual transaction). Where the cost of combination exceeds the fair value attributable to the identifiable net asset of the acquiree acquired in the combination, the difference is recognised as goodwill, where the cost of combination is less than the fair value attributable to the identifiable net asset of the acquiree acquired in the combination, the fair value of each identifiable assets, liabilities and contingent liabilities acquired in the combination and the fair value of the non-cash assets or equity securities issued in the consideration of the combination shall be reassessed first, where the combination cost is still less than the fair value attributable to the identifiable net asset of the acquiree acquired in the combination after reassessment, the difference is included in the consolidated non-operating income for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 5. Preparation methods of consolidated financial statements

The Group includes all subsidiaries and structured entities under its control into the consolidated financial statements.

In preparing the consolidated financial statements, for any inconsistency in the accounting policies or the accounting periods between the subsidiaries and Company, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies or accounting period of the Company as necessary.

In preparing the consolidated financial statements, all significant intra-group transactions, intra-group balance and unrealized profits within the scope of consolidation are eliminated. The share of the owners' equity of the subsidiaries not attributable to the parent company and net profits and losses for the current period, other comprehensive income and the share of the total comprehensive income attributable to the minority interest are presented under the "minority interest, profit or loss attributable to minority shareholders, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders" items in the consolidated financial statements, respectively.

For subsidiaries acquired under a business combination under common control, the operating results and cash flows are included into the consolidated financial statements at the beginning of the period of combination. In preparing the consolidated financial statements for comparison, adjustments are made to relevant items of the financial statements of the prior year, as if the reporting subject resulted from the combination has been in existence from the point of time which control of the ultimate controller begins.

For subsidiaries acquired under a business combination not under common control, the operating results and cash flows are included into the consolidated financial statements from the date which the Group obtained control. In preparing the consolidated financial statements, adjustments are made to the financial statements of the subsidiaries on the basis of the fair value of each identifiable assets, liabilities and contingent liabilities as determined as at the acquisition date.

For disposal of long-term equity investment in a subsidiary in part without losing control, the difference between the disposal consideration and the portion of net assets attributable to the disposed long-term equity investment in the subsidiary as accrued from the date of acquisition or combination, is adjusted against the capital premium or share capital premium, If the capital reserves are insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

### 6. Classification of joint arrangements and accounting treatment for joint operations

The joint arrangements of the Group are comprised of joint operations and joint ventures. For joint operation items, the Group, as a joint operator to the joint operation, shall recognise assets held and liabilities assumed individually, and recognise its share of attributable assets held and liabilities assumed and recognise income and expenses on individual basis or in proportion to its attributable share as agreed. For purchase and sale incurred in the joint operation which does not constitute an asset transaction of the operation, only the portion of the profits and losses attributable to the other participating parties of the joint operation arising from such transaction is recognized.

### 7. Cash and cash equivalents

Cash in the Group's cash flow statement represents cash on hand and deposits readily available for payments, and cash equivalents in the cash flow statement represent investment with holding period of 3 months or below, which is highly liquid, readily convertible to known amounts of cash and is subject to insignificant risk of change in value.

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 8. Foreign currency business and translation of foreign currency financial statements

Foreign currency amounts in the foreign currency transactions of the Group are translated into RMB amounts at fixed exchange rate (US\$ converted to RMB at 1:6.2, HK\$ converted to RMB at 1:0.8 for the year 2014).

As at the balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate prevailing as at the balance sheet date. Translation differences arising thereon are directly included in the profit and loss for the current period, except exchange differences arising from specific foreign currency borrowings for the purchase or construction or production of asset qualifies for capitalisation are treated by the principle of capitalization. Non-monetary items in foreign currency measured at historical cost shall continue to be measured at the functional currency at the spot exchange rate prevailing at the date of transaction. Non-monetary items in foreign currencies measured at fair value are translated at the spot exchange rate prevailing at the fair value determination date. Translation difference arising thereon are treated as changes in fair value and included in profit or loss for the current period or recognised as other comprehensive income and included in capital reserves.

### 9. Financial assets and financial liabilities

A financial asset or financial liability is recognised when the Group become a party to the contractual provision of a financial instrument.

#### (1) *Financial assets*

##### 1) *Classification, basis of recognition and methods of measurement of financial assets*

The Group classifies its financial assets into financial asset at fair value through profit or loss for the current period, held-to-maturity investment, receivables and available-for-sale financial assets by purposes of investment and economic substance.

Financial assets at fair value through profit or loss for the current period include held-for-trading financial assets and financial assets designated as financial assets at fair value through profit or loss for the current period at initial recognition. The Group classifies the financial asset as financial assets held for trading if one of the following conditions is satisfied: the financial asset is acquired for the purpose of selling in the near term; the financial asset is part of a group of identifiable financial instruments that are managed collectively and for which there is objective evidence of the adoption of a recent pattern of short-term profit-taking for the management of such group; or the financial asset is a derivative, but except for the derivatives designated as effective hedging instruments, the derivatives which are financial guarantee contracts, and the derivatives linked to and required to be settled through delivery of an equity instrument investment which is not quoted in an active market and the fair value of which cannot be reliably measured. The Group classifies a financial asset as financial asset at fair value through profit or loss for the current period on initial recognition only if it satisfies one of the following conditions: the classification eliminates or significantly reduces measurement or recognition inconsistencies of the related gains and losses resulted from different measuring basis of that financial instrument; the formal written documents of the Company for risk management or investment strategies specify that, the financial instrument group is managed and its performance is evaluated on a fair value basis and is reported to the key management personnel on that basis; it is a hybrid instrument containing one or more embedded derivatives, unless the embedded derivative does not impose significant influence to the cash flows of the hybrid instrument; or it is apparent that the embedded derivative(s) shall not be separated from the relevant hybrid instrument; it is a hybrid instrument that contains an embedded derivative that requires separation but cannot be separately measured on acquisition or at subsequent balance sheet dates. The financial assets designated by the Group as this class mainly include foreign currency option contracts. Such class of financial assets are subsequently measured at fair value. Changes in fair value are included as gain or loss resulting from changes in fair value; the interests or cash dividends obtained in the holding period of such assets are recognised as investment income; the difference between the fair value and initial amount accounted for is recognised as investment gains or losses and gain or loss resulting from changes in fair value are adjusted accordingly.



# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 9. Financial assets and financial liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 1) Classification, basis of recognition and methods of measurement of financial assets *(continued)*

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable recoverable amount that the Group has positive intention and ability to hold to maturity. Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method, its amortization or impairment and gain or loss arising from derecognition are included in profit or loss for the current period.

Receivables represent non-derivative financial assets with fixed or determinable recoverable amount that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and financial assets not classified as any other class at initial recognition. In which, an equity instrument investment that is not quoted in an active market, and the fair value of which cannot be reliably measured and a derivative financial assets that is linked to and required to be settled through delivery of such equity instrument is measured subsequently at cost; others which are quoted in an active market, or not quoted in an active market but the fair value of which can be reliably measured are measured at fair value, changes in fair value are included in other comprehensive income. This category of financial assets is subsequently measured at fair value, changes in fair value of available-for-sale financial assets are directly included in shareholders' equity, except impairment losses and exchange gains or losses arising from monetary financial assets denominated in foreign currency. The accumulated changes in fair value previously taken directly to equity are transferred to profit or loss for the current period upon derecognition of such financial asset. Interest of available-for-sale debt instruments investment accrued during the holding period on the basis of effective interest method, and the cash dividends related to the available-for-sale equity instrument declared to be distributed by the investee are included in profit or loss for the current period as investment gains. An equity instrument investment that is not quoted in an active market and the fair value of which cannot be reliably measured is measured at cost.

##### 2) Basis of recognition for transfer of financial assets and measurement method

A financial asset is derecognised if any one of the following conditions is satisfied: (1) the contractual rights to receive cash flows from such financial asset have ceased; (2) such financial asset has been transferred and substantially all risks and rewards incidental to the ownership of the financial asset have been transferred by the Group to the transferee; or (3) the financial asset has been transferred, the Group has given up its control of the financial asset although the Group has neither transferred nor retained substantially all risks and rewards incidental to the ownership of the financial asset.

Where an entity has neither transferred nor retained substantially all risks and rewards incidental to the ownership of the financial asset and has not given up its control of such financial asset, the relevant financial asset is recognized to the extent of its continuous involvement in the transferred financial asset, and relevant liabilities are recognised accordingly.

Where a transfer of financial asset in whole satisfies the derecognition conditions, the difference between the carrying amount of the transferred financial asset and the sum of consideration received for the transfer and accumulated changes in fair value previously recorded in other comprehensive income is included in profit or loss for the current period.

If a transfer of financial asset in part satisfies the derecognition conditions, the carrying amount of the entire financial asset is allocated between the part derecognised and the part that remains recognized in proportion to their respective relative fair values. The difference between the sum of the consideration received for the transfer and accumulated changes in fair value previously recorded in other comprehensive income which shall be allocated to the derecognised part and the above-mentioned carrying amount so allocated is recognised in profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 9. Financial assets and financial liabilities *(continued)*

#### (1) Financial assets *(continued)*

##### 3) Methods of impairment test and accounting treatment of financial assets

Other than financial assets at fair value through profit or loss for the current period, the Group reviews the carrying amount of other financial assets at balance sheet dates. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.

#### (2) Financial liabilities

##### 1) Classification, basis of recognition and measurement of financial liabilities

At initial recognition, financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss for the current period and other financial liabilities.

Financial liabilities at fair value through profit or loss for the current period, including held-for-trading financial liabilities and financial liabilities designated as financial liabilities at fair value through profit or loss for the current period at initial recognition. They are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest expenses related to such financial liabilities are recognized in profit or loss for the current period.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### 2) Conditions for derecognition of financial liabilities

When the present obligations of a financial liability are released in whole or in part, such financial liability is derecognised to the extent of the obligations released. Where a company signed an agreement with its creditor to replace an existing financial liability by assuming a new financial liability with contractual terms substantively differ from the existing financial liability, the existing financial liability is derecognised while the new financial liability is recognised. Where a company substantively revises in whole or in part the contractual terms of an existing financial liability, the existing financial liability is derecognised in whole or in part, while the financial liability with revised terms is recognised as a new financial liability. The difference between the carrying amount of the derecognised part and the consideration paid is included in the profit or loss for the current period.

##### 3) Method for fair value determination of financial assets and financial liabilities

The fair value of financial assets and financial liabilities of financial assets at fair value through profit or loss for the current period of the Group are measured at prices in the principle market, the fair value of financial assets and financial liabilities are measured at prices in the most favourable market and by using appropriate valuation technique at the time supported by adequate available data and other information if there is no principle market. Inputs used in the measurement of the fair value are in three hierarchies, namely, level 1 inputs are unadjusted quoted price of the same asset or liability in an active market available at the date of measurement; the level 2 inputs are direct or indirect observable inputs of the relevant asset or liability apart from level 1 inputs, the level 3 inputs level are unobservable inputs of the relevant asset or liability. The Group adopts these inputs in the sequence of level 1 to level 3. The Group adopts level 2 inputs for foreign currency option contracts. The level of fair value measurement is determined by the lowest level inputs which are significant to the measurement of fair value as a whole.

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 10. Provision for bad debts of receivables

Receivables comprise (among others) accounts receivable and other receivables. Accounts receivable derived from external sale of goods or rendering of services are initially recognised at fair value of the contractual or agreed price due from the buyers or service recipients.

The Group takes the follow circumstances as the criteria for recognition of loss on bad debts in respect of receivables: a debtor is dissolved, has entered into bankruptcy, insolvent, seriously illiquid, or has incurred production interruption due to natural disaster and is unable to serve the debts in a foreseeable period; or the debtor has defaulted for more than 1 years; or when there are obvious evidences indicating that the debts are irrecoverable or the recoverability is remote.

Provision for probable bad debts is accounted for using allowance method, which is tested for impairment on individual basis or in groups at the end of the year, for which provision for bad debts is made and recognised in the profit or loss for the current period. When there is conclusive evidence indicating that the receivables are irrecoverable, it is written off against the allowance account as loss on bad debt upon approval by the Group according to required procedures.

Impairment losses of receivables are assessed both on individual basis and in groups.

#### **(1) Receivables that are individually significant for which provision for bad debts are individually made**

Basis for determination of provision or amount of individually significant amount

Individual receivables of over RMB5 million are regarded as significant receivables

Provision method for amount that is individually significant for which provision for bad debts is individually made

Provision for bad debts is made in respect of the shortfall of its present value of future cash flows from its carrying amount

#### **(2) Receivables for which provision for bad debts are collectively made on the basis of credit risk characteristics**

##### **Basis for determination of groups**

Age group

Credit risk characteristics groups classified by age of the receivables

Related party group

Credit risk characteristics groups classified by relationships of the receivables and the parties to transaction

Collateral group

Credit risk characteristics groups classified by nature of the receivables

Long-term strategic co-operative enterprise group

Credit risk characteristics groups classified by relationships between the receivables and the parties to transaction

##### **Provision method for bad debts collectively made**

Aged group

Provision for bad debts made on the basis of aging analysis method

Related party group

Not provided for in general

Collateral group

Not provided for in general

Long-term strategic co-operative enterprise group

Provided for according to certain percentage of the age

## NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 10. Provision for bad debts of receivables *(continued)*

##### (2) *Receivables for which provision for bad debts are collectively made on the basis of credit risk characteristics (continued)*

1) *Percentage of provision for bad debts of receivables made by aging analysis method:*

| Age             | Percentage of provision to accounts receivable (%) | Percentage of provision to other receivables (%) |
|-----------------|--|--|
| Within 3 months | 0  | 0  |
| 3 months–1 year | 5  | 5  |
| 1–2 years       | 20   | 20   |
| 2–3 years       | 40   | 40   |
| 3–4 years       | 60   | 60   |
| 4–5 years       | 80   | 80   |
| Over 5 years    | 100  | 100  |

2) *Provision for bad debts of receivables made by other method:*

|  |   |
|--|---|
| Related party group                              | Bad debts are not provided for in general for related parties which have special relationship with the Group, such as joint operations and associates (among others) where the difference between the present value of future cash flows and the carrying amount is expected to be insignificant. |
| Deposit group                                    | Bad debts are not provided for in general for (among others) rental deposits, procurement deposits and petty cash where the difference between the present value of future cash flows and the carrying amount is expected to be insignificant.  |
| Long term strategic cooperative enterprise group | 1% for those aged 3 months to 1 year; 2% for those aged 1 to 2 years; 5% for those aged 2 to 3 years  |

##### (3) *Receivables that are individually insignificant but for which provision for bad debts were individually made*

|  |  |
|--|--|
| Reason for bad debts provision individually made | Receivables that are individually insignificant and bad debts provision collectively made cannot reflect the credit risk characteristics |
| Method of provision for bad debts                | Provision for bad debts is made on the basis of the shortfall of its present value of the future cash flows from its carrying amount     |

#### 11. Inventories

The inventories of the Group mainly include (among others) raw materials, goods sold, finished goods stocks, packaging materials and low-value consumables.

The perpetual inventory system has been adopted. Inventories are accounted for at effective cost as acquired. In respect of utilization or delivery of inventories, cost is determined by first-in-first-out method, weighted average method or specific identification method respectively according to business characteristics. Low value consumables and packaging materials are amortised by one-time written off.

Net realizable value of inventory of goods directly held for sale, such as finished goods, construction in progress or held for sale materials, are determined by the estimated selling price less estimated selling expenses and related taxes. Net realizable value of material inventories held for production are determined by the estimated selling price of finished goods produced thereof less the estimated cost to completion, estimated selling expenses and related taxes and levies.

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 12. Long-term equity investments

Long-term equity investments of the Group mainly represent investments in subsidiaries, investments in associates and investment in joint ventures.

The Group's determination on joint-control is based on a collective control over an arrangement by all participating parties or party groups, and the policies of related activities of such arrangement are subject to unanimous agreement by the participating parties collectively controlling the arrangement.

The Group is generally considered to exercise significant control over an investee where more than 20% (including 20%) but less than 50% of voting rights in the investee is owned directly by the Group or indirectly through a subsidiary. For voting rights below 20% held in the investee, the significant influence over the investee is determined by a comprehensive consideration of facts and circumstances such as the representation in the Board of Directors or similar governing bodies in the investee, involvement in the formulation of financial and operation policies of the investee, material transactions entered into with the investee, secondment of members of management to the investee, or the provision of critical technological information to the investee.

An investee is a subsidiary of the Group if control exists. For long term equity investment acquired in a business combination under common control, the carrying amount of attributable net asset of the combined party in the consolidated statements of the ultimate controller as at the date of combination are accounted for as the initial investment cost of long term equity investment. Where a negative net asset value of the combined party as at the date of combination is recorded, the long term equity investment cost is determined as zero.

For a long term equity investment acquired in a business combination not under common control, the initial investment cost is the cost of combination.

Apart from long term equity investment acquired by business combination as mentioned above, for long term equity investment acquired by cash payment, investment cost is measured at the purchase consideration effectively paid; for the long term equity investment acquired by equity securities issuance, the investment cost is measured at the fair value of the equity securities issued; for long term equity investment injected by an investor, the investment cost is measured at the value as agreed in the investment contract or agreement.

The Group adopts the cost method to account for investment in subsidiaries, and adopts the equity method to account for investment in joint ventures and associates.

For subsequent measurement of long term equity investment accounted for by cost method, the carrying amount of the cost of such long term equity investment is increased by the fair value of the cost paid for the additional investment and related transaction expenses incurred in respect of subsequent additional investment. The cash dividends or profit declared to be distributed by the investee are recognized as investment income for the current period at its attributable share.

For subsequent measurement of long term equity investment accounted for by equity method, the carrying amount of the long term equity investment is increased or decreased according to the changes in owners' equity in the investee. In which, the attributable net profit or loss in the investee is recognized on the basis of the fair value of various identifiable assets in the investee at the time of acquisition and in accordance with the accounting policies and accounting period of the Group, based on the share attributable to the investee as calculated according to shareholdings, after elimination of the profit or loss for intra-group transactions with associates and joint ventures and after adjustment to the net profits of the investee.

In a disposal of long term equity investment, the difference between its carry amount and the consideration actually obtained is included in the income for the current period. For long term equity investment accounted for by equity method, the other changes in the owners' equity apart from net profit or loss of the investee included in the owners' equity, the portion previously included in the owners' equity is transferred to investment gain or loss for the current period at the disposal of such investment.

## NOTES TO THE FINANCIAL STATEMENTS

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### IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

#### 13. Investment properties

The investment properties of the Group include leased buildings and structures, which is measured by the cost model.

The depreciation or amortization of the investment properties of the Group is provided for using straight line method. The expected useful life, residual value rate and annual depreciation (amortization) rate is set out as below:

| Type                     | Depreciation Life (year) | Estimated Residual Rate (%) | Annual Depreciation Rate (%) |
|--------------------------|--------------------------|-----------------------------|------------------------------|
| Buildings and structures | 20–50                    | 5.00                        | 1.90–4.75                    |

#### 14. Fixed Assets

Fixed assets are the tangible assets with all of the following characteristics, namely, held for the production of goods, provision of services, lease or operation management with over one year of useful life.

Fixed assets are recognised when the related economic benefits are likely to flow to the Group and the cost can be reliably measured. Fixed assets include buildings and structures, plants and machinery, transportation equipment, office appliances and others.

Depreciation for all fixed assets is provided for by the Group, except for the fully depreciated fixed assets remained in use. Depreciation is provided for on straight line basis. Set forth below are the life of depreciation, estimated residual value rate and depreciation rate by types:

| No. | Type                     | Life of Depreciation (year) | Estimated residual value rate (%) | Annual Depreciation Rate (%) |
|-----|--------------------------|-----------------------------|-----------------------------------|------------------------------|
| 1   | Buildings and structures | 20–50                       | 5.00                              | 1.90–4.75                    |
| 2   | Plants and machinery     | 5–10                        | 5.00                              | 9.50–19.00                   |
| 3   | Transportation equipment | 10                          | 5.00                              | 9.50                         |
| 4   | Office appliances        | 3–5                         | 5.00                              | 19.00–31.67                  |
| 5   | Other equipment          | 5                           | 5.00                              | 19.00                        |

The expected life of use, estimated net residual value and depreciation method are reviewed at the end of each year, changes, if any, is treated as changes in accounting estimates.

#### 15. Construction in progress

Construction in progress is carried forward to fixed assets from the date when it is ready for its intended use according to its project budget, project fee or actual project cost in the estimated amount and depreciated with effect from the next month onwards. Upon the completion of final account audit of the completed project, the previous temporary estimated value is adjusted in accordance with the actual costs, except that no adjustment is required for the depreciation and amortization previously provided for.



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## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 16. Borrowing cost

Borrowing costs which can be directly attributed to (among others) a fixed asset, an investment property and inventory which require more than one year of procurement, construction or production activities before it is ready for its intended use or ready for sale, begin capitalization as the expense for assets incurred, the borrowing costs incurred and when the procurement, construction or production activities necessary to get the assets ready for its intended use or is ready for sale begin. Capitalization ceases when an asset qualifying for capitalization under procurement, construction and production is ready for its intended use or is ready for sale, the subsequent borrowing costs incurred are included in the profit or loss for the current period. If abnormal interruption occurs for the asset qualifying for capitalization during the courses of procurement, construction and production, and the period of interruption lasts for over 3 months, the capitalization of the borrowing cost would be suspended until the procurement, construction or production activity of such assets resumes.

The interest expenses of special borrowings actually incurred for the current period are capitalised after deduction of interest income obtained by the unutilized borrowings deposited in banks or the investment income obtained from temporary investment; the capitalization amount of general borrowings is determined by the weighted average of the excess of the accumulated asset expenses over the asset expenses of special borrowings and multiplied by the capitalization rate of the utilized general borrowings. The capitalization rate is calculated and determined according to the weighted average interest rate of the general borrowings.

### 17. Intangible assets

The intangible assets of the Group include (among others) land use rights, computer software and R&D software, which are measured at the actual acquisition cost, in which, the actual costs of the intangible assets purchased are determined as the actual consideration paid and other related expenses; research and development expenditures at development phase that satisfy capitalization conditions of intangible assets derived from internal R&D are recognized as actual costs.

Land use rights are amortized evenly over its granted period from the starting date of its grant. Computer software is amortised by phases evenly over the shortest of the estimated useful life, the life eligible for benefit as required by the contract and the valid life as required by law from the date of commencement of use. Intangible assets derived from proprietary R&D are amortized evenly over 3 years. The amortization amount is included under the costs of relevant asset and in the profit or loss for the current period on the basis of its beneficiary. The expected useful life and amortization method of an intangible asset with definite useful life is reviewed at the end of each year, changes, if any, is treated as changes in accounting estimates.

The main research and development items of the Group include server management software.

The R&D projects of the Group adopt the technical benchmark of "Project establishment of a product and the identification of components and materials" as set out in the feasibility research report as the criterion to differentiate research stage and development stage.

Research stage related expenses are expensed and included under profit or loss for the period as incurred.

Capitalization of the development stage expenses is conditional on all of the below conditions: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate economic benefits, including the evidence of using such intangible asset to produce product; the availability of adequate technical, financial and other resources to complete the development of and the ability to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

# NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 18. Impairment of long term assets

The Company assesses items such as long term equity investments, investment properties, fixed assets, construction in progress measured by cost model, intangible assets with definite life, the Company conducts impairment test where there is any indication of impairment. Intangible assets with indefinite goodwill and useful life are tested at the end of each year for impairment, whether indication of impairment exist or not.

The recoverable amount of each asset refers to the higher of the net amount of the fair value of the asset less the disposal expenses and the present value of the expected future cash flows of the asset. Provision for impairment of asset is calculated and recognized on the basis of individual asset, where it is impossible to estimate the recoverable amount of individual asset, the recoverable amount of the asset group is determined by the asset group which such asset belongs to. Asset group is the smallest asset unit that generates cash inflow separately.

If the carrying amount of such asset exceeds its recoverable amount after impairment test, the difference is recognised as impairment losses. The above impairment losses is irreversible in the subsequent accounting period once recognized.

### 19. Long term prepayments

Long term prepayments of the Group are mainly decoration fees. Such fees are amortised evenly over the period eligible for benefit. If a long term prepayment item is not eligible for benefit in the subsequent accounting periods, the unamortised amount of such item is transferred fully to the profit or loss for the current period. The amortized period of decoration fee is 3 years.

### 20. Employee Remunerations

The employee remunerations of the Group includes short-term remunerations and post employment benefits.

Short-term remunerations mainly include employee salaries and bonuses, the short-term remunerations effectively incurred are recognised as liability during the accounting period in which the employee provides services, and include in the profit or loss for the current period or the costs of relevant assets according to beneficiaries.

Post-employment benefits mainly include (among others) basic pension premium and unemployment insurance, which are classified into defined contribution scheme according to the risks and obligations assumed by the Company. The contributions to the defined contribution scheme paid to separate subject in exchange for the services provided by an employee during the accounting period as at the balance sheet date are recognised as liabilities and are include in the profit or loss for the current period or the cost of relevant assets according to beneficiaries.

### 21. Provisions

Where an activity related to a contingent event, such as external security, commercial acceptance note discounting, pending litigation or arbitration and product quality warranty satisfy all of the following criteria, the Group recognizes them as liabilities: such obligation is an obligation currently assumed by the Group; the performance of such obligation is likely to result in corporate economic benefit outflow; the amount of such obligation can be reliably measured.

As at the balance sheet date, provision is measured after taking into account such factors as the risks, uncertainties and the time value of money associated with the contingencies, based on the best estimate of the expenses required for discharging the relevant present obligations. If the effect of time value of money is significant, the best estimate is determined as the amount after discounting the expected future cash outflow.

Where expenses required for the settlement of the provision are expected to be compensated by third party in whole or in part, the compensation amount is recognized separately as assets to the extent of the carrying amount of such provision when its recoverability is basically probable.

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## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 22. Share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees as at the grant date. If the exercise of rights is subject to completion of services for the vesting period or satisfaction of required performance conditions, the amount of such fair value is included under relevant cost or expenses during the vesting period using straight line method based on the best estimate of the amount of the exercisable equity instrument, and the capital reserves are credited accordingly.

Cash-settled share-based payments are measured at the fair value of liabilities determined on the basis of Shares or other equity instruments assumed by the Group. For those vested immediately upon the grant, the fair value of the liabilities assumed as at the date of grant are charged to relevant costs or expenses and the liabilities are increased accordingly. For those vested upon completion of services for the vesting period or fulfilment of performance conditions, the Group charges the services obtained in the current period to costs or expenses at each balance date during the vesting period based on the best estimate of vesting conditions and according to the fair value of the liability assumed by the Group and adjusts the liabilities accordingly.

At each balance sheet date or period end date before the settlement of relevant liabilities, the fair value of liabilities are remeasured with respective changes included in the profit or loss for the current period.

If the Group cancelled the granted equity instrument during the vesting period (other than cancellations due to non-fulfilment of the vesting conditions), it is deemed as accelerated vesting, as if all vesting conditions of the equity-based payment scheme during the remaining vesting period have been fulfilled, all expenses of the remaining vesting period are recognised during the period of cancellation of such equity instrument granted.

### 23. Recognition and measurement of revenue

The revenue of the Group mainly included revenue from sale of goods, rendering of services and transferring of asset use rights. The policies of revenue recognition are as follows:

#### (1) Revenue from sales of goods

Sale of goods is recognised when substantial risks and rewards incidental to the ownership of the goods have been transferred to the purchaser; the Group retains neither continuous managerial involvement generally commensurate with the degree of ownership nor exercises effective control over the goods sold; the amount of revenue can be reliably measured; it is probable that the related economic benefits will flow to the Company; and the related costs that have been or will be incurred can be reliably measured.

Particulars of revenue recognition are as follows:

- 1) Recognised upon acknowledgement of receipt of the products: Revenue is recognised when products have been delivered and has obtained the signed acknowledgement receipt from the recipient specified by the customer and the cost of the product delivered can be reliably measured.
- 2) Recognised upon inspection and receipt of the products: Revenue is recognised when the product operates normally after installation and testing; "inspection and acceptance slip" is signed by both parties; and the cost of the product delivered can be reliably measured

#### (2) Revenue from provision of services

The services rendered by the Group are technical services and maintenance services. Revenue from provision of technical services is recognised according to the agreed contractual terms when the technical services are rendered and invoices are issued. Revenue from provision of repair services are recognised when the repair services are rendered and the relevant product are delivered to the customer.

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(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 23. Recognition and measurement of revenue *(continued)*

#### (3) Revenue from transfer of assets use rights

Realization of revenue from transfer of asset use rights is recognised when it is probable that the associated economic benefits will flow to the Group and the amount of revenue can be reliably measured. In particular, rental income from investment properties and fixed assets are recognized over the lease term as agreed in the lease contract.

### 24. Government grants

The Group's government grants include (among others) special subsidy for research and development project, special industrial funds, special incentives for intellectual property rights and drawback VAT.

Where a government grant is in the form of monetary asset, it is measured at the actual amount received. Where a grant is made on the basis of fixed amount or there are conclusive evidence at the end of the year that the relevant conditions stipulated by the financial support policies are satisfied and it is expected the funds for financial support will be received, it is measured at the receivable amount. Where a government grant is in the form of non-monetary asset, it is measured at fair value. If the fair value cannot be determined reliably, it is measured at a nominal amount of RMB1.

Special subsidy for research and development project represents government grant associated with revenue, which is used for the compensation of related expenses or losses in subsequent periods, is recognized as deferred income and included in profit or loss for the period during the period of recognition of relevant expenses. Special industrial funds and special incentives for intellectual property rights used to compensate relevant expenses and losses incurred are directly included in profit or loss for the period.

### 25. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognised based on the difference between tax bases and carrying amounts of assets and liabilities (temporary differences). Deferred income tax asset is recognized for the deductible losses and tax credit that are deductible against taxable profit in subsequent years in accordance with the requirements under tax laws. No deferred tax liability is recognized for temporary difference arising from initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for a temporary difference arising from initial recognition of asset or liability due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates for the period when the asset is expected to be realized or the liability is expected to be settled.

Deferred income tax assets arising from deductible temporary difference are recognised to the extent that it is probable that taxable profit will be available to deduct from the deductible temporary difference.

### 26. Repurchase of the Company's shares

Where the Company files for and being approved of a reduction of share capital by way of repurchase of shares of the Company in accordance with legal procedures, the share capital is reduced by the total par value of the cancelled shares. The difference between the consideration paid for the repurchase of shares (including the transaction costs) and the par value of the shares is adjusted against the owners' equity. The excess over the total par value is written down in the sequence of the capital reserves (share premium), surplus reserve and retained profits. The shortfall from the total par value is credited to capital reserves (share premium).

Shares repurchased by the Company are accounted for as treasury shares prior to cancellation or transfer, all expenditures arising from share repurchase are transferred to the cost of treasury shares.

In transferring treasury shares, the excess of proceeds from the transfer over the cost of treasury shares is credited to capital reserves (share premium); whereas the shortfall from the cost of treasury shares is written down in the sequence of capital reserves (share premium), surplus reserve and retained profits. Shares of the Company repurchased pursuant to the exercise of an incentive stock option are accounted for as treasury shares on the basis of total expenses of the share repurchase and are filed for inspection at the same time.

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(these notes to financial statements are presented in RMB unless otherwise specified)

## IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

### 27. Lease

The lease activities of the Group are operating leases.

Where the Group is the lessee of an operating lease, the rents are included in relevant costs of asset or profit or loss for the current period using straight line method over each period during the lease term.

### 28. Changes in Critical Accounting Policies and Accounting Estimates

#### (1) *Changes in critical accounting policies*

*Implementation of the revised and new standards promulgated by the Ministry of Finance in 2014*

In preparing the financial statements for 2013, the Group early adopted ASBE No. 9 — Employee Remuneration (revised), ASBE No. 30 — Presentation of Financial Statements (revised), ASBE No. 33 — Consolidated Financial Statements (revised), ASBE No. 39 — Fair Value Measurement and ASBE No. 40 — Joint Arrangement. In preparing the financial statements for 2014, the Group implemented the ASBE — Basic standard (revised), ASBE No. 2 — Long-term Equity Investments (revised), ASBE No. 37 — Presentation of Financial Instrument (revised) and ASBE No. 41 — Disclosure of Interests in Other Entities, comparative figures had also been restated according to the new accounting standards and their related interpretations and application guidelines. In particular, the material effect of changes in accounting policies to the financial statements in the reporting period are set out as below:

- ① According to ASBE No. 2 — Long-term Equity Investments (revised), for equity investment where a company does not exercise common control or significant influence on an investee, which is not quoted in an active market and its fair value cannot be reliably measured, the Group presents it under available for sale financial assets by the application of ASBE No. 22 — Recognition and measurement of financial assets.
- ② According to ASBE No. 30 — Presentation of Financial Statements (revised), the Group reclassified translation difference of financial statements denominated in foreign currencies previously presented in capital reserves to other comprehensive income, and reclassified deferred income previously presented in “other non-current liabilities” to “deferred income”, and made corresponding disclosures.
- ③ According to ASBE No. 41 — Disclosure of Interests in Other Entities, the Group made disclosures on equity interest in other entities. Please refer to note VIII for details.

Except for the above mentioned changes in accounting policies, other critical accounting policies remain unchanged during the reporting period. The total owners' equity was not affected by the influence of the above changes.

#### (2) *Changes in critical accounting estimates*

The critical accounting estimates of the Group have not been changed during the year.

## NOTES TO THE FINANCIAL STATEMENTS

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### V. TAXATION

#### 1. Enterprise Income Tax ("EIT")

Pursuant to the tax laws and regulations of the state, EIT of the Company and its domestic subsidiaries in China are charged at applicable tax rates on the taxable profits. Hong Kong profits tax of subsidiaries in Hong Kong are payable at the tax rate of 16.5% on the estimated taxable profits of the year.

The major categories of tax and tax rates applicable to the Group are as follows: (full name of subsidiaries are set out in Note VIII.1)

| Name of company       | Statutory tax rate in the place of operation | Effective tax rate |       | Tax incentive(s)  |
|-----------------------|--|--------------------|-------|---|
|                       |  | 2014               | 2013  |   |
| The Company           | 25%  | 15%                | 15%   | Entitled to tax incentive for "New and high technology Enterprises" in 2012, pursuant to which, EIT tax rate was reduced to 15%. Preferential period lasted from 2012 to 2014.  |
| Powerleader Computing | 25%  | 15%                | 15%   | Entitled to tax incentive upon passing the review of "New and high technology Enterprises" in 2014, pursuant to which EIT tax rate was reduced to 15% with an allowance for an extra 50% of research and development expenditures deductible from EIT. Preferential period lasts from 2014 to 2016.   |
| Baoteng Internet      | 25%  | 25%                | 25%   |   |
| Powerleader Software  | 25%  | 15%                | 12.5% | Entitled to tax incentive for "New and high technology Enterprises" from 2011 onwards, pursuant to which EIT tax rate was reduced to 15% with an allowance for an extra 50% of research and development expenditures to be deductible from EIT; and is entitled to a tax incentive of two years of full EIT exemption followed by three years of 50% tax rate reduction for enterprises engaging in software and IC designs, pursuant to which EIT is fully exempted for two years from 2009 onwards and followed by a 50% tax reduction in the next three years, pursuant to which, fully exemption is applicable in 2010, and 50% tax rate reduction is applicable from 2011 to 2013. The qualification of "New and high Technology Enterprises" had been renewed in 2014. Preferential period lasts from 2014 to 2016. |
| Powerleader Property  | 25%  | 25%                | 25%   | Levy by verification and assessment:<br>$Cost/(1-10%) \times 10\% \times 25\%$  |
| Baotong Zhiyuan       | 25%  | 25%                | 25%   |   |
| Research Institute    | 25%  | 25%                | 25%   |   |
| Hong Kong Powerleader | 16.5%  | 16.5%              | 16.5% | Applicable Hong Kong profits tax rate   |
| Ex-channel            | 16.5%  | 16.5%              | 16.5% | Applicable Hong Kong profits tax rate   |
| Binhai Powerleader    | 25%  | 25%                | 25%   |   |
| Guangzhou Baoyun      | 25%  | 25%                | 25%   |   |



# NOTES TO THE FINANCIAL STATEMENTS

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## V. TAXATION (continued)

### 2. Value added tax ("VAT")

The rate of output VAT on domestic sales for the Company and subsidiaries as general VAT tax payers is 17%. The input VAT, which is chargeable at 17% paid on purchase of raw materials can be offset against the output VAT on sales. The amount of VAT payable is the amount of output VAT netting off input VAT for the period.

The tax rate for information technology services at 6% is applicable to the income of Shenzhen Baoteng Internet Technology Limited, a subsidiary of the Company, from providing CDN acceleration service.

#### *Tax incentive*

In accordance with the requirements of "Notice of Ministry of Finance and State Administration of Taxation regarding VAT policy on software products" Caishui [2011] No. 100 and the notice of "Drawback VAT Administrative Measures for Software Products in Shenzhen" (No. 9 of 2011) issued by Shenzhen Municipal Office of SAT, Shenzhen Powerleader Software Development Limited, a subsidiary, holding various quality classification certificates of software products issued by the Science and Technology and Information Bureau of the Shenzhen municipality is qualified to be a software development enterprise and is chargeable for VAT at 17%. The excess of 3% over the effective tax liabilities is subject to the "drawback" policy.

### 3. Business tax

According to the tax laws and regulations of the State, 5% of business tax is payable by the Group on the taxable income from rendering of services.

### 4. Urban maintenance and construction tax, education surcharge and local education surcharge

According to the State's and local tax laws and regulations, urban maintenance and construction tax is charged at 7% of turnover tax payables, education surcharge is charged at 3% of turnover tax payables, local education surcharge is charged at 2% of turnover tax payables.

### 5. Property tax

Property tax on self-occupied properties of the Group is calculated at the applicable tax rate of 1.2% using the tax base of 70% of the initial cost of the properties; lease properties are taxable on the tax base of rental income at the applicable tax rate of 12%.

### 6. Land use tax

Land use tax is payable by the Group on the basis of actual area of land occupied. Land in Shenzhen City is charged at RMB21/square meter; land in Guanlan High-Tech Park, Longhua New District, Shenzhen is charged at RMB3/square meter.

## NOTES TO THE FINANCIAL STATEMENTS

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, for the financial statement data as disclosed below, "opening" means at 1 January 2014; "closing" means at 31 December 2014; "this year" means 1 January to 31 December 2014, "last year" means 1 January to 31 December 2014 the currency unit is expressed in RMB.

#### 1. Cash and cash equivalents

| Item                                      | Closing balance       | Opening balance       |
|---|-----------------------|-----------------------|
| Cash                                      | 588,977.86            | 573,590.67            |
| Bank deposits                             | 380,567,387.76        | 331,345,622.86        |
| Other cash and cash equivalents           | 84,729,307.40         | 38,525,202.04         |
| <b>Total</b>                              | <b>465,885,673.02</b> | <b>370,444,415.57</b> |
| Including: total deposits placed overseas | 90,808,700.56         | 55,923,742.51         |

As at the end of 2014, the restricted cash and cash equivalents of the Group were RMB84,729,307.40 (opening balance: RMB38,525,202.04), which were guarantee deposits pledged to banks for issuing letters of credit and facilities guarantee deposits for utilizing letters of credit beyond certain limit in "other cash and cash equivalents".

Particulars of restricted cash and cash equivalents:

| Nature of accounts                       | Closing balance      | Opening balance      |
|--|----------------------|----------------------|
| Guarantee deposits for letters of credit | 60,419,861.93        | 35,476,752.04        |
| Facilities guarantee deposits            | 24,309,445.47        | 3,048,450.00         |
| <b>Total</b>                             | <b>84,729,307.40</b> | <b>38,525,202.04</b> |

#### 2. Financial assets at fair value through profit or loss

##### (1) Categories of financial assets held-for-trading

| Item                        | Closing balance | Opening balance   |
|-----------------------------|-----------------|-------------------|
| Derivative financial assets | —               | 362,198.90        |
| <b>Total</b>                | <b>—</b>        | <b>362,198.90</b> |

The derivative financial assets are foreign currency option contracts held by Ex-channel, a subsidiary. The option contracts are unlisted options in Hong Kong.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 3. Notes receivable

##### (1) Categories of notes receivable

| Categories of notes         | Closing balance      | Opening balance |
|-----------------------------|----------------------|-----------------|
| Bank acceptance notes       | 8,358,962.40         | 6,004,388.78    |
| Commercial acceptance notes | 19,413,909.00        | 13,846,449.03   |
| <b>Total</b>                | <b>27,772,871.40</b> | 19,850,837.81   |

##### (2) Notes receivable endorsed or discounted at the end of the year and outstanding as at the balance sheet date

| Item                        | Amount derecognised at the end of the year | Amount remain recognised at the end of the year |
|-----------------------------|--|---|
| Commercial acceptance notes | 12,968,299.00                              | —   |
| <b>Total</b>                | <b>12,968,299.00</b>                       | —   |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 4. Accounts receivable

| Item                          | Closing balance       | Opening balance |
|-------------------------------|-----------------------|-----------------|
| Accounts receivable           | 507,262,160.35        | 413,158,786.33  |
| Less: Provision for bad debts | 10,719,534.22         | 17,238,366.27   |
| <b>Net amount</b>             | <b>496,542,626.13</b> | 395,920,420.06  |

Most of the domestic sales of the Group are on credit, the credit periods of which range from 30 to 90 days.

#### (1) Age analysis of accounts receivable (according to the credit term of the customers and accounting policies)

Prior to the acceptance of a new customer, the Group applies internal credit assessment policies to assess the credit quality of the potential customer and formulates credit limit. Apart from new customers which are generally required to pay in advance, the Group formulates different credit policies for different customers. The credit terms are generally three months, and can be extended to twelve months for major customers. In respect of the sales, the Group recognizes accounts receivable and revenue at the time of acknowledgement of outbound (or inspection and acceptance of products), when calculation of the age begins. Set forth below is the age analysis of accounts receivable, net of provision for bad debts, by the date of recognition:

| Age                | Closing balance       | Opening balance |
|--------------------|-----------------------|-----------------|
| Within 3 months    | 416,302,612.89        | 246,238,965.38  |
| 3 months to 1 year | 62,674,236.29         | 124,997,384.26  |
| 1 to 2 years       | 15,354,667.57         | 23,379,823.21   |
| 2 to 3 years       | 1,431,672.71          | 700,553.10      |
| 3 to 4 years       | 419,915.47            | 568,102.24      |
| 4 to 5 years       | 359,521.20            | 35,591.87       |
| <b>Net amount</b>  | <b>496,542,626.13</b> | 395,920,420.06  |

#### (2) Age analysis on amount past due but not impaired as at the balance sheet date:

| Age                | Closing balance   | Opening balance |
|--------------------|-------------------|-----------------|
| Within 3 months    | 106,305.00        | 39,600.00       |
| 3 months to 1 year | 29,700.00         | —               |
| 1 to 2 years       | 39,600.00         | —               |
| 2 to 3 years       | —                 | —               |
| 3 to 4 years       | 145,312.07        | —               |
| 4 to 5 years       | 344,337.60        | —               |
| <b>Net amount</b>  | <b>665,254.67</b> | 39,600.00       |

Accounts receivable past due but not impaired is associated with related parties. Such accounts have good credit record with the Group. According to the past experience, the management of the Company are of the view that provision for impairment is not required for these balance as the credit quality did not experience significant change and the balance is believed to be fully recoverable. Included in the closing balance is an amount past due for over three years, which is the amount due from Shenzhen Powerleader Communication Technology Limited, a former subsidiary. It has been transferred to amount due from related party after an equity interest transfer.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Accounts receivable (continued)

##### (3) Risk category of accounts receivable

| Category  | Book balance          |                | Closing balance                   |                             | Carrying amount       |
|---|-----------------------|----------------|-----------------------------------|-----------------------------|-----------------------|
|   | Amount                | Percentage (%) | Provision for bad debts<br>Amount | Percentage of provision (%) |                       |
| <b>Accounts receivable individually significant for which provision for bad debts has been individually made</b>  | —                     | —              | —                                 | —                           | —                     |
| Accounts receivable for which provision for bad debts has been made on group basis by credit risk characteristics | 505,343,751.20        | 99.62          | 8,801,125.07                      | 1.74                        | 496,542,626.13        |
| Accounts receivable individually insignificant but for which provision for bad debts has been individually made   | 1,918,409.15          | 0.38           | 1,918,409.15                      | 100.00                      | —                     |
| <b>Total</b>  | <b>507,262,160.35</b> | <b>100.00</b>  | <b>10,719,534.22</b>              | <b>—</b>                    | <b>496,542,626.13</b> |

| Category  | Book balance          |                | Opening balance                   |                             | Carrying amount       |
|---|-----------------------|----------------|-----------------------------------|-----------------------------|-----------------------|
|   | Amount                | Percentage (%) | Provision for bad debts<br>Amount | Percentage of provision (%) |                       |
| <b>Accounts receivable individually significant for which provision for bad debts has been individually made</b>  | —                     | —              | —                                 | —                           | —                     |
| Accounts receivable for which provision for bad debts has been made on group basis by credit risk characteristics | 409,891,567.18        | 99.21          | 13,971,147.12                     | 3.41                        | 395,920,420.06        |
| Accounts receivable individually insignificant but for which provision for bad debts has been individually made   | 3,267,219.15          | 0.79           | 3,267,219.15                      | 100.00                      | —                     |
| <b>Total</b>  | <b>413,158,786.33</b> | <b>100.00</b>  | <b>17,238,366.27</b>              | <b>—</b>                    | <b>395,920,420.06</b> |

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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Accounts receivable (continued)

##### (3) Risk category of accounts receivable (continued)

- 1) There was no accounts receivable that is individually significant for which provision for bad debts has been individually made at the end of the year.
- 2) Accounts receivable for which provision for bad debts has been made by age analysis in groups

| Age                | Accounts receivable   | Closing balance<br>Provision for bad debts | Percentage of provision (%) |
|--------------------|-----------------------|--|-----------------------------|
| Within 3 months    | 416,196,307.89        | —  | —                           |
| 3 months to 1 year | 65,941,617.14         | 3,297,080.85                               | 5.00                        |
| 1 to 2 years       | 19,143,834.46         | 3,828,766.89                               | 20.00                       |
| 2 to 3 years       | 2,386,121.20          | 954,448.49                                 | 40.00                       |
| 3 to 4 years       | 686,508.49            | 411,905.09                                 | 60.00                       |
| 4 to 5 years       | 75,918.00             | 60,734.40                                  | 80.00                       |
| Over 5 years       | 248,189.35            | 248,189.35                                 | 100.00                      |
| <b>Total</b>       | <b>504,678,496.53</b> | <b>8,801,125.07</b>                        | —                           |

- 3) Accounts receivable for which provision for bad debts has been made by other methods in groups

| Item                | Book balance      | Closing balance<br>Amount of bad debts | Percentage of provision (%) |
|---------------------|-------------------|--|-----------------------------|
| Related party group | 665,254.67        | —                                      | —                           |
| <b>Total</b>        | <b>665,254.67</b> | —                                      | —                           |



## NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Accounts receivable (continued)

##### (3) Risk category of accounts receivable (continued)

- 4) Accounts receivable individually insignificant but for which provision for bad debts has been individually made at the end of the year

| Name of entity   | Book balance        | Amount of bad debts | Percentage of provision (%) | Reason for provision         |
|--|---------------------|---------------------|-----------------------------|------------------------------|
| Nanjing Sutian Feihua Electrical Industrial Limited<br>(南京蘇電飛華電力實業有限公司)                | 440,570.00          | 440,570.00          | 100.00                      | Expected to be irrecoverable |
| Inhuijie Technology Limited<br>(淄博新惠佳科技有限公司)   | 332,725.00          | 332,725.00          | 100.00                      | Expected to be irrecoverable |
| Shandong Sciwal Information Technology Limited<br>(山東賽沃信息技術有限公司)                       | 320,748.00          | 320,748.00          | 100.00                      | Expected to be irrecoverable |
| Baoji Yunyi Network Technology Limited<br>(寶雞雲翼網絡科技公司)                                 | 182,100.00          | 182,100.00          | 100.00                      | Expected to be irrecoverable |
| Beijing Long Speedkey Limited<br>(北京長久斯捷有限公司)  | 157,500.00          | 157,500.00          | 100.00                      | Expected to be irrecoverable |
| Shandong Shanda Huatian Softwares Limited<br>(山東山大華天軟件有限公司)                            | 98,200.00           | 98,200.00           | 100.00                      | Expected to be irrecoverable |
| Shanghai Ouwang Network Technology Limited<br>(上海歐網網絡科技有限公司)                           | 63,646.00           | 63,646.00           | 100.00                      | Expected to be irrecoverable |
| Shanghia Quanyao Technology Trading Co., Ltd,<br>(上海泉堯科貿有限公司)                          | 59,900.00           | 59,900.00           | 100.00                      | Expected to be irrecoverable |
| Hunan Sipulin Technology Trading Limited<br>(湖南斯普林科貿有限公司)                              | 29,400.00           | 29,400.00           | 100.00                      | Expected to be irrecoverable |
| Beijing Sina Information Technology Limited<br>(北京新浪信息技術有限公司)                          | 29,004.00           | 29,004.00           | 100.00                      | Expected to be irrecoverable |
| Bailing Information Technology Limited<br>(百靈信息技術有限公司)                                 | 29,000.00           | 29,000.00           | 100.00                      | Expected to be irrecoverable |
| Sihua Technology (Shanghai) Limited<br>(思華科技(上海)有限公司)                                  | 28,200.00           | 28,200.00           | 100.00                      | Expected to be irrecoverable |
| Guangzhou Electricity Bureau of Guangdong Electricity Network Company<br>(廣東電網公司廣州供電局) | 21,300.00           | 21,300.00           | 100.00                      | Expected to be irrecoverable |
| Others   | 126,116.15          | 126,116.15          | 100.00                      | Expected to be irrecoverable |
| <b>Total</b>   | <b>1,918,409.15</b> | <b>1,918,409.15</b> | <b>—</b>                    | <b>—</b>                     |

##### (4) Provision for bad debts released (recovered) during the year

Provision for bad debts amounted to RMB(3,405,095.83) during the year. No provision for bad debts had been recovered or released during the year. Provision for bad debts transferred to others during the year amounted to RMB3,113,736.22, in which RMB2,661,483.52 had been written-off, the transfer out of RMB452,252.70 was due to an equity interest transfer of Shenzhen Powerleader Communication Technology Limited, a subsidiary.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Accounts receivable (continued)

##### (5) Accounts receivable effectively wrote-off during the year

| Item                                      | Write-off amount |
|---|------------------|
| Accounts receivable effectively wrote-off | 2,661,483.52     |

In particular, information on material accounts receivable written-off:

| Name of entity   | Nature of accounts receivable | Write-off amount    | Reason for write-off           | Write-off procedures undertaken         | Whether arising from related transaction |
|--|-------------------------------|---------------------|--------------------------------|---|--|
| Skylong Technology Co., Ltd.<br>(江蘇中天龍科技有限公司)  | Payment for goods             | 1,005,137.00        | Determined to be irrecoverable | Reported to the management for approval | No                                       |
| Shanghai QianShi Digital Science and Technology Development Co., Ltd. (上海乾石數碼科技發展有限公司) | Payment for goods             | 970,983.60          | Determined to be irrecoverable | Reported to the management for approval | No                                       |
| <b>Total</b>   |                               | <b>1,976,120.60</b> |                                |   |  |

##### (6) Information on top five accounts receivable grouped by closing balance of attributable debtors

Top five accounts receivable grouped by closing balance of attributable debtors for the year amounted to RMB166,109,319.82 in aggregate, accounted for 32.75% of the closing balance of the total accounts receivable, the corresponding provision for bad debts on the total closing balance amounted to RMB613,131.76.

#### 5. Prepayments

##### (1) Age of prepayments

| Item          | Closing balance      |                | Opening balance |                |
|---------------|----------------------|----------------|-----------------|----------------|
|               | Amount               | Percentage (%) | Amount          | Percentage (%) |
| Within 1 year | 18,295,671.23        | 55.57          | 32,346,250.20   | 100.00         |
| 1 to 2 years  | 14,626,949.10        | 44.43          | —               | —              |
| <b>Total</b>  | <b>32,922,620.33</b> | <b>100.00</b>  | 32,346,250.20   | 100.00         |

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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 5. Prepayments (continued)

##### (1) Age of prepayments (continued)

- 1) Reason for over due of significant prepayments amount aged over 1 year.

| Name of entity   | Relationship with the Group | Amount               | Age              | Reason for past due     |
|--|-----------------------------|----------------------|------------------|-------------------------|
| Guangzhou Motto Technology Development Co., Ltd.<br>(廣州格源科技開發有限公司)   | Independent third party     | 9,384,560.36         | One to two years | Procurement by discount |
| Guangzhou Shanglian Software Technology Co., Ltd.<br>(廣州尚聯軟件技術有限公司)  | Independent third party     | 2,283,508.10         | One to two years | Procurement by discount |
| Guangzhou ZhiHai Electronics Technology Co., Ltd.<br>(廣州市志海電子技術有限公司) | Independent third party     | 2,226,421.06         | One to two years | Procurement by discount |
| <b>Total</b>   |                             | <b>13,894,489.52</b> |                  |                         |

##### (2) Closing balance of top five prepayments grouped by attributable creditor of prepayment

During the year, total closing balance of top five prepayments grouped by attributable creditor of prepayment amounted to RMB23,100,935.52, accounted for 70.17% of total closing balance of prepayments.

#### 6. Other receivables

| Name of item                  | Closing balance       | Opening balance |
|-------------------------------|-----------------------|-----------------|
| Other receivables             | <b>234,457,407.37</b> | 174,452,012.72  |
| Less: Provision for bad debts | <b>989,427.34</b>     | 692,156.28      |
| <b>Net amount</b>             | <b>233,467,980.03</b> | 173,759,856.44  |

##### (1) Age analysis of other receivables

| Age                | Closing balance       | Opening balance |
|--------------------|-----------------------|-----------------|
| Within 3 months    | <b>148,166,623.31</b> | 106,468,627.62  |
| 3 months to 1 year | <b>46,686,021.85</b>  | 45,621,792.62   |
| 1 to 2 years       | <b>20,237,349.38</b>  | 14,078,492.58   |
| 2 to 3 years       | <b>10,855,625.39</b>  | 5,700,475.65    |
| 3 to 4 years       | <b>5,631,892.13</b>   | 28,100.00       |
| 4 to 5 years       | <b>28,100.00</b>      | 22,367.97       |
| Over 5 years       | <b>1,862,367.97</b>   | 1,840,000.00    |
| <b>Net amount</b>  | <b>233,467,980.03</b> | 173,759,856.44  |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 6. Other receivables (continued)

##### (2) Category of other receivables

| Category  | Book balance          |                | Closing balance<br>Provision for bad debts |                             | Carrying amount       |
|---|-----------------------|----------------|--|-----------------------------|-----------------------|
|   | Amount                | Percentage (%) | Amount                                     | Percentage of provision (%) |                       |
| Other receivables individually significant for which provision for bad debts has been individually made         | —                     | —              | —  | —                           | —                     |
| Other receivables for which provision for bad debts has been made on group basis by credit risk characteristics | 234,457,407.37        | 100.00         | 989,427.34                                 | 0.42                        | 233,467,980.03        |
| Other receivables individually insignificant but for which provision for bad debts has been individually made   | —                     | —              | —  | —                           | —                     |
| <b>Total</b>  | <b>234,457,407.37</b> | <b>100.00</b>  | <b>989,427.34</b>                          | <b>—</b>                    | <b>233,467,980.03</b> |

| Category  | Book balance          |                | Opening balance<br>Provision for bad debts |                             | Carrying amount       |
|---|-----------------------|----------------|--|-----------------------------|-----------------------|
|   | Amount                | Percentage (%) | Amount                                     | Percentage of provision (%) |                       |
| Other receivables individually significant for which provision for bad debts has been individually made         | —                     | —              | —  | —                           | —                     |
| Other receivables for which provision for bad debts has been made on group basis by credit risk characteristics | 174,452,012.72        | 100.00         | 692,156.28                                 | 0.40                        | 173,759,856.44        |
| Other receivables individually insignificant but for which provision for bad debts has been individually made   | —                     | —              | —  | —                           | —                     |
| <b>Total</b>  | <b>174,452,012.72</b> | <b>100.00</b>  | <b>692,156.28</b>                          | <b>—</b>                    | <b>173,759,856.44</b> |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 6. Other receivables (continued)

##### (2) Category of other receivables (continued)

1) Other receivables for which provision for bad debts has been made by age analysis in groups

| Age                | Closing balance      |                         |                             |
|--------------------|----------------------|-------------------------|-----------------------------|
|                    | Other receivables    | Provision for bad debts | Percentage of provision (%) |
| Within 3 months    | 81,337,753.45        | —                       | —                           |
| 3 months to 1 year | 119,212.45           | 5,960.62                | 5.00                        |
| 1 to 2 years       | 1,060.00             | 212.00                  | 20.00                       |
| 2 to 3 years       | 82,880.00            | 33,152.00               | 40.00                       |
| <b>Total</b>       | <b>81,540,905.90</b> | <b>39,324.62</b>        | <b>—</b>                    |

2) Other receivables for which provision for bad debts has been made by other methods in groups

| Name of group                                    | Closing balance       |                         |                             |
|--|-----------------------|-------------------------|-----------------------------|
|  | Other receivables     | Provision for bad debts | Percentage of provision (%) |
| Related party group                              | 20,801,261.02         | —                       | —                           |
| Deposit group                                    | 29,251,942.43         | —                       | —                           |
| Long term strategic cooperation enterprise group | 102,863,298.02        | 950,102.72              | 0.92                        |
| <b>Total</b>                                     | <b>152,916,501.47</b> | <b>950,102.72</b>       | <b>—</b>                    |

##### (3) Information on provision for bad debts made, released (recovered) during the year

Provision for bad debts amounted to RMB297,271.06 during the year. No provision for bad debts was recovered or released during the year.

##### (4) Category of other receivables by nature

| Nature               | Closing balance       | Opening balance       |
|----------------------|-----------------------|-----------------------|
| From individual      | 13,621,734.21         | 20,634,848.41         |
| From entity          | 200,034,412.14        | 153,552,424.12        |
| From related parties | 20,801,261.02         | 264,740.19            |
| <b>Total</b>         | <b>234,457,407.37</b> | <b>174,452,012.72</b> |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 6. Other receivables (continued)

##### (5) Information on top five other receivables by closing balance attributable to debtors

| Name of entity  | Nature                      | Closing balance       | Age                      | Percentage to total closing balance of other receivables (%) | Closing balance of provision for bad debts |
|---|-----------------------------|-----------------------|--------------------------|--|--|
| Intel China Ltd.  | Procurement rebate          | 52,174,476.04         | Within three months      | 22.25  | —  |
|   |                             | 38,692,920.51         | Three months to one year | 16.50  | 386,929.21                                 |
|   |                             | 1,220,718.78          | One to two years         | 0.52   | 24,414.38                                  |
|   |                             | 10,775,182.69         | Two to three years       | 4.60   | 538,759.13                                 |
| Sub-total of Intel  |                             | 102,863,298.02        |                          | 43.87  | 950,102.72                                 |
| Shenzhen G-speed Industrial Development Co., Ltd.<br>(深圳市英捷迅實業發展有限公司) | Open credit                 | 80,925,212.58         | Within three months      | 34.52  | —  |
| Shenzhen Municipal Federation of Industry & Commerce<br>(深圳市工商業聯合會)   | Loan security               | 6,000,000.00          | One to two years         | 2.56   | —  |
|   |                             | 1,800,000.00          | Over five years          | 0.77   | —  |
| Sub-total of Federation   |                             | 7,800,000.00          |                          | 3.33   | —  |
| Xing Funeng   | Open credit with individual | 393,124.00            | Within three months      | 0.17   | —  |
|   |                             | 1,909,053.00          | Three months to one year | 0.81   | —  |
|   |                             | 773,199.00            | One to two years         | 0.33   | —  |
| Sub-total of Xing Funeng  |                             | 3,075,376.00          |                          | 1.31   | —  |
| Chengdu Ai Sheng Science and Technology Co., Ltd.<br>(成都艾晟科技有限責任公司)   | Project loan                | 2,510,000.00          | Three months to one year | 1.07   | —  |
| <b>Total</b>  |                             | <b>197,173,886.60</b> |                          | <b>84.10</b>   | <b>950,102.72</b>                          |



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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 7. Inventories

##### (1) Categories of inventories

| Item                     | Closing balance       |                          | Carrying amount       |
|--------------------------|-----------------------|--------------------------|-----------------------|
|                          | Book balance          | Provision for impairment |                       |
| Materials in transits    | 4,788,261.41          | —                        | 4,788,261.41          |
| Raw materials            | 81,943,625.72         | 789,527.83               | 81,154,097.89         |
| Construction in progress | 11,714,397.69         | —                        | 11,714,397.69         |
| Finished goods           | 220,732,721.30        | 5,213,739.52             | 215,518,981.78        |
| Goods in transits        | 8,465,883.86          | —                        | 8,465,883.86          |
| Sub-contracting material | 232,193.36            | —                        | 232,193.36            |
| <b>Total</b>             | <b>327,877,083.34</b> | <b>6,003,267.35</b>      | <b>321,873,815.99</b> |

| Item                     | Opening balance       |                          | Carrying amount       |
|--------------------------|-----------------------|--------------------------|-----------------------|
|                          | Book balance          | Provision for impairment |                       |
| Materials in transits    | 1,050,552.22          | —                        | 1,050,552.22          |
| Raw materials            | 49,558,645.16         | 360,158.35               | 49,198,486.81         |
| Construction in progress | 4,393,879.26          | —                        | 4,393,879.26          |
| Finished goods           | 127,482,787.72        | 319,910.18               | 127,162,877.54        |
| Goods in transits        | 9,019,950.46          | —                        | 9,019,950.46          |
| Sub-contracting material | 165,687.28            | —                        | 165,687.28            |
| <b>Total</b>             | <b>191,671,502.10</b> | <b>680,068.53</b>        | <b>190,991,433.57</b> |

##### (2) Provision for impairment of inventories

| Item           | Opening balance   | Increase during the year |          | Decrease during the year |                    | Closing balance     |
|----------------|-------------------|--------------------------|----------|--------------------------|--------------------|---------------------|
|                |                   | Provision                | Others   | Write-back or write-off  | Transfer to others |                     |
| Raw materials  | 360,158.35        | 657,667.66               | —        | —                        | 228,298.18         | 789,527.83          |
| Finished goods | 319,910.18        | 5,190,933.16             | —        | —                        | 297,103.82         | 5,213,739.52        |
| <b>Total</b>   | <b>680,068.53</b> | <b>5,848,600.82</b>      | <b>—</b> | <b>—</b>                 | <b>525,402.00</b>  | <b>6,003,267.35</b> |

Transfer to others were transfer to the provision for impairment of inventories arising from the transfer of Shenzhen Powerleader Communication Technology Limited, a subsidiary.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 7. Inventories (continued)

##### (3) Provision for impairment of inventories made

| Item           | Specific basis for determination of net realizable value  | Reason for Write-back or write-off during the year |
|----------------|---|--|
| Raw materials  | Estimated selling price of finished goods produced less cost to completion and related taxes and levies |  |
| Finished goods | Estimated selling price less estimated cost of sales and related taxes and levies                       |  |

#### 8. Other current assets

| Item                                   | Closing balance      | Opening balance | Nature                          |
|--|----------------------|-----------------|---------------------------------|
| Prepaid expenditure                    | 221,767.39           | 93,815.82       | Property rent, decoration, etc  |
| Reclassification of VAT credit balance | 19,520,493.84        | —               | VAT credit balance              |
| Wealth management products             | 1,000,000.00         | —               | Bank wealth management products |
| <b>Total</b>                           | <b>20,742,261.23</b> | 93,815.82       |                                 |

#### 9. Available-for-sale financial assets

##### (1) Information on available-for-sale financial assets

| Item  | Closing balance     |                          |                     | Opening balance |                          |                 |
|---|---------------------|--------------------------|---------------------|-----------------|--------------------------|-----------------|
|   | Book balance        | Provision for impairment | Carrying amount     | Book balance    | Provision for impairment | Carrying amount |
| Equity instrument available-for-sale Measured at cost | —                   | —                        | —                   | —               | —                        | —               |
|   | 4,000,000.00        | —                        | 4,000,000.00        | —               | —                        | —               |
| <b>Total</b>  | <b>4,000,000.00</b> | <b>—</b>                 | <b>4,000,000.00</b> | <b>—</b>        | <b>—</b>                 | <b>—</b>        |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 9. Available-for-sale financial assets (continued)

##### (2) Available-for-sale financial assets measured at cost at the end of the year

| Investee   | Opening balance | Book balance             |                          | Closing balance | Opening balance | Provision for impairment |                          | Closing balance | Percentage of shareholdings in investee (%) | Cash dividend for the year |
|--|-----------------|--------------------------|--------------------------|-----------------|-----------------|--------------------------|--------------------------|-----------------|---|----------------------------|
|  |                 | Increase during the year | Decrease during the year |                 |                 | Increase during the year | Decrease during the year |                 |   |                            |
| Qianhai Pengde Mobile Internet Venture Capital Fund<br>(前海鵬德移動互聯網創業投資基金) | —               | 4,000,000.00             | —                        | 4,000,000.00    | —               | —                        | —                        | —               | 1.60  | —                          |
| <b>Total</b>   | —               | 4,000,000.00             | —                        | 4,000,000.00    | —               | —                        | —                        | —               | 1.60  | —                          |

As agreed in the partnership agreement entered into on 11 June 2014, the total capital contribution by the Company was RMB10 million, accounted for 4.00% of the capital contribution, which will be contributed in three tranches. As of 31 December 2014, the Company had contributed RMB4 million, accounted for 1.60% of the first tranche of the capital contribution. It is accounted for by cost method.

#### 10. Long-term equity investments

##### (1) Category of long-term equity investments

| Investee                                    | Opening balance | Increase/decrease during the year |                         |  |  |                         |  |                      |        | Closing balance | Closing balance for impairment provision |
|---|-----------------|-----------------------------------|-------------------------|--|--|-------------------------|--|----------------------|--------|-----------------|--|
|   |                 | Additional investment             | Reduction in investment | Investment gains or losses recognized by equity method | Adjustment in other comprehensive income | Other changes in equity | Distributable cash dividend or profit declared | Impairment Provision | Others |                 |  |
| <b>Associated company</b>                   |                 |                                   |                         |  |  |                         |  |                      |        |                 |  |
| Shenzhen Zqgame Co., Ltd.                   | 144,704,848.48  | —                                 | —                       | (3,371,491.77)   | 21,423.64                                | 557,101.93              | 795,600.00                                     | —                    | —      | 141,116,282.28  | —  |
| Beijing Haiyun Jiexun Technology Limited    | 16,541,031.28   | —                                 | —                       | 50,418.27  | —  | 1,500,000.00            | —  | —                    | —      | 18,091,449.55   | —  |
| Sichuan Baoteng Internet Technology Limited | 43,187,395.99   | —                                 | —                       | (6,850,991.54)   | —  | —                       | —  | —                    | —      | 36,336,404.45   | —  |
| <b>Total</b>                                | 204,433,275.75  | —                                 | —                       | (10,172,065.04)  | 21,423.64                                | 2,057,101.93            | 795,600.00                                     | —                    | —      | 195,544,136.28  | —  |

For relevant information on associated companies, please refer to note VIII.2.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 10. Long-term equity investments (continued)

##### (2) Analysis on long-term equity investments

| Item                       | Closing balance       | Opening balance |
|----------------------------|-----------------------|-----------------|
| <b>Listed</b>              |                       |                 |
| PRC (other than Hong Kong) | 141,116,282.28        | 144,704,848.48  |
| <b>Sub-total</b>           | <b>141,116,282.28</b> | 144,704,848.48  |
| Unlisted                   | 54,427,854.00         | 59,728,427.28   |
| <b>Total</b>               | <b>195,544,136.28</b> | 204,433,275.76  |

As at end of the year, the market value of listed investments was RMB809,523,000.00.

As at 31 December 2014, the fair value of long-term equity investments in listed companies were RMB809,523,000.00.

#### 11. Investment properties

##### (1) Investment properties measured at cost

| Item  | Buildings and structures | Total         |
|---|--------------------------|---------------|
| <b>I. Initial carrying amount</b>           |                          |               |
| 1. Opening balance                          | 18,926,166.38            | 18,926,166.38 |
| 2. Amount of increase during the year       | —                        | —             |
| 3. Amount of decrease during the year       | 2,977,015.97             | 2,977,015.97  |
| (1) Transfer to others                      | 2,977,015.97             | 2,977,015.97  |
| 4. Closing balance                          | 15,949,150.41            | 15,949,150.41 |
| <b>II. Accumulated depreciation</b>         |                          |               |
| 1. Opening balance                          | 2,087,744.00             | 2,087,744.00  |
| 2. Amount of increase during the year       | 306,223.70               | 306,223.70    |
| (1) Depreciation or amortization            | 306,223.70               | 306,223.70    |
| 3. Amount of decrease during the year       | 328,394.41               | 328,394.41    |
| (1) Transfer to others                      | 328,394.41               | 328,394.41    |
| 4. Closing balance                          | 2,065,573.29             | 2,065,573.29  |
| <b>III. Provision for impairment</b>        |                          |               |
| 1. Opening balance                          | —                        | —             |
| 2. Amount of increase during the year       | —                        | —             |
| 3. Amount of decrease during the year       | —                        | —             |
| 4. Closing balance                          | —                        | —             |
| <b>IV. Carrying amount</b>                  |                          |               |
| 1. Carrying amount at the end of the year   | 13,883,577.12            | 13,883,577.12 |
| 2. Carrying amount at the beginning of year | 16,838,422.38            | 16,838,422.38 |

Amount of depreciation of investment properties recognised in profit or loss during the year was RMB306,223.70 (last year: RMB363,382.41).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 11. Investment properties (continued)

(2) Investment properties are those located in PRC held under mid-term lease (under 50 years but no less than 10 years).

(3) There is no gain or loss on investment properties disposed of during the year.

#### 12. Fixed assets

##### (1) Breakdown of fixed assets

| Item  | Buildings and structures | Plants and machinery | Transportation equipment | Office appliances | Other equipment | Total          |
|---|--------------------------|----------------------|--------------------------|-------------------|-----------------|----------------|
| <b>I. Initial carrying amount</b>           |                          |                      |                          |                   |                 |                |
| 1. Opening balance                          | 199,115,042.31           | 13,181,768.91        | 9,836,058.89             | 24,188,282.96     | 456,399.01      | 246,777,552.08 |
| 2. Amount of increase during the year       | 76,927,161.71            | 205,823.13           | —                        | 5,540,264.70      | 5,755.00        | 82,679,004.54  |
| (1) Addition                                | —                        | 205,823.13           | —                        | 5,540,264.70      | 5,755.00        | 5,751,842.83   |
| (2) Transfer from construction in progress  | 73,950,145.74            | —                    | —                        | —                 | —               | 73,950,145.74  |
| (3) Transfer from others                    | 2,977,015.97             | —                    | —                        | —                 | —               | 2,977,015.97   |
| 3. Amount of decrease during the year       | 648,000.00               | 59,152.38            | 511,912.00               | 1,958,985.34      | —               | 3,178,049.72   |
| (1) Disposal or retirement                  | 648,000.00               | —                    | 511,912.00               | 1,958,985.34      | —               | 3,118,897.34   |
| (2) Transfer to others                      | —                        | 59,152.38            | —                        | —                 | —               | 59,152.38      |
| 4. Closing balance                          | 275,394,204.02           | 13,328,439.66        | 9,324,146.89             | 27,769,562.32     | 462,154.01      | 326,278,506.90 |
| <b>II. Accumulated depreciation</b>         |                          |                      |                          |                   |                 |                |
| 1. Opening balance                          | 18,691,527.67            | 7,415,651.06         | 5,210,189.69             | 14,019,019.24     | 220,275.85      | 45,556,663.51  |
| 2. Amount of increase during the year       | 8,808,727.60             | 1,146,159.51         | 698,549.94               | 3,321,990.78      | 82,297.14       | 14,057,724.97  |
| (1) Depreciation                            | 8,480,333.19             | 1,146,159.51         | 698,549.94               | 3,321,990.78      | 82,297.14       | 13,729,330.56  |
| (2) Transfer from others                    | 328,394.41               | —                    | —                        | —                 | —               | 328,394.41     |
| 3. Amount of decrease during the year       | 226,557.00               | 54,413.25            | 424,001.55               | 574,111.63        | —               | 1,279,083.43   |
| (1) Disposal or retirement                  | 226,557.00               | —                    | 424,001.55               | 574,111.63        | —               | 1,224,670.18   |
| (2) Transfer to others                      | —                        | 54,413.25            | —                        | —                 | —               | 54,413.25      |
| 4. Closing balance                          | 27,273,698.27            | 8,507,397.32         | 5,484,738.08             | 16,766,898.39     | 302,572.99      | 58,335,305.05  |
| <b>III. Provision for impairment</b>        |                          |                      |                          |                   |                 |                |
| 1. Opening balance                          | —                        | —                    | —                        | —                 | —               | —              |
| 2. Amount of increase during the year       | —                        | —                    | —                        | —                 | —               | —              |
| 3. Amount of decrease during the year       | —                        | —                    | —                        | —                 | —               | —              |
| 4. Closing balance                          | —                        | —                    | —                        | —                 | —               | —              |
| <b>IV. Carrying amount</b>                  |                          |                      |                          |                   |                 |                |
| 1. Carrying amount at the end of the year   | 248,120,505.75           | 4,821,042.34         | 3,839,408.81             | 11,002,663.93     | 159,581.02      | 267,943,201.85 |
| 2. Carrying amount at the beginning of year | 180,423,514.64           | 5,766,117.85         | 4,625,869.20             | 10,169,263.72     | 236,123.16      | 201,220,888.57 |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 12. Fixed assets (continued)

##### (1) Breakdown of fixed assets (continued)

Depreciation of fixed assets recognised in profit or loss during the year was RMB12,314,805.24 (last year: RMB9,659,629.71).

For the increase in the fixed assets during the year, an amount of RMB73,950,145.74 was transferred from construction in progress.

Profit from disposal of fixed assets during the year amounted to RMB980,436.44.

##### (2) Buildings and structures are located in PRC and held under mid-term lease (under 50 years but no less than 10 years).

##### (3) Fixed assets leased out by operating lease

At the end of the year, no fixed asset was leased out by operating lease (at the beginning of the year: carrying amount was RMB1,780,939.73 (initial value was RMB1,786,990.56)).

##### (4) Fixed assets in lack of title certificates

As the staff quarters of the Company located in Futian District (initial value: RMB1,869,900; carrying amount at the end of the year: RMB1,692,300 (carrying amount at beginning of the year: RMB1,735,300)) are government affordable housing, the title certificate is held by the Government of Futian District, and therefore, title certificate of the house cannot be obtained.

As the property developer of the residential housing of the Company located in Xian of Shanxi (initial value: RMB736,500; carrying amount at the end of the year: RMB617,000 (carrying amount at beginning of the year: RMB634,500)) could not pass the acceptance test due to substandard fire prevention facilities, therefore, the property certificate of the house has not been obtained.

As the above mentioned assets are in compliance with the relevant legal agreements, to the best of the Directors of the Company's belief, the titles of which are not subject to any substantive legal impediment and the normal operation of the Group would not be material affected. There is no need to provide for the impairment of the fixed assets and no material additional costs will be incurred.

#### 13. Construction in progress

##### (1) Breakdown of construction in progress

| Item  | Closing balance       |                          |                       | Opening balance |                          |                 |
|---|-----------------------|--------------------------|-----------------------|-----------------|--------------------------|-----------------|
|   | Book balance          | Provision for impairment | Carrying amount       | Book balance    | Provision for impairment | Carrying amount |
| Shenzhen (Guanlan)<br>Cloud computing Data<br>Center      | —                     | —                        | —                     | 22,662,263.78   | —                        | 22,662,263.78   |
| Nanjing Powerleader<br>Cloud Computing                    | —                     | —                        | —                     | 1,586,909.00    | —                        | 1,586,909.00    |
| Guangzhou (IDC) Center<br>for Cloud Computing<br>and Data | 116,741,077.26        | —                        | 116,741,077.26        | —               | —                        | —               |
| <b>Total</b>  | <b>116,741,077.26</b> | <b>—</b>                 | <b>116,741,077.26</b> | 24,249,172.78   | —                        | 24,249,172.78   |



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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 13. Construction in progress (continued)

##### (2) Movements of material construction in progress items

| Name of project                                     | Opening balance      | Increase during the year | Decrease during the year |                     | Closing balance       |
|---|----------------------|--------------------------|--------------------------|---------------------|-----------------------|
|   |                      |                          | Transfer to fixed assets | Other decrease      |                       |
| Shenzhen (Guanlan) Cloud Computing Data Center      | 22,662,263.78        | 51,287,881.96            | 73,950,145.74            | —                   | —                     |
| Nanjing Powerleader Cloud Computing                 | 1,586,909.00         | 589,814.00               | —                        | 2,176,723.00        | —                     |
| Guangzhou (IDC) Center for Cloud Computing and Data | —                    | 116,741,077.26           | —                        | —                   | <b>116,741,077.26</b> |
| <b>Total</b>  | <b>24,249,172.78</b> | <b>168,618,773.22</b>    | <b>73,950,145.74</b>     | <b>2,176,723.00</b> | <b>116,741,077.26</b> |

| Name of project                                     | Budget (RMB'000) | Percentage of expenditure injected to budget (%) | Progress | Accumulated capitalised interest | Including: Interest capitalised for the year | Interest capitalisation rate for the year (%) | Source of funds |
|---|------------------|--|----------|----------------------------------|--|---|-----------------|
|   |                  |  |          |                                  |  |   |                 |
| Shenzhen (Guanlan) Cloud Computing Data Center      | 84,000.0         | 88.04  | 100.00   | —                                | —  | —   | Self-financed   |
| Nanjing Powerleader Cloud Computing                 | —                | —  | —        | —                                | —  | —   | —               |
| Guangzhou (IDC) Center for Cloud Computing and Data | 157,429.0        | 74.15  | 74.15    | —                                | —  | —   | Self-financed   |
| <b>Total</b>  | <b>241,429.0</b> |  |          |                                  |  |   |                 |

The progress of projects are estimated on the basis of amount of construction work.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 14. Intangible assets

##### (1) Breakdown of intangible assets

| Item  | Land use rights | Computer software | R&D software   | Total          |
|---|-----------------|-------------------|----------------|----------------|
| <b>I. Initial carrying amount</b>           |                 |                   |                |                |
| 1. Opening balance                          | 89,536,970.30   | 2,460,542.56      | 110,026,640.46 | 202,024,153.32 |
| 2. Amount of increase during the year       | —               | 1,857,060.39      | 39,882,725.85  | 41,739,786.24  |
| (1) Addition                                | —               | 1,857,060.39      | —              | 1,857,060.39   |
| (2) Internal R&D                            | —               | —                 | 39,882,725.85  | 39,882,725.85  |
| 3. Amount of decrease during the year       | 52,610,625.30   | 141,196.58        | —              | 52,751,821.88  |
| (1) Transfer to others                      | 52,610,625.30   | 141,196.58        | —              | 52,751,821.88  |
| 4. Closing balance                          | 36,926,345.00   | 4,176,406.37      | 149,909,366.31 | 191,012,117.68 |
| <b>II. Accumulated amortization</b>         |                 |                   |                |                |
| 1. Opening balance                          | 2,913,086.66    | 1,423,332.26      | 100,855,076.83 | 105,191,495.75 |
| 2. Amount of increase during the year       | 1,253,438.30    | 659,901.55        | 15,250,326.96  | 17,163,666.81  |
| (1) Provision                               | 1,253,438.30    | 659,901.55        | 15,250,326.96  | 17,163,666.81  |
| 3. Amount of decrease during the year       | 842,985.26      | 135,971.59        | —              | 978,956.85     |
| (1) Transfer to others                      | 842,985.26      | 135,971.59        | —              | 978,956.85     |
| 4. Closing balance                          | 3,323,539.70    | 1,947,262.22      | 116,105,403.79 | 121,376,205.71 |
| <b>III. Provision for impairment</b>        |                 |                   |                |                |
| 1. Opening balance                          | —               | —                 | —              | —              |
| 2. Amount of increase during the year       | —               | —                 | —              | —              |
| 3. Amount of decrease during the year       | —               | —                 | —              | —              |
| 4. Closing balance                          | —               | —                 | —              | —              |
| <b>IV. Carrying amount</b>                  |                 |                   |                |                |
| 1. Carrying amount at the end of the year   | 33,602,805.30   | 2,229,144.15      | 33,803,962.52  | 69,635,911.97  |
| 2. Carrying amount at the beginning of year | 86,623,883.64   | 1,037,210.30      | 9,171,563.63   | 96,832,657.57  |

- (2) The intangible assets derived from the Company's internal R&D accounted for 78.48% of the closing balance of intangible assets.
- (3) Land use rights are lands located in PRC and held under mid-term lease (under 50 years but not less than 10 years).
- (4) Depreciation of intangible assets recognized in profit or loss during the year was RMB17,163,666.81 (last year: RMB17,561,988.16).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 15. Development expenditures

##### (1) Breakdown of development expenditures

| Item   | Opening balance      | Increase during the year          | Decrease during the year        |  | Closing balance      |
|--|----------------------|-----------------------------------|---------------------------------|--|----------------------|
|  |                      | Internal development expenditures | Recognized as intangible assets | Transferred to profit or loss for the current period |                      |
| High-performance fault tolerant 4 quad server              | 10,548,913.03        | —                                 | 10,548,913.03                   | —  | —                    |
| Mass storage server  | 17,781,576.91        | 401,181.19                        | 18,182,758.10                   | —  | —                    |
| High-performance fault tolerant 2 quad server              | 8,713,321.57         | —                                 | 8,713,321.57                    | —  | —                    |
| Customized 4 quad server for military use (5U-600 project) | —                    | 2,437,733.15                      | 2,437,733.15                    | —  | —                    |
| Customized 4 quad server for military use (6U-400 project) | —                    | 7,313,199.44                      | —                               | —  | 7,313,199.44         |
| 8 quad server  | —                    | 5,938,909.25                      | —                               | —  | 5,938,909.25         |
| High end 4 quad server                                     | —                    | 5,524,566.75                      | —                               | —  | 5,524,566.75         |
| Next generation dual quad server                           | —                    | 2,347,940.87                      | —                               | —  | 2,347,940.87         |
| <b>Total</b>   | <b>37,043,811.51</b> | <b>23,963,530.65</b>              | <b>39,882,725.85</b>            | <b>—</b>   | <b>21,124,616.31</b> |

(2) The intangible assets derived from the Company's internal R&D accounted for 48.54% of the closing balance of carrying amount of intangible assets.

(3) The Group's development expenditures incurred during the year is expected to finish testing and completion in 2015.

#### 16. Long-term prepayments

| Item           | Opening balance  | Increase during the year | Amortized during the year | Other decrease during the year | Closing balance     |
|----------------|------------------|--------------------------|---------------------------|--------------------------------|---------------------|
| Decoration fee | 52,652.89        | 1,236,900.00             | 45,364.76                 | —                              | 1,244,188.13        |
| <b>Total</b>   | <b>52,652.89</b> | <b>1,236,900.00</b>      | <b>45,364.76</b>          | <b>—</b>                       | <b>1,244,188.13</b> |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 17. Deferred income tax assets and deferred income tax liabilities

##### (1) Unutilized deferred income tax assets

| Item                            | Closing balance                 |                            | Opening balance                 |                            |
|---------------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|
|                                 | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Provision for assets impairment | 11,212,525.56                   | 1,958,721.16               | 6,032,146.73                    | 988,469.02                 |
| <b>Total</b>                    | <b>11,212,525.56</b>            | <b>1,958,721.16</b>        | <b>6,032,146.73</b>             | <b>988,469.02</b>          |

##### (2) Unutilized deferred income tax liabilities

| Item   | Closing balance              |                                 | Opening balance              |                                 |
|--|------------------------------|---------------------------------|------------------------------|---------------------------------|
|  | Taxable temporary difference | Deferred income tax liabilities | Taxable temporary difference | Deferred income tax liabilities |
| Changes in fair value of derivative financial instrument                       | —                            | —                               | 362,198.90                   | 59,762.82                       |
| Deferred income tax liabilities due to recognition of development expenditures | —                            | —                               | 11,628,324.68                | 1,453,540.59                    |
| <b>Total</b>   | <b>—</b>                     | <b>—</b>                        | <b>11,990,523.58</b>         | <b>1,513,303.41</b>             |

##### (3) Breakdown of unrecognised deferred income tax assets

| Item                             | Closing balance      | Opening balance      |
|----------------------------------|----------------------|----------------------|
| Deductible temporary differences | 6,499,703.35         | 12,578,444.35        |
| Deductible losses                | 52,678,829.43        | 50,366,197.80        |
| <b>Total</b>                     | <b>59,178,532.78</b> | <b>62,944,642.15</b> |

##### (4) Deductible losses of unrecognised deferred income tax assets will be expired by the years as specified below

| Item                         | Closing balance      | Opening balance      | Note                                      |
|------------------------------|----------------------|----------------------|---|
| To be expired in 2014 (2009) | —                    | 19,649,970.23        | Deductible losses to be determined by SAT |
| To be expired in 2015 (2010) | 3,861,154.31         | 4,283,304.65         | Deductible losses to be determined by SAT |
| To be expired in 2016 (2011) | 5,277,031.69         | 5,879,688.37         | Deductible losses to be determined by SAT |
| To be expired in 2017 (2012) | 20,032,205.45        | 20,553,234.55        | Deductible losses to be determined by SAT |
| To be expired in 2018 (2013) | 23,508,437.98        | —                    | Deductible losses to be determined by SAT |
| <b>Total</b>                 | <b>52,678,829.43</b> | <b>50,366,197.80</b> |   |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 18. Short-term loans

##### (1) Category of Short-term loans

| Category of loans | Closing balance       | Opening balance |
|-------------------|-----------------------|-----------------|
| Guaranteed loans  | 976,112,408.03        | 552,801,859.89  |
| <b>Total</b>      | <b>976,112,408.03</b> | 552,801,859.89  |

Details of guarantee:

| Lending bank   | Currency | Loan principal in original currency | Guarantor  |
|--|----------|-------------------------------------|--|
| China Merchants Bank (Shenzhen Zhongdian sub-branch)           | RMB      | 30,000,000.00                       | Powerleader Holdings, Li Ruijie, Zhang Yunxia  |
| Industrial Bank Co. Ltd. (Shenzhen Huang Gang sub-branch)      | RMB      | 139,962,775.00                      | Powerleader Holdings, Zhang Yunxia, Li Ruijie  |
| Ping An Bank (Shenzhen Zhangcheng sub-branch)                  | RMB      | 85,000,000.00                       | Shenzhen HTI Finance Security Co., Ltd.* (深圳市高新投融資擔保有限公司), Li Ruijie, Powerleader Holdings |
| China Resources Bank of Zhuhai (Shenzhen branch)               | RMB      | 60,000,000.00                       | Powerleader Holdings, Li Ruijie  |
| The Export-Import Bank of China (Shenzhen branch)              | RMB      | 300,000,000.00                      | Powerleader Holdings   |
| China Citic Bank (Shenzhen branch)                             | RMB      | 25,000,000.00                       | Zhang Yunxia, Li Ruijie  |
| Standard Chartered Bank  | US\$     | 2,600,000.00                        | Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               |
| Australia and New Zealand Bank                                 | US\$     | 8,037,824.00                        | Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               |
| Bank of China (Hong Kong)                                      | US\$     | 3,200,000.00                        | Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               |
| China Construction Bank (Cheng Jian sub-branch) (US\$ account) | US\$     | 30,933,750.00                       | Powerleader Holdings, Zhang Yunxia, Li Ruijie  |
| HSBC   | US\$     | 8,767,617.00                        | Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               |
| Shanghai Commercial Bank                                       | US\$     | 1,396,196.00                        | Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               |

Details of interest rates:

As at 31 December 2014, the interest rates of short-term loans were 1.9014%–7.8000% per annum, the weighted average interest rate was 4.8427% per annum (31 December 2013: interest rate for short-term loans were 1.9396%–7.2000% per annum, weighted average interest rate was 4.1210% per annum).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 19. Accounts payable

##### (1) Accounts payable by nature

| Item                                   | Closing balance       | Opening balance |
|--|-----------------------|-----------------|
| Payables for purchase of raw materials | 255,659,967.57        | 155,828,719.12  |
| Payables for construction              | 4,313,814.77          | 9,635,927.75    |
| <b>Total</b>                           | <b>259,973,782.34</b> | 165,464,646.87  |

##### (2) Age analysis of accounts payable

The age analysis of accounts payable by invoice date as at 31 December 2014 is as follows:

| Item          | Closing balance       | Opening balance |
|---------------|-----------------------|-----------------|
| Within 1 year | 247,654,250.86        | 157,592,726.41  |
| 1 to 2 years  | 6,299,085.60          | 4,031,557.36    |
| 2 to 3 years  | 3,426,474.73          | 1,599,369.72    |
| 3 to 4 years  | 1,239,249.14          | 914,567.50      |
| 4 to 5 years  | 914,567.50            | 20,837.71       |
| Over 5 years  | 440,154.51            | 1,305,588.17    |
| <b>Total</b>  | <b>259,973,782.34</b> | 165,464,646.87  |

##### (3) Material accounts payable aged over one year

| Name of entity   | Closing balance     | Reason for overdue or carrying forward   |
|--|---------------------|--|
| Bestnet Technology Corp. (網佳有限公司)                                    | 2,095,799.89        | Under negotiation for product quality issue  |
| Yihuo Digital Technology (Shanghai) Co., Limited<br>(異或數碼科技(上海)有限公司) | 1,603,771.88        | Discrepancies in account reconciliation, payment will be subject to clarification of reasons |
| Shenyang Airui Information Technology Co Ltd.<br>(瀋陽愛瑞信息技術有限公司)      | 1,368,000.00        | Under negotiation for product quality issue  |
| <b>Total</b>   | <b>5,067,571.77</b> | —  |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 20. Receipts in advance

##### (1) Receipts in advance

| Item                   | Closing balance      | Opening balance |
|------------------------|----------------------|-----------------|
| Total                  | <b>14,699,090.26</b> | 18,681,340.48   |
| Including: over 1 year | <b>2,383,602.36</b>  | 66,671.46       |

##### (2) Material receipts in advance aged over one year

| Name of entity  | Closing balance     | Reason for overdue or carrying forward                    |
|---|---------------------|---|
| Beijing CA-Jinchen Software Co., Ltd.<br>(北京冠群金辰軟件有限公司)                           | <b>400,000.00</b>   | Continue to supply goods after negotiation with customers |
| Guangzhou Teligen Communications Technology Co., Ltd.<br>(廣州匯智通信技術有限公司)           | <b>215,470.00</b>   | Continue to supply goods after negotiation with customers |
| Hangzhou Binary Network Interactive Co., Ltd.*<br>(杭州二元網絡互動有限公司)                  | <b>200,000.00</b>   | Continue to supply goods after negotiation with customers |
| iFreecomm Technology Co., Ltd,<br>(深圳市捷視飛通科技有限公司)                                 | <b>187,950.00</b>   | Continue to supply goods after negotiation with customers |
| Wuxi Xiangrun-Shiji Science and Technical Development Co., Ltd.* (無錫祥潤世紀科技開發有限公司) | <b>120,000.00</b>   | Continue to supply goods after negotiation with customers |
| Nanjing Zhongxing Software Company Limited*<br>(南京中興軟創科技有限責任公司)                   | <b>106,267.00</b>   | Continue to supply goods after negotiation with customers |
| <b>Total</b>  | <b>1,229,687.00</b> |   |

#### 21. Employee remuneration payables

##### (1) Category of employee remuneration payables

| Item  | Opening balance | Increase during the year | Decrease during the year | Closing balance     |
|---|-----------------|--------------------------|--------------------------|---------------------|
| Short-term remuneration                               | 5,400,368.45    | 57,113,948.85            | 55,621,419.20            | <b>6,892,898.10</b> |
| Post-employment benefits — defined contribution plans | —               | 3,312,112.06             | 3,312,112.06             | —                   |
| Termination benefits                                  | —               | —                        | —                        | —                   |
| Other benefit matured within one year                 | —               | —                        | —                        | —                   |
| <b>Total</b>  | 5,400,368.45    | 60,426,060.91            | 58,933,531.26            | <b>6,892,898.10</b> |



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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 21. Employee remuneration payables (continued)

##### (2) Short-term remuneration

| Item  | Opening balance     | Increase during the year | Decrease during the year | Closing balance     |
|---|---------------------|--------------------------|--------------------------|---------------------|
| Salaries, bonus, allowance and subsidies      | 5,349,662.57        | 53,372,750.17            | 51,829,514.64            | <b>6,892,898.10</b> |
| Staff benefits                                | —                   | 1,747,091.39             | 1,747,091.39             | —                   |
| Social security insurance                     | —                   | 1,158,666.91             | 1,158,666.91             | —                   |
| Including: Medical insurance                  | —                   | 956,710.69               | 956,710.69               | —                   |
| Work-related injury insurance                 | —                   | 83,773.25                | 83,773.25                | —                   |
| Maternity insurance                           | —                   | 118,182.97               | 118,182.97               | —                   |
| Housing provident fund                        | —                   | 835,440.38               | 835,440.38               | —                   |
| Union operation cost and staff education cost | —                   | —                        | —                        | —                   |
| Short-term compensated leaves                 | 50,705.88           | —                        | 50,705.88                | —                   |
| Short-term profit sharing scheme              | —                   | —                        | —                        | —                   |
| <b>Total</b>                                  | <b>5,400,368.45</b> | <b>57,113,948.85</b>     | <b>55,621,419.20</b>     | <b>6,892,898.10</b> |

##### (3) Defined contribution plans

| Item                   | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|------------------------|-----------------|--------------------------|--------------------------|-----------------|
| Basic pension          | —               | 3,054,423.61             | 3,054,423.61             | —               |
| Unemployment insurance | —               | 257,688.45               | 257,688.45               | —               |
| Enterprise annuity     | —               | —                        | —                        | —               |
| <b>Total</b>           | <b>—</b>        | <b>3,312,112.06</b>      | <b>3,312,112.06</b>      | <b>—</b>        |

(4) The closing balance of employee remuneration payables of the Group represented the accrued salaries of December 2014 and the thirteenth month salary for 2014. Up to the date of approval for publication of this financial report, the salaries of December and the thirteenth month salary.

(5) There was no overdue nature payables in employee remuneration payables as at the end of 2014.

(6) Post-employment benefits of the Group mainly refer to defined contribution plans.

The Group has arranged its employees in the PRC to participate in the retirement benefit scheme as required by the Social Security Act of the PRC and relevant implementation regulation. The scheme included basic pension insurance and unemployment insurance contributions. We are required to contribute a certain percentage of our payroll to the labour and social security authorities. The only obligation of the Group with respect to the scheme is to make the specific contributions.

The Group participates in a retirement benefits scheme registered under the Mandatory Provident Fund Scheme Ordinance for its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and the employer and employees shall make contributions according to the provisions of the MPF Ordinance. The employer's contributions vested fully with the employees when the scheme completes. The only obligation of the Group with respect to the scheme is to make the specified contributions.

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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 22. Tax payables

| Item                                   | Closing balance      | Opening balance      |
|--|----------------------|----------------------|
| VAT                                    | 12,974,545.94        | 4,037,645.18         |
| Business tax                           | 259,009.36           | 238,625.36           |
| EIT                                    | 5,588,447.85         | 10,305,114.11        |
| Individual income tax                  | 191,760.02           | 118,372.98           |
| Urban maintenance and construction tax | 65,792.27            | 64,588.69            |
| Education surcharge                    | 48,628.28            | 47,009.38            |
| Others                                 | 1,228.07             | 7,458.92             |
| <b>Total</b>                           | <b>19,129,411.79</b> | <b>14,818,814.62</b> |

As at the end of the year, tax payables included RMB1,169,588.11 of Hong Kong Profits Tax payable.

#### 23. Interest payables

##### (1) Category of interest payables

| Item   | Closing balance   | Opening balance   |
|--|-------------------|-------------------|
| Interest on long-term loan which requires to pay interest by instalments and repay principal at maturity | 251,125.00        | 394,625.00        |
| Short-term loans interest payables   | 112,000.00        | —                 |
| <b>Total</b>   | <b>363,125.00</b> | <b>394,625.00</b> |

#### 24. Other payables

##### (1) Category of other payables by nature

| Nature of amount                 | Closing balance      | Opening balance      |
|----------------------------------|----------------------|----------------------|
| Open credit with entities        | 47,561,752.29        | 6,818,595.23         |
| Investment costs payable         | 10,000,000.00        | 38,000,000.00        |
| Security for tendering           | 1,300,000.00         | 2,460,000.00         |
| Current account with individuals | 290,970.34           | 217,844.59           |
| <b>Total</b>                     | <b>59,152,722.63</b> | <b>47,496,439.82</b> |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 24. Other payables (continued)

##### (2) Material other payables aged over one year

| Name of entity                              | Closing balance     | Reason for overdue or carrying forward           |
|---|---------------------|--|
| Sichuan Baoteng Internet Technology Limited | 9,956,702.93        | Investment cost and small amounts of open credit |
| <b>Total</b>                                | <b>9,956,702.93</b> |  |

#### 25. Non-current liabilities due within one year

| Item                              | Closing balance       | Opening balance      |
|-----------------------------------|-----------------------|----------------------|
| Long-term loans due within 1 year | 140,000,000.00        | 60,000,000.00        |
| <b>Total</b>                      | <b>140,000,000.00</b> | <b>60,000,000.00</b> |

#### 26. Other current liabilities

##### (1) Category of other current liabilities

| Item                                | Closing balance     | Opening balance     |
|-------------------------------------|---------------------|---------------------|
| Deferred income due within one year | 4,900,000.00        | —                   |
| Accrued transportation fee          | 1,327,127.45        | 883,720.13          |
| Accrued customs declaration fee     | 450,110.20          | 144,258.48          |
| Accrued rental                      | 399,014.63          | 183,861.00          |
| Accrued marketing expense           | —                   | 1,255,630.90        |
| Others                              | —                   | 64,720.00           |
| <b>Total</b>                        | <b>7,076,252.28</b> | <b>2,532,190.51</b> |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 26. Other current liabilities (continued)

##### (2) Government grants

| Government grant item  | Opening balance | Amount of additional grants for the year | Amount include in non-operating income for the year | Other changes | Closing balance | Asset-related/income related |
|--|-----------------|--|---|---------------|-----------------|------------------------------|
| Internet-based service-oriented industrialization project of intelligent distribution system undertaken by Shenzhen Powerleader Computing System Limited | —               | —  | —   | 2,000,000.00  | 2,000,000.00    | Income-related               |
| R&D of Powerleader cloud operating system based on OpenStack   | —               | —  | —   | 1,200,000.00  | 1,200,000.00    | Income-related               |
| R&D and industrialization of Powerleader's wholly localized high-performance server  | —               | —  | —   | 900,000.00    | 900,000.00      | Income-related               |
| Subsidy from Finance Commission of Shenzhen Municipality/R&D of Powerleader desk top computer based on safe and reliable CPU                             | —               | —  | —   | 800,000.00    | 800,000.00      | Asset-related                |
| <b>Total</b>   | —               | —  | —   | 4,900,000.00  | 4,900,000.00    |                              |

"Other changes" are reclassification from deferred income due within one year to this item.

#### 27. Long-term loans

##### (1) Category of loans

| Category of loans                     | Closing balance | Opening balance |
|---------------------------------------|-----------------|-----------------|
| Guaranteed loans                      | 140,000,000.00  | 200,000,000.00  |
| Less: portion repayable within 1 year | 140,000,000.00  | 60,000,000.00   |
| <b>Total</b>                          | —               | 140,000,000.00  |

Details of guarantees and securities:

Long term loans refer to the loan guarantee contract entered into between the Company and China Construction Bank Corporation (Shenzhen branch) under the loan contract no. "Jie 2012 Liu 0578 Shangbu". The loan principle as agreed by the agreement is RMB0.2 billion with a term from 31 January 2013 to 30 January 2016, the loan is applied as working capital during the ordinary course of business of the enterprise, the closing balance was RMB140,000,000.00, and is due within one year. RMB20 million is repayable quarterly from the thirteenth month after such loan had been granted and RMB40 million quarterly from the twenty-fifth month according to the repayment schedule with the remaining balance settled by the end of the term.

The conditions of long-term loans included guarantee loans, pledged loans and secured loans.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 27. Long-term loans (continued)

##### (1) Category of loans (continued)

Details of guarantee and security: (continued)

- 1) The guarantee contracts included "Bao 2012 Liu 0578 Shangbu-1", "Bao 2012 Liu 0578 Shangbu-2", "Bao 2012 Liu 0578 Shangbu-3" and "Bao 2012 Liu 0578 Shangbu-4" respectively, the guarantors were Powerleader Holdings, Ex-channel, Li Ruijie and Zhang Yunxia respectively.
- 2) The pledge contract was the pledge contract for accounts receivable with contract no. "Zhi 2012 Liu 0578 Shangbu". In particular, it has "pledge of accounts receivable/transfer registration agreement" with the agreement numbered "Xie 2012 Liu 0578 Shangbu".
- 3) Included in the security contract was a list of secured properties, which covers the plant and R&D center of Powerleader Technology Park, Guanlan Hi-Tech Park, Longhua New District, Shenzhen, with the title certificate and other related certificate numbered "Shenfangdizi No. 5000559246", the area were 23,558.42 square meters and 8,607.82 square meters respectively. The secured amount was RMB92,367,352.00. The initial carrying amount was RMB68,399,578.69, the accumulated depreciation as of the end of the year was RMB8,858,424.39.

Details of interest rates:

The interest rates of long-term bank loans were 6.4000%–6.4575% per annum, the weighted average interest rates were 6.4288% per annum (31 December 2013: interest rates for long-term loans were 6.4000%–6.4575% per annum, weighted average interest rate was 6.4288% per annum).

##### (2) Analysis on maturity of long-term loans

| Item         | Closing balance | Opening balance       |
|--------------|-----------------|-----------------------|
| 1 to 2 years | —               | 140,000,000.00        |
| <b>Total</b> | <b>—</b>        | <b>140,000,000.00</b> |

#### 28. Deferred Income

##### (1) Category of deferred Income

| Item              | Opening balance     | Increase during the year | Decrease during the year | Closing balance     | Reason   |
|-------------------|---------------------|--------------------------|--------------------------|---------------------|--|
| Government grants | 8,637,000.00        | 2,100,000.00             | 6,150,000.00             | <b>4,587,000.00</b> | Government subsidy for projects subject to acceptance test |
| <b>Total</b>      | <b>8,637,000.00</b> | <b>2,100,000.00</b>      | <b>6,150,000.00</b>      | <b>4,587,000.00</b> | —  |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 28. Deferred Income (continued)

##### (2) Government grants items

| Government grants item  | Opening balance     | Amount of additional grants for the year | Amount include in non-operating income for the year | Other changes       | Closing balance     | Asset-related/ income related |
|---|---------------------|--|---|---------------------|---------------------|-------------------------------|
| R&D and industrialisation of Powercloud high-performance servers applicable to cloud computer   | 800,000.00          | —  | 800,000.00  | —                   | —                   | Income-related                |
| R&D and industrialisation of Powerleader's wholly localized high-performance servers  | 900,000.00          | —  | —   | 900,000.00          | —                   | Income-related                |
| R&D of Powerleader desk top computer project based on safe and reliable CPU   | 800,000.00          | —  | —   | 800,000.00          | —                   | Income-related                |
| Industrial application demonstration project for Powerleader's center for cloud computation and data  | 1,200,000.00        | —  | —   | —                   | 1,200,000.00        | Income-related                |
| Development of intelligent logistics technology and its application system based on UHF RFID  | 87,000.00           | —  | —   | —                   | 87,000.00           | Income-related                |
| R&D of Powerleader security data storage services platform based on cloud computing   | 450,000.00          | —  | 450,000.00  | —                   | —                   | Income-related                |
| Industrialisation project of intelligent distribution system undertaken by Shenzhen Powerleader Computing System Limited designed for internet infrastructure based service | 2,000,000.00        | —  | —   | 2,000,000.00        | —                   | Income-related                |
| R&D of Powerleader cloud operating system based on OpenStack  | 1,200,000.00        | —  | —   | 1,200,000.00        | —                   | Income-related                |
| Powerleader cloud game platform   | 1,200,000.00        | —  | —   | —                   | 1,200,000.00        | Income-related                |
| Industrial application demonstration project for Powerleader desk top cloud operation system  | —                   | 1,300,000.00                             | —   | —                   | 1,300,000.00        | Income-related                |
| R&D of Powerleader security data storage services platform based on cloud computing   | —                   | 800,000.00                               | —   | —                   | 800,000.00          | Income-related                |
| <b>Total</b>  | <b>8,637,000.00</b> | <b>2,100,000.00</b>                      | <b>1,250,000.00</b>                                 | <b>4,900,000.00</b> | <b>4,587,000.00</b> |                               |

"Other changes" represent government grants amounts realizable within one year, which has been transferred from this item to "other current liabilities".

No government grants had been refunded in 2014 and 2013.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 29. Share Capital

Changes in the Company's authorized, issued and paid-up share capital are set out in the table below. All shares of the Company are ordinary share of RMB1 each.

##### *This year*

| Item                   | Opening balance | Increase/decrease for the year(+/-) |             |                                |        | Sub-total | Closing balance |
|------------------------|-----------------|-------------------------------------|-------------|--------------------------------|--------|-----------|-----------------|
|                        |                 | Issue of new shares                 | Bonus issue | Transfer from capital reserves | Others |           |                 |
| Total number of shares | 243,000,000.00  | —                                   | —           | —                              | —      | —         | 243,000,000.00  |

##### *Last year*

| Item                   | Opening balance | Increase/decrease for the year(+/-) |             |                                |        | Sub-total | Closing balance |
|------------------------|-----------------|-------------------------------------|-------------|--------------------------------|--------|-----------|-----------------|
|                        |                 | Issue of new shares                 | Bonus issue | Transfer from capital reserves | Others |           |                 |
| Total Number of shares | 243,000,000.00  | —                                   | —           | —                              | —      | —         | 243,000,000.00  |

#### 30. Capital reserves

##### *This year*

| Item                   | Opening balance      | Increase during the year | Decrease during the year | Closing balance      |
|------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Share premium          | 25,875,000.00        | —                        | —                        | 25,875,000.00        |
| Other capital reserves | 6,109,904.09         | 2,057,101.93             | —                        | 8,167,006.02         |
| <b>Total</b>           | <b>31,984,904.09</b> | <b>2,057,101.93</b>      | <b>—</b>                 | <b>34,042,006.02</b> |

##### *Last year*

| Item                   | Opening balance      | Increase during the year | Decrease during the year | Closing balance      |
|------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Share premium          | 25,875,000.00        | —                        | —                        | 25,875,000.00        |
| Other capital reserves | 2,842,987.51         | 3,266,916.58             | —                        | 6,109,904.09         |
| <b>Total</b>           | <b>28,717,987.51</b> | <b>3,266,916.58</b>      | <b>—</b>                 | <b>31,984,904.09</b> |



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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 31. Other comprehensive income

| Item   | Opening balance | This year before income tax | This year  |                         |                                       | Attributable to the minority interest after tax | Closing balance  |
|--|-----------------|-----------------------------|--|-------------------------|---------------------------------------|---|------------------|
|  |                 |                             | Less: Amounts transferred to profit or loss for the current period from other comprehensive income in prior period | Less: income tax charge | Attributable to the Company after tax |   |                  |
| I. Other comprehensive income which will not be reclassified to profit or loss   | —               | —                           | —  | —                       | —                                     | —   |                  |
| II. Other comprehensive income which will be reclassified to profit or loss  | 2,347.76        | 21,423.64                   | —  | —                       | 21,423.64                             | —   | 23,771.40        |
| Including: Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method | 2,347.76        | 21,423.64                   | —  | —                       | 21,423.64                             | —   | 23,771.40        |
| <b>Total other comprehensive income</b>  | <b>2,347.76</b> | <b>21,423.64</b>            | <b>—</b>   | <b>—</b>                | <b>21,423.64</b>                      | <b>—</b>  | <b>23,771.40</b> |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 32. Surplus reserves

##### This year

| Item                       | Opening balance      | Increase during the year | Decrease during the year | Closing balance      |
|----------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Statutory surplus reserves | 34,601,238.65        | —                        | —                        | 34,601,238.65        |
| <b>Total</b>               | <b>34,601,238.65</b> | <b>—</b>                 | <b>—</b>                 | <b>34,601,238.65</b> |

##### Last year

| Item                       | Opening balance      | Increase during the year | Decrease during the year | Closing balance      |
|----------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Statutory surplus reserves | 34,601,238.65        | —                        | —                        | 34,601,238.65        |
| <b>Total</b>               | <b>34,601,238.65</b> | <b>—</b>                 | <b>—</b>                 | <b>34,601,238.65</b> |

According to the Companies Law of the PRC and the articles of association of the Company, the Company is required to appropriate 10% of its annual net profit to statutory surplus reserves, appropriation for which will be ceased until it is accumulated up to 50% of the registered capital. Statutory surplus reserves can be used to make up losses or increase share capital upon approval. The net profit for this year is negative, and is not required to appropriate to the statutory surplus reserves (2013: net profit was negative, no appropriation had been made to the statutory surplus reserves).

#### 33. Undistributed profits

| Item  | Balance for this year | Balance for last year |
|---|-----------------------|-----------------------|
| <b>At the end of last year</b>  | <b>437,634,780.76</b> | 399,561,058.90        |
| Add: Adjustments to beginning balance of undistributed profits            | —                     | —                     |
| Including: Retrospective adjustment according to new requirements of ASBE | —                     | —                     |
| Changes in accounting policies  | —                     | —                     |
| Correction of material mistakes in the prior periods                      | —                     | —                     |
| Changes in scope of business combination under common control             | —                     | —                     |
| Other adjustment factors  | —                     | —                     |
| <b>At the beginning of this year</b>                                      | <b>437,634,780.76</b> | 399,561,058.90        |
| Add: Net profit attributable to shareholders of the Company for the year  | <b>53,997,051.88</b>  | 50,223,721.86         |
| Less: Appropriation to statutory surplus reserves                         | —                     | —                     |
| Distribution of dividends on ordinary shares                              | —                     | 12,150,000.00         |
| <b>At the end of this year</b>  | <b>491,631,832.64</b> | 437,634,780.76        |

Distribution of dividends of ordinary shares for the year: the Directors of the Company do not recommend for the payment of dividend for the year ended 31 December 2014 (2013: final dividends for the year ended 31 December 2012 of RMB0.005 (tax inclusive) per share were paid to the shareholders whose names stood on the shareholder's register of the Company on the record date according to the 2012 annual results as announced on 27 March 2013 by the Company, the dividends paid amounted to RMB12,150,000.00 in aggregate).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 34. Minority interests

##### *Minority interests attributable to minority shareholders of subsidiaries*

| Name of subsidiary                                     | Percentage of minority shareholding (%) | Closing balance   | Opening balance |
|--|---|-------------------|-----------------|
| Shenzhen Powerleader Property Development Limited      | 1.00                                    | (2,260.93)        | (2,046.55)      |
| Shenzhen Powerleader Communication Technology Limited  | 10.00                                   | —                 | (20,574.27)     |
| Nanjing Powerleader Cloud Computing Technology Limited | 1.00                                    | —                 | 487,339.36      |
| <b>Total</b>   |   | <b>(2,260.93)</b> | 464,718.54      |

##### *Deficit of minority shareholders written against minority interest of the Group*

| Name of subsidiary                                    | Balance for this year | Balance for last year |
|---|-----------------------|-----------------------|
| Shenzhen Powerleader Property Development Limited     | 2,260.93              | 2,046.55              |
| Shenzhen Powerleader Communication Technology Limited | —                     | 20,574.27             |
| <b>Total</b>  | <b>2,260.93</b>       | 22,620.82             |

#### 35. Net current assets

| Item                      | Closing balance       | Opening balance  |
|---------------------------|-----------------------|------------------|
| Current assets            | 1,599,207,848.13      | 1,183,769,228.37 |
| Less: Current liabilities | 1,483,399,690.43      | 867,590,285.64   |
| <b>Net current assets</b> | <b>115,808,157.70</b> | 316,178,942.73   |

#### 36. Total assets less current liabilities

| Item   | Closing balance       | Opening balance  |
|--|-----------------------|------------------|
| Total assets                                 | 2,291,283,278.21      | 1,765,428,578.85 |
| Less: Current liabilities                    | 1,483,399,690.43      | 867,590,285.64   |
| <b>Total assets less current liabilities</b> | <b>807,883,587.78</b> | 897,838,293.21   |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 37. Borrowings

The borrowings of the Group are summarized as follows:

| Item             | Closing balance         | Opening balance       |
|------------------|-------------------------|-----------------------|
| Short-term loans | 976,112,408.03          | 552,801,859.89        |
| Long-term loans  | 140,000,000.00          | 200,000,000.00        |
| <b>Total</b>     | <b>1,116,112,408.03</b> | <b>752,801,859.89</b> |

#### (1) Analysis of borrowings

| Item                        | Closing balance         | Opening balance       |
|-----------------------------|-------------------------|-----------------------|
| Bank loans                  | 1,116,112,408.03        | 752,801,859.89        |
| — Repayable within one year | 1,116,112,408.03        | 612,801,859.89        |
| — Repayable after one year  | —                       | 140,000,000.00        |
| <b>Total</b>                | <b>1,116,112,408.03</b> | <b>752,801,859.89</b> |

#### (2) Analysis of borrowings by maturity dates

| Item                                   | Closing balance         | Opening balance       |
|--|-------------------------|-----------------------|
| Repayable on demand or within one year | 1,116,112,408.03        | 612,801,859.89        |
| One to two years                       | —                       | 140,000,000.00        |
| <b>Total</b>                           | <b>1,116,112,408.03</b> | <b>752,801,859.89</b> |

#### 38. Revenue and operating costs

| Item                 | Amount of this year     |                         | Amount of last year     |                         |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                      | Revenue                 | Costs                   | Revenue                 | Costs                   |
| Principle businesses | 1,843,059,452.57        | 1,620,860,594.94        | 1,553,056,430.51        | 1,372,159,761.05        |
| Other businesses     | 9,779,967.93            | 4,823,392.55            | 7,621,499.82            | 4,199,255.25            |
| <b>Total</b>         | <b>1,852,839,420.50</b> | <b>1,625,683,987.49</b> | <b>1,560,677,930.33</b> | <b>1,376,359,016.30</b> |

Revenue from principal businesses, which is the Group's turnover, represents the net amount received and receivable from sale of goods and provision of services by the Group to external customers, less trade discounts during the year.

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 38. Revenue and operating costs (continued)

##### Gross profit

| Item                              | Balance for this year | Balance for last year |
|-----------------------------------|-----------------------|-----------------------|
| Revenue from principal businesses | 1,843,059,452.57      | 1,553,056,430.51      |
| Costs of principal businesses     | 1,620,860,594.94      | 1,372,159,761.05      |
| <b>Gross profits</b>              | <b>222,198,857.63</b> | 180,896,669.46        |

(1) Principal businesses — classified by sectors

| Name of sector                     | Amount for this year              |                              |
|------------------------------------|-----------------------------------|------------------------------|
|                                    | Revenue from principal businesses | Cost of principal businesses |
| Cloud infrastructure as a service  | 536,722,121.32                    | 388,819,995.33               |
| Cloud module as a service          | 1,297,465,299.41                  | 1,226,479,564.16             |
| Software and platform as a service | 8,872,031.84                      | 5,561,035.45                 |
| <b>Total</b>                       | <b>1,843,059,452.57</b>           | <b>1,620,860,594.94</b>      |

| Name of sector                     | Amount for last year              |                              |
|------------------------------------|-----------------------------------|------------------------------|
|                                    | Revenue from principal businesses | Cost of principal businesses |
| Cloud infrastructure as a service  | 421,329,861.50                    | 316,016,300.93               |
| Cloud module as a service          | 1,117,986,407.29                  | 1,049,874,801.75             |
| Software and platform as a service | 13,740,161.72                     | 6,268,658.37                 |
| <b>Total</b>                       | <b>1,553,056,430.51</b>           | <b>1,372,159,761.05</b>      |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 38. Revenue and operating costs (continued)

(2) Principal businesses — classified by geographical regions

| Name of geographical region | Amount for this year              |                              |
|-----------------------------|-----------------------------------|------------------------------|
|                             | Revenue from principal businesses | Cost of principal businesses |
| Mainland China              | 1,315,614,347.18                  | 1,116,386,480.46             |
| Hong Kong                   | 519,451,733.69                    | 498,697,120.29               |
| Others                      | 7,993,371.70                      | 5,776,994.19                 |
| <b>Total</b>                | <b>1,843,059,452.57</b>           | <b>1,620,860,594.94</b>      |

  

| Name of geographical region | Amount for last year              |                              |
|-----------------------------|-----------------------------------|------------------------------|
|                             | Revenue from principal businesses | Cost of principal businesses |
| Mainland China              | 1,080,816,193.18                  | 938,300,593.90               |
| Hong Kong                   | 289,790,689.03                    | 258,442,415.42               |
| Others                      | 182,449,548.30                    | 175,416,751.73               |
| <b>Total</b>                | <b>1,553,056,430.51</b>           | <b>1,372,159,761.05</b>      |

(3) Revenue from other businesses and costs of other businesses

| Name of business    | Amount for this year          |                           | Amount for last year          |                           |
|---------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
|                     | Revenue from other businesses | Costs of other businesses | Revenue from other businesses | Costs of other businesses |
| Service fee revenue | 7,838,266.93                  | 4,516,598.97              | 6,220,016.47                  | 3,835,872.84              |
| Lease revenue       | 1,770,701.00                  | 306,223.70                | 1,374,881.00                  | 363,382.41                |
| Others              | 171,000.00                    | 569.88                    | 26,602.35                     | —                         |
| <b>Total</b>        | <b>9,779,967.93</b>           | <b>4,823,392.55</b>       | <b>7,621,499.82</b>           | <b>4,199,255.25</b>       |

(4) The sales to the largest customer during the year amounted to RMB143,180,155.40, accounted for 7.73% of the total sales value (2013: RMB133,965,706.70, 8.58%), the sales to the 5 largest customers amounted to RMB410,035,202.97 in aggregate, accounted for 22.13% of the total sales value (2013: RMB424,437,364.15, 27.20%).

(5) The purchases from the largest supplier during the year amounted to RMB880,356,004.80, accounted for 39.33% of the total purchase value (2013: RMB970,901,301.99, 54.25%), the purchases from the 5 largest suppliers amounted to RMB1,259,543,187.33, accounted for 56.28% of the total purchase value (2013: RMB1,208,157,647.38, 67.50%).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 39. Business tax and surcharge

| Item                                   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Business tax                           | 142,614.05           | 205,467.97           |
| Urban maintenance and construction tax | 1,034,096.56         | 1,193,598.34         |
| Education surcharge                    | 747,772.48           | 852,260.46           |
| Others                                 | —                    | 309.75               |
| <b>Total</b>                           | <b>1,924,483.09</b>  | <b>2,251,636.52</b>  |

#### 40. Selling expenses

| Item                                 | Amount for this year | Amount for last year |
|--------------------------------------|----------------------|----------------------|
| <b>Total</b>                         | <b>45,674,560.79</b> | <b>42,666,930.00</b> |
| Including: Salaries                  | 21,562,525.84        | 17,373,839.76        |
| Transportation expenses              | 4,470,907.21         | 1,972,597.02         |
| Rents                                | 3,356,552.61         | 2,927,194.03         |
| Marketing expenses                   | 2,573,870.68         | 5,838,234.49         |
| Entertainment expenses               | 2,377,633.32         | 1,411,251.10         |
| Employees' social security insurance | 2,141,654.10         | 2,124,774.18         |
| Travelling expenses                  | 2,116,827.05         | 1,789,594.31         |
| Traffic expenses in the city         | 1,315,339.08         | 1,772,873.57         |
| Office expenses                      | 1,106,257.13         | 831,974.39           |
| Property management fee              | 727,827.22           | 1,121,137.71         |

#### 41. Administrative expenses

| Item   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| <b>Total</b>                                 | <b>63,769,919.26</b> | <b>54,415,288.51</b> |
| Including: Amortization of intangible assets | 16,375,468.41        | 16,047,464.46        |
| Salaries                                     | 14,605,390.87        | 11,232,286.32        |
| Depreciation                                 | 8,968,684.19         | 8,870,610.07         |
| Water and electricity                        | 2,611,036.03         | 1,927,477.19         |
| Taxes  | 2,454,955.52         | 2,659,416.03         |
| Agency fee                                   | 1,960,771.04         | 301,119.52           |
| Audit fee                                    | 1,594,422.95         | 1,921,568.33         |
| Travelling expenses                          | 1,467,425.88         | 491,974.96           |
| Employees' social security insurance         | 1,275,689.38         | 923,750.58           |
| Staff incentives                             | 1,178,234.75         | 967,548.00           |



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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 42. Finance costs

##### (1) Breakdown of finance cost

| Item                          | Amount for this year | Amount for last year |
|-------------------------------|----------------------|----------------------|
| Interest expenses             | 54,690,543.50        | 46,234,428.94        |
| Less: Interest income         | 311,517.50           | 777,683.45           |
| Add: Gain or loss on exchange | 1,010,118.54         | (3,926,286.44)       |
| Add: Other expenses           | 5,380,777.81         | 3,814,322.36         |
| <b>Total</b>                  | <b>60,769,922.35</b> | <b>45,344,781.41</b> |

##### (2) Breakdown of interest expenses

| Item                       | Amount for this year | Amount for last year |
|----------------------------|----------------------|----------------------|
| Interest on bank loans     | 54,690,543.50        | 46,234,428.94        |
| Sub-total                  | 54,690,543.50        | 46,234,428.94        |
| Less: Interest capitalised | —                    | —                    |
| <b>Total</b>               | <b>54,690,543.50</b> | <b>46,234,428.94</b> |

##### (3) Breakdown of interest income

| Item                             | Amount for this year | Amount for last year |
|----------------------------------|----------------------|----------------------|
| Interest income on bank deposits | 311,517.50           | 777,683.45           |
| <b>Total</b>                     | <b>311,517.50</b>    | <b>777,683.45</b>    |

#### 43. Impairment losses of assets

| Item                           | Amount for this year | Amount for last year |
|--------------------------------|----------------------|----------------------|
| Bad debts losses               | (3,107,824.77)       | 4,832,233.28         |
| Impairment loss of inventories | 5,848,600.82         | 496,720.30           |
| <b>Total</b>                   | <b>2,740,776.05</b>  | <b>5,328,953.58</b>  |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 44. Gain/loss on changes in fair value

| Item   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Financial assets at fair value through profit or loss for the current period | (362,198.90)         | 183,505.65           |
| Including: Gain on changes in fair value of derivative financial instrument  | (362,198.90)         | 183,505.65           |
| <b>Total</b>   | <b>(362,198.90)</b>  | 183,505.65           |

The gain or loss on changes in fair value for this year represents the changes in fair value of foreign currency option contracts held by Ex-channel, a subsidiary of the Company.

#### 45. Gain on investments

| Item   | Amount for this year  | Amount for last year |
|--|-----------------------|----------------------|
| Gain on long-term equity investments accounted for using equity method   | (10,172,065.04)       | 8,702,275.77         |
| Gain on investment on disposal of long-term equity investments   | 2,664,347.47          | 2,000,000.00         |
| Gain on investment in financial assets at fair value through profit or loss for the current period during the holding period | 490,484.71            | 363,372.60           |
| <b>Total</b>   | <b>(7,017,232.86)</b> | 11,065,648.37        |

Gain on investments derived from listed and unlisted investments for the year were RMB(3,371,491.77) and RMB(3,645,741.09), respectively, the remit back of the gain on investment by the Group is not subject to significant restriction.

#### 46. Non-operating income

##### (1) Breakdown of non-operating income

| Item  | Amount for this year | Amount for last year | Included in non-recurring profit or loss for the year |
|---|----------------------|----------------------|---|
| Gain on disposal of non-current assets      | 1,074,754.56         | 5,214.53             | 1,074,754.56  |
| Including: gain on disposal of fixed assets | 1,074,754.56         | 5,214.53             | 1,074,754.56  |
| Government grants                           | 5,975,146.97         | 7,988,319.22         | 2,175,200.00  |
| Fine income                                 | 4,000.00             | —                    | 4,000.00  |
| Payables waived                             | —                    | 2,920,638.69         | —   |
| Marketing sponsorship                       | —                    | 346,381.14           | —   |
| Others                                      | 152,588.78           | 126,635.25           | 152,588.78  |
| <b>Total</b>                                | <b>7,206,490.31</b>  | 11,387,188.83        | 3,406,543.34  |

The amount included in non-recurring profit or loss for this year was RMB3,406,543.34 (last year: RMB7,215,219.61).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 46. Non-operating income *(continued)*

##### (2) Breakdown of government grants

| Item  | Amount for this year | Source and basis   | Asset-related/<br>income-related |
|---|----------------------|--|----------------------------------|
| VAT drawbacks   | 3,799,946.97         |  | Income-related                   |
| R&D and industrialization of Powercloud high-performance server applicable to cloud computer          | 800,000.00           | Project contract under science and technology R&D funds of Shenzhen municipality   | Income-related                   |
| Special incentives for intellectual property rights — registration of software copyright              | 500,000.00           | Finance Bureau of Futian District, Shenzhen Municipality   | Income-related                   |
| R&D of Powerleader security data storage services platform based on cloud computing                   | 450,000.00           | Project funds utilization contract of special industries development fund (science and technology development sub-category) of Futian District | Income-related                   |
| Special development funds for strategic emerging industries of Shenzhen Municipality                  | 210,000.00           | Science and technology innovation committee of Shenzhen Municipality   | Income-related                   |
| Industrial special funds  | 214,000.00           | Finance Bureau of Futian District, Shenzhen Municipality (Treasury division)   | Income-related                   |
| Subsidy for registration of copyright from Market Supervision Administration of Shenzhen Municipality | 1,200.00             | Publication of text message  | Income-related                   |
| <b>Total</b>  | <b>5,975,146.97</b>  |  |                                  |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 46. Non-operating income (continued)

##### (2) Breakdown of government grants (continued)

| Item   | Amount for<br>last year | Source and basis  | Asset-related/<br>income-related |
|--|-------------------------|---|----------------------------------|
| Drawback of VAT  | 4,171,969.22            | Caishui [2011] 100 issued by Ministry of Finance and State Administration of Taxation | Income-related                   |
| Construction of net information integrated management platform based on cloud data   | 3,000,000.00            | Shenfagai [2011] No. 670  | Income-related                   |
| Comprehensive support — subsidy for loan interest  | 500,000.00              | Futian District industrial development project funds review committee office          | Income-related                   |
| Accredited as 2012 intellectual property rights advantageous enterprise in Shenzhen Municipality   | 200,000.00              | Intellectual Property Office of Shenzhen Municipality                                 | Income-related                   |
| 2012 Hi-Technology Meeting subsidies   | 82,750.00               | Municipal SME service center  | Income-related                   |
| Subsidies for patent application   | 14,000.00               | Patent cooperation treaty and State intellectual properties rights                    | Income-related                   |
| Patents on a socket type SSDs  | 10,000.00               | State Intellectual Property Office of the PRC   | Income-related                   |
| Support for 3 New (new product, new technology and new processes) R&D, intellectual property rights special incentives (patent of utility new model) | 4,000.00                | Certificate of patent of utility new model  | Income-related                   |
| Intellectual property rights special project awards — software copyrights registration   | 3,600.00                | Finance Bureau of Futian District, Shenzhen Municipality                              | Income-related                   |
| An intellectual property right on cabinet  | 2,000.00                | State Intellectual Property Office of the PRC   | Income-related                   |
| <b>Total</b>   | 7,988,319.22            |   |                                  |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 47. Non-operating costs

| Item   | Amount for this year | Amount for last year | Included in non-recurring profit or loss for the year |
|--|----------------------|----------------------|---|
| Total loss on disposal of non-current assets | <b>94,318.12</b>     | 103,662.27           | 94,318.12   |
| Including: Loss on disposal of fixed assets  | <b>94,318.12</b>     | 103,662.27           | 94,318.12   |
| Donation                                     | <b>30,000.00</b>     | 45,000.00            | 30,000.00   |
| Non-recurring losses                         | <b>887.13</b>        | 405.57               | 887.13  |
| Others                                       | <b>133,461.63</b>    | 130,088.54           | 133,461.63  |
| <b>Total</b>                                 | <b>258,666.88</b>    | 279,156.38           | 258,666.88  |

Amount included in non-recurring profit or loss for this year was RMB258,666.88 (last year: RMB279,156.38).

#### 48. Income tax expenses

##### (1) *Income tax expenses*

| Item   | Amount for this year  | Amount for last year |
|--|-----------------------|----------------------|
| Current income tax — PRC EIT                                       | <b>5,679,393.69</b>   | 7,463,623.29         |
| PRC  | <b>4,714,236.44</b>   | 5,367,491.40         |
| Hong Kong  | <b>965,157.25</b>     | 2,096,131.89         |
| Over provision for prior years (under provision is denoted as "+") | <b>(5,383,359.98)</b> | 1,884,086.06         |
| Deferred income tax  | <b>(2,483,555.55)</b> | (3,009,568.67)       |
| <b>Total</b>   | <b>(2,187,521.84)</b> | 6,338,140.68         |

The amount of Hong Kong Profits Tax included in the income statement for the year was RMB399,208.30 (last year: RMB1,509,410.07).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 48. Income tax expenses (continued)

##### (2) Reconciliation table of income tax expenses and total profit

Adjusting total profits based on the consolidated income statement to income tax expenses by adopting income tax calculated at applicable tax rates:

| Item  | Amount for<br>this year | Amount for<br>last year |
|---|-------------------------|-------------------------|
| Total consolidated profits for the year   | <b>51,844,163.14</b>    | 56,668,510.48           |
| Income tax charges calculated at applicable tax rates of 15%<br>(2013: 15%)   | <b>7,776,624.46</b>     | 8,500,276.57            |
| Effect of different applicable tax rate among subsidiaries  | <b>(81,625.74)</b>      | (141,963.46)            |
| Effect of adjustment to the income tax for the prior period   | <b>(5,383,359.98)</b>   | 1,884,086.06            |
| Effect of non-taxable income  | <b>(7,933,103.58)</b>   | (4,630,812.64)          |
| Tax effect of special tax exemption   | —                       | (521,496.15)            |
| Effect of non-deductible costs, expenses and losses   | <b>(1,843,969.09)</b>   | (2,895,802.81)          |
| Effect of utilisation of deductible losses for which no deferred income tax<br>assets is recognised in prior periods                  | <b>(72,844.82)</b>      | (303,582.66)            |
| Effect of deductible temporary differences or deductible losses for which<br>no deferred income tax assets is recognised for the year | <b>5,350,756.91</b>     | 4,447,435.77            |
| Income tax expenses   | <b>(2,187,521.84)</b>   | 6,338,140.68            |

#### 49. Audit fee

Audit fee for the year was RMB718,330.50 (last year: RMB796,557.50).

#### 50. Depreciation and amortization

Depreciation recognised in the income statement for this year was RMB12,621,028.94 (last year: RMB10,023,012.12), amortisation recognised in come statement was RMB17,209,031.57 (last year: RMB17,644,480.69).

#### 51. Operating lease expenses

Operating lease expenses for this year was RMB4,012,275.22 (last year: RMB3,036,733.95).

#### 52. Rental income

Rents from lands and buildings (net of government rent, rates and other expenditure) was RMB1,770,701.00 (last year: RMB1,374,881.00).

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 53. Earnings per share

##### (1) *Basic earnings per share*

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the outstanding weighted average number of ordinary shares of the Company.

| Item  | Amount for this year | Amount for last year |
|---|----------------------|----------------------|
| Consolidated net profit attributable to ordinary shareholders of the Company  | 53,997,051.88        | 50,223,721.86        |
| Consolidated net profit (after non-recurring profit or loss) attributable to the ordinary shareholders of the Company | 48,962,822.43        | 42,069,615.26        |
| Weighted average number of outstanding ordinary shares of the Company   | 243,000,000.00       | 243,000,000.00       |
| Basic earnings per share (RMB/share)  | 0.2222               | 0.2067               |
| Basic earnings per share(RMB/share) (after non-recurring profit or loss)  | 0.2015               | 0.1731               |

The calculation outstanding of the weighted average number of ordinary shares:

| Item   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Number of outstanding ordinary shares at the beginning of year                                     | 243,000,000.00       | 2,430,000,000.00     |
| Number of shares increased by capitalization of capital reserves or distribution of dividends (I)  | —                    | —                    |
| Number of shares increased by issuance of new shares or conversion of debts to capital (II)        | —                    | —                    |
| Number of months accumulated from the month following the month of share increase (II) to year end | —                    | —                    |
| Decrease in number of shares pursuant to re-purchase   | —                    | —                    |
| Number of months accumulated from the month following the month of share decrease to year end      | —                    | —                    |
| Reduction in number of shares due to consolidation   | —                    | 2,187,000,000.00     |
| Number of months in the reporting period   | 12.00                | 12                   |
| Weighted average number of outstanding ordinary shares   | 243,000,000.00       | 243,000,000.00       |

##### (2) *Diluted earnings per share*

As the Company has no potential dilutive shares in both years, the diluted earnings per share was the same as the basic earnings per share.



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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 54. Other comprehensive income

| Item   | Amount for<br>this year | Amount for<br>last year |
|--|-------------------------|-------------------------|
| 1. Gain/(loss) on available-for-sale financial assets  | —                       | —                       |
| Less: Income tax effect on available-for-sale financial assets   | —                       | —                       |
| Net amount included in other comprehensive income in prior periods<br>which transferred to profit or loss for the period | —                       | —                       |
| Sub-total  | —                       | —                       |
| 2. Share of other comprehensive income of investee accounted for by equity<br>method                                     | <b>21,423.64</b>        | (9,527.61)              |
| Less: Income tax effect on share of other comprehensive income of investee<br>accounted for by equity method             | —                       | —                       |
| Net amount included in other comprehensive income in prior periods<br>which transferred to profit or loss for the period | —                       | —                       |
| Sub-total  | <b>21,423.64</b>        | (9,527.61)              |
| 3. Gain (loss) generated from cash flow hedging instrument   | —                       | —                       |
| Less: Income tax effect arising from cash flow hedging instrument  | —                       | —                       |
| Net amount included in other comprehensive income in prior periods<br>which transferred to profit or loss for the period | —                       | —                       |
| Adjustment amount transferred out as the initial recognition amount of<br>the hedged item                                | —                       | —                       |
| Sub-total  | —                       | —                       |
| 4. Translation difference of financial statements denominated in<br>foreign currencies                                   | —                       | —                       |
| Less: Net amount transferred to profit or loss for the period from the disposal<br>of overseas operations                | —                       | —                       |
| Sub-total  | —                       | —                       |
| 5. Others  | —                       | —                       |
| Less: Income tax effect on the transfer from others to other comprehensive<br>income                                     | —                       | —                       |
| Net amount included in other comprehensive income in prior periods<br>which transferred to profit or loss for the period | —                       | —                       |
| Sub-total  | —                       | —                       |
| <b>Total</b>   | <b>21,423.64</b>        | <b>(9,527.61)</b>       |

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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 55. Notes to cash flow statement items

##### (1) Other cash received/paid relating to operating/investing/financing activities

###### 1) Other cash received relating to operating activities

| Item                                      | Amount for this year | Amount for last year |
|---|----------------------|----------------------|
| Open credit with entities and individuals | 45,043,437.91        | 1,008,758.54         |
| Government grants                         | 4,275,200.00         | 7,753,350.00         |
| Interests income                          | 311,503.31           | 777,683.45           |
| Deposits                                  | 73,125.75            | 2,453,739.00         |
| Others                                    | 156,588.78           | 5,358,384.43         |
| <b>Total</b>                              | <b>49,859,855.75</b> | <b>17,351,915.42</b> |

###### 2) Other cash paid relating to operating activities

| Item                                      | Amount for this year  | Amount for last year |
|---|-----------------------|----------------------|
| Open credit with entities and individuals | 57,355,394.65         | 47,497,834.79        |
| Transportation expenses                   | 5,273,021.24          | 2,144,529.90         |
| Marketing expenses                        | 3,489,710.64          | 5,848,683.81         |
| Rents                                     | 4,012,275.22          | 3,036,733.95         |
| Travelling expenses                       | 3,584,252.93          | 2,281,569.27         |
| Entertainment expenses                    | 2,952,048.97          | 2,021,711.93         |
| Water and electricity expenses            | 2,777,637.64          | 2,174,294.91         |
| Audit fee                                 | 1,594,422.95          | 1,921,568.33         |
| Vehicle expenses                          | 1,121,929.65          | 977,257.13           |
| Traffic expenses in the city              | 1,486,002.98          | 1,959,303.78         |
| Office expenses                           | 2,276,193.46          | 1,724,658.45         |
| Bank charges                              | 5,380,777.81          | 3,814,322.36         |
| Others                                    | 10,165,827.80         | 8,211,072.19         |
| <b>Total</b>                              | <b>101,469,495.94</b> | <b>83,613,540.80</b> |

###### 3) Other cash received relating to financing activities

| Item  | Amount for this year | Amount for last year |
|---|----------------------|----------------------|
| Release of security deposit for letter of credits | —                    | 8,503,522.38         |
| <b>Total</b>                                      | <b>—</b>             | <b>8,503,522.38</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 55. Notes to cash flow statement items (continued)

##### (1) Other cash received/paid relating to operating/investing/financing activities (continued)

##### 4) Other cash paid relating to financing activities

| Item                                   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Security deposit for letter of credits | 46,326,618.01        | —                    |
| <b>Total</b>                           | <b>46,326,618.01</b> | <b>—</b>             |

##### (2) Supplementary information for consolidated cash flow statement

| Item   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| <b>1.Reconciliation of net profits to cash flows from operating activities:</b>                          |                      |                      |
| Net profit   | 54,031,684.98        | 50,330,369.80        |
| Add: Assets impairment losses  | 2,740,776.05         | 5,328,953.58         |
| Depreciation of fixed assets   | 12,621,028.94        | 10,023,012.12        |
| Amortization of intangible assets  | 17,163,666.81        | 17,561,988.16        |
| Amortization of long-term prepayments  | 45,364.76            | 82,492.53            |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain is denoted as “()”) | (980,436.44)         | 98,447.74            |
| Loss on retirement of fixed assets (Gain is denoted as “()”)   | —                    | —                    |
| Gain or loss on changes in fair value (Gain is denoted as “()”)  | 362,198.90           | (183,505.65)         |
| Finance costs (Gain is denoted as “()”)  | 54,690,543.50        | 46,234,428.94        |
| Loss on investment (Gain is denoted as “()”)   | 7,017,232.86         | (11,065,648.37)      |
| Decrease in deferred income tax assets (Increase is denoted as “()”)                                     | (970,252.14)         | (988,469.02)         |
| Increase in deferred income tax liabilities (Decrease is denoted as “()”)                                | (1,513,303.41)       | (2,099,469.79)       |
| Decrease in inventories (Increase is denoted as “()”)  | (136,205,581.24)     | (12,819,763.29)      |
| Decrease in operating receivables (Increase is denoted as “()”)  | (178,445,617.80)     | (65,830,348.17)      |
| Increase in operating payables (Decrease is denoted as “()”)   | 137,865,248.35       | 14,051,767.75        |
| Others   | —                    | —                    |
| Net cash flow from operating activities  | (31,577,445.88)      | 50,724,256.33        |
| <b>2. Significant non-cash investing and financing activities:</b>                                       |                      |                      |
| Conversion of debts to capital   | —                    | —                    |
| Convertible corporate bonds due within 1 year  | —                    | —                    |
| Acquisition of fixed assets under finance leases   | —                    | —                    |
| <b>3. Net changes in cash and cash equivalents:</b>  |                      |                      |
| Closing balance of cash  | 381,156,365.62       | 331,919,213.53       |
| Less: Beginning balance of cash  | 331,919,213.53       | 190,209,150.73       |
| Add: Closing balance of cash equivalents   | —                    | —                    |
| Less: Beginning balance of cash equivalents  | —                    | —                    |
| Net increase in cash and cash equivalents  | 49,237,152.09        | 141,710,062.80       |

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(these notes to financial statements are presented in RMB unless otherwise specified)

### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### 55. Notes to cash flow statement items *(continued)*

##### (3) Information of acquisition of or disposal of subsidiaries and other business units during the year

| Item   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Information on acquisition of subsidiaries and other business units                          | —                    | —                    |
| 1. Price of acquisition of subsidiaries and other business units                             | —                    | —                    |
| 2. Cash and cash equivalents paid for acquisition of subsidiaries and other business units   | —                    | —                    |
| Less: Cash and cash equivalent held by the subsidiaries and other business units             | —                    | —                    |
| 3. Net cash paid for acquisition of subsidiaries and other business units                    | —                    | —                    |
| 4. Net assets of the acquired subsidiaries   | —                    | —                    |
| Current asset  | —                    | —                    |
| Non-current asset  | —                    | —                    |
| Current liability  | —                    | —                    |
| Non-current liability  | —                    | —                    |
| Information on disposal of subsidiaries and other business units                             | —                    | —                    |
| 1. Consideration of disposal of subsidiaries and other business units                        | 50,800,000.00        | —                    |
| 2. Cash and cash equivalents received from disposal of subsidiaries and other business units | 49,500,000.00        | 173,563.48           |
| Less: Cash and cash equivalent held by subsidiaries and other business units                 | 115,687.35           | 173,563.48           |
| 3. Net cash received from disposal of subsidiaries and other business units                  | 49,384,312.65        | —                    |
| 4. Net assets of the subsidiaries disposed of  | 48,637,265.09        | 337,793.68           |
| Current asset  | 10,599,492.37        | 501,779.86           |
| Non-current asset  | 53,954,327.16        | —                    |
| Current liability  | 15,916,554.44        | 163,986.18           |
| Non-current liability  | —                    | —                    |

##### (4) Cash and cash equivalents

| Item   | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Cash   | 381,156,365.62  | 331,919,213.53  |
| Including: Cash in hand  | 588,977.86      | 573,590.67      |
| Bank deposits readily available for payments   | 380,567,387.76  | 331,345,622.86  |
| Other cash and cash equivalents readily available for payments                                 | —               | —               |
| Cash equivalents   | —               | —               |
| Including: Investments in bonds due within 3 months  | —               | —               |
| Closing balance of cash and cash equivalents   | 381,156,365.62  | 331,919,213.53  |
| Including: Restricted cash and cash equivalents of the Company or subsidiaries under the Group | —               | —               |

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### VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 56. Statement of changes in Shareholder's equity items

Included in the statement of changes in shareholder's equity under the item "Others" for this year is RMB2,057,101.93, in which: 1) capital reserves of RMB557,101.93 was incurred by other equity movement in Zqgame; 2) RMB1,500,000.00 was share premium of Beijing Haiyun Jiexun. Under the item "Others" for last year is RMB3,266,916.58, in which: 1) capital reserves of RMB1,433,583.25 was incurred by share based payments of Zqgame; 2) RMB1,833,333.33 was share premium of Beijing Haiyun Jiexun.

#### 57. Assets with restrictions on legal titles or rights of use

| Item                      | Carrying amount at the end of year | Reason of restriction  |
|---------------------------|------------------------------------|--|
| Cash and cash equivalents | 84,729,307.40                      | Security deposit for letter of credits, security deposit of facilities guarantee |
| Fixed assets              | 59,541,154.30                      | Cross-collateral for loans   |

#### 58. Foreign currency items

##### (1) Foreign currency items

| Item                      | Closing balance of foreign currency | Exchange rate | Closing balance of amount in RMB |
|---------------------------|-------------------------------------|---------------|----------------------------------|
| Cash and cash equivalents |                                     |               |                                  |
| Including: US\$           | 21,677,643.40                       | 6.1190        | 132,645,499.96                   |
| HK\$                      | 719,886.69                          | 0.78887       | 567,897.01                       |
| Accounts receivables      |                                     |               |                                  |
| Including: US\$           | 29,039,173.19                       | 6.1190        | 177,690,700.75                   |
| Other receivables         |                                     |               |                                  |
| Including: US\$           | 16,810,475.24                       | 6.1190        | 102,863,297.99                   |
| HK\$                      | 355,432.16                          | 0.78887       | 280,389.77                       |
| Prepayments               |                                     |               |                                  |
| Including: US\$           | 845,087.38                          | 6.1190        | 5,171,089.68                     |
| Short-term loans          |                                     |               |                                  |
| Including: US\$           | 54,935,387.00                       | 6.1190        | 336,149,633.05                   |
| Accounts payable          |                                     |               |                                  |
| Including: US\$           | 44,290,986.10                       | 6.1190        | 271,016,543.95                   |
| HK\$                      | 32,250.00                           | 0.78887       | 25,441.06                        |
| Receipts in advance       |                                     |               |                                  |
| Including: US\$           | 118,999.74                          | 6.1190        | 728,159.41                       |
| <b>Total</b>              |                                     |               | <b>1,027,138,652.63</b>          |

##### (2) Overseas business units

The overseas business units of the Group are Ex-Channel Group Limited and Powerleader Science & Technology (HK) Limited, the principle place of business and functional currency of both companies are Hong Kong and RMB respectively.

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### VII. CHANGES IN SCOPE OF CONSOLIDATION

#### 1. Disposal of subsidiaries

| Name of subsidiary                                     | Consideration for disposal of equity (RMB'000) | Percentage of disposed equity (%) | Method of equity disposal | Time of losing control | Basis for determination time of losing control | Difference between disposal consideration and attributable net asset of the subsidiary in consolidated financial statements in proportion to disposed investment (RMB'000) | Remaining shareholding at the date of losing control | Carrying amount of remaining shareholding at the date of losing control | Fair value of remaining shareholding at the date of losing control | Gain or loss on remeasurement of remaining shareholding at fair value | Determination and principal assumption in fair value of remaining shareholding at the date of losing control | Other comprehensive income related to equity investment in a former subsidiary transferred to gain or loss on investment |
|--|--|-----------------------------------|---------------------------|------------------------|--|--|--|---|--|---|--|--|
|  |  |                                   |                           |                        |  |  |  |   |  |   |  |  |
| Nanjing Powerleader Cloud Computing Technology Limited | 49,500.00                                      | 99.00                             | Equity transfer           | 19 February 2014       | Industrial and commerce changes                | 1,516.7  | —  | —   | —  | —   | —  | —  |
| Shenzhen Powerleader Communication Technology Limited  | 1,300.00                                       | 90.00                             | Equity transfer           | 2 September 2014       | Industrial and commerce changes                | 1,147.6  | —  | —   | —  | —   | —  | —  |

#### 2. Changes in scope of consolidation due to other reasons

Guangzhou Baoyun Information Technology Co., Ltd. (廣州宝雲信息科技有限公司), a subsidiary, was newly set up by the Company on 30 December 2013 with a registered capital of RMB10 million, it was 100% held by the Company and was included in the consolidated financial statements during the year.

### VIII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1) Structure of the Group

| Name of subsidiary   | Principal place of business | Place of incorporation | Business nature                             | Shareholding percentage (%) |          | Acquisition method        |
|--|-----------------------------|------------------------|---|-----------------------------|----------|---------------------------|
|  |                             |                        |   | Direct                      | Indirect |                           |
| Shenzhen Powerleader Computing System Limited                    | Shenzhen Municipal          | Shenzhen Municipal     | Production                                  | 100.00                      |          | Established by investment |
| Shenzhen Baoteng Internet Technology Limited                     | Shenzhen Municipal          | Shenzhen Municipal     | Computing service and software              | 100.00                      |          | Established by investment |
| Shenzhen Powerleader Software Development Limited                | Shenzhen Municipal          | Shenzhen Municipal     | Computing service and software              | 100.00                      |          | Established by investment |
| Shenzhen Powerleader Property Development Limited                | Shenzhen Municipal          | Shenzhen Municipal     | Services                                    | 99.00                       |          | Established by investment |
| Shenzhen Baotong Zhiyuan Technology Limited                      | Shenzhen Municipal          | Shenzhen Municipal     | Trading                                     | 100.00                      |          | Established by investment |
| Shenzhen Powerleader Cloud Computing Research Institute Limited  | Shenzhen Municipal          | Shenzhen Municipal     | Computing service and software              | 90.00                       | 10.00    | Established by investment |
| Guangzhou Baoyun Information Technology Co., Ltd. (廣州宝雲信息科技有限公司) | Guangzhou Municipal         | Guangzhou Municipal    | Software and information technology service | 100.00                      |          | Established by investment |
| Powerleader Science & Technology (HK) Limited                    | Hong Kong                   | Hong Kong              | Trading                                     | 100.00                      |          | Established by investment |
| Ex-Channel Group Limited   | Hong Kong                   | Hong Kong              | Trading                                     |                             | 100.00   | Established by investment |
| Powerleader Binhai Technology (Tianjin) Limited                  | Tianjin city                | Tianjin city           | Trading                                     |                             | 100.00   | Established by investment |

Note: The subsidiaries of the Company are unlisted companies with limited liabilities.

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### VIII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Equity in subsidiaries *(continued)*

##### (1) Structure of the Group *(continued)*

None of the subsidiaries of the Company issued any debt securities during the year and no debt securities was outstanding as at 31 December 2014.

- 1) *Shenzhen Powerleader Computing System Limited (深圳市宝德计算机系統有限公司) (referred to as "Powerleader Computing")*

Powerleader Computing was established on 8 October 2003 with an initial registered capital of RMB10 million. The Company holds 94.26% of its equity interest. It holds the business licence numbered 440301103172983 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Dong Weiping. In 2010, Powerleader Computing increased its registered capital to RMB38 million by capitalising the undistributed profits and taking up investment of RMB2 million from new shareholder(s). On 2 April 2011, the Company acquired 5.74% of equity interest in Powerleader Computing from minority shareholders at a consideration of RMB2.8million. As of 31 December 2014, the Company owned 100% of its equity interest.

Business scope: Production (conducted by branches), development and sale of computer software, hardware and peripherals, computer parts, electronic, electrical, communication product; computer system integration (the above do not include restricted items and franchised, controlled and monopolized goods); engage in the business of import and export of goods and technologies.

- 2) *Shenzhen Baoteng Internet Technology Limited (深圳市宝騰互聯科技有限公司) (referred to as "Baoteng Internet")*

Baoteng Internet was established in 2003 with an initial registered capital of RMB1 million. The Company holds 75% of its equity interest. It holds the business licence numbered 440306103599524 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. On 4 April 2006, the Company and Powerleader Holdings contributed an additional capital of RMB9 million to Baoteng Internet. As a result, the registered capital of Baoteng Internet was increased to RMB10 million. On 2 April 2011, the Company acquired 25% of equity interest in Baoteng internet from minority shareholders at a consideration of RMB2 million. As of 31 December 2014, the Company owned 100% of its equity interest.

Business scope: Research and development as well as purchase and sales of information technology products, communication technology products, electronic consumer products and software and hardware of internet technological products.

- 3) *Shenzhen Powerleader Software Development Limited (深圳市宝德軟件開發有限公司) (referred as "Powerleader Software")*

Powerleader Software was established in 2008 with a registered capital of RMB10 million. The Company holds 99% of its equity interest. It holds the business licence numbered 440306103615979 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. On 2 April 2011, the Company acquired 1% of equity interest from the minority shareholders, Powerleader Holdings, at a consideration of RMB0.3 million. As of 31 December 2014, the Company owned 100% of its equity interest.

Business scope: Development of computer software and hardware, development of internet technologies (excluding provision of internet services, hardware-in-software and system development).



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### VIII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 1. Equity in subsidiaries *(continued)*

##### (1) Structure of the Group *(continued)*

- 4) *Shenzhen Powerleader Property Development Limited (深圳市宝德物業發展有限公司) (referred to as "Powerleader Property")*

Powerleader Property was established in 2007 with a registered capital of RMB0.5 million. It holds the business licence numbered 440301103052307 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. As of 31 December 2014, the Company held 99% of its equity interest, and Powerleader Holdings held 1% of its equity interest.

Business scope: Water and electricity installation and maintenance for buildings, property management (operate with qualification certificate); lease of self-owned properties, landscaping (operate with qualification certificate); domestic commercial, materials supply and distribution (excluding franchised, controlled and monopolized goods and foreign investment restricted projects).

- 5) *Shenzhen Baotong Zhiyuan Technology Limited (深圳市宝通志遠科技有限公司) (referred to as "Baotong Zhiyuan")*

Baotong Zhiyuan was established in 2008 with an initial registered capital of RMB1 million. The company holds 99% of its equity interest. It holds the business licence numbered 440306103471649 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. On 20 May 2009, both the Company and Powerleader Holdings increased capital contribution in the same proportion, the registered capital of Baotong Zhiyuan changed to RMB10 million. On 2 April 2011, the Company acquired 1% of its equity interest from a minority shareholder of Baotong Zhiyuan, Powerleader Holdings, at a consideration of RMB0.18 million. As of 31 December 2014, the Company owned 100% of its equity interest.

Business scope: Technological development and sale of computer software and hardware, communication products and electronic instruments. Provision of system integration services; domestic commercial, materials supply and distribution, import and export of goods and technologies; conference planning; marketing planning; supply chain logistic management.

- 6) *Shenzhen Powerleader Cloud Computing Research Institute Limited (深圳市宝德雲計算研究院有限公司) (referred to as "Research Institute")*

Research Institute was established in 2011. It holds the business licence numbered 440306105730362 issued by Shenzhen Administration for Industry & Commerce. Its registered capital is RMB10 million. Its legal representative is Ma Zhumao. As of 31 December 2014, the Company contributed RMB9 million to its capital and held 90% of its equity interest; Powerleader Computing contributed RMB1 million to its capital and held 10% of its shareholding. The Company indirectly held 100% of its equity interest.

Business scope: Technological development and sales of computer software and hardware, research and development of communication and internet technologies, digital multi-media technologies (excluding provision of internet services), domestic trading (except for those projects which require prior approval according to law, administrative regulations, State Council decisions).

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### VIII. INTERESTS IN OTHER ENTITIES (continued)

#### 1. Equity in subsidiaries (continued)

##### (1) Structure of the Group (continued)

- 7) *Guangzhou Baoyun Information Technology Co., Ltd.* (廣州寶雲信息科技有限公司) (referred to as "Guangzhou Baoyun")

Guangzhou Baoyun was established on 30 December 2013 with a registered capital of RMB10 million. It holds the business licence numbered 440108000081509 issued by Guangzhou Administration for Industry & Commerce. 100% of its capital was contributed by Powerleader Technology and the legal representative is Ma Zhumao.

Business scope: Development of software; information system integration services; information technology consulting services; data processing and storage services.

- 8) *Powerleader Science & Technology (HK) Limited* (寶德科技(香港)有限公司) (referred as "Hong Kong Powerleader")

Hong Kong Powerleader was incorporated in 2003 with an initial registered capital of US\$0.99 million. It was a wholly-owned subsidiary of the Company. In 2011, the Company contributed an additional capital of US\$9 million. The share capital of Hong Kong Powerleader was changed to US\$9.99 million accordingly. As of 31 December 2014, the Company owned 100% of its equity interest.

Business scope: Investment holding of computer server related products.

- 9) *Ex-Channel Group Limited* (寶通集團有限公司) (referred as "Ex-channel")

Ex-channel was incorporated in 2003 with a registered capital of HK\$30 million. On 17 February 2011, Hong Kong Powerleader acquired from each of the minority shareholders, Top Pioneer Limited and Dong Weiping, 10% of their respective shareholding in Ex-channel at HK\$8.8 million. As of 31 December 2014, the Company owned 100% of equity interest in Ex-channel through Hong Kong Powerleader.

Business scope: Sale of cloud computing equipment related parts, distribution agency of cloud computing equipment's core parts and provision of related value-added services.

- 10) *Powerleader Binhai Technology (Tianjin) Limited* (寶德濱海科技(天津)有限公司) (referred as "Binhai Powerleader")

Binhai Powerleader was established in 2007. It holds the business licence numbered 12000040002133 issued by Tianjin Administration for Industry & Commerce. Its registered capital is US\$13 million. The legal representative is Li Ruijie. As of 31 December 2014, the Company indirectly held 100% of its equity interest through Hong Kong Powerleader.

Business scope: Development, design, production and sales of computer network, electronics, communication products and their software and hardware system engineering; exhibition and relevant technical training services and conference and exhibition services; property management and consulting services of the above-mentioned aspects.

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### VIII. INTERESTS IN OTHER ENTITIES *(continued)*

#### 2. Interests in joint ventures or associates

##### (1) Significant joint ventures or associates

| Name of joint ventures or associates        | Principal place of business | Place of registration | Business nature                           | Shareholding percentage (%) |          | Accounting treatment for investment in joint ventures or associates |
|---|-----------------------------|-----------------------|---|-----------------------------|----------|---|
|   |                             |                       |   | Direct                      | Indirect |   |
| Shenzhen Zqgame Co., Ltd.                   | Shenzhen Municipal          | Shenzhen Municipal    | Development and operation of network game | 15.30                       |          | Equity method   |
| Beijing Haiyun Jiexun Technology Limited    | Beijing Municipal           | Beijing Municipal     | Computer services and software industry   | 25.00                       |          | Equity method   |
| Sichuan Baoteng Internet Technology Limited | Chengdu Municipal           | Chengdu Municipal     | Computer services and software industry   | 49.00                       |          | Equity method   |

- Shenzhen Zqgame Co., Ltd. (referred to as "Zqgame") was formerly known as "Shenzhen Powerleader Network Technology Limited". It mainly engages in 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 restructuring between 2007 to 2010, in addition to the listing of Zqgame in A shares ChiNext Board in 2010, the shareholding of the Company in Zqgame was diluted from 20.40% to 15.30%. As the Company takes up 2 seats out of the 8 directors in the board of Zqgame, the Company exercises significant influence over Zqgame, accordingly, Zqgame is accounted for using equity method.
- Beijing Haiyun Jiexun Technology Limited (referred to as "Beijing Haiyun Jiexun") was established on 25 May 2010 in Beijing by Lin Zhiguo through RMB5 million of capital contribution. According to the capital increment agreement entered into on 18 October 2013, the Company contributed a total of RMB15 millions in 3 tranches. As of 31 December 2014, the capital contribution by the Company amounted to RMB15 million. The shareholding of Zhang Zhengyu, Li Hua and the Company were 49.50%, 25.50% and 25.00% respectively. Its legal representative is Li Hua. The Company takes up 1 seat out of 3 directors in the board and it is accounted for using equity method.

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### VIII. INTERESTS IN OTHER ENTITIES (continued)

#### 2. Interests in joint ventures or associates (continued)

##### (1) Significant joint ventures or associates (continued)

- 3) Sichuan Baoteng Internet Technology Limited (referred to as "Sichuan Baoteng") is a limited liability company established by the capital contribution of Sichuan Mingguan Network Technology Limited (referred to as "Sichuan Mingguan"). It obtained its business licence on 30 September 2013. The registered capital (paid-in-capital) at the time of establishment was RMB1 million. On 30 October 2013, the Company entered into a capital increment agreement with Sichuan Mingguan, it was agreed that the Company would subscribe for RMB0.9608 million of the new additional registered capital in Sichuan Baoteng at a consideration of RMB42 million. After the capital increase, the registered capital of Sichuan Baoteng was RMB1,960.8 million. The shareholdings of Sichuan Mingguan and the Company were 51% and 49% respectively. Of the 3 seats in the board of directors of Sichuan Baoteng, 2 directors were appointed by the Company. The Company has 66.67% of voting rights in the board of directors. However, significant decision of Sichuan Baoteng are subject to the unanimous consent of all directors and shareholders, therefore, it is accounted for using equity method. As of 31 December 2014, the Company has effectively paid RMB32 million of capital contribution.

##### (2) Key financial information of significant associates

| Item   | Closing balance/<br>Amount for this year |                    |                          | Opening balance/<br>Amount for last year |                    |                          |
|--|--|--------------------|--------------------------|--|--------------------|--------------------------|
|  | Zqgame                                   | Sichuan<br>Baoteng | Beijing Haiyun<br>Jiexun | Zqgame                                   | Sichuan<br>Baoteng | Beijing Haiyun<br>Jiexun |
| Current assets:  | 476,711,474.11                           | 20,407,651.45      | 15,720,469.92            | 513,682,256.06                           | 44,450,953.12      | 10,342,525.41            |
| Including: Cash and cash equivalents                                   | 211,346,220.78                           | 1,986,264.56       | 5,858,062.71             | 317,763,689.63                           | 4,165,104.01       | 3,322,961.16             |
| Non-current assets   | 1,058,462,021.55                         | 29,601,438.74      | 3,449,034.10             | 891,153,882.85                           | 20,734,388.11      | 2,614,902.81             |
| Total assets   | 1,535,173,495.66                         | 50,009,090.19      | 19,169,504.02            | 1,404,836,138.91                         | 65,185,341.23      | 12,957,428.22            |
| Current liabilities:   | 356,012,318.14                           | 14,434,526.94      | 429,738.05               | 225,936,999.43                           | 15,629,162.60      | 419,335.33               |
| Non-current liabilities  | 179,846,225.09                           | 2,739,958.14       | —                        | 175,520,489.43                           | 2,739,958.14       | —                        |
| Total liabilities  | 535,858,543.23                           | 17,174,485.08      | 429,738.05               | 401,457,488.86                           | 18,369,120.74      | 419,335.33               |
| Minority interests   | 76,986,310.11                            | —                  | —                        | 57,595,327.14                            | —                  | —                        |
| Equity attributable to the shareholders of the parent                  | 922,328,642.32                           | 32,834,605.11      | 18,739,765.97            | 945,783,322.91                           | 46,816,220.49      | 12,538,092.89            |
| Share of net assets calculated on shareholding                         | 141,116,282.28                           | 16,088,956.50      | 4,684,941.49             | 144,704,848.48                           | 22,939,948.04      | 3,134,523.22             |
| Adjustment events  |  |                    |                          |  |                    |                          |
| — Goodwill   | —  | 20,247,447.95      | 13,406,508.07            | —  | 20,247,447.95      | 13,406,508.07            |
| — Unrealized profit of intragroup transactions                         | —  | —                  | —                        | —  | —                  | —                        |
| — Others   | —  | —                  | —                        | —  | —                  | —                        |
| Carrying amount of equity investment in associates                     | 141,116,282.28                           | 36,336,404.45      | 18,091,449.56            | 144,704,848.48                           | 43,187,395.99      | 16,541,031.29            |
| Fair value of equity investment in associates quoted in an open market | 809,523,000.00                           | —                  | —                        | 893,856,600.00                           | —                  | —                        |
| Revenue  | 489,527,552.74                           | 14,937,994.00      | 13,780,074.31            | 324,475,994.23                           | 19,081,607.00      | 5,252,634.40             |
| Finance costs  | 8,531,515.41                             | (352,822.96)       | (380,572.94)             | (8,383,853.86)                           | (2,082.98)         | (25,804.31)              |
| Income tax expenses  | (18,636,825.71)                          | 5,369.72           | —                        | 6,541,278.24                             | 1,140,421.95       | —                        |
| Net profit   | 6,450,912.61                             | (13,981,615.38)    | 201,673.08               | 59,545,896.61                            | 2,423,257.13       | (1,169,208.19)           |
| Net profit of discontinued operation                                   | —  | —                  | —                        | —  | —                  | —                        |
| Others comprehensive income  | 140,023.77                               | —                  | —                        | (62,271.98)                              | —                  | —                        |
| Total comprehensive income   | 6,590,936.38                             | (13,981,615.38)    | 201,673.08               | 59,483,624.63                            | 2,423,257.13       | (1,169,208.19)           |
| Dividend received from associates during the year                      | 795,600.00                               | —                  | —                        | 1,193,400.00                             | —                  | —                        |

(3) There is no material restriction joint ventures or associates' ability to transfer capital to the Company.

(4) No excessive loss had been incurred by any joint venture or associate.

## NOTES TO THE FINANCIAL STATEMENTS

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### IX. FINANCIAL INSTRUMENTS RELATED RISK

Major financial instruments of the Group include (among others) loans, receivables, payables, financial assets held-for-trading, financial liabilities held-for-trading. Detailed descriptions of these financial instruments are set out in Note VI. Set out below the risks associated with such financial instruments and the risk management policies adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure that such risks are contained within a prescribed scope.

#### 1. Objective and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group's operating results are minimised, with a view to maximise the benefits of shareholders and other stakeholders. Based on such objective of risk management, the underlying strategy of the Group's risk management is to ascertain and analyse all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

##### (1) Market risks

###### 1) Foreign exchange risk

The Group is mainly exposed to foreign exchange risks in connection with US\$ and HK\$; except for certain subsidiaries of the Company which effect purchases and sales in US\$, other principal operating activities of the Group are settled with RMB. As at 31 December 2014, except for the US\$ balances in assets and liabilities as well as small amount in EUR, HK\$, all balances of assets and liabilities of the Group were denominated in RMB. The foreign exchange risk arising from assets and liabilities denominated in US\$ may affect the operating results of the Group.

| Item                             | Closing balance | Opening balance |
|----------------------------------|-----------------|-----------------|
| Cash and cash equivalents — US\$ | 21,677,643.40   | 14,105,669.37   |
| Cash and cash equivalents — HK\$ | 719,886.69      | 1,558,179.53    |
| Accounts receivable — US\$       | 29,039,173.19   | 44,540,349.64   |
| Prepayment — US\$                | 845,087.38      | 678,382.20      |
| Other receivables — US\$         | 16,810,475.24   | 14,618,648.43   |
| Other receivables — HK\$         | 355,432.16      | 352,462.52      |
| Accounts payable — US\$          | 44,290,986.10   | 22,628,793.70   |
| Accounts payable — HK\$          | 32,250.00       | —               |
| Receipts in advance — US\$       | 118,999.74      | 496,646.75      |
| Short-term loans — US\$          | 54,935,387.00   | 48,024,710.90   |

The Group closely monitors the effect of changes in foreign exchange rates to the Group's exposure in foreign exchange risk.

For foreign exchange risk, the Group has attached importance to the research of foreign exchange risk management policies and strategies. For the avoidance of foreign currency risk related to US\$ loans and interest expenses, the Group has entered into certain forward exchange contracts with banks. The forward exchange contracts recognised as derivative financial instruments had been expired on 31 December 2014. The changes in the fair value of derivative financial instruments are included in profit and loss, please see Note VI.44 for details.

# NOTES TO THE FINANCIAL STATEMENTS

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## IX. FINANCIAL INSTRUMENTS RELATED RISK *(continued)*

### 1. Objective and policies of risk management *(continued)*

#### (1) Market risks *(continued)*

##### 2) Interest rate risk

The Group's interest rate risk arises from interest bearing liabilities derived from bank loans. Financial liabilities at floating interest rates expose the Group to cash flow interest rate risk. Financial liabilities at fixed rates expose the Group to fair value interest rate risk. The Group determined the relative ratio of its fixed rate and floating rate contracts in light of the prevailing market conditions. As at 31 December 2014, the Group's interest bearing debts were mainly RMB-denominated and US\$-denominated loan contracts at floating rates, amounted to RMB1,116,112,408.03 in aggregate (31 December 2013: RMB752,801,859.89), of which RMB-denominated loans at floating rate amounted to RMB779,962,775.00 (31 December 2013: RMB460,000,000.00); US\$-denominated loans at floating rate amounted to RMB336,149,633.03 (31 December 2013: RMB292,801,859.89).

The Group's risk of changes in fair value of financial instruments resulted from the changes in interest rates was mainly associated with fixed-rate bank loans. The Group aims at maintaining these fixed-rate bank loans at floating rates.

The Group's risk of changes in cash flow of financial instruments resulted from the changes in interest rates was mainly associated with floating-rate bank loans. The Group's policy is to maintain these loans at floating rates, so as to eliminate fair value risks arising from changes in interest rate.

##### 3) Price risk

As the Group sells computer server products at market prices, it is exposed to market price fluctuations.

#### (2) Credit risk

On 31 December 2014, the largest credit risk exposure that might induce financial loss of the Group was mainly attributable to contractual counterparty's non-performance of its obligations which could lead to losses in financial assets of the Group and financial guarantee undertaken by the Group, particulars are set out as follows:

The carrying amount of financial assets recognised in the consolidated balance sheet: For the financial instruments measured at fair value, its carrying amount reflects its risk exposure; however, such amount does not represent the maximum risk exposure which changes in line with future changes in fair value.

In order to mitigate credit risk, the Group established a designated department for determining credit limits, approving credit applications and carrying out other monitoring procedures to ensure necessary measures are adopted to recover overdue debts. Besides, the Group reviews the recoverability of individual receivables at each balance sheet date, to ensure that sufficient provisions for bad debts have been made for irrecoverable amounts. As such, the management of the Group believes the credit risk assumed by the Group has been significantly reduced.

The Group places its liquidity in banks with relatively high credit ratings; therefore, the credit risk with respect to liquidity is low.

The Group adopted necessary policies to ensure that sales are made to customers with good credit history. Except the top 5 accounts receivable, the Group has no other significant concentrated credit risk.

The top 5 accounts receivable in aggregate amounted to RMB166,109,319.82.



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### IX. FINANCIAL INSTRUMENTS RELATED RISK *(continued)*

#### 1. Objective and policies of risk management *(continued)*

##### (3) Liquidity risk

Liquidity risk is the risk that the Group is unable to discharge its financial obligations when due. The Group manages its liquidity risk to ensure that it has adequate liquidity to serve the debts as they fall due, thus avoiding unacceptable loss or damage to the reputation of the Group. Analysis on liability structure and maturity is carried out on a regular basis by the Group to ensure adequate liquidity. The management of the Group monitors the utilisation of bank loans to ensure that the borrowing agreements are complied with. Meanwhile, in order to minimize liquidity risk, the Group negotiates with financial institutions to maintain certain facilities.

The Group deems bank loans as its major source of funds. At 31 December 2014, the Group had unutilised bank loan facilities of RMB479,748,446.51 (31 December 2013: RMB502,098,927.73), of which short-term bank loan facilities of RMB479,748,446.51 (31 December 2013: RMB502,098,927.73) was unutilized by the Group.

Set out below is an analysis of the financial assets and financial liabilities of the Group by their maturity date of undiscounted remaining contractual obligations:

Amount as at 31 December 2014:

| Item   | Within<br>1 year | One to<br>two years | Two to<br>five years | Over<br>5 years | Total          |
|--|------------------|---------------------|----------------------|-----------------|----------------|
| <b>Financial assets</b>                        |                  |                     |                      |                 |                |
| Cash and cash equivalents                      | 465,885,673.02   | —                   | —                    | —               | 465,885,673.02 |
| Notes receivable                               | 27,772,871.40    | —                   | —                    | —               | 27,772,871.40  |
| Accounts receivable                            | 496,542,626.13   | —                   | —                    | —               | 496,542,626.13 |
| Other receivables                              | 233,467,980.03   | —                   | —                    | —               | 233,467,980.03 |
| Prepayments                                    | 32,922,620.33    | —                   | —                    | —               | 32,922,620.33  |
| <b>Financial liabilities</b>                   |                  |                     |                      |                 |                |
| Short-term loans                               | 976,112,408.03   | —                   | —                    | —               | 976,112,408.03 |
| Accounts payable                               | 259,973,782.34   | —                   | —                    | —               | 259,973,782.34 |
| Receipts in advance                            | 14,699,090.26    | —                   | —                    | —               | 14,699,090.26  |
| Other payables                                 | 59,152,722.63    | —                   | —                    | —               | 59,152,722.63  |
| Dividends payable                              | 363,125.00       | —                   | —                    | —               | 363,125.00     |
| Employee remuneration payables                 | 6,892,898.10     | —                   | —                    | —               | 6,892,898.10   |
| Non-current liabilities due<br>within one year | 140,000,000.00   | —                   | —                    | —               | 140,000,000.00 |



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### IX. FINANCIAL INSTRUMENTS RELATED RISK (continued)

#### 2. Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyse the possible effects arising from reasonable and possible changes in risk variables to profit and loss for the current period or to the owners' equity. Since risk variables seldom change on an individual basis, while the correlation among variables significantly affect the ultimate amount subject to the change in a particular risk variable; therefore, the below analysis is based on the assumption that the changes in each variable occurred separately.

##### (1) Sensitivity analysis on foreign exchange risk

Assumption of foreign exchange risk sensitivity analysis: all overseas operating net investment hedging and cash flow hedging are highly effective.

Based on the above assumption, on the basis that all other variables are held constant, the effects of reasonable changes in exchange rate that may arise on the profit and loss and equity for the period are set out below:

| Item                   | Changes in exchange rate | Year 2014            |                          | Year 2013            |                          |
|------------------------|--------------------------|----------------------|--------------------------|----------------------|--------------------------|
|                        |                          | Effect to net profit | Effect to owners' equity | Effect to net profit | Effect to owner's equity |
| All foreign currencies | 5% increase against RMB  | (9,435,045.11)       | (9,435,045.11)           | 926,508.42           | 926,508.42               |
| All foreign currencies | 5% decrease against RMB  | 9,435,045.11         | 9,435,045.11             | (926,508.42)         | (926,508.42)             |

##### (2) Sensitivity analysis on interest rate risk

Sensitivity analysis of interest rate risk is based on the following assumptions:

Changes in market interest rate affect the interest income or expense of financial instruments at variable interest rate;

For fixed rate financial instruments measured at fair value, the changes in market interest rates only affect its interest income or expenses;

The changes in fair value of derivative financial instrument and other financial assets and liabilities were calculated by the discounted cash flow method with the market interest rate at the balance sheet date.

Based on the above assumptions, on the basis that all other variables are held constant, the effect of reasonable changes in interest rate that may arise on the profit and loss and equity for the period after tax are set out below:

| Item                   | Changes in interest rates | Year 2014            |                          | Year 2013            |                          |
|------------------------|---------------------------|----------------------|--------------------------|----------------------|--------------------------|
|                        |                           | Effect to net profit | Effect to owner's equity | Effect to net profit | Effect to owner's equity |
| Loans at floating rate | Increase 1%               | (914,514,624.56)     | (914,514,624.56)         | (6,312,129.09)       | (6,312,129.09)           |
| Loans at floating rate | Decrease 1%               | 914,514,624.56       | 914,514,624.56           | 6,312,129.09         | 6,312,129.09             |

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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

#### 1. Relationships with related parties

##### (1) Controlling shareholder and ultimate controller

###### 1) Controlling shareholder

| Name of controlling shareholder | Place of registration | Business nature | Registered capital (RMB'000) | Percentage of shareholding in the Company (%) | Percentage of voting rights in the Company (%) |
|---------------------------------|-----------------------|-----------------|------------------------------|---|--|
| Powerleader Holdings            | Shenzhen Municipal    | Investment      | 30,000.00                    | 42.05   | 42.05  |

###### 2) Ultimate controllers

The ultimate controllers of the Group are Mr. Li Ruijie and Ms. Zhang Yunxia.

###### 3) Registered capital of controlling shareholder and its change

| Controlling shareholder | Opening balance (RMB'000) | Increase during the year | Decrease during the year | Closing balance (RMB'000) |
|-------------------------|---------------------------|--------------------------|--------------------------|---------------------------|
| Powerleader Holdings    | 128,000.00                | 172,000.00               | —                        | 300,000.00                |

###### 4) The Shareholdings or equity of controlling shareholder and its change

| Controlling shareholder | Amount of shareholding (RMB'000) |                 | Percentage of shareholdings (%) |                      |
|-------------------------|----------------------------------|-----------------|---------------------------------|----------------------|
|                         | Closing balance                  | Opening balance | Closing percentage              | Beginning percentage |
| Powerleader Holdings    | 102,184.50                       | 102,184.50      | 42.05                           | 42.05                |

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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 1. Relationships with related parties *(continued)*

##### (2) Subsidiaries

For details of subsidiaries, please refer to related information in "VIII.1.(1)Structure of the Group" in these notes.

| Name of subsidiary  | Category of enterprise | Place of registration | Business nature                             | Legal representative/ secretary | Organisation code |
|---|------------------------|-----------------------|---|---------------------------------|-------------------|
| Shenzhen Powerleader Computing System Limited                       | Private enterprise     | Shenzhen Municipal    | Production                                  | Dong Weiping                    | 75429051-8        |
| Shenzhen Baoteng Internet Technology Limited                        | Private enterprise     | Shenzhen Municipal    | Computing service and software              | Ma Zhumao                       | 75429063-0        |
| Shenzhen Powerleader Software Development Limited                   | Private enterprise     | Shenzhen Municipal    | Computing service and software              | Ma Zhumao                       | 68038422-X        |
| Shenzhen Powerleader Property Development Limited                   | Private enterprise     | Shenzhen Municipal    | Services                                    | Ma Zhumao                       | 67004830-2        |
| Shenzhen Baotong Zhiyuan Technology Limited                         | Private enterprise     | Shenzhen Municipal    | Trading                                     | Ma Zhumao                       | 67666977-5        |
| Shenzhen Powerleader Cloud Computing Research Institute Limited     | Private enterprise     | Shenzhen Municipal    | Computing service and software              | Ma Zhumao                       | 58406489-1        |
| Guangzhou Baoyun Information Technology Co., Ltd.<br>(廣州寶雲信息科技有限公司) | Private enterprise     | Guangzhou city        | Software and information technology service | Ma Zhumao                       | 08771308-8        |
| Powerleader Science & Technology (HK) Limited                       | Private enterprise     | Hong Kong             | Trading                                     | Dong Weiping                    | —                 |
| Ex-Channel Group Limited  | Private enterprise     | Hong Kong             | Trading                                     | Dong Weiping                    | —                 |
| Powerleader Binhai Technology (Tianjin) Limited                     | Private enterprise     | Tianjin city          | Trading                                     | Li Ruijie                       | 79728307-8        |

##### (3) Joint venture and associates

For detailed information on significant joint ventures and associates of the Company, please refer to the related information in note VIII.2.(1). Information on other joint ventures and associates that have related party transactions with the Company during the year or have balance with the Company due to related party transactions with the Company in the prior periods are set out as below:

| Name of joint ventures and associates | Relationship with the Company  |
|---------------------------------------|--|
| Zqgame                                | Other enterprise under common control of the same controlling shareholder and ultimate controllers |
| Beijing Haiyun Jiexun                 | Investor-investee relationship   |
| Sichuan Baoteng                       | Investor-investee relationship   |

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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 1. Relationships with related parties *(continued)*

##### (4) Other related parties

| Name of other related parties  | Relationship with the Company  |
|--|--|
| Shenzhen Subita Network Technology Limited                               | Other enterprise under the common control of the same controlling shareholder and ultimate controllers |
| Qianhai Pengde Mobile Internet Venture Capital Fund<br>(前海鵬德移動互聯網創業投資基金) | Investor-investee relationship   |
| Shenzhen Zhuoye Interactive Network Technology Limited                   | Other enterprise under common control of the same controlling shareholder and ultimate controllers     |
| Jieyang Powerleader Computer Digital Mall Co., Ltd.<br>(揭陽市寶德電腦數碼廣場有限公司) | Other enterprise under the common control of the same controlling shareholder and ultimate controllers |
| Shenzhen Powerleader Communication Technology Limited                    | Subsidiary disposed of during the reporting period   |
| Shenzhen Yingbao Communication Technology Limited                        | Other related party  |
| Dong Weiping   | Director of the Company  |

#### 2. Related party transactions

##### (1) Related party transactions regarding the purchase and sale of goods and provision and receipt of services

###### 1) Purchase of goods and receipt of services

| Related party                                     | Related party transaction | Amount for this year | Amount for last year |
|---|---------------------------|----------------------|----------------------|
| Shenzhen Subita Network Technology Limited        | Purchase of goods         | —                    | 31,000.00            |
| Shenzhen Yingbao Communication Technology Limited | Purchase of goods         | —                    | 26,711.28            |
| <b>Total</b>                                      |                           | <b>—</b>             | <b>57,711.28</b>     |

###### 2) Sale of goods and provision of services

| Related party   | Related party transaction           | Amount for this year | Amount for last year |
|---|-------------------------------------|----------------------|----------------------|
| Zqgame  | Sale of goods/provision of services | <b>8,329,542.20</b>  | 1,422,736.05         |
| Shenzhen Subita Network Technology Limited                            | Sale of goods                       | <b>1,231,454.69</b>  | 49,669.41            |
| Shenzhen Powerleader Communication Technology Limited                 | Sale of goods                       | <b>3,076.92</b>      | —                    |
| Jieyang Powerleader Computer Digital Mall Co., Ltd. (揭陽市寶德電腦數碼廣場有限公司) | Sale of goods                       | <b>34,384.62</b>     | —                    |
| Powerleader Holdings  | Sale of goods                       | <b>7,294.40</b>      | 3,162.39             |
| <b>Total</b>  |                                     | <b>9,605,752.83</b>  | <b>1,475,567.85</b>  |

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(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

#### 2. Related party transactions (continued)

##### (2) Lease with related parties

###### 1) As lessor

| Name of lessor | Name of lessee  | Category of leased asset | Lease income recognised this year | Lease income recognised last year |
|----------------|---|--------------------------|-----------------------------------|-----------------------------------|
| The Company    | Shenzhen Powerleader Communication Technology Limited | Building                 | 400,000.00                        | —                                 |
| The Company    | Zqgame  | Building                 | 39,600.00                         | 39,600.00                         |
| Total          |   |                          | 439,600.00                        | 39,600.00                         |

###### 2) As lessee

| Name of lessor | Name of lessee        | Category of leased asset | Lease expenses recognised this year | Lease expenses recognised last year |
|----------------|-----------------------|--------------------------|-------------------------------------|-------------------------------------|
| Zhang Yunxia   | Powerleader Computing | Building                 | 279,396.00                          | 279,396.00                          |

##### (3) Guarantee with related parties

| Name of guarantor  | Secured party         | Closing balance         | Opening balance |
|--|-----------------------|-------------------------|-----------------|
| Powerleader Holdings   | The Company           | 300,000,000.00          | —               |
| Hong Kong Powerleader, Zhang Yunxia, Li Ruijie, Dong Weiping                                     | Ex-channel            | 286,383,683.65          | 40,212,128.34   |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | The Company           | 209,728,724.38          | 151,760,019.38  |
| Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia  | The Company           | 140,000,000.00          | 200,000,000.00  |
| Powerleader Holdings, Li Ruijie  | The Company           | 125,000,000.00          | 169,683,016.22  |
| Li Ruijie, Zhang Yunxia  | The Company           | 25,000,000.00           | 100,000,000.00  |
| Shenzhen HTI Finance Security Co., Ltd.*<br>(深圳市高新投融资擔保有限公司),<br>Li Ruijie, Powerleader Holdings | The Company           | 20,000,000.00           | —               |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | Baotong Zhiyuan       | 10,000,000.00           | —               |
| Powerleader Holdings, the Company  | Powerleader Computing | —                       | 40,000,000.00   |
| Powerleader Holdings, Li Ruijie  | Powerleader Computing | —                       | —               |
| Powerleader Holdings, Li Ruijie, Powerleader Computing   | The Company           | —                       | 51,146,695.95   |
| <b>Total</b>   |                       | <b>1,116,112,408.03</b> | 752,801,859.89  |

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### (3) *Guarantee with related parties (continued)*

*Details of guarantee:*

| Name of guarantor  | Name of secured party | Amount of guarantee | Date of commencement of guarantee | Date of expiry of guarantee | Guarantee completed or not |
|--|-----------------------|---------------------|-----------------------------------|-----------------------------|----------------------------|
| Powerleader Holdings, Zhang Yunxia, Li Ruijie                | Ex-channel            | 26,912,429.94       | 2013-10-24                        | 2014-01-22                  | Yes                        |
| Powerleader Holdings, Zhang Yunxia, Li Ruijie                | Ex-channel            | 22,907,059.29       | 2013-10-30                        | 2014-01-29                  | Yes                        |
| Powerleader Holdings, Zhang Yunxia, Li Ruijie                | Ex-channel            | 20,053,771.06       | 2013-11-06                        | 2014-01-29                  | Yes                        |
| Hong Kong Powerleader, Zhang Yunxia, Li Ruijie, Dong Weiping | Ex-channel            | 3,639,849.30        | 2013-12-24                        | 2014-03-06                  | Yes                        |
| Hong Kong Powerleader, Zhang Yunxia, Li Ruijie, Dong Weiping | Ex-channel            | 8,171,675.07        | 2013-10-24                        | 2014-01-22                  | Yes                        |
| Hong Kong Powerleader, Zhang Yunxia, Li Ruijie, Dong Weiping | Ex-channel            | 12,540,079.53       | 2013-12-02                        | 2014-03-03                  | Yes                        |
| Hong Kong Powerleader, Zhang Yunxia, Li Ruijie, Dong Weiping | Ex-channel            | 8,056,492.44        | 2013-12-13                        | 2014-03-13                  | Yes                        |
| Hong Kong Powerleader, Zhang Yunxia, Li Ruijie, Dong Weiping | Ex-channel            | 7,804,032.00        | 2013-12-06                        | 2014-02-23                  | Yes                        |
| Powerleader Holdings, Li Ruijie                              | Powerleader Computing | 40,000,000.00       | 2013-09-06                        | 2014-09-06                  | Yes                        |
| Powerleader Holdings, Li Ruijie                              | The Company           | 10,000,000.00       | 2013-02-27                        | 2014-02-20                  | Yes                        |
| Powerleader Holdings, Li Ruijie                              | The Company           | 90,000,000.00       | 2013-03-07                        | 2014-02-20                  | Yes                        |
| Powerleader Holdings, Li Ruijie                              | The Company           | 20,000,000.00       | 2013-10-15                        | 2014-05-20                  | Yes                        |
| Powerleader Holdings, Li Ruijie                              | The Company           | 49,683,016.22       | 2013-09-09                        | 2014-03-07                  | Yes                        |
| Li Ruijie, Zhang Yunxia                                      | The Company           | 60,000,000.00       | 2013-08-20                        | 2014-02-20                  | Yes                        |
| Li Ruijie, Zhang Yunxia                                      | The Company           | 40,000,000.00       | 2013-08-23                        | 2014-02-23                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Powerleader Computing       | The Company           | 15,595,995.19       | 2013-10-31                        | 2014-01-29                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Powerleader Computing       | The Company           | 11,494,333.15       | 2013-11-20                        | 2014-02-18                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Powerleader Computing       | The Company           | 11,082,957.00       | 2013-11-26                        | 2014-02-24                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Powerleader Computing       | The Company           | 11,136,292.70       | 2013-12-03                        | 2014-03-03                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Powerleader Computing       | The Company           | 1,207,186.20        | 2013-12-24                        | 2014-03-24                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Powerleader Computing       | The Company           | 629,931.71          | 2013-12-27                        | 2014-03-27                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia                | The Company           | 18,304,113.18       | 2013-10-08                        | 2014-01-06                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia                | The Company           | 12,382,194.21       | 2013-10-28                        | 2014-01-26                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia                | The Company           | 9,703,950.42        | 2013-11-03                        | 2014-02-01                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia                | The Company           | 22,115,675.57       | 2013-12-30                        | 2014-03-26                  | Yes                        |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia                | The Company           | 19,380,825.72       | 2013-12-30                        | 2014-03-27                  | Yes                        |

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(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### (3) *Guarantee with related parties (continued)*

*Details of guarantee:*

| Name of guarantor  | Name of secured party | Amount of guarantee | Date of commencement of guarantee | Date of expiry of guarantee | Guarantee completed or not |
|--|-----------------------|---------------------|-----------------------------------|-----------------------------|----------------------------|
| Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia                                  | The Company           | 140,000,000.00      | 2013-1-31                         | 2016-1-30                   | No                         |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | The Company           | 20,000,000.00       | 2014-02-24                        | 2015-02-24                  | No                         |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | The Company           | 100,000,000.00      | 2014-02-18                        | 2015-02-18                  | No                         |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | The Company           | 19,962,775.00       | 2014-05-15                        | 2015-02-18                  | No                         |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | The Company           | 20,000,000.00       | 2014-02-18                        | 2015-02-18                  | No                         |
| Shenzhen HTI Finance Security Co., Ltd. *(深圳市高新投融资擔保有限公司), Li Ruijie, Powerleader Holdings | The Company           | 20,000,000.00       | 2014-09-17                        | 2015-09-16                  | No                         |
| Powerleader Holdings, Li Ruijie  | The Company           | 20,000,000.00       | 2014-09-19                        | 2015-09-19                  | No                         |
| Powerleader Holdings, Li Ruijie  | The Company           | 45,000,000.00       | 2014-12-08                        | 2015-12-08                  | No                         |
| Powerleader Holdings, Li Ruijie  | The Company           | 49,123,895.80       | 2014-06-11                        | 2014-12-08                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 49,918,531.20       | 2014-03-11                        | 2014-06-09                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 60,000,000.00       | 2014-01-02                        | 2015-01-02                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 60,000,000.00       | 2014-12-11                        | 2015-06-11                  | No                         |
| Powerleader Holdings   | The Company           | 100,000,000.00      | 2014-08-01                        | 2015-08-01                  | No                         |
| Powerleader Holdings   | The Company           | 100,000,000.00      | 2014-08-29                        | 2015-08-29                  | No                         |
| Powerleader Holdings   | The Company           | 100,000,000.00      | 2014-11-14                        | 2015-11-14                  | No                         |
| Zhang Yunxia, Li Ruijie  | The Company           | 25,000,000.00       | 2014-03-31                        | 2015-03-31                  | No                         |
| Powerleader Holdings, Powerleader Computing Li Ruijie                                      | The Company           | 71,660,552.94       | 2014-01-07                        | 2014-10-08                  | Yes                        |
| Powerleader Holdings, Zhang Yunxia, Li Ruijie  | The Company           | 233,173,222.72      | 2014-01-09                        | 2014-12-16                  | Yes                        |
| Powerleader Holdings, Zhang Yunxia, Li Ruijie  | The Company           | 49,765,949.38       | 2014-12-04                        | 2015-03-16                  | No                         |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | Baotong Zhiyuan       | 10,000,000.00       | 2014-09-25                        | 2015-07-25                  | No                         |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               | Ex-channel            | 35,125,507.60       | 2014-04-08                        | 2014-12-04                  | Yes                        |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               | Ex-channel            | 15,909,400.00       | 2014-11-06                        | 2015-01-26                  | No                         |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               | Ex-channel            | 128,794,241.75      | 2014-02-27                        | 2014-12-17                  | Yes                        |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               | Ex-channel            | 49,183,445.06       | 2014-11-13                        | 2015-03-30                  | No                         |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping                               | Ex-channel            | 54,078,498.20       | 2014-04-08                        | 2014-12-19                  | Yes                        |



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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### (3) *Guarantee with related parties (continued)*

*Details of guarantee: (continued)*

| Name of guarantor  | Name of secured party | Amount of guarantee     | Date of commencement of guarantee | Date of expiry of guarantee | Guarantee completed or not |
|--|-----------------------|-------------------------|-----------------------------------|-----------------------------|----------------------------|
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 11,748,480.00           | 2014-11-20                        | 2015-01-19                  | No                         |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 221,893,566.24          | 2014-01-09                        | 2014-09-30                  | Yes                        |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 139,517,666.87          | 2014-11-21                        | 2015-02-17                  | No                         |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 75,143,155.70           | 2014-04-17                        | 2014-12-22                  | Yes                        |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 61,481,368.42           | 2014-12-11                        | 2015-03-23                  | No                         |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 26,783,572.80           | 2014-06-06                        | 2014-12-26                  | Yes                        |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 23,419,322.15           | 2014-06-27                        | 2014-12-24                  | Yes                        |
| Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping | Ex-channel            | 8,543,323.30            | 2014-12-02                        | 2015-01-07                  | No                         |
| <b>Total</b>   |                       | <b>2,698,028,335.03</b> |                                   |                             |                            |

#### (4) *Related party equity transfers*

| Name of related party | Category of transaction | Amount for this year | Amount for last year |
|-----------------------|-------------------------|----------------------|----------------------|
| Powerleader Holdings  | Equity transfer         | <b>50,800,000.00</b> | 20,000,000.00        |

## NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 3. The Company's related party transactions

##### (1) Related party transactions of purchase and sale of goods and provision and receipt of services

###### 1) Purchase of goods and receipt of services

| Related party         | Related party transaction | Amount for this year  | Amount for last year |
|-----------------------|---------------------------|-----------------------|----------------------|
| Ex-channel            | Purchase of goods         | 142,111,946.91        | 40,403,651.37        |
| Powerleader Software  | Purchase of goods         | 30,706,284.21         | 3,218,222.22         |
| Baotong Zhiyuan       | Purchase of goods         | 23,037,184.25         | 2,470,718.29         |
| Powerleader Computing | Purchase of goods         | 2,234,992.68          | 56,720,900.68        |
| Hong Kong Powerleader | Purchase of goods         | 404,711.20            | 876,335.28           |
| <b>Total</b>          |                           | <b>198,495,119.25</b> | 103,689,827.84       |

###### 2) Sale of goods and provision of services

| Related party   | Related party transaction | Amount for this year | Amount for last year |
|---|---------------------------|----------------------|----------------------|
| Zqgame  | Sale of goods             | 8,285,247.86         | —                    |
| Powerleader Software  | Sale of goods             | 1,524,390.98         | 254,574.63           |
| Shenzhen Subita Network Technology Limited                            | Sale of goods             | 1,231,454.69         | —                    |
| Baotong Zhiyuan   | Sale of goods             | 457,607.68           | 217,827.35           |
| Powerleader Computing   | Sale of goods             | 355,577.09           | 8,561,098.05         |
| Baoteng Internet  | Sale of goods             | 78,632.48            | 841,025.64           |
| Jieyang Powerleader Computer Digital Mall Co., Ltd. (揭陽市寶德電腦數碼廣場有限公司) | Sale of goods             | 34,384.62            | —                    |
| Ex-channel  | Sale of goods             | 7,740.04             | —                    |
| Powerleader Holdings  | Sale of goods             | 7,294.40             | —                    |
| Guangzhou Baoyun  | Sale of goods             | 5,854.70             | —                    |
| Baozhongyun   | Sale of goods             | —                    | 1,205.13             |
| <b>Total</b>  |                           | <b>11,988,184.54</b> | 9,875,730.80         |

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 3. The Company's related party transactions *(continued)*

##### (2) Lease with related parties

###### 1) As lessor

| Name of lessor | Name of lessee   | Category of leased property | Lease income recognised this year | Lease income recognised last year |
|----------------|--|-----------------------------|-----------------------------------|-----------------------------------|
| The Company    | Baotong Zhiyuan<br>Shenzhen Powerleader<br>Communication | Building                    | 1,680,000.00                      | —                                 |
| The Company    | Technology Limited                                       | Building                    | 400,000.00                        | —                                 |
| The Company    | Zqgame   | Building                    | 39,600.00                         | 39,600.00                         |
| <b>Total</b>   |  |                             | <b>2,119,600.00</b>               | 39,600.00                         |

##### (3) Guarantee with related parties

| Guarantor  | Secured party         | Closing balance       | Opening balance |
|--|-----------------------|-----------------------|-----------------|
| Powerleader Holdings   | The Company           | 300,000,000.00        | —               |
| Powerleader Holdings, Li Ruijie, Zhang Yunxia  | The Company           | 209,728,724.38        | 151,760,019.38  |
| Powerleader Holdings, Ex-channel, Li Ruijie,<br>Zhang Yunxia                                     | The Company           | 140,000,000.00        | 200,000,000.00  |
| Powerleader Holdings, Li Ruijie  | The Company           | 125,000,000.00        | 169,683,016.22  |
| Li Ruijie, Zhang Yunxia  | The Company           | 25,000,000.00         | 100,000,000.00  |
| Shenzhen HTI Finance Security Co., Ltd.*<br>(深圳市高新投融资擔保有限公司),<br>Li Ruijie, Powerleader Holdings | The Company           | 20,000,000.00         | —               |
| Powerleader Holdings, Li Ruijie, Powerleader<br>Computing  | The Company           | —                     | 51,146,695.95   |
| Powerleader Holdings, the Company  | Powerleader Computing | —                     | 40,000,000.00   |
| <b>Total</b>   |                       | <b>819,728,724.38</b> | 712,589,731.55  |

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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 3. The Company's related party transactions *(continued)*

##### (3) *Guarantee with related parties (continued)*

*Details of guarantee:*

| Name of guarantor  | Name of secured party | Amount of guarantee | Date of commencement of guarantee | Date of expiry of guarantee | Guarantee completed or not |
|--|-----------------------|---------------------|-----------------------------------|-----------------------------|----------------------------|
| Powerleader Holdings, Li Ruijie  | The Company           | 10,000,000.00       | 2013-02-27                        | 2014-02-20                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 90,000,000.00       | 2013-03-07                        | 2014-02-20                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 20,000,000.00       | 2013-10-15                        | 2014-05-20                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 49,683,016.22       | 2013-09-09                        | 2014-03-07                  | Yes                        |
| Li Ruijie, Zhang Yunxia  | The Company           | 60,000,000.00       | 2013-08-20                        | 2014-02-20                  | Yes                        |
| Li Ruijie, Zhang Yunxia  | The Company           | 40,000,000.00       | 2013-08-23                        | 2014-02-23                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Powerleader Computing  | The Company           | 15,595,995.19       | 2013-10-31                        | 2014-01-29                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Powerleader Computing  | The Company           | 11,494,333.15       | 2013-11-20                        | 2014-02-18                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Powerleader Computing  | The Company           | 11,082,957.00       | 2013-11-26                        | 2014-02-24                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Powerleader Computing  | The Company           | 11,136,292.70       | 2013-12-03                        | 2014-03-03                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Powerleader Computing  | The Company           | 1,207,186.20        | 2013-12-24                        | 2014-03-24                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Powerleader Computing  | The Company           | 629,931.71          | 2013-12-27                        | 2014-03-27                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 18,304,113.18       | 2013-10-08                        | 2014-01-06                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 12,382,194.21       | 2013-10-28                        | 2014-01-26                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 9,703,950.42        | 2013-11-03                        | 2014-02-01                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 22,115,675.57       | 2013-12-30                        | 2014-03-26                  | Yes                        |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 19,380,825.72       | 2013-12-30                        | 2014-03-27                  | Yes                        |
| Powerleader Holdings, Ex-channel,<br>Li Ruijie, Zhang Yunxia   | The Company           | 140,000,000.00      | 2013-1-31                         | 2016-1-30                   | No                         |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 20,000,000.00       | 2014-02-24                        | 2015-02-24                  | No                         |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 100,000,000.00      | 2014-02-18                        | 2015-02-18                  | No                         |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 19,962,775.00       | 2014-05-15                        | 2015-02-18                  | No                         |
| Powerleader Holdings, Li Ruijie,<br>Zhang Yunxia   | The Company           | 20,000,000.00       | 2014-02-18                        | 2015-02-18                  | No                         |
| Shenzhen HTI Finance Security<br>Co., Ltd.* (深圳市高新投融資<br>擔保有限公司), Li Ruijie,<br>Powerleader Holdings | The Company           | 20,000,000.00       | 2014-09-17                        | 2015-09-16                  | No                         |

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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 3. Related party transaction with the Company *(continued)*

##### (3) *Guarantee with related parties (continued)*

*Details of guarantee: (continued)*

| Name of guarantor  | Name of secured party | Amount of guarantee | Date of commencement of guarantee | Date of expiry of guarantee | Guarantee completed or not |
|--|-----------------------|---------------------|-----------------------------------|-----------------------------|----------------------------|
| Powerleader Holdings, Li Ruijie  | The Company           | 20,000,000.00       | 2014-09-19                        | 2015-09-19                  | No                         |
| Powerleader Holdings, Li Ruijie  | The Company           | 45,000,000.00       | 2014-12-08                        | 2015-12-08                  | No                         |
| Powerleader Holdings, Li Ruijie  | The Company           | 49,123,895.80       | 2014-06-11                        | 2014-12-08                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 49,918,531.20       | 2014-03-11                        | 2014-06-09                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 60,000,000.00       | 2014-01-02                        | 2015-01-02                  | Yes                        |
| Powerleader Holdings, Li Ruijie  | The Company           | 60,000,000.00       | 2014-12-11                        | 2015-06-11                  | No                         |
| Powerleader Holdings   | The Company           | 100,000,000.00      | 2014-08-01                        | 2015-08-01                  | No                         |
| Powerleader Holdings   | The Company           | 100,000,000.00      | 2014-08-29                        | 2015-08-29                  | No                         |
| Powerleader Holdings   | The Company           | 100,000,000.00      | 2014-11-14                        | 2015-11-14                  | No                         |
| Zhang Yunxia, Li Ruijie  | The Company           | 25,000,000.00       | 2014-03-31                        | 2015-03-31                  | No                         |
| Powerleader Holdings, Shenzhen Powerleader Computing System Limited, Li Ruijie | The Company           | 71,660,552.94       | 2014-01-07                        | 2014-10-08                  | Yes                        |
| Powerleader Holdings, Zhang Yunxia, Li Ruijie                                  | The Company           | 233,173,222.72      | 2014-01-09                        | 2014-12-16                  | Yes                        |
| Powerleader Holdings, Zhang Yunxia, Li Ruijie                                  | The Company           | 49,765,949.38       | 2014-12-04                        | 2015-03-16                  | No                         |
| Total  |                       | 1,686,321,398.31    |                                   |                             |                            |

##### (4) *Related party equity transfers*

| Name of related party | Category of transaction | Amount for this year | Amount for last year |
|-----------------------|-------------------------|----------------------|----------------------|
| Powerleader Holdings  | Equity transfer         | 50,800,000.00        | 20,000,000.00        |

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 4. The Group and the Company

##### *Remuneration of key management members*

##### *(1) Remuneration of Directors and Supervisors*

The details of remuneration of each of the Directors and supervisors in this year were as follows:

| Name                                       | Fee of Directors and supervisors | Salaries and allowances | Retirement benefits scheme contributions | Total             |
|--|----------------------------------|-------------------------|--|-------------------|
| <b>Executive Directors</b>                 | <b>842,615.57</b>                | <b>57,266.00</b>        | <b>42,914.30</b>                         | <b>942,795.87</b> |
| Zhang Yunxia                               | 206,760.52                       | 16,100.00               | 14,664.65                                | 237,525.17        |
| Dong Weiping                               | 433,091.03                       | 25,066.00               | 13,585.00                                | 471,742.03        |
| Ma Zhumao                                  | 202,764.02                       | 16,100.00               | 14,664.65                                | 233,528.67        |
| <b>Non-executive Directors</b>             | <b>195,255.68</b>                | <b>3,500.00</b>         | <b>—</b>                                 | <b>198,755.68</b> |
| Li Ruijie                                  | 73,555.68                        | 3,500.00                | —  | 77,055.68         |
| Sun Wei                                    | 60,850.00                        | —                       | —  | 60,850.00         |
| Li Donglei                                 | 60,850.00                        | —                       | —  | 60,850.00         |
| <b>Independent non-executive Directors</b> | <b>181,808.00</b>                | <b>—</b>                | <b>—</b>                                 | <b>181,808.00</b> |
| Jiang Baijun                               | 60,850.00                        | —                       | —  | 60,850.00         |
| Chan Shiu Yuen                             | 60,108.00                        | —                       | —  | 60,108.00         |
| Guo Wanda                                  | 60,850.00                        | —                       | —  | 60,850.00         |
| <b>Supervisors</b>                         | <b>357,115.10</b>                | <b>24,500.00</b>        | <b>34,727.27</b>                         | <b>416,342.37</b> |
| Shu Ling                                   | 117,368.70                       | 9,100.00                | 14,526.80                                | 140,995.50        |
| Zhou Liqin                                 | 109,735.95                       | 8,400.00                | 8,068.04                                 | 126,203.99        |
| Li Xiaowei                                 | 130,010.45                       | 7,000.00                | 12,132.43                                | 149,142.88        |

The details of remuneration of each of the Directors and supervisors in last year were as follows:

| Name                                       | Fee of Directors and supervisors | Salaries and allowances | Retirement benefits scheme contributions | Total             |
|--|----------------------------------|-------------------------|--|-------------------|
| <b>Executive Directors</b>                 | <b>854,018.13</b>                | <b>39,830.00</b>        | <b>38,628.26</b>                         | <b>932,476.39</b> |
| Zhang Yunxia                               | 205,560.00                       | 16,100.00               | 13,366.83                                | 235,026.83        |
| Ma Zhumao                                  | 201,726.00                       | 16,100.00               | 13,198.93                                | 231,024.93        |
| Dong Weiping                               | 446,732.13                       | 7,630.00                | 12,062.50                                | 466,424.63        |
| <b>Non-executive Directors</b>             | <b>192,593.14</b>                | <b>—</b>                | <b>—</b>                                 | <b>192,593.14</b> |
| Li Ruijie                                  | 70,781.14                        | —                       | —  | 70,781.14         |
| Sun Wei                                    | 60,906.00                        | —                       | —  | 60,906.00         |
| Li Donglei                                 | 60,906.00                        | —                       | —  | 60,906.00         |
| <b>Independent non-executive Directors</b> | <b>182,212.00</b>                | <b>—</b>                | <b>—</b>                                 | <b>182,212.00</b> |
| Chan Shiu Yuen                             | 60,400.00                        | —                       | —  | 60,400.00         |
| Jiang Baijun                               | 60,906.00                        | —                       | —  | 60,906.00         |
| Guo Wanda                                  | 60,906.00                        | —                       | —  | 60,906.00         |
| <b>Supervisors</b>                         | <b>411,022.59</b>                | <b>14,700.00</b>        | <b>37,039.39</b>                         | <b>462,761.98</b> |
| Chen Zhenzhi                               | 183,762.57                       | —                       | 13,434.23                                | 197,196.80        |
| Shu Ling                                   | 106,169.50                       | 8,400.00                | 12,096.93                                | 126,666.43        |
| Li Xiaowei                                 | 121,090.52                       | 6,300.00                | 11,508.23                                | 138,898.75        |

## NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 4. The Group and the Company *(continued)*

##### **Remuneration of key management members** *(continued)*

##### *(1) Remuneration of Directors and Supervisors (continued)*

There is no change in Directors during the year.

During the year, no Director or Supervisor of the Company has waived any remuneration.

During the year, no payment was paid or payable to Director as an inducement to join or upon joining the Group, or paid or payable to any Director or former Director as compensation for loss of office of Director or other management positions in any member of the Group.

Remuneration for the Directors and Supervisors of the Group were determined according to the salary management system and approved by the remuneration committee of the Board.

##### *(2) Five highest paid individuals:*

Of the five highest paid individuals of the Group, three (last year: three) were Directors of the Company. The remuneration of the remaining two (last year: two) highest paid individuals were as follows:

| Item                                     | Amount<br>for this year | Amount<br>for last year |
|--|-------------------------|-------------------------|
| Salaries and allowances                  | 675,145.06              | 667,430.00              |
| Retirement benefits scheme contributions | 14,283.79               | 21,581.93               |
| <b>Total</b>                             | <b>689,428.85</b>       | 689,011.93              |

During the year, no payment was paid or payable to any highest paid individual as an inducement to join or upon joining the Group or paid or payable to such highest paid individual as compensation for loss of office in any members of the Group or other management positions.

The highest paid individuals are classified by remuneration bands (number of person) as set out below:

| Item                                     | This year | Last year |
|--|-----------|-----------|
| Nil to RMB788,870 (Nil to HK\$1,000,000) | 2         | 2         |
| <b>Total</b>                             | <b>2</b>  | 2         |



## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 5. Open credit with related parties

##### (1) The Group

##### 1) Due from related parties

| Item                                    | Related party  | Closing balance      |                         | Opening balance   |                         |
|---|--|----------------------|-------------------------|-------------------|-------------------------|
|   |  | Book balance         | Provision for bad debts | Book balance      | Provision for bad debts |
| Accounts receivable                     | Shenzhen Powerleader Communication Technology Limited            | 489,649.67           | —                       | —                 | —                       |
| Accounts receivable                     | Zqgame   | 79,200.00            | —                       | 39,600.00         | —                       |
| Accounts receivable                     | Shenzhen Subita Network Technology Limited                       | 96,405.00            | —                       | —                 | —                       |
| <b>Sub-total of accounts receivable</b> |  | <b>665,254.67</b>    | <b>—</b>                | <b>39,600.00</b>  | <b>—</b>                |
| Other receivables                       | Shenzhen Powerleader Communication Technology Limited            | 9,156,203.12         | —                       | —                 | —                       |
| Other receivables                       | Nanjing Powerleader Cloud Computing Technology Limited           | 5,870,027.32         | —                       | —                 | —                       |
| Other receivables                       | Chengdu Ai Sheng Science and Technology Co., Ltd. (成都艾晟科技有限責任公司) | 2,510,000.00         | —                       | —                 | —                       |
| Other receivables                       | Powerleader Holdings   | 1,300,000.00         | —                       | —                 | —                       |
| Other receivables                       | Shenzhen Subita Network Technology Limited                       | 1,217,030.37         | —                       | —                 | —                       |
| Other receivables                       | Zqgame   | 477,194.70           | —                       | —                 | —                       |
| Other receivables                       | Li Ruijie  | 270,805.51           | —                       | 264,740.19        | —                       |
| <b>Sub-total of other receivables</b>   |  | <b>20,801,261.02</b> | <b>—</b>                | <b>264,740.19</b> | <b>—</b>                |
| <b>Total</b>                            |  | <b>21,466,515.69</b> | <b>—</b>                | <b>304,340.19</b> | <b>—</b>                |

The closing balance of other amounts due from Li Ruijie, the defacto controller, was petty cash paid on his behalf. The maximum balance outstanding during the year was RMB270,805.51 (which is the closing balance).

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 5. Open credit with related parties *(continued)*

##### (1) *The Group (continued)*

##### 2) *Due to related parties*

| Item                                    | Related parties                                       | Closing balance      | Opening balance |
|---|---|----------------------|-----------------|
| Receipts in advance                     | Zqgame  | —                    | 240,330.00      |
| <b>Sub-total of receipts in advance</b> |   | —                    | 240,330.00      |
| Accounts payable                        | Shenzhen Powerleader Communication Technology Limited | <b>360,827.12</b>    | —               |
| <b>Sub-total of accounts payable</b>    |   | <b>360,827.12</b>    | —               |
| Other payables                          | Shenzhen Powerleader Communication Technology Limited | <b>6,786,826.99</b>  | —               |
| Other payables                          | Shenzhen Subita Network Technology Limited            | <b>34,365.87</b>     | 22,418.52       |
| Other payables                          | Sichuan Baoteng                                       | <b>9,982,980.61</b>  | 32,000,000.00   |
| Other payables                          | Beijing Haiyun Jiexun                                 | —                    | 6,000,000.00    |
| <b>Sub-total of other payables</b>      |   | <b>16,804,173.47</b> | 38,022,418.52   |
| <b>Total</b>                            |   | <b>17,165,000.59</b> | 38,262,748.52   |

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 5. Current accounts with related parties *(continued)*

##### (2) The Company

##### 1) Due from related party

| Item                                    | Related party  | Closing balance       |                         | Opening balance |                         |
|---|--|-----------------------|-------------------------|-----------------|-------------------------|
|   |  | Book balance          | Provision for bad debts | Book balance    | Provision for bad debts |
| Accounts receivable                     | Powerleader Software   | 872,857.31            | —                       | 302,852.32      | —                       |
| Accounts receivable                     | Powerleader Computing  | 416,025.20            | —                       | —               | —                       |
| Accounts receivable                     | Baotong Zhiyuan  | 399,651.76            | —                       | 477,301.76      | —                       |
| Accounts receivable                     | Shenzhen Powerleader Communication Technology Limited            | 354,449.67            | —                       | 354,449.67      | —                       |
| Accounts receivable                     | Zqgame   | 79,200.00             | —                       | 39,600.00       | —                       |
| Accounts receivable                     | Shenzhen Subita Network Technology Limited                       | 96,405.00             | —                       | —               | —                       |
| Accounts receivable                     | Baoteng Internet   | —                     | —                       | 984,000.00      | —                       |
| <b>Sub-total of accounts receivable</b> |  | <b>2,218,588.94</b>   |                         | 2,158,203.75    |                         |
| Other receivables                       | Binhai Powerleader   | 90,097,126.95         | —                       | 87,641,402.06   | —                       |
| Other receivables                       | Hong Kong Powerleader  | 64,569,349.35         | —                       | 64,394,842.60   | —                       |
| Other receivables                       | Ex-channel   | 48,075,525.77         | —                       | 128,337,433.03  | —                       |
| Other receivables                       | Powerleader Software   | 20,054,380.39         | —                       | —               | —                       |
| Other receivables                       | Nanjing Powerleader Cloud Computing Technology Limited           | 5,870,027.32          | —                       | 55,071,942.69   | —                       |
| Other receivables                       | Chengdu Ai Sheng Science and Technology Co., Ltd. (成都艾晟科技有限責任公司) | 2,510,000.00          | —                       | —               | —                       |
| Other receivables                       | Powerleader Holdings   | 1,300,000.00          | —                       | —               | —                       |
| Other receivables                       | Shenzhen Subita Network Technology Limited                       | 1,135,432.37          | —                       | —               | —                       |
| Other receivables                       | Zqgame   | 477,194.70            | —                       | —               | —                       |
| Other receivables                       | Li Ruijie  | 270,805.51            | —                       | 264,740.19      | —                       |
| Other receivables                       | Powerleader Property   | 240,057.51            | —                       | 398,012.49      | —                       |
| Other receivables                       | Guangzhou Baoyun   | 130,841.79            | —                       | —               | —                       |
| Other receivables                       | Baotong Zhiyuan  | —                     | —                       | 20,853,475.18   | —                       |
| Other receivables                       | Shenzhen Powerleader Communication Technology Limited            | —                     | —                       | 3,217,183.65    | —                       |
| <b>Sub-total of other receivables</b>   |  | <b>234,730,741.66</b> |                         | 360,179,031.89  |                         |
| <b>Total</b>                            |  | <b>236,949,330.60</b> |                         | 362,337,235.64  |                         |

The closing balance of other amounts due from Li Ruijie, the defacto controller, was petty cash paid on his behalf. The maximum balance outstanding during the year was RMB270,805.51 (which is the closing balance).

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

#### 5. Current accounts with related parties *(continued)*

##### (2) *The Company (continued)*

##### 2) *Due to related party*

| Item                                 | Related party  | Closing balance       | Opening balance |
|--------------------------------------|--|-----------------------|-----------------|
| Accounts payable                     | Ex-channel   | <b>167,874,426.99</b> | 26,227,480.06   |
| Accounts payable                     | Baotong Zhiyuan  | <b>54,223,884.75</b>  | 30,461,205.14   |
| Accounts payable                     | Powerleader Computing                                  | <b>49,936,856.80</b>  | 47,321,915.37   |
| Accounts payable                     | Powerleader Software                                   | <b>39,563,712.52</b>  | 3,696,560.00    |
| Accounts payable                     | Hong Kong Powerleader                                  | —                     | 876,335.28      |
| <b>Sub-total of accounts payable</b> |  | <b>311,598,881.06</b> | 108,583,495.85  |
| Other payables                       | Powerleader Computing                                  | <b>36,438,023.88</b>  | 61,537,908.50   |
| Other payables                       | Baotong Zhiyuan  | <b>25,273,834.41</b>  | —               |
| Other payables                       | Baoteng Internet                                       | <b>6,890,855.14</b>   | 525,736.55      |
| Other payables                       | Shenzhen Powerleader Communication Technology Limited  | <b>4,401,533.95</b>   | —               |
| Other payables                       | Research Institute                                     | <b>1,997,992.00</b>   | —               |
| Other payables                       | Sichuan Baoteng  | <b>9,982,980.61</b>   | 32,000,000.00   |
| Other payables                       | Powerleader Software                                   | —                     | 19,641,019.89   |
| Other payables                       | Nanjing Powerleader Cloud Computing Technology Limited | —                     | 1,997,992.00    |
| Other payables                       | Beijing Haiyun Jiexun                                  | —                     | 6,000,000.00    |
| <b>Sub-total of other payables</b>   |  | <b>84,985,219.99</b>  | 121,702,656.94  |
| <b>Total</b>                         |  | <b>396,584,101.05</b> | 230,286,152.79  |

### XI. SHARE-BASED PAYMENT

The Group has no significant share-based payment during the reporting period.

### XII. CONTINGENT EVENTS

#### 1. The Group

##### (1) *Contingent liabilities arising from provision of guarantees to external parties*

As of 31 December 2014, all guarantees provided by the Group to external parties were guarantees for related party. The details are set out in Note X. 2. (3).

##### (2) Other than the contingent events as mentioned above, the Group had no other significant contingent events as of 31 December 2014.

#### 2. The Company

##### (1) *Contingent liabilities arising from provision of guarantees to external parties*

As at 31 December 2014, all guarantees provided by the Company to external parties were guarantees for related party. The details are set out in Note X. 3. (3).

##### (2) Other than the contingent events as mentioned above, the Company had no other significant contingent event as of 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### XIII. COMMITMENTS

#### 1. The Group

##### (1) Significant commitments

- 1) *The capital expenditure commitments of the Group as at the end of the year*

The capital expenditure commitments that have been contracted for but not recognised in the financial statements

| Item                     | Closing amount       | Opening amount       |
|--------------------------|----------------------|----------------------|
| Construction in progress | 31,209,412.47        | 38,801,869.25        |
| External Investment      | 6,119,000.00         | —                    |
| <b>Total</b>             | <b>37,328,412.47</b> | <b>38,801,869.25</b> |

As of 31 December 2014, the Group still has a total of RMB37,328,400 of agreed material external investment expenses contracted for but has not been paid, particulars are as set out below:

| Name of investment item                             | Contractual investment amount | Investment amount paid | Investment amount payable | Expected investment period | Note |
|---|-------------------------------|------------------------|---------------------------|----------------------------|------|
| Guangzhou (IDC) Center for Cloud Computing and Data | 154,507,657.88                | 123,298,245.41         | 31,209,412.47             | 2015                       |      |
| Equity investment in SurDoc Corp.                   | 6,119,000.00                  | —                      | 6,119,000.00              | 2015                       | Note |
| <b>Total</b>  | <b>160,626,657.88</b>         | <b>123,298,245.41</b>  | <b>37,328,412.47</b>      |                            |      |

Note: Hong Kong Powerleader, a wholly-owned subsidiary of the Company, entered into relevant investment agreement on 26 December 2014 to invest US\$1 million to SurDoc Corp. Upon completion of the transaction, the Company would hold 2.86% of its equity interest.

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### XIII. COMMITMENTS *(continued)*

#### 1. The Group *(continued)*

##### (1) Significant commitments *(continued)*

##### 2) Lease contracts contracted for and which is or going to be effective

As at 31 December 2014 (T), the Group, as the lessee, had the following total future minimum lease payables commitments during the following periods under the requirements of non-cancellable operating leases in respect of (among others) plants:

| Period                        | Amount for this year  | Amount for last year |
|-------------------------------|-----------------------|----------------------|
| Within one year (T+1 year)    | 12,555,065.32         | 1,691,600.49         |
| One to two years (T+2 year)   | 10,778,367.88         | 286,136.12           |
| Two to three years (T+3 year) | 10,457,559.82         | 139,200.00           |
| Over three years (T+3 year)   | 180,527,021.17        | —                    |
| <b>Total</b>                  | <b>214,318,014.19</b> | <b>2,116,936.61</b>  |

As at 31 December 2014 (T), the Group, as a lessor, had the following total future minimum lease receivables during the following periods under non-cancellable operating leases in respect of buildings and structures:

| Period                        | Amount for this year | Amount for last year |
|-------------------------------|----------------------|----------------------|
| Within one year (T+1 year)    | 846,680.00           | 1,678,260.00         |
| One to two years (T+2 year)   | 302,544.00           | 1,096,388.00         |
| Two to three years (T+3 year) | —                    | 288,134.00           |
| <b>Total</b>                  | <b>1,149,224.00</b>  | <b>3,062,782.00</b>  |

##### 3) Acquisition and merger agreements contracted for and which is or going to be effective

No acquisition and merger agreement contracted for and which is or going to be effective during the year.

##### (2) Fulfilment of commitments of prior periods

There were no irregularity found in fulfilment of commitments of prior periods.

##### (3) Other than the above mentioned commitments, the Group had no other significant commitments as of 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### XIII. COMMITMENTS (continued)

#### 2. The Company

##### (1) Significant commitments

- 1) Capital expenditure commitments of the Company as at the end of the year

Capital expenditure commitments that have been contracted for but not recognised in the financial statements

| Item                     | Closing balance      | Opening balance      |
|--------------------------|----------------------|----------------------|
| Construction in progress | 31,209,412.47        | 34,432,269.25        |
| <b>Total</b>             | <b>31,209,412.47</b> | <b>34,432,269.25</b> |

As of 31 December 2014, the Company still had a total of RMB31,209,400 of agreed material external investment expenses that have been contracted for but has not been paid, particulars are as set out below:

| Name of investment item                             | Contractual investment amount | Investment amount paid | Investment amount payable | Expected investment period | Note |
|---|-------------------------------|------------------------|---------------------------|----------------------------|------|
| Guangzhou (IDC) Center for Cloud Computing and Data | 149,136,610.52                | 117,927,198.05         | 31,209,412.47             | 2015                       |      |
| <b>Total</b>  | <b>149,136,610.52</b>         | <b>117,927,198.05</b>  | <b>31,209,412.47</b>      |                            |      |



## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### XIII. COMMITMENTS *(continued)*

#### 2. The Company *(continued)*

##### (1) Significant commitments *(continued)*

##### 2) Lease contracts contracted for and which is or going to be effective

As at 31 December 2014(T), the Company, as the lessee, had the following total future minimum lease payables commitments during the following periods under the requirements of non-cancellable operating leases in respect of (among others) plants:

| Period                        | Amount for this year | Amount for last year |
|-------------------------------|----------------------|----------------------|
| Within one year (T+1 year)    | 3,927,137.36         | 322,755.75           |
| One to two years (T+2 year)   | 1,970,504.03         | 26,400.00            |
| Two to three years (T+3 year) | 1,767,146.00         | —                    |
| Over three years (T+3 year)   | 4,642,994.67         | —                    |
| <b>Total</b>                  | <b>12,307,782.06</b> | <b>349,155.75</b>    |

As at 31 December 2014 (T), the Company, as a lessor, had the following total future minimum lease receivable during the following periods under non-cancellable operating leases in respect of buildings and structures:

| Period                        | Amount for this year | Amount for last year |
|-------------------------------|----------------------|----------------------|
| Within one year (T+1 year)    | 1,161,680.00         | 1,276,620.00         |
| One to two years (T+2 year)   | 302,544.00           | 761,688.00           |
| Two to three years (T+3 year) | —                    | 288,134.00           |
| <b>Total</b>                  | <b>1,464,224.00</b>  | <b>2,326,442.00</b>  |

##### 3) Acquisition and merger agreements contracted for and which is or going to be effective

No acquisition and merger agreement contracted for and which is or going to be effective during the year.

##### (2) Fulfilment of commitments of prior periods

There were no irregularity found in fulfilment of commitments of prior periods.

##### (3) Other than the above mentioned commitments, the Company had no other significant commitments as of 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### XIV. POST-BALANCE SHEET DATE EVENTS

#### 1. Profits distribution

The Directors of the Company do not recommend dividend payment for the year ended 31 December 2014 (no dividend had been paid for the year ended 31 December 2013).

#### 2. Apart from the above mentioned post-balance sheet date events disclosures, the Group has no other material post-balance sheet date events.

### XV. OTHER IMPORTANT EVENTS

#### 1. Prior period corrections and effect

The Group has no prior period correction during this year.

#### 2. Debt restructuring

The Group has no material debt restructuring during the year (2013: Nil).

#### 3. Leases

##### (1) Lease of assets under operating leases (as lessor of operating leases)

As at the end of the year, the Group's assets categories leased out under operating lease are set out as below:

| Asset category leased out under operating lease | Closing balance      | Opening balance      |
|---|----------------------|----------------------|
| Buildings and structures                        | 13,883,577.12        | 16,838,422.38        |
| Servers   | —                    | 1,780,939.73         |
| <b>Total</b>                                    | <b>13,883,577.12</b> | <b>18,619,362.11</b> |

##### (2) Minimum lease payments under material operating leases (as the lessee of operating lease)

For details of total future minimum lease payables commitments for the Group, as lessee, under non-cancellable operating leases in respect of plant during the following periods as at 31 December 2014 (T) are set out in Note XIII. 1. (1).

#### 4. Asset replacement

The Group has no material asset replacement during the year (2013: nil).

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## XV. OTHER IMPORTANT EVENTS *(continued)*

### 5. Segment Information

The operations of the Group are divided into 3 reportable segments based on the structure of its internal organization, management requirements and internal reporting system. The management of the Group regularly assess the operating results of these reportable segments to make decisions about their resources allocation and to assess their performance. The main products and services rendered by each reportable segment are servers, parts, software and others respectively.

The reportable segments of the Group are as follows:

| <b>Business segment</b>                            | <b>Principal operations</b>   |
|--|---|
| Cloud infrastructure as a service (IaaS)           | Provision of relevant equipment such as cloud servers and cloud storage and their related solutions   |
| Cloud module as a service (MaaS)                   | Provision of development, design, manufacturing and sale of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and related value added services |
| Software and platform as a service (SaaS and PaaS) | Provision of development and servicing of cloud computing related software and platforms  |

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted in reporting to the management by each segment, these measurement basis are consistent with the accounting and measurement basis for the preparation of financial statements.

Transfer price between each segment is measured at the price in third party sales, and indirect expenses attributable to each segment are allocated to each segment in proportion to revenue.

#### ***Profit or loss and assets and liabilities of reporting segment***

Except for the Company's cash and cash equivalents, buildings and structures, transportation equipment, and office appliances under fixed assets, investment properties, dividends receivable, long-term equity investments, investment income, loans and interest, owners' equity of the Company and administrative expenses, all assets, liabilities and profit or loss are allocated to each operating segment.

Operating results of each segment represent total revenue generated by each segment (including revenue from transactions with external parties and intra-segment transactions) less 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 after deduction of non-operating income and expenses.

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### XV. OTHER IMPORTANT EVENTS *(continued)*

#### 5. Segment Information *(continued)*

##### *Reportable segment 2014*

| Item  | Cloud infrastructure as a service | Cloud module as a service | Software and platform as a service | Unallocated     | Elimination      | Total            |
|---|-----------------------------------|---------------------------|------------------------------------|-----------------|------------------|------------------|
| Revenue   | 650,206,888.98                    | 1,363,277,907.23          | 39,578,316.05                      | —               | (200,223,691.76) | 1,852,839,420.50 |
| Including: Revenue from transactions with external parties                  | 539,360,958.12                    | 1,304,606,430.54          | 8,872,031.84                       | —               | —                | 1,852,839,420.50 |
| Revenue from intra-segment transactions                                     | 110,845,930.86                    | 58,671,476.69             | 30,706,284.21                      | —               | (200,223,691.76) | —                |
| Operating costs   | 537,926,409.17                    | 1,272,964,673.85          | 13,336,596.23                      | —               | (198,543,691.76) | 1,625,683,987.49 |
| Expenses for the period   | 32,651,743.35                     | 42,553,321.58             | 8,761,962.83                       | 89,851,857.73   | (1,680,000.00)   | 172,138,885.49   |
| Total segment profit (loss)   | 80,873,902.67                     | 47,476,669.51             | 20,853,166.26                      | (99,623,922.77) | 2,264,347.47     | 51,844,163.14    |
| Total assets  | 829,128,017.87                    | 1,247,332,066.28          | 138,247,685.09                     | 996,751,187.70  | (920,175,678.73) | 2,291,283,278.21 |
| Including: Significant impairment loss of individual assets                 | —                                 | —                         | —                                  | —               | —                | —                |
| Total liabilities   | 539,598,723.82                    | 760,560,082.87            | 36,834,925.09                      | 820,091,849.38  | (669,098,890.73) | 1,487,986,690.43 |
| Supplementary information   |                                   |                           |                                    |                 |                  |                  |
| Capital expenditure   | 20,541,274.65                     | 27,203.94                 | 31,724,784.88                      | 190,757,685.44  | —                | 243,050,948.91   |
| Impairment loss recognised for the period                                   | 1,750,070.13                      | 410,598.46                | 580,107.46                         | —               | —                | 2,740,776.05     |
| Including: Share of impairment of goodwill                                  | —                                 | —                         | —                                  | —               | —                | —                |
| Depreciation and amortisation   | 7,407,564.54                      | 4,358,685.37              | 6,332,420.84                       | 13,432,447.66   | —                | 31,531,118.41    |
| Non-cash expenses other than impairment loss, depreciation and amortisation | 4,587,008.52                      | 3,020,903.35              | 1,957,638.83                       | —               | —                | 9,565,550.70     |

## NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

### XV. OTHER IMPORTANT EVENTS (continued)

#### 5. Segment Information (continued)

##### Reportable segment for 2013

| Item  | Cloud infrastructure as a service | Cloud module as a service | Software and platform as a service | Unallocated     | Elimination      | Total            |
|---|-----------------------------------|---------------------------|------------------------------------|-----------------|------------------|------------------|
| Revenue   | 428,271,377.94                    | 1,178,963,709.62          | 39,533,706.29                      | —               | (86,090,863.52)  | 1,560,677,930.33 |
| Including: Revenue from transactions with external parties                  | 423,610,598.18                    | 1,123,327,170.43          | 13,740,161.72                      | —               | —                | 1,560,677,930.33 |
| Revenue from intra-segment transactions                                     | 4,660,779.76                      | 55,636,539.19             | 25,793,544.57                      | —               | (86,090,863.52)  | —                |
| Operating costs   | 360,005,025.43                    | 1,096,140,995.64          | 6,109,683.99                       | —               | (85,896,688.76)  | 1,376,359,016.30 |
| Expenses for the period   | 35,543,964.76                     | 38,402,798.94             | 4,956,290.83                       | 66,501,031.21   | (725,449.29)     | 144,678,636.45   |
| Total segment profit (loss)   | 36,903,969.99                     | 39,405,491.23             | 35,460,309.57                      | (57,294,635.43) | 2,193,375.11     | 56,668,510.47    |
| Total assets  | 809,453,434.82                    | 917,046,735.30            | 100,829,906.63                     | 777,983,734.82  | (839,885,232.72) | 1,765,428,578.85 |
| Including: Significant impairment loss of individual assets                 | —                                 | —                         | —                                  | —               | —                | —                |
| Total liabilities   | 382,413,537.41                    | 479,760,425.57            | 30,990,714.25                      | 672,984,356.55  | (548,408,444.73) | 1,017,740,589.05 |
| Supplementary information   |                                   |                           |                                    |                 |                  |                  |
| Capital expenditure   | 39,090,240.54                     | 409,549.11                | 14,297,006.27                      | 28,886,879.94   | —                | 82,683,675.86    |
| Impairment loss recognised for the period                                   | (429,271.13)                      | 5,577,087.67              | 181,137.04                         | —               | —                | 5,328,953.58     |
| Including: Share of impairment of goodwill                                  | —                                 | —                         | —                                  | —               | —                | —                |
| Depreciation and amortisation   | 9,671,831.71                      | 4,445,970.58              | 2,966,701.07                       | 9,360,063.56    | —                | 26,444,566.92    |
| Non-cash expenses other than impairment loss, depreciation and amortisation | 3,724,673.02                      | 5,463,961.50              | 1,718,021.82                       | —               | —                | 10,906,656.34    |

The Group's total revenue from transactions with external parties domestically and in other overseas countries and regions, and the total non-current assets other than financial assets and deferred income tax assets located domestically and in other overseas countries and regions are as follows:

| Revenue from transactions with external parties | Amount for this year    | Amount for last year |
|---|-------------------------|----------------------|
| PRC (excluding Hong Kong)                       | 1,325,394,315.11        | 1,088,437,693.00     |
| Hong Kong                                       | 519,451,733.69          | 289,790,689.03       |
| Other overseas regions                          | 7,993,371.70            | 182,449,548.30       |
| <b>Total</b>                                    | <b>1,852,839,420.50</b> | 1,560,677,930.33     |

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### XV. OTHER IMPORTANT EVENTS *(continued)*

#### 5. Segment Information *(continued)*

| Total non-current assets  | Closing balance       | Opening balance |
|---------------------------|-----------------------|-----------------|
| PRC (excluding Hong Kong) | 686,045,819.67        | 580,586,097.78  |
| Hong Kong                 | 70,889.25             | 1,073,252.70    |
| Other overseas regions    | —                     | —               |
| <b>Total</b>              | <b>686,116,708.92</b> | 581,659,350.48  |

#### 6. Possible offer

The Board of the Company has been informed by Powerleader Holdings, the controlling Shareholder, of its intentions to make a voluntary conditional general offer to acquire all of the H Shares not already held by it and its concert parties (the "H Share Offer") through its wholly owned subsidiary ("PI Subsidiary"), to make a voluntary conditional general offer to acquire all the domestic shares (the "Domestic Shares") of the Company not already held by it and its concert parties (the "Domestic Share Offer", together with the H Share Offer, the "Possible Offers"). Powerleader Holdings and the PI Subsidiary have been negotiating with relevant parties to assess the feasibility and implementation of the Possible Offers. Currently, negotiation by Powerleader Holdings and the Offeror with a financial institution on obtaining finance for the acquisitions under the Possible Offers are still ongoing and has not entered into any contract. Powerleader Holdings and the Offeror indicated that the proposed offer price under the Possible Offers will be HK\$5.044 per Domestic Share/H Share of the Company, which represents a 30% premium over the trading price per H Share on GEM immediately before the suspension of trading of the H Shares on 3 December 2014. For details of the offer, please refer to the announcements of the Company on 12 March 2015 and 8 April 2015.

### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

#### 1. Cash and cash equivalents

| Item                                    | Closing balance       | Opening balance |
|---|-----------------------|-----------------|
| Cash                                    | 368,534.22            | 238,756.63      |
| Bank deposits                           | 281,119,222.51        | 210,984,938.80  |
| Other Cash and cash equivalents         | 54,550,358.04         | 35,038,321.44   |
| <b>Total</b>                            | <b>336,038,114.77</b> | 246,262,016.87  |
| Including: total amount placed overseas | —                     | —               |

As at the end of 2014, the restricted cash and cash equivalents of the Company were RMB54,550,358.04 (2013: RMB35,038,321.44), which were guarantee deposits pledged to banks for issuing letters of credit included in "other cash and cash equivalents".

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 2. Notes receivable

(1) Categories of notes receivable

| Categories of notes         | Closing balance      | Opening balance |
|-----------------------------|----------------------|-----------------|
| Bank acceptance notes       | 8,358,962.40         | 1,590,178.78    |
| Commercial acceptance notes | 19,413,909.00        | 13,846,449.03   |
| <b>Total</b>                | <b>27,772,871.40</b> | 15,436,627.81   |

(2) Notes receivable endorsed or discounted at the end of the year and outstanding as at the balance sheet date

| Item                        | Amount derecognised at the end of the year | Amount remain recognised at the end of the year |
|-----------------------------|--|---|
| Commercial acceptance notes | 12,968,299.00                              | —   |
| <b>Total</b>                | <b>12,968,299.00</b>                       | —   |

#### 3. Accounts receivable

| Item                          | Closing balance       | Opening balance |
|-------------------------------|-----------------------|-----------------|
| Accounts receivable           | 232,667,306.95        | 91,216,395.65   |
| Less: Provision for bad debts | 3,843,138.76          | 5,367,620.05    |
| <b>Net amount</b>             | <b>228,824,168.19</b> | 85,848,775.60   |

Most of the domestic sales of the Company are on credit, the credit periods of which range from 30 to 90 days.

(1) Age analysis of accounts receivable (according to the credit term of the customers and accounting policies)

Prior to the acceptance of a new customer, the Company applies internal credit assessment policies to assess the credit quality of the potential customer and formulates credit limit. Apart from new customers which are generally required to pay in advance, the Company formulates different credit policies for different customers. The credit terms are generally three months, and can be extended to twelve months for major customers. In respect of the sales, the Company recognizes accounts receivable and revenue at the time of acknowledgement of outbound (for inspection and acceptance of products), when calculation of the age begins. Set forth below is the age analysis of accounts receivable, net of provision for bad debts, by the date of recognition :

| Age                | Closing balance       | Opening balance |
|--------------------|-----------------------|-----------------|
| Within 3 months    | 207,117,260.76        | 73,339,257.53   |
| 3 months to 1 year | 18,653,516.54         | 8,735,594.35    |
| 1 to 2 years       | 2,143,550.30          | 2,496,446.89    |
| 2 to 3 years       | 495,644.84            | 357,192.12      |
| 3 to 4 years       | 45,696.08             | 920,284.71      |
| 4 to 5 years       | 368,499.67            | —               |
| <b>Net amount</b>  | <b>228,824,168.19</b> | 85,848,775.60   |



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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 3. Accounts receivable (continued)

(2) Risk category of accounts receivable

| Category  | Book balance          |                | Closing balance                   |                             | Carrying amount       |
|---|-----------------------|----------------|-----------------------------------|-----------------------------|-----------------------|
|   | Amount                | Percentage (%) | Provision for bad debts<br>Amount | Percentage of provision (%) |                       |
| <b>Accounts receivable individually significant for which provision for bad debts has been individually made</b>  | —                     | —              | —                                 | —                           | —                     |
| Accounts receivable for which provision for bad debts has been made on group basis by credit risk characteristics | 230,748,897.80        | 99.18          | 1,924,729.61                      | 0.83                        | 228,824,168.19        |
| Accounts receivable individually insignificant but for which provision for bad debts has been individually made   | 1,918,409.15          | 0.82           | 1,918,409.15                      | 100.00                      | —                     |
| <b>Total</b>  | <b>232,667,306.95</b> | <b>100.00</b>  | <b>3,843,138.76</b>               | <b>—</b>                    | <b>228,824,168.19</b> |

| Category  | Book balance         |                | Opening balance                   |                             | Carrying amount      |
|---|----------------------|----------------|-----------------------------------|-----------------------------|----------------------|
|   | Amount               | Percentage (%) | Provision for bad debts<br>Amount | Percentage of provision (%) |                      |
| <b>Accounts receivable individually significant for which provision for bad debts has been individually made</b>  | —                    | —              | —                                 | —                           | —                    |
| Accounts receivable for which provision for bad debts has been made on group basis by credit risk characteristics | 87,949,176.50        | 96.42          | 2,100,400.90                      | 2.39                        | 85,848,775.60        |
| Accounts receivable individually insignificant but for which provision for bad debts has been individually made   | 3,267,219.15         | 3.58           | 3,267,219.15                      | 100.00                      | —                    |
| <b>Total</b>  | <b>91,216,395.65</b> | <b>100.00</b>  | <b>5,367,620.05</b>               | <b>—</b>                    | <b>85,848,775.60</b> |

- 1) There was no accounts receivable that is individually significant for which provision for bad debts were individually made.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 3. Accounts receivable (continued)

(2) Risk category of accounts receivable (continued)

2) Accounts receivable for which provision for bad debts has been made by age analysis in groups.

| Age                | Accounts receivable   | Closing balance         |                             |
|--------------------|-----------------------|-------------------------|-----------------------------|
|                    |                       | Provision for bad debts | Percentage of provision (%) |
| Within 3 months    | 206,018,445.76        | —                       | —                           |
| 3 months to 1 year | 18,871,360.28         | 943,568.01              | 5.00                        |
| 1 to 2 years       | 2,629,937.88          | 525,987.58              | 20.00                       |
| 2 to 3 years       | 826,074.74            | 330,429.90              | 40.00                       |
| 3 to 4 years       | 114,240.20            | 68,544.12               | 60.00                       |
| 4 to 5 years       | 70,250.00             | 56,200.00               | 80.00                       |
| Over 5 years       | —                     | —                       | 100.00                      |
| <b>Total</b>       | <b>228,530,308.86</b> | <b>1,924,729.61</b>     | <b>—</b>                    |

3) Accounts receivable for which provision for bad debt has been made by other method in groups

| Item                | Book balance        | Closing balance    |                                  |
|---------------------|---------------------|--------------------|----------------------------------|
|                     |                     | Amount of bad debt | Percentage of provision made (%) |
| Related party group | 2,218,588.94        | —                  | —                                |
| <b>Total</b>        | <b>2,218,588.94</b> | <b>—</b>           | <b>—</b>                         |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 3. Accounts receivable (continued)

(2) Risk category of accounts receivable (continued)

- 4) Accounts receivable individually insignificant but for which provision for bad debts has been individually made at the end of the year

| Name of Entity  | Book balance        | Amount of bad debt  | Percentage of provision made (%) | Reason for provision         |
|---|---------------------|---------------------|----------------------------------|------------------------------|
| Nanjing Sutian Feihua Electrical Industrial Limited (南京蘇電飛華電力實業有限公司)                | 440,570.00          | 440,570.00          | 100.00                           | Expected to be irrecoverably |
| Inhuijie Technology Limited (淄博新惠佳科技有限公司)   | 332,725.00          | 332,725.00          | 100.00                           | Expected to be irrecoverably |
| Shandong Sciwal Information Technology Limited (山東賽沃信息技術有限公司)                       | 320,748.00          | 320,748.00          | 100.00                           | Expected to be irrecoverably |
| Baoji Yunyi Network Technology Limited (寶鷄雲翼網絡科技公司)                                 | 182,100.00          | 182,100.00          | 100.00                           | Expected to be irrecoverably |
| Beijing Long Speedkey Limited (北京長久斯捷有限公司)  | 157,500.00          | 157,500.00          | 100.00                           | Expected to be irrecoverably |
| Shandong Shanda Huatian Softwares Limited (山東山大華天軟件有限公司)                            | 98,200.00           | 98,200.00           | 100.00                           | Expected to be irrecoverably |
| Shanghai Ouwang Network Technology Limited (上海歐網網絡科技有限公司)                           | 63,646.00           | 63,646.00           | 100.00                           | Expected to be irrecoverably |
| Shanghia Quanyao Technology Trading Co., Ltd, (上海泉堯科貿有限公司)                          | 59,900.00           | 59,900.00           | 100.00                           | Expected to be irrecoverably |
| Hunan Sipulin Technology Trading Limited (湖南斯普林科貿有限公司)                              | 29,400.00           | 29,400.00           | 100.00                           | Expected to be irrecoverably |
| Beijing Sina Information Technology Limited (北京新浪信息技術有限公司)                          | 29,004.00           | 29,004.00           | 100.00                           | Expected to be irrecoverably |
| Bailing Information Technology Limited (百靈信息科技有限公司)                                 | 29,000.00           | 29,000.00           | 100.00                           | Expected to be irrecoverably |
| Sihua Technology (Shanghai) Limited (思華科技(上海)有限公司)                                  | 28,200.00           | 28,200.00           | 100.00                           | Expected to be irrecoverably |
| Guangzhou Electricity Bureau of Guangdong Electricity Network Company (廣東電網公司廣州供電局) | 21,300.00           | 21,300.00           | 100.00                           | Expected to be irrecoverably |
| Others  | 126,116.15          | 126,116.15          | 100.00                           | Expected to be irrecoverably |
| <b>Total</b>  | <b>1,918,409.15</b> | <b>1,918,409.15</b> | <b>—</b>                         | <b>—</b>                     |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 3. Accounts receivable (continued)

(3) Information on bad debts released (or recovered) during the year

Provision for bad debts amounted to RMB1,137,002.23 during the year. No provision for bad debts had been recovered or released during the year. Provision for bad debts transferred to others during the year amounted to RMB2,661,483.52 had been written-off.

(4) Accounts receivable effectively wrote-off during the year

| Item                                      | Write-off amount |
|---|------------------|
| Accounts receivable effectively wrote-off | 2,661,483.52     |

In particular, information on material accounts receivable written-off:

| Name of entity  | Nature of accounts receivable | Write-off amount | Reason for write-off           | Write-off procedures undertaken         | Whether arising from related transaction |
|---|-------------------------------|------------------|--------------------------------|---|--|
| Skylong Technology Co., Ltd.<br>(江蘇中天龍科技有限公司)   | Payment for goods             | 1,005,137.00     | Determined to be irrecoverable | Reported to the management for approval | No                                       |
| Shanghai QianShi Digital Science and Technology Development Co., Ltd.<br>(上海乾石數碼科技發展有限公司) | Payment for goods             | 970,983.60       | Determined to be irrecoverable | Reported to the management for approval | No                                       |
| <b>Total</b>  |                               | 1,976,120.60     |                                |   |  |

(5) Age analysis of amounts past due but not impaired at balance sheet date:

| Age                | Closing balance     | Opening balance |
|--------------------|---------------------|-----------------|
| Within 3 months    |                     |                 |
| 3 months to 1 year | 1,098,815.00        | 1,280,236.01    |
| 1 to 2 years       | 725,724.27          | 296,074.31      |
| 2 to 3 years       | 39,600.00           | 227,443.76      |
| 3 to 4 years       | —                   | —               |
| 4 to 5 years       | —                   | 354,449.67      |
| Over 5 years       | 354,449.67          | —               |
| <b>Net amount</b>  | <b>2,218,588.94</b> | 2,158,203.75    |

Account receivables past due but not impaired is associated with related parties. Such accounts have good credit history with the Company. According to past experience, the management of the Company are of the view that provision for impairment is not required for these balance as the credit quality did not experience significant change and the balance is believed to be fully recoverable.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

*(continued)*

#### 3. Accounts receivable *(continued)*

(6) *Information on top five accounts receivable grouped by closing balance of attributable debtors*

Top five accounts receivable grouped by closing balance of attributable debtors for the year amounted to RMB124,711,934.68, in aggregate, accounted for 53.60% of the closing balance of the total accounts receivable, the corresponding provision for bad debts on the total closing balance amounted to RMB446,618.26.

#### 4. Prepayments

(1) *Age of prepayments*

| Item          | Closing balance     |                | Opening balance |                |
|---------------|---------------------|----------------|-----------------|----------------|
|               | Amount              | Percentage (%) | Amount          | Percentage (%) |
| Within 1 year | 1,698,951.61        | 50.21          | 1,685,000.00    | 100.00         |
| 1 to 2 years  | 1,685,000.00        | 49.79          | —               | —              |
| <b>Total</b>  | <b>3,383,951.61</b> | <b>100.00</b>  | 1,685,000.00    |                |

(2) *Closing balance of top five prepayments grouped by attributable creditor of prepayment*

During the year, total closing balance of top five prepayments grouped by attributable creditor of prepayment amounted to RMB2,735,578.00, accounted for 80.84% of total closing balance of prepayment.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 5. Dividends receivable

(1) Breakdown of dividends receivable

| Item                  | Closing balance      | Opening balance |
|-----------------------|----------------------|-----------------|
| Powerleader Computing | 56,000,000.00        | 56,000,000.00   |
| Hong Kong Powerleader | 24,000,000.00        | 24,000,000.00   |
| <b>Total</b>          | <b>80,000,000.00</b> | 80,000,000.00   |

(2) Material dividends receivable aged over one year

| Item (or investee)    | Closing balance      | Age             | Reason of Outstanding | Whether impairment incurred and the basis of determination |
|-----------------------|----------------------|-----------------|-----------------------|--|
| Powerleader Computing | 56,000,000.00        | Over five years | Working capital       | Subsidiary within the Group, not impaired                  |
| Hong Kong Powerleader | 24,000,000.00        | Over five years | Working capital       | Subsidiary within the Group, not impaired                  |
| <b>Total</b>          | <b>80,000,000.00</b> | —               | —                     | —  |

#### 6. Other receivables

| Name of item                  | Closing balance       | Opening balance |
|-------------------------------|-----------------------|-----------------|
| Other receivables             | 349,678,387.79        | 447,598,978.34  |
| Less: Provision for bad debts | 576,435.93            | 298,534.19      |
| <b>Net amount</b>             | <b>349,101,951.86</b> | 447,300,444.15  |

(1) Age analysis of other receivables

| Age                | Closing balance       | Opening balance |
|--------------------|-----------------------|-----------------|
| Within 3 months    | 172,969,848.51        | 244,025,924.11  |
| 3 months to 1 year | 32,735,031.90         | 52,879,557.77   |
| 1 to 2 years       | 53,554,675.94         | 80,959,212.30   |
| 2 to 3 years       | 63,966,093.94         | 67,545,282.00   |
| 3 to 4 years       | 23,985,833.60         | 28,100.00       |
| 4 to 5 years       | 28,100.00             | 22,367.97       |
| Over 5 years       | 1,862,367.97          | 1,840,000.00    |
| <b>Net amount</b>  | <b>349,101,951.86</b> | 447,300,444.15  |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 6. Other receivables (continued)

##### (2) Category of other receivables

| Category  | Book balance          |                | Closing balance<br>Provision for bad debts |                             | Carrying amount       |
|---|-----------------------|----------------|--|-----------------------------|-----------------------|
|   | Amount                | Percentage (%) | Amount                                     | Percentage of provision (%) |                       |
| Other receivables individually significant for which provision for bad debts has been individually made         | —                     | —              | —  | —                           | —                     |
| Other receivables for which provision for bad debts has been made on group basis by credit risk characteristics | 349,678,387.79        | 100.00         | 576,435.93                                 | 0.16                        | 349,101,951.86        |
| Other receivables individually insignificant but for which provision for bad debts has been individually made   | —                     | —              | —  | —                           | —                     |
| <b>Total</b>  | <b>349,678,387.79</b> | <b>100.00</b>  | <b>576,435.93</b>                          | <b>—</b>                    | <b>349,101,951.86</b> |

| Category  | Book balance          |                | Opening balance<br>Provision for bad debts |                             | Carrying amount       |
|---|-----------------------|----------------|--|-----------------------------|-----------------------|
|   | Amount                | Percentage (%) | Amount                                     | Percentage of provision (%) |                       |
| Other receivables individually significant for which provision for bad debts has been individually made         | —                     | —              | —  | —                           | —                     |
| Other receivables for which provision for bad debts has been made on group basis by credit risk characteristics | 447,598,978.34        | 100.00         | 298,534.19                                 | 0.07                        | 447,300,444.15        |
| Other receivables individually insignificant but for which provision for bad debts has been individually made   | —                     | —              | —  | —                           | —                     |
| <b>Total</b>  | <b>447,598,978.34</b> | <b>100.00</b>  | <b>298,534.19</b>                          | <b>—</b>                    | <b>447,300,444.15</b> |



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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 6. Other receivables (continued)

##### (2) Category of other receivables (continued)

(1) Other receivables for which provision for bad debts has been made by age analysis in groups

| Age             | Closing balance      |                         | Percentage of provision (%) |
|-----------------|----------------------|-------------------------|-----------------------------|
|                 | Other receivables    | Provision for bad debts |                             |
| Within 3 months | 80,962,338.77        | —                       | —                           |
| <b>Total</b>    | <b>80,962,338.77</b> | <b>—</b>                | <b>—</b>                    |

(2) Other receivables for which provision for bad debts has been made by other methods in groups

| Name of group                                    | Closing balance       |                         | Percentage of provision (%) |
|--|-----------------------|-------------------------|-----------------------------|
|  | Other receivables     | Provision for bad debts |                             |
| Related party group                              | 234,730,741.66        | —                       | —                           |
| Deposit group                                    | 19,545,172.85         | —                       | —                           |
| Long term strategic cooperation enterprise group | 14,440,134.51         | 576,435.93              | 3.99                        |
| <b>Total</b>                                     | <b>268,716,049.02</b> | <b>576,435.93</b>       | <b>—</b>                    |

(3) Information on provision for bad debts released (recovered) during the year

Provision for bad debts amounted to RMB277,901.74 during the year. No provision for bad debts was recovered or released during the year.

(4) Category of other receivables by nature

| Nature                      | Closing book balance  | Opening book balance  |
|-----------------------------|-----------------------|-----------------------|
| Individual open credit      | 11,484,299.04         | 5,301,821.82          |
| Entities open credit        | 103,463,347.09        | 82,118,124.63         |
| Related parties open credit | 234,730,741.66        | 360,179,031.89        |
| <b>Total</b>                | <b>349,678,387.79</b> | <b>447,598,978.34</b> |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 6. Other receivables (continued)

##### (2) Category of other receivables (continued)

(5) Information on top five other receivables by closing balance of recovery of debtors

| Name of entity                                     | Nature                 | Closing balance       | Age                      | Percentage to total closing balance of other receivables (%) | Provision for bad debts Closing balance |
|--|------------------------|-----------------------|--------------------------|--|---|
| Binhai Powerleader                                 | Subsidiary open credit | 1,431,875.00          | Within three months      | 0.41   | —                                       |
|  |                        | 8,163,849.89          | Three months to one year | 2.33   | —                                       |
|  |                        | 27,450,000.00         | One to two years         | 7.85   | —                                       |
|  |                        | 29,250,000.00         | Two to three years       | 8.37   | —                                       |
|  |                        | 23,801,402.06         | Three to four years      | 6.81   | —                                       |
| Sub-total of Binhai Powerleader                    |                        | 90,097,126.95         |                          | <b>25.77</b>   | —                                       |
| Shenzhen Yingjiexun Industrial Development Limited | Open credit            | 80,925,212.58         | Within three months      | 23.14  | —                                       |
| Hong Kong Powerleader                              | Subsidiary open credit | 7,552,616.80          | Within three months      | 2.16   | —                                       |
|  |                        | 17,213,542.76         | Three months to one year | 4.92   | —                                       |
|  |                        | 15,294,407.87         | One to two years         | 4.37   | —                                       |
|  |                        | 24,351,540.01         | Two to three years       | 6.97   | —                                       |
|  |                        | 157,241.91            | Three to four years      | 0.05   | —                                       |
| Sub-total of Hong Kong Powerleader                 |                        | 64,569,349.35         |                          | <b>18.47</b>   | —                                       |
| Ex-Channel   | Subsidiary open credit | 48,075,525.77         | Within three months      | 13.75  | —                                       |
| Powerleader Software                               | Subsidiary open credit | 20,054,380.39         | Within three months      | 5.73   | —                                       |
| <b>Total</b>                                       |                        | <b>303,721,595.04</b> |                          | <b>86.86</b>   | —                                       |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 7. Inventories

(1) Categories of inventories

| Item                     | Closing balance       |                          | Carrying amount       |
|--------------------------|-----------------------|--------------------------|-----------------------|
|                          | Book balance          | Provision for impairment |                       |
| Materials in transits    | 4,659,374.96          | —                        | 4,659,374.96          |
| Raw materials            | 76,694,715.68         | 789,527.83               | 75,905,187.85         |
| Construction in progress | 11,714,397.69         | —                        | 11,714,397.69         |
| Finished goods           | 9,343,148.52          | —                        | 9,343,148.52          |
| Goods in transits        | 7,338,691.85          | —                        | 7,338,691.85          |
| Sub-contracting material | 134,701.38            | —                        | 134,701.38            |
| <b>Total</b>             | <b>109,885,030.08</b> | <b>789,527.83</b>        | <b>109,095,502.25</b> |

| Item                     | Opening balance      |                          | Carrying amount      |
|--------------------------|----------------------|--------------------------|----------------------|
|                          | Book balance         | Provision for impairment |                      |
| Materials in transits    | 1,043,580.40         | —                        | 1,043,580.40         |
| Raw materials            | 45,397,803.83        | 182,039.63               | 45,215,764.20        |
| Construction in progress | 3,848,553.25         | —                        | 3,848,553.25         |
| Finished goods           | 902,415.96           | —                        | 902,415.96           |
| Goods in transits        | 7,360,385.07         | —                        | 7,360,385.07         |
| Sub-contracting material | 60,366.81            | —                        | 60,366.81            |
| <b>Total</b>             | <b>58,613,105.32</b> | <b>182,039.63</b>        | <b>58,431,065.69</b> |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 7. Inventories (continued)

(2) Provision for impairment of inventories

| Item          | Opening balance | Increase during the year |        | Decrease during the year |                    | Closing balance |
|---------------|-----------------|--------------------------|--------|--------------------------|--------------------|-----------------|
|               |                 | Provision                | Others | Write-back or write-off  | Transfer to others |                 |
| Raw materials | 182,039.63      | 607,488.20               | —      | —                        | —                  | 789,527.83      |
| <b>Total</b>  | 182,039.63      | 607,488.20               | —      | —                        | —                  | 789,527.83      |

(3) Provision for impairment of inventories made

| Item          | Specific basis for determination of net realizable value  | Reason for release or write-off during the year |
|---------------|---|---|
| Raw materials | Estimated selling price of finished goods produced less cost to completion and related taxes and levies | —   |

#### 8. Other current assets

| Item                | Closing balance | Opening balance | Nature |
|---------------------|-----------------|-----------------|--------|
| Prepaid expenditure | 215,152.39      | 9,625.29        | Rents  |
| <b>Total</b>        | 215,152.39      | 9,625.29        | —      |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 9. Available-for-sale financial assets

(1) Information on available-for-sale financial assets

| Item                                 | Closing balance     |                          |                     | Opening balance |                          |                 |
|--------------------------------------|---------------------|--------------------------|---------------------|-----------------|--------------------------|-----------------|
|                                      | Book balance        | Provision for impairment | Carrying amount     | Book balance    | Provision for impairment | Carrying amount |
| Equity instrument available-for-sale | —                   | —                        | —                   | —               | —                        | —               |
| Measured at cost                     | 4,000,000.00        | —                        | 4,000,000.00        | —               | —                        | —               |
| <b>Total</b>                         | <b>4,000,000.00</b> | <b>—</b>                 | <b>4,000,000.00</b> | <b>—</b>        | <b>—</b>                 | <b>—</b>        |

(2) Available-for-sale financial assets measured at cost at the end of the year

| Investee  | Book balance    |                          |                          |                     | Provision for impairment |                          |                          |                 | Percentage of shareholdings in investee (%) | Cash dividend for the year |
|---|-----------------|--------------------------|--------------------------|---------------------|--------------------------|--------------------------|--------------------------|-----------------|---|----------------------------|
|   | Opening balance | Increase during the year | Decrease during the year | Closing balance     | Opening balance          | Increase during the year | Decrease during the year | Closing balance |   |                            |
| Qianhai Pengde Mobile Internet Venture Capital Fund (前海聯德移動互聯網創業投資基金) | —               | 4,000,000.00             | —                        | 4,000,000.00        | —                        | —                        | —                        | —               | 1.60  | —                          |
| <b>Total</b>  | <b>—</b>        | <b>4,000,000.00</b>      | <b>—</b>                 | <b>4,000,000.00</b> | <b>—</b>                 | <b>—</b>                 | <b>—</b>                 | <b>—</b>        | <b>1.60</b>                                 | <b>—</b>                   |

As agreed in the partnership agreement entered into on 11 June 2014, the total capital contribution by the Company was RMB10 million, accounted for 4.00% of the capital contribution, which will be contributed in three tranches. As of 31 December 2014, the Company had contributed RMB4 million, accounted for 1.60% of the first tranche of the capital contribution. It is accounted for by cost method.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 10. Long-term equity investments

(1) Category of long-term equity investments

| Item   | Closing balance       |                          |                       | Opening balance |                          |                 |
|--|-----------------------|--------------------------|-----------------------|-----------------|--------------------------|-----------------|
|  | Book balance          | Provision for impairment | Carrying amount       | Book balance    | Provision for impairment | Carrying amount |
| Investment in subsidiary                           | 122,178,750.00        | —                        | 122,178,750.00        | 162,578,750.00  | —                        | 162,578,750.00  |
| Investment in associated company and joint venture | 195,544,136.28        | —                        | 195,544,136.28        | 204,433,275.75  | —                        | 204,433,275.75  |
| <b>Total</b>                                       | <b>317,722,886.28</b> | <b>—</b>                 | <b>317,722,886.28</b> | 367,012,025.75  | —                        | 367,012,025.75  |

(2) Investment in subsidiary

| Investee   | Opening balance | Increase during the year | Decrease during the year | Closing balance | Provision for impairment during the year | Closing balance for impairment provision |
|--|-----------------|--------------------------|--------------------------|-----------------|--|--|
| Shenzhen Powerleader Computing System Limited                    | 12,750,000.00   | —                        | —                        | 12,750,000.00   | —  | —  |
| Shenzhen Baoteng Internet Technology Limited                     | 9,500,000.00    | —                        | —                        | 9,500,000.00    | —  | —  |
| Shenzhen Powerleader Software Development Limited                | 10,200,000.00   | —                        | —                        | 10,200,000.00   | —  | —  |
| Shenzhen Powerleader Communication Technology Limited            | 900,000.00      | —                        | 900,000.00               | —               | —  | —  |
| Shenzhen Powerleader Property Development Limited                | 495,000.00      | —                        | —                        | 495,000.00      | —  | —  |
| Shenzhen Baotong Zhiyuan Technology Limited                      | 10,080,000.00   | —                        | —                        | 10,080,000.00   | —  | —  |
| Shenzhen Powerleader Cloud Computing Research Institute Limited  | 1,800,000.00    | —                        | —                        | 1,800,000.00    | —  | —  |
| Nanjing Powerleader Cloud Computing Technology Limited           | 49,500,000.00   | —                        | 49,500,000.00            | —               | —  | —  |
| Guangzhou Baoyun Information Technology Co., Ltd. (廣州寶雲信息科技有限公司) | —               | 10,000,000.00            | —                        | 10,000,000.00   | —  | —  |
| Powerleader Science & Technology (HK) Limited                    | 67,353,750.00   | —                        | —                        | 67,353,750.00   | —  | —  |
| <b>Total</b>   | 162,578,750.00  | 10,000,000.00            | 50,400,000.00            | 122,178,750.00  | —  | —  |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 10. Long-term equity investments (continued)

(3) Investment in associated company and joint venture

| Investee              | Opening balance | Increase/decrease during the year |                         |  |  |                         |  |                      |        | Closing balance | Closing balance for impairment provision |   |
|-----------------------|-----------------|-----------------------------------|-------------------------|--|--|-------------------------|--|----------------------|--------|-----------------|--|---|
|                       |                 | Additional investment             | Reduction in investment | Investment gains or losses recognized by equity method | Adjustment in other comprehensive income | Other Changes in equity | Distributable cash dividend or profit declared | Impairment Provision | Others |                 |  |   |
| I. Associated company |                 |                                   |                         |  |  |                         |  |                      |        |                 |  |   |
| Zogame                | 144,704,848.48  | —                                 | —                       | (3,371,491.77)   | 21,423.64                                | 557,101.93              | 795,600.00                                     | —                    | —      | —               | 141,116,282.28                           | — |
| Beijing Haiyun Jixun  | 16,541,031.28   | —                                 | —                       | 50,418.27  | —  | 1,500,000.00            | —  | —                    | —      | —               | 18,091,449.55                            | — |
| Sichuan Baoteng       | 43,187,395.99   | —                                 | —                       | (6,850,991.54)   | —  | —                       | —  | —                    | —      | —               | 36,336,404.45                            | — |
| <b>Total</b>          | 204,433,275.75  | —                                 | —                       | (10,172,065.04)  | 21,423.64                                | 2,057,101.93            | 795,600.00                                     | —                    | —      | —               | 195,544,136.28                           | — |

For relevant information on associated companies, please refer to note VIII.2.

(4) Analysis on long-term equity investments is set out as below:

| Item                       | Closing balance | Opening balance |
|----------------------------|-----------------|-----------------|
| <b>Listed</b>              |                 |                 |
| PRC (Other than Hong Kong) | 141,116,282.28  | 144,704,848.48  |
| Sub-total                  | 141,116,282.28  | 144,704,848.48  |
| <b>Unlisted</b>            | 176,606,604.00  | 222,307,177.27  |
| <b>Total</b>               | 317,722,886.28  | 367,012,025.75  |

As at end of the year, the market value of listed investments was RMB809,523,000.

As at 31 December 2014, the fair value of listed companies long-term equity investments were RMB809,523,000.



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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 11. Investment properties

(1) Investment properties measured at cost

| Item  | Building and structures | Total         |
|---|-------------------------|---------------|
| <b>I. Initial carrying amount</b>           |                         |               |
| 1. Opening balance                          | 18,926,166.38           | 18,926,166.38 |
| 2. Amount of increase during the year       | —                       | —             |
| 3. Amount of decrease during the year       | 2,977,015.97            | 2,977,015.97  |
| (1) Transfer to others                      | 2,977,015.97            | 2,977,015.97  |
| 4. Closing balance                          | 15,949,150.41           | 15,949,150.41 |
| <b>II. Accumulated depreciation</b>         |                         |               |
| 1. Opening balance                          | 2,087,744.00            | 2,087,744.00  |
| 2. Amount of increase during the year       | 306,223.70              | 306,223.70    |
| (1) Depreciation                            | 306,223.70              | 306,223.70    |
| 3. Amount of decrease during the year       | 328,394.41              | 328,394.41    |
| (1) Transfer to others                      | 328,394.41              | 328,394.41    |
| 4. Closing balance                          | 2,065,573.29            | 2,065,573.29  |
| <b>III. Provision for impairment</b>        |                         |               |
| 1. Opening balance                          | —                       | —             |
| 2. Amount of increase during the year       | —                       | —             |
| 3. Amount of decrease during the year       | —                       | —             |
| 4. Closing balance                          | —                       | —             |
| <b>IV. Carrying amount</b>                  |                         |               |
| 1. Carrying amount at the end of the year   | 13,883,577.12           | 13,883,577.12 |
| 2. Carrying amount at the beginning of year | 16,838,422.38           | 16,838,422.38 |

Amount of depreciation and amortization of investment properties recognised in profit or loss during the year was RMB306,223.70 (last year: RMB363,382.41).

(2) Investment properties are those located in PRC held under mid-term lease (under 50 years but no less than 10 years).

(3) There is no gain or loss on investment properties disposed of during the year.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 12. Fixed assets

(1) Breakdown of fixed assets

| Item  | Buildings and structures | Plants and machinery | Transportation equipment | Office appliances | Other equipment | Total          |
|---|--------------------------|----------------------|--------------------------|-------------------|-----------------|----------------|
| <b>I. Initial carrying amount</b>           |                          |                      |                          |                   |                 |                |
| 1. Opening balance                          | 72,344,387.33            | 9,946,465.01         | 8,819,038.82             | 12,417,340.82     | 456,399.01      | 103,983,630.99 |
| 2. Amount of increase during the year       | 76,927,161.71            | 193,462.11           | —                        | 2,919,725.24      | —               | 80,040,349.06  |
| (1) Addition                                | —                        | 193,462.11           | —                        | 2,919,725.24      | —               | 3,113,187.35   |
| (2) Transfer from construction in progress  | 73,950,145.74            | —                    | —                        | —                 | —               | 73,950,145.74  |
| (3) Transfer from others                    | 2,977,015.97             | —                    | —                        | —                 | —               | 2,977,015.97   |
| 3. Amount of decrease during the year       | 648,000.00               | —                    | 511,912.00               | 108,694.51        | —               | 1,268,606.51   |
| (1) Disposal or retirement                  | 648,000.00               | —                    | 511,912.00               | 108,694.51        | —               | 1,268,606.51   |
| (2) Transfer to others                      | —                        | —                    | —                        | —                 | —               | —              |
| 4. Closing balance                          | 148,623,549.04           | 10,139,927.12        | 8,307,126.82             | 15,228,371.55     | 456,399.01      | 182,755,373.54 |
| <b>II. Accumulated depreciation</b>         |                          |                      |                          |                   |                 |                |
| 1. Opening balance                          | 12,027,833.07            | 6,214,686.00         | 4,765,870.77             | 8,915,793.31      | 220,275.85      | 32,144,459.00  |
| 2. Amount of increase during the year       | 5,462,344.49             | 633,650.38           | 642,333.66               | 1,360,321.93      | 81,191.44       | 8,179,841.90   |
| (1) Depreciation                            | 5,133,950.08             | 633,650.38           | 642,333.66               | 1,360,321.93      | 81,191.44       | 7,851,447.49   |
| (2) Transfer from others                    | 328,394.41               | —                    | —                        | —                 | —               | 328,394.41     |
| 3. Amount of decrease during the year       | 226,557.00               | —                    | 424,001.55               | 101,809.03        | —               | 752,367.58     |
| (1) Disposal or retirement                  | 226,557.00               | —                    | 424,001.55               | 101,809.03        | —               | 752,367.58     |
| (2) Transfer to others                      | —                        | —                    | —                        | —                 | —               | —              |
| 4. Closing balance                          | 17,263,620.56            | 6,848,336.38         | 4,984,202.88             | 10,174,306.21     | 301,467.29      | 39,571,933.32  |
| <b>III. Provision for impairment</b>        |                          |                      |                          |                   |                 |                |
| 1. Opening balance                          | —                        | —                    | —                        | —                 | —               | —              |
| 2. Amount of increase during the year       | —                        | —                    | —                        | —                 | —               | —              |
| 3. Amount of decrease during the year       | —                        | —                    | —                        | —                 | —               | —              |
| 4. Closing balance                          | —                        | —                    | —                        | —                 | —               | —              |
| <b>IV. Carrying amount</b>                  |                          |                      |                          |                   |                 |                |
| 1. Carrying amount at the end of the year   | 131,359,928.48           | 3,291,590.74         | 3,322,923.94             | 5,054,065.34      | 154,931.72      | 143,183,440.22 |
| 2. Carrying amount at the beginning of year | 60,316,554.26            | 3,731,779.01         | 4,053,168.05             | 3,501,547.51      | 236,123.16      | 71,839,171.99  |

Depreciation and amortization of fixed assets recognized in profit or loss during the year was RMB7,849,229.41 (last year: RMB5,165,496.54).

For the increase in the fixed assets during the year, an amount of RMB73,950,145.74 was transferred from construction in progress.

Profit from disposal of fixed assets during the year amounted to RMB1,057,989.25.

(2) Buildings and structures are located in PRC and held under mid-term lease (under 50 years but no less than 10 years).

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

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#### 12. Fixed assets (continued)

(3) Fixed assets in lack of title certificates

As the staff quarters of the Company located in Futian District (initial value RMB1,869,900; carrying amount at the end of the year: RMB1,692,300 (carrying amount at beginning of the year: RMB1,735,300)) are government affordable housing, the title certificate is held by the Government of Futian District, and therefore, title certificate of the house cannot be obtained.

As the property developer of the residential housing of the Company located in Xian of Shanxi (initial value: RMB736,500; carrying amount at the end of the year: RMB617,000 (carrying amount at beginning of the year: RMB634,500)) could not pass the acceptance test due to substandard fire prevention facilities, therefore, the property certificate of the house has not been obtained.

As the above mentioned assets are in compliance with the relevant legal agreements, to the best of the Directors of the Company's belief, the titles of which are not subject to any substantive legal impediment and the normal operation of the Company would not be material affected. There is no need to provide for the impairment of the fixed assets and no material additional costs will be incurred.

#### 13. Construction in progress

(1) Breakdown of construction in progress

| Item  | Closing balance       |                          |                       | Opening balance      |                          |                      |
|---|-----------------------|--------------------------|-----------------------|----------------------|--------------------------|----------------------|
|   | Book balance          | Provision for impairment | Carrying amount       | Book balance         | Provision for impairment | Carrying amount      |
| Shenzhen (Guanlan) Cloud computing Data Center      | —                     | —                        | —                     | 22,662,263.78        | —                        | 22,662,263.78        |
| Guangzhou (IDC) Center for Cloud Computing and Data | 109,369,691.77        | —                        | 109,369,691.77        | —                    | —                        | —                    |
| <b>Total</b>  | <b>109,369,691.77</b> | <b>—</b>                 | <b>109,369,691.77</b> | <b>22,662,263.78</b> | <b>—</b>                 | <b>22,662,263.78</b> |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 13. Construction in progress (continued)

(2) Movements of material construction in progress items

| Name of project                                     | Opening balance | Increase during the year | Decrease during the year |                | Closing balance |
|---|-----------------|--------------------------|--------------------------|----------------|-----------------|
|   |                 |                          | Transfer to fixed assets | Other decrease |                 |
| Shenzhen (Guanlan) Cloud Computing Data Center      | 22,662,263.78   | 51,287,881.96            | 73,950,145.74            | —              | —               |
| Guangzhou (IDC) Center for Cloud Computing and Data | —               | 109,369,691.77           | —                        | —              | 109,369,691.77  |
| <b>Total</b>  | 22,662,263.78   | 160,657,573.73           | 73,950,145.74            | —              | 109,369,691.77  |

| Name of project                                     | Budget (RMB'000) | Percentage of expenditure injected to budget (%) | Progress | Accumulated capitalised interest | Including: Interest capitalised for the year | Interest capitalisation rate for the year (%) | Source of funds |
|---|------------------|--|----------|----------------------------------|--|---|-----------------|
| Shenzhen (Guanlan) Cloud Computing Data Center      | 84,000.0         | 88.04  | 100.00   | —                                | —  | —   | Self-financed   |
| Guangzhou (IDC) Center for Cloud Computing and Data | 157,429.0        | 69.47  | 69.47    | —                                | —  | —   | Self-financed   |
| <b>Total</b>  | 241,429.0        |  |          | —                                | —  |   |                 |

The progress of projects are estimated on the basis of amount of construction work.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 14. Intangible assets

(1) Breakdown of intangible assets

| Item  | Land use rights | Computer software | R&D software  | Total         |
|---|-----------------|-------------------|---------------|---------------|
| <b>I. Initial carrying amount</b>           |                 |                   |               |               |
| 1. Opening balance                          | 7,070,345.00    | 995,171.33        | 61,007,585.70 | 69,073,102.03 |
| 2. Amount of increase during the year       | —               | 1,272,329.62      | 12,986,646.18 | 14,258,975.80 |
| (1) Addition                                | —               | 1,272,329.62      | —             | 1,272,329.62  |
| (2) Internal R&D                            | —               | —                 | 12,986,646.18 | 12,986,646.18 |
| 3. Amount of decrease during the year       | —               | —                 | —             | —             |
| 4. Closing balance                          | 7,070,345.00    | 2,267,500.95      | 73,994,231.88 | 83,332,077.83 |
| <b>II. Accumulated amortization</b>         |                 |                   |               |               |
| 1. Opening balance                          | 710,131.27      | 670,964.50        | 60,019,470.68 | 61,400,566.45 |
| 2. Amount of increase during the year       | 159,261.93      | 253,242.23        | 4,572,134.17  | 4,984,638.33  |
| (1) Amortization                            | 159,261.93      | 253,242.23        | 4,572,134.17  | 4,984,638.33  |
| 3. Amount of decrease during the year       | —               | —                 | —             | —             |
| 4. Closing balance                          | 869,393.20      | 924,206.73        | 64,591,604.85 | 66,385,204.78 |
| <b>III. Provision for impairment</b>        |                 |                   |               |               |
| 1. Opening balance                          | —               | —                 | —             | —             |
| 2. Amount of increase during the year       | —               | —                 | —             | —             |
| 3. Amount of decrease during the year       | —               | —                 | —             | —             |
| 4. Closing balance                          | —               | —                 | —             | —             |
| <b>IV. Carrying amount</b>                  |                 |                   |               |               |
| 1. Carrying amount at the end of the year   | 6,200,951.80    | 1,343,294.22      | 9,402,627.03  | 16,946,873.05 |
| 2. Carrying amount at the beginning of year | 6,360,213.73    | 324,206.83        | 988,115.02    | 7,672,535.58  |

(2) The intangible assets derived from the Company's internal R&D accounted for 88.79 % of the closing balance of intangible assets.

(3) Land use rights are lands located in PRC and held under mid-term lease (under 50 years but not less than 10 years).

(4) Depreciation and amortization of intangible assets recognized in profit or loss during the year was RMB4,984,638.33 (last year: RMB6,122,191.61).

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 15. Development expenditures

(1) Breakdown of development expenditures

| Item   | Opening balance | Increase during the year<br>Internal development expenditures | Decrease during the year<br>Recognized as intangible assets | Transferred to profit or loss for the current period | Closing balance |
|--|-----------------|---|---|--|-----------------|
| High-performance fault tolerant 4 quad server                | 10,548,913.03   | —   | 10,548,913.03   | —  | —               |
| Customized 4 quad service for military use (5U-600 projects) | —               | 2,437,733.15  | 2,437,733.15  | —  | —               |
| Customized 4 quad service for military use (6U-400 projects) | —               | 7,313,199.44  | —   | —  | 7,313,199.44    |
| <b>Total</b>   | 10,548,913.03   | 9,750,932.59  | 12,986,646.18   | —  | 7,313,199.44    |

(2) The intangible assets derived from the Company's internal R&D accounted for 55.48% of the closing balance of carrying amount of intangible assets.

(3) The Group's development expenditures incurred during the year is expected to finish testing and completion in 2015.

#### 16. Long-term prepayment

| Item           | Opening balance | Increase during the year | Amortized during the year | Other decrease during the year | Closing balance |
|----------------|-----------------|--------------------------|---------------------------|--------------------------------|-----------------|
| Decoration fee | —               | 1,224,900.00             | 3,605.56                  | —                              | 1,221,294.44    |
| <b>Total</b>   | —               | 1,224,900.00             | 3,605.56                  | —                              | 1,221,294.44    |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

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#### 17. Deferred income tax assets and deferred income tax liabilities

(1) Breakdown of unrecognized deferred income tax assets

| Item                             | Closing balance      | Opening balance |
|----------------------------------|----------------------|-----------------|
| Deductible temporary differences | 5,209,102.52         | 5,848,193.87    |
| Deductible losses                | 38,507,305.87        | 37,433,744.15   |
| <b>Total</b>                     | <b>43,716,408.39</b> | 43,281,938.02   |

(2) Deductible losses of unrecognised deferred income tax assets will be expired by the periods as specified below

| Item                         | Closing balance      | Opening balance | Note                                      |
|------------------------------|----------------------|-----------------|---|
| To be expired in 2014 (2009) | —                    | 18,202,472.30   | Deductible losses to be determined by SAT |
| To be expired in 2015 (2010) | 2,671,028.36         | 2,671,028.36    | Deductible losses to be determined by SAT |
| To be expired in 2016 (2011) | 4,214,784.16         | 4,214,784.52    | Deductible losses to be determined by SAT |
| To be expired in 2017 (2012) | 12,345,458.97        | 12,345,458.97   | Deductible losses to be determined by SAT |
| To be expired in 2018 (2013) | 19,276,034.38        | —               | Deductible losses to be determined by SAT |
| <b>Total</b>                 | <b>38,507,305.87</b> | 37,433,744.15   |   |



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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 18. Short-term loans

(1) *Category of Short-term loans*

| Category of loans | Closing balance       | Opening balance |
|-------------------|-----------------------|-----------------|
| Guaranteed loans  | <b>679,728,724.38</b> | 472,589,731.55  |
| <b>Total</b>      | <b>679,728,724.38</b> | 472,589,731.55  |

*Details of guarantee:*

| Lending bank  | Currency | Loan principal in original currency | Guarantor   |
|---|----------|-------------------------------------|---|
| China Merchants Bank<br>(Shenzhen Zhongdian sub-branch)       | RMB      | 20,000,000.00                       | Powerleader Holdings, Li Ruijie, Zhang Yunxia   |
| Industrial Bank Co., Ltd.<br>(Shenzhen Huang Gang sub-branch) | RMB      | 139,962,775.00                      | Powerleader Holdings, Zhang Yunxia, Li Ruijie   |
| Ping An Bank<br>(Shenzhen Zhangcheng sub-branch)              | RMB      | 85,000,000.00                       | Shenzhen HTI Finance Security Co., Ltd.*<br>(深圳市高新投融资擔保有限公司), Li Ruijie, Powerleader Holdings |
| China Resources Bank of Zhuhai<br>(Shenzhen branch)           | RMB      | 60,000,000.00                       | Powerleader Holdings, Li Ruijie   |
| The Export-Import Bank of China<br>(Shenzhen branch)          | RMB      | 300,000,000.00                      | Powerleader Holdings  |
| China Citic Bank (Shenzhen branch)                            | RMB      | 25,000,000.00                       | Zhang Yunxia, Li Ruijie   |
| China Construction Bank<br>(Cheng Jian sub-branch)            | US\$     | 8,133,020.00                        | Powerleader Holdings, Zhang Yunxia, Li Ruijie   |

*Details of interest rates:*

As at 31 December 2014, the interest rates for short-term loans were 3.8900%–7.8000% per annum, the weighted average interest rate was 6.5604% per annum (31 December 2013: interest rate for short-term loans were 2.9100%–7.2000% per annum, weighted average interest rate was 4.5756% per annum).

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

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#### 19. Accounts payable

(1) *Category of accounts payable by nature*

| Item                                   | Closing balance       | Opening balance |
|--|-----------------------|-----------------|
| Payables for purchase of raw materials | 382,537,711.82        | 161,918,139.59  |
| Payables for construction              | 4,313,814.77          | 9,635,927.75    |
| <b>Total</b>                           | <b>386,851,526.59</b> | 171,554,067.34  |

(2) *Age analysis of accounts payable*

The age analysis of accounts payable by invoice date as at 31 December 2014 is as follows:

| Item          | Closing balance       | Opening balance |
|---------------|-----------------------|-----------------|
| Within 1 year | 312,247,118.17        | 143,563,234.91  |
| 1 to 2 years  | 69,241,260.01         | 679,785.05      |
| 2 to 3 years  | 674,231.80            | 26,972,408.93   |
| 3 to 4 years  | 4,485,817.48          | 338,638.45      |
| 4 to 5 years  | 203,099.13            | —               |
| <b>Total</b>  | <b>386,851,526.59</b> | 171,554,067.34  |

(3) *Material accounts payable aged over one year*

| Name of entity   | Closing balance      | Reason for outstanding or carrying forward  |
|--|----------------------|---|
| Powerleader Computing  | 39,820,560.29        | Amounts due to subsidiary                   |
| Ex-Channel   | 24,373,016.56        | Amounts due to subsidiary                   |
| Baotong Zhiyuan  | 7,427,257.69         | Amounts due to subsidiary                   |
| Shenyang Airui Information Technology Co Ltd.*<br>(瀋陽愛瑞信息技術有限公司) | 1,368,000.00         | Under negotiation for product quality issue |
| <b>Total</b>   | <b>72,988,834.54</b> | —   |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

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#### 20. Receipts in advance

(1) Receipts in advance

| Item                   | Closing balance     | Opening balance |
|------------------------|---------------------|-----------------|
| <b>Total</b>           | <b>7,180,480.47</b> | 9,013,472.63    |
| Including: over 1 year | <b>879,122.27</b>   | —               |

(2) Material receipts in advance aged over one year

| Name of entity  | Closing balance   | Reason for overdue or carrying forward                     |
|---|-------------------|--|
| Beijing CA-Jinchen Software Co., Ltd. (北京冠群星辰軟件有限公司)                              | <b>400,000.00</b> | Continued to supply goods after negotiation with customers |
| Wuxi Xiangrun-Shiji Science and Technical Development Co., Ltd.* (無錫祥潤世紀科技開發有限公司) | <b>120,000.00</b> | Continued to supply goods after negotiation with customers |
| Nanjing Zhongxing Software Company Limited* (南京中興軟創科技有限責任公司)                      | <b>106,267.00</b> | Continued to supply goods after negotiation with customers |
| <b>Total</b>  | <b>626,267.00</b> | —  |

#### 21. Employee remuneration payables

(1) Category of employee remuneration payables

| Item  | Opening balance | Increase during the year | Decrease during the year | Closing balance     |
|---|-----------------|--------------------------|--------------------------|---------------------|
| Short-term remuneration                               | 2,791,611.22    | 31,268,530.24            | 30,537,131.14            | <b>3,523,010.32</b> |
| Post-employment benefits — defined contribution plans | —               | 934,674.76               | 934,674.76               | —                   |
| Termination benefits                                  | —               | —                        | —                        | —                   |
| Other benefit matured within one year                 | —               | —                        | —                        | —                   |
| <b>Total</b>  | 2,791,611.22    | 32,203,205.00            | 31,471,805.90            | <b>3,523,010.32</b> |

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#### 21. Employee remuneration payables (continued)

##### (2) Short-term remuneration

| Item  | Opening balance     | Increase during the year | Decrease during the year | Closing balance     |
|---|---------------------|--------------------------|--------------------------|---------------------|
| Salaries, bonus, allowance and subsidies      | 2,779,258.53        | 29,283,014.28            | 28,539,262.49            | <b>3,523,010.32</b> |
| Staff benefits                                | —                   | 1,388,945.30             | 1,388,945.30             | —                   |
| Social security insurance                     | —                   | 304,591.73               | 304,591.73               | —                   |
| Including: Medical insurance                  | —                   | 246,370.95               | 246,370.95               | —                   |
| Work-related injury insurance                 | —                   | 25,486.53                | 25,486.53                | —                   |
| Maternity insurance                           | —                   | 32,734.25                | 32,734.25                | —                   |
| Housing provident fund                        | —                   | 291,978.93               | 291,978.93               | —                   |
| Union operation cost and staff education cost | —                   | —                        | —                        | —                   |
| Short-term compensated leaves                 | 12,352.69           | —                        | 12,352.69                | —                   |
| <b>Total</b>                                  | <b>2,791,611.22</b> | <b>31,268,530.24</b>     | <b>30,537,131.14</b>     | <b>3,523,010.32</b> |

##### (3) Defined contribution plans

| Item                    | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|-------------------------|-----------------|--------------------------|--------------------------|-----------------|
| Basic Pension insurance | —               | 858,487.45               | 858,487.45               | —               |
| Unemployment insurance  | —               | 76,187.31                | 76,187.31                | —               |
| Enterprise annuity      | —               | —                        | —                        | —               |
| <b>Total</b>            | <b>—</b>        | <b>934,674.76</b>        | <b>934,674.76</b>        | <b>—</b>        |

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#### 22. Tax payables

| Item                                   | Closing balance      | Opening balance      |
|--|----------------------|----------------------|
| VAT                                    | 12,705,325.62        | 9,876,159.92         |
| Business tax                           | 64,856.20            | 16,747.20            |
| EIT                                    | —                    | 3,151,310.43         |
| Individual income tax                  | 75,987.80            | 20,564.13            |
| Urban maintenance and construction tax | 54,679.32            | 19,242.25            |
| Education surcharge                    | 39,056.66            | 13,744.45            |
| Others                                 | —                    | 3,449.16             |
| <b>Total</b>                           | <b>12,939,905.60</b> | <b>13,101,217.54</b> |

#### 23. Interest payables

| Item   | Closing balance   | Opening balance   |
|--|-------------------|-------------------|
| Interest on long-term loan which requires to pay interest by instalments and repay principal at maturity | 251,125.00        | 394,625.00        |
| Short-term loans interest payables   | 112,000.00        | —                 |
| <b>Total</b>   | <b>363,125.00</b> | <b>394,625.00</b> |

#### 24. Other payables

(1) Category of other payables by nature

| Nature of amount                 | Closing balance      | Opening balance       |
|----------------------------------|----------------------|-----------------------|
| Investment costs payable         | 10,000,000.00        | 38,000,000.00         |
| Open credit with business units  | 75,962,428.16        | 85,097,392.44         |
| Security for tendering           | 1,300,000.00         | 2,460,000.00          |
| Current account with individuals | 242,921.57           | 201,474.83            |
| <b>Total</b>                     | <b>87,505,349.73</b> | <b>125,758,867.27</b> |

(2) Material other payables aged over one year

| Name of entity                           | Closing balance      | Reason for outstanding or carrying forward       |
|--|----------------------|--|
| Sichuan Baoteng                          | 9,956,702.93         | Investment cost and small amounts of open credit |
| Powerleader Computing Research Institute | 6,000,000.00         | Open credit of subsidiary                        |
|  | 1,997,992.00         | Open credit of subsidiary                        |
| <b>Total</b>                             | <b>17,954,694.93</b> |  |

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#### 25. Non-current liabilities due within one year

(1) Non-current liabilities repayable within one year

| Item                              | Closing balance       | Opening balance      |
|-----------------------------------|-----------------------|----------------------|
| Long-term loans due within 1 year | 140,000,000.00        | 60,000,000.00        |
| <b>Total</b>                      | <b>140,000,000.00</b> | <b>60,000,000.00</b> |

#### 26. Other current liabilities

(1) Category of other current liabilities

| Item                            | Closing balance     | Opening balance   |
|---------------------------------|---------------------|-------------------|
| Deferred Income within 1 year   | 1,700,000.00        | —                 |
| Accrued transportation fee      | 1,187,429.45        | 394,030.37        |
| Accrued customs declaration fee | 450,110.20          | 144,258.48        |
| Accrued rents                   | 399,014.63          | —                 |
| <b>Total</b>                    | <b>3,736,554.28</b> | <b>538,288.85</b> |

(2) Government grants

| Government grants item  | Opening balance | Amount of additional grants for the year | Amount include in non-operating income for the year | Other changes       | Closing balance     | Asset-related/income related |
|---|-----------------|--|---|---------------------|---------------------|------------------------------|
| R&D and industrialization of Powerleader's wholly localized high-performance server | —               | —  | —   | 900,000.00          | 900,000.00          | Income-related               |
| R&D of Powerleader desk top computer based on safe and reliable CPU                 | —               | —  | —   | 800,000.00          | 800,000.00          | Income-related               |
| <b>Total</b>  | <b>—</b>        | <b>—</b>                                 | <b>—</b>  | <b>1,700,000.00</b> | <b>1,700,000.00</b> |                              |

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#### 27. Long-term loans

##### (1) Category of loans

| Category of loans                     | Closing balance | Opening balance       |
|---------------------------------------|-----------------|-----------------------|
| Guaranteed loans                      | 140,000,000.00  | 200,000,000.00        |
| Less: portion repayable within 1 year | 140,000,000.00  | 60,000,000.00         |
| <b>Total</b>                          | <b>—</b>        | <b>140,000,000.00</b> |

Particulars of guarantee and security, interest rate and analysis by maturity are the same as the consolidated statements, please refer to note VI.27 for details.

#### 28. Deferred Income

##### (1) Category of deferred Income

| Item              | Opening balance     | Increase during the year | Decrease during the year | Closing balance     | Reason   |
|-------------------|---------------------|--------------------------|--------------------------|---------------------|--|
| Government grants | 4,237,000.00        | 1,300,000.00             | 2,950,000.00             | 2,587,000.00        | Government subsidy for projects subject to acceptance test |
| <b>Total</b>      | <b>4,237,000.00</b> | <b>1,300,000.00</b>      | <b>2,950,000.00</b>      | <b>2,587,000.00</b> | <b>—</b>   |



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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 28. Deferred Income (continued)

(2) Government grants items

| Government grants item   | Opening balance | Amount of additional grants for the year | Amount include in non-operating income for the year | Other changes | Closing balance | Asset-related/income related |
|--|-----------------|--|---|---------------|-----------------|------------------------------|
| R&D and industrialisation of Powercloud high-performance servers applicable to cloud computer        | 800,000.00      | —  | 800,000.00  | —             | —               | Income-related               |
| R&D and industrialisation of Powerleader's wholly localized high-performance servers                 | 900,000.00      | —  | —   | 900,000.00    | —               | Income-related               |
| R&D of Powerleader desk top computer project based on safe and reliable CPU                          | 800,000.00      | —  | —   | 800,000.00    | —               | Income-related               |
| Industrial application demonstration project for Powerleader's center for cloud computation and data | 1,200,000.00    | —  | —   | —             | 1,200,000.00    | Income-related               |
| Development of intelligent logistics technology and its application system based on UHF RFID         | 87,000.00       | —  | —   | —             | 87,000.00       | Income-related               |
| R&D of Powerleader security data storage services platform based on cloud computing                  | 450,000.00      | —  | 450,000.00  | —             | —               | Income-related               |
| Industrial application demonstration project for Powerleader desk top cloud operation system         | —               | 1,300,000.00                             | —   | —             | 1,300,000.00    | Income-related               |
| <b>Total</b>   | 4,237,000.00    | 1,300,000.00                             | 1,250,000.00  | 1,700,000.00  | 2,587,000.00    |                              |

"Other changes" represent government grants amounts realizable within one year, which has been transferred from this item to "other current liabilities".

No government grants had been refunded in 2014 and 2013.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

*(continued)*

#### 29. Share Capital

Same as the consolidated statements, please refer to note VI.29 for details.

#### 30. Surplus reserves

##### *This year*

| Item                   | Opening balance      | Increase during the year | Decrease during the year | Closing balance      |
|------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Share premium          | 25,875,000.00        | —                        | —                        | 25,875,000.00        |
| Other capital reserves | 3,297,189.03         | 2,057,101.93             | —                        | 5,354,290.96         |
| <b>Total</b>           | <b>29,172,189.03</b> | <b>2,057,101.93</b>      | <b>—</b>                 | <b>31,229,290.96</b> |

##### *Last year*

| Item                   | Opening balance      | Increase during the year | Decrease during the year | Closing balance      |
|------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Share premium          | 25,875,000.00        | —                        | —                        | 25,875,000.00        |
| Other capital reserves | 30,272.45            | 3,266,916.58             | —                        | 3,297,189.03         |
| <b>Total</b>           | <b>25,905,272.45</b> | <b>3,266,916.58</b>      | <b>—</b>                 | <b>29,172,189.03</b> |

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### **XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY**

*(continued)*

#### **31. Other comprehensive income**

Same as the consolidated statements, please refer to note VI.31 for details.

#### **32. Surplus reserves**

Same as the consolidated statements, please refer to note VI.32 for details.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 33. Undistributed profits

| Item  | Balance for this year | Balance for last year |
|---|-----------------------|-----------------------|
| <b>At the end of last year</b>  | <b>124,792,231.08</b> | 153,608,403.62        |
| Add: Adjustments to beginning balance of undistributed profits            | —                     | —                     |
| Including: Retrospective adjustment according to new requirements of ASBE | —                     | —                     |
| Including: Changes in accounting policies                                 | —                     | —                     |
| Correction of material mistakes in the prior periods                      | —                     | —                     |
| Changes in scope of business combination under common control             | —                     | —                     |
| Other adjustment factors  | —                     | —                     |
| <b>At the beginning of this year</b>                                      | <b>124,792,231.08</b> | 153,608,403.62        |
| Add: Net profit attributable to shareholders of the Company of the year   | <b>(9,989,533.67)</b> | (16,666,172.54)       |
| Less: Appropriation to statutory surplus reserves                         | —                     | —                     |
| Distribution of dividends on ordinary shares                              | —                     | 12,150,000.00         |
| <b>At the end of this year</b>  | <b>114,802,697.41</b> | 124,792,231.08        |

Distribution of dividends of ordinary shares for the year: the Directors of the Company do not recommend for the payment of dividend for the year ended 31 December 2013 (2013: final dividends for the year ended 31 December 2012 of RMB0.005 (tax inclusive) per share were paid to the shareholders whose names stood on the shareholder's register of the Company on the record date according to the 2012 annual results as announced on 27 March 2013 by the Company, the dividends paid amounted to RMB12,150,000.00 in aggregate).

#### 34. Net current assets

| Item                      | Closing balance         | Opening balance |
|---------------------------|-------------------------|-----------------|
| Current assets            | <b>1,134,431,712.47</b> | 934,973,555.41  |
| Less: Current liabilities | <b>1,321,828,676.37</b> | 855,741,881.40  |
| <b>Net current assets</b> | <b>(187,396,963.90)</b> | 79,231,674.01   |

#### 35. Total assets less current liabilities

| Item   | Closing balance         | Opening balance  |
|--|-------------------------|------------------|
| Current assets                               | <b>1,748,072,674.79</b> | 1,431,546,887.92 |
| Less: Current liabilities                    | <b>1,321,828,676.37</b> | 855,741,881.40   |
| <b>Total assets less current liabilities</b> | <b>426,243,998.42</b>   | 575,805,006.52   |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 36. Borrowings

The borrowings of the Group are summarized as follows

| Item                  | Closing balance       | Opening balance |
|-----------------------|-----------------------|-----------------|
| Short-term bank loans | 679,728,724.38        | 472,589,731.55  |
| Long-term loans       | 140,000,000.00        | 200,000,000.00  |
| <b>Total</b>          | <b>819,728,724.38</b> | 672,589,731.55  |

(1) Analysis of borrowings:

| Item                        | Closing balance       | Opening balance |
|-----------------------------|-----------------------|-----------------|
| Bank loans                  |                       |                 |
| — Repayable within one year | 819,728,724.38        | 532,589,731.55  |
| — Repayable after one year  | —                     | 140,000,000.00  |
| <b>Total</b>                | <b>819,728,724.38</b> | 672,589,731.55  |

(2) Analysis of borrowings by maturity dates

| Item                                   | Closing balance       | Opening balance |
|--|-----------------------|-----------------|
| Repayable on demand or within one year | 819,728,724.38        | 532,589,731.55  |
| one to two years                       | —                     | 140,000,000.00  |
| <b>Total</b>                           | <b>819,728,724.38</b> | 672,589,731.55  |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 37. Revenue and operating costs

| Item                 | Amount of this year   |                       | Amount of last year |                |
|----------------------|-----------------------|-----------------------|---------------------|----------------|
|                      | Revenue               | Costs                 | Revenue             | Costs          |
| Principle businesses | 589,365,839.33        | 487,248,596.85        | 212,257,734.43      | 173,176,751.62 |
| Other businesses     | 4,300,280.85          | 306,223.70            | 2,004,329.35        | 363,937.41     |
| <b>Total</b>         | <b>593,666,120.18</b> | <b>487,554,820.55</b> | 214,262,063.78      | 173,540,689.03 |

Revenue from principal businesses, which is the Company's turnover, represents the net amounts received and receivable for sale of goods and provision of services by the Company to external customers, less trade discounts during the year.

Gross profit

| Item                              | Amount for this year | Amount for last year |
|-----------------------------------|----------------------|----------------------|
| Revenue from principal businesses | 589,365,839.33       | 212,257,734.43       |
| Costs of principal businesses     | 487,248,596.85       | 173,176,751.62       |
| Gross profits                     | 102,117,242.48       | 39,080,982.81        |

#### 38. Business tax and surcharge

| Item                                   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Business tax                           | 116,539.05           | 70,092.16            |
| Urban maintenance and construction tax | 430,501.58           | 317,753.17           |
| Education surcharge                    | 307,501.14           | 226,966.52           |
| <b>Total</b>                           | <b>854,541.77</b>    | 614,811.85           |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 39. Selling expenses

| Item                    | Amount for this year | Amount for last year |
|-------------------------|----------------------|----------------------|
| <b>Total</b>            | <b>19,244,587.44</b> | 4,044,094.91         |
| Including: Salaries     | <b>11,333,082.61</b> | 986,363.55           |
| Transportation expenses | <b>1,614,151.82</b>  | 172,851.20           |
| Rents                   | <b>1,114,412.16</b>  | 136,448.66           |
| Entertainment expenses  | <b>1,019,403.20</b>  | 11,691.50            |
| Travelling expenses     | <b>736,464.20</b>    | 13,904.50            |
| Gifts and sponsorship   | <b>618,369.08</b>    | 47,543.31            |
| Marketing expenses      | <b>560,716.45</b>    | 1,818,664.76         |
| Advertisement expenses  | <b>455,038.59</b>    | 2,420.00             |
| Office expenses         | <b>314,078.93</b>    | 67,756.42            |
| Depreciation            | <b>297,585.78</b>    | 183,068.83           |

#### 40. Administrative expenses

| Item                              | Amount for this year | Amount for last year |
|-----------------------------------|----------------------|----------------------|
| <b>Total</b>                      | <b>36,660,181.78</b> | 28,420,586.85        |
| Including: Salaries               | <b>11,780,139.41</b> | 6,333,498.89         |
| Amortization of intangible assets | <b>4,984,638.33</b>  | 6,122,119.61         |
| Depreciation                      | <b>4,285,969.36</b>  | 4,291,276.23         |
| Water and electricity             | <b>2,174,886.88</b>  | 1,507,552.37         |
| Agency fee                        | <b>1,490,375.76</b>  | 289,305.20           |
| Audit fee                         | <b>1,329,687.52</b>  | 1,845,558.62         |
| Traffic expenses in the city      | <b>941,870.67</b>    | 817,160.61           |
| Travelling expenses               | <b>879,173.07</b>    | 358,338.91           |
| Staff incentives                  | <b>851,325.26</b>    | 637,784.23           |

#### 41. Finance costs

(1) Breakdown of finance cost

| Item                  | Amount for this year | Amount for last year |
|-----------------------|----------------------|----------------------|
| Interest expenses     | <b>48,261,567.13</b> | 40,259,073.10        |
| Less: Interest income | <b>248,789.08</b>    | 641,968.55           |
| Add: Loss on exchange | <b>1,793,668.67</b>  | (3,482,657.57)       |
| Add: Other expenses   | <b>3,385,229.23</b>  | 1,945,997.38         |
| <b>Total</b>          | <b>53,191,675.95</b> | 38,080,444.36        |



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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 41. Finance costs (continued)

(2) Breakdown of interest expenses

| Item                       | Amount for this year | Amount for last year |
|----------------------------|----------------------|----------------------|
| Interest on bank loans     | 48,261,567.13        | 40,259,073.10        |
| Sub-total                  | 48,261,567.13        | 40,259,073.10        |
| Less: Interest capitalised | —                    | —                    |
| <b>Total</b>               | <b>48,261,567.13</b> | <b>40,259,073.10</b> |

(3) Breakdown of interest income

| Item                             | Amount for this year | Amount for last year |
|----------------------------------|----------------------|----------------------|
| Interest income on bank deposits | 248,789.08           | 641,968.55           |
| <b>Total</b>                     | <b>248,789.08</b>    | <b>641,968.55</b>    |

#### 42. Impairment losses of assets

| Item                           | Amount for this year | Amount for last year  |
|--------------------------------|----------------------|-----------------------|
| Bad debts losses               | 1,414,903.97         | (1,210,220.00)        |
| Impairment loss of inventories | 607,488.20           | 176,810.12            |
| <b>Total</b>                   | <b>2,022,392.17</b>  | <b>(1,033,409.88)</b> |

#### 43. Gain on investments

(1) Investment income

| Item   | Amount for this year  | Amount for last year |
|--|-----------------------|----------------------|
| Gain on long-term equity investments accounted for using equity method | (10,172,065.04)       | 8,702,275.77         |
| Gain on investment on disposal of long-term equity investments         | 400,000.00            | 504,120.01           |
| <b>Total</b>   | <b>(9,772,065.04)</b> | <b>9,206,395.78</b>  |

Gain on investments derived from listed and unlisted investments for the year were RMB(3,371,491.77) and RMB(6,400,573.27), respectively. The remittance of the Company's gain on investments is not subject to material restrictions.

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 44. Non-operating income

(1) Breakdown of non-operating income

| Item  | Amount for this year | Amount for last year | Included in non-recurring profit or loss |
|---|----------------------|----------------------|--|
| Gain on disposal of non-current assets      | 1,073,452.96         | 114.53               | 1,073,452.96                             |
| Including: gain on disposal of fixed assets | 1,073,452.96         | 114.53               | 1,073,452.96                             |
| Government grants                           | 1,464,000.00         | 800,750.00           | 1,464,000.00                             |
| Fine income                                 | 4,000.00             | —                    | 4,000.00                                 |
| Payables waived                             | —                    | 2,920,638.69         | —  |
| Others                                      | 129,849.52           | 60,180.94            | 129,849.52                               |
| <b>Total</b>                                | <b>2,671,302.48</b>  | <b>3,781,684.16</b>  | <b>2,671,302.48</b>                      |

The amount included in non-recurring profit or loss for this year was RMB2,671,302.48 (last year: RMB3,781,684.16).

(2) Breakdown of government grants

| Item   | Amount for this year | Source and basis   | Asset-related/ income-related |
|--|----------------------|--|-------------------------------|
| R&D and industrialization of Powercloud high-performance server applicable to cloud computer | 800,000.00           | Project contract under science and technology R&D funds of Shenzhen municipality   | Income-related                |
| R&D of Powerleader security data storage services platform based on cloud computing          | 450,000.00           | Project funds utilization contract of special industries development fund (science and technology development sub-category) of Futian District | Income-related                |
| Industrial special funds of Futian District  | 214,000.00           | Finance Bureau of Futian District, Shenzhen Municipality (Treasury division)   | Income-related                |
| <b>Total</b>   | <b>1,464,000.00</b>  |  |                               |

| Item   | Amount for last year | Source and basis   | Asset-related/ income-related |
|--|----------------------|--|-------------------------------|
| Comprehensive support — subsidy for loan interest  | 500,000.00           | Futian District industrial development project funds review committee office | Income-related                |
| Accredited as 2012 intellectual property rights advantageous enterprise in Shenzhen Municipality   | 200,000.00           | Intellectual Property Office of Shenzhen Municipality                        | Income-related                |
| 2012 Hi-Technology Meeting subsidies   | 82,750.00            | Municipal SME service centre   | Income-related                |
| Subsidies for patent application   | 14,000.00            | Patent cooperation treaty and State intellectual properties rights           | Income-related                |
| Support for 3 New (new product, new technology and new processes) R&D, intellectual property rights special incentives (patent of utility new model) | 4,000.00             | Certificate of patent of utility new model                                   | Income-related                |
| <b>Total</b>   | <b>800,750.00</b>    |  |                               |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 45. Non-operating costs

| Item  | Amount for this year | Amount for last year | Included in non-recurring profit or loss for the year |
|---|----------------------|----------------------|---|
| Loss on disposal of non-current assets      | 15,463.71            | 77,402.52            | 15,463.71   |
| Including: Loss on disposal of fixed assets | 15,463.71            | 77,402.52            | 15,463.71   |
| Donation                                    | 30,000.00            | 45,000.00            | 30,000.00   |
| Non-recurring losses                        | —                    | 364.14               | —   |
| Others                                      | 132,538.35           | 126,332.48           | 132,538.35  |
| <b>Total</b>                                | <b>178,002.06</b>    | 249,099.14           | 178,002.06  |

Amount included in non-recurring profit or loss for this year was RMB178,002.06 (last year: RMB249,099.14).

#### 46. Income tax expenses

(1) *Income tax expenses*

| Item   | Amount for this year  | Amount for last year |
|--|-----------------------|----------------------|
| Current income tax-PRC EIT   | —                     | —                    |
| PRC  | —                     | —                    |
| Hong Kong  | —                     | —                    |
| Over provision for prior years (under provision is denoted as "+") | (3,151,310.43)        | —                    |
| Deferred income tax  | —                     | —                    |
| <b>Total</b>   | <b>(3,151,310.43)</b> | —                    |

(2) *Reconciliation table of income tax expenses and total profit*

Adjusting total profits based on the consolidated income statement of the Company to income tax expenses by adopting income tax calculated at applicable tax rates:

| Item   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Profits for the year   | (13,140,844.10)      | (16,666,172.54)      |
| Income tax charges calculated at applicable tax rates of 15% (2013: 15%)   | (1,971,126.62)       | (2,499,925.88)       |
| Effect of different applicable tax rates among subsidiaries  | —                    | —                    |
| Effect of adjustment to the income tax for the prior period  | (3,151,310.43)       | —                    |
| Effect of non-taxable income   | —                    | —                    |
| Effect of Special tax exemption  | —                    | —                    |
| Effect of non-deductible costs, expenses and losses  | —                    | —                    |
| Effect of utilisation of deductible losses for which no deferred income tax assets is recognised in prior periods                  | —                    | —                    |
| Effect of deductible temporary differences or deductible losses for which no deferred income tax assets is recognised for the year | 1,971,126.62         | 2,499,925.88         |
| Income tax expenses  | (3,151,310.43)       | —                    |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

*(continued)*

#### 47. Depreciation and amortization

Depreciation recognised in the income statement for this year was RMB8,157,671.19 (last year: RMB5,528,878.95), amortisation recognised in come statement was RMB4,988,243.89 (last year: RMB6,122,119.61).

#### 48. Operating lease expenses

Operating lease expenses for this year was RMB1,119,301.04 (last year: RMB232,448.66), there was no lease expenses in respect of plant and machinery.

#### 49. Rental income

Rental income from lands and buildings (net of government rent, rates and other expenditure) was RMB3,450,701.00 (last year: RMB1,374,881.00).

#### 50. Other comprehensive income

Same as the consolidated statements, please refer to note VI.54 for details.

#### 51. Cash flow statement items

##### (1) Other cash received/paid relating to operating/investing/financing activities

##### 1) Other cash received relating to operating activities

| Item                                      | Amount for this year  | Amount for last year |
|---|-----------------------|----------------------|
| Open credit with entities and individuals | 148,724,441.49        | 2,460,000.00         |
| Government grants                         | 1,728,000.00          | 3,337,750.00         |
| Interests income                          | 248,644.70            | 641,968.55           |
| Deposits                                  | 242,921.57            | 571,277.69           |
| Others                                    | 2,881,372.48          | 2,024,910.29         |
| <b>Total</b>                              | <b>153,825,380.24</b> | <b>9,035,906.53</b>  |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

*(continued)*

#### 51. Cash flow statement items *(continued)*

##### (1) Other cash received/paid relating to operating/investing/financing activities *(continued)*

##### 2) Other cash paid relating to operating activities

| Item                                      | Amount for this year | Amount for last year  |
|---|----------------------|-----------------------|
| Open credit with entities and individuals | 38,238,656.46        | 171,501,005.08        |
| Transportation expenses                   | 2,391,101.02         | 199,059.70            |
| Marketing expenses                        | 1,352,789.16         | 1,818,664.76          |
| Rents                                     | 1,119,301.04         | 232,448.66            |
| Travelling expenses                       | 1,615,637.27         | 372,243.41            |
| Entertainment expenses                    | 1,519,141.95         | 455,347.33            |
| Water and electricity expenses            | 2,218,178.62         | 1,507,854.37          |
| Telephone expenses                        | 529,126.56           | 375,311.21            |
| Audit fee                                 | 1,329,687.52         | 1,845,558.62          |
| Vehicle expenses                          | 1,009,715.08         | 820,841.11            |
| Traffic expenses within the city          | 174,600.40           | 67,126.15             |
| Office expenses                           | 834,831.89           | 346,595.87            |
| Property management fee                   | 100,835.14           | 23,405.08             |
| R&D expenses                              | 75,083.14            | 302,728.34            |
| Bank charges                              | 3,385,229.23         | 1,945,997.38          |
| Others                                    | 5,473,558.73         | 2,866,023.72          |
| <b>Total</b>                              | <b>61,367,473.21</b> | <b>184,680,210.79</b> |

##### 3) Other cash received relating to financing activities

| Item  | Amount for this year | Amount for last year |
|---|----------------------|----------------------|
| Release of security deposit for letter of credits | —                    | 11,175,413.12        |
| <b>Total</b>                                      | <b>—</b>             | <b>11,175,413.12</b> |

##### 4) Other cash paid relating to financing activities

| Item                                   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| Security deposit for letter of credits | 19,512,036.60        | —                    |
| <b>Total</b>                           | <b>19,512,036.60</b> | <b>—</b>             |

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### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 51. Cash flow statement items (continued)

##### (2) Supplementary information for consolidated cash flow statement of the Company

| Item   | Amount for<br>this year | Amount for<br>last year |
|--|-------------------------|-------------------------|
| <b>1. Reconciliation of net profits to cash flows from operating activities:</b>                         |                         |                         |
| Net profit   | <b>(9,989,533.67)</b>   | (16,666,172.54)         |
| Add: Assets impairment losses  | <b>2,022,392.17</b>     | (1,033,409.88)          |
| Depreciation of fixed assets   | <b>8,157,671.19</b>     | 5,528,878.95            |
| Amortization of intangible assets  | <b>4,984,638.33</b>     | 6,122,119.61            |
| Amortization of long-term prepayments  | <b>3,605.56</b>         | —                       |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain is denoted as “()”) | <b>(1,057,989.25)</b>   | 77,287.99               |
| Loss on retirement of fixed assets (Gain is denoted as “()”)   | —                       | —                       |
| Gain or loss on changes in fair value (Gain is denoted as “()”)  | —                       | —                       |
| Finance costs (Gain is denoted as “()”)  | <b>48,261,567.13</b>    | 40,259,073.10           |
| Loss on investment (Gain is denoted as “()”)   | <b>9,772,065.04</b>     | (9,206,395.78)          |
| Decrease in deferred income tax assets (Increase is denoted as “()”)                                     | —                       | —                       |
| Increase in deferred income tax liabilities (Decrease is denoted as “()”)                                | —                       | —                       |
| Decrease in inventories (Increase is denoted as “()”)  | <b>(51,271,924.76)</b>  | (43,492,068.19)         |
| Decrease in operating receivables (Increase is denoted as “()”)  | <b>(82,701,533.81)</b>  | (180,677,394.01)        |
| Increase in operating payables (Decrease is denoted as “()”)   | <b>210,412,197.04</b>   | 43,537,683.73           |
| Others   | —                       | —                       |
| Net cash flow from operating activities  | <b>138,593,154.97</b>   | (155,550,397.02)        |
| <b>2. Significant non-cash investing and financing activities:</b>                                       |                         |                         |
| Conversion of debts to capital   | —                       | —                       |
| Convertible corporate bonds due within 1 year  | —                       | —                       |
| Acquisition of fixed assets under finance leases   | —                       | —                       |
| <b>3. Net changes in cash and cash equivalents:</b>  |                         |                         |
| Closing balance of cash  | <b>281,487,756.73</b>   | 211,223,695.43          |
| Less: Beginning balance of cash  | <b>211,223,695.43</b>   | 111,862,940.93          |
| Add: Closing balance of cash equivalents   | —                       | —                       |
| Less: Beginning balance of cash equivalents  | —                       | —                       |
| Net increase in cash and cash equivalents  | <b>70,264,061.30</b>    | 99,360,754.50           |

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

#### 51. Cash flow statement items (continued)

##### (3) Information of acquisition of or disposal of subsidiaries and other business units

| Item   | Amount for this year | Amount for last year |
|--|----------------------|----------------------|
| <b>Information on acquisition of subsidiaries and other business units</b>                   |                      |                      |
| 1. Price of acquisition of subsidiaries and other business units                             | —                    | —                    |
| 2. Cash and cash equivalents paid for acquisition of subsidiaries and other business units   | —                    | —                    |
| Less: Cash and cash equivalent held by the subsidiaries and other business units             | —                    | —                    |
| 3. Net cash paid for acquisition of subsidiaries and other business units                    | —                    | —                    |
| 4. Net assets of the acquired subsidiaries   | —                    | —                    |
| Current asset  | —                    | —                    |
| Non-current asset  | —                    | —                    |
| Current liability  | —                    | —                    |
| Non-current liability  | —                    | —                    |
| <b>Information on disposal of subsidiaries and other business units</b>                      |                      |                      |
| 1. Consideration of disposal of subsidiaries and other business units                        | 50,800,000.00        | —                    |
| 2. Cash and cash equivalents received from disposal of subsidiaries and other business units | 49,500,000.00        | 173,563.48           |
| Less: Cash and cash equivalent held by subsidiaries and other business units                 | —                    | —                    |
| 3. Net cash received from disposal of subsidiaries and other business units                  | 49,500,000.00        | 173,563.48           |
| 4. Net assets of the subsidiaries disposed of  | 48,637,265.09        | 337,793.68           |
| Current asset  | 10,599,492.37        | 501,779.86           |
| Non-current asset  | 53,954,327.16        | —                    |
| Current liability  | 15,916,554.44        | 163,986.18           |
| Non-current liability  | —                    | —                    |

##### (4) Cash and cash equivalents

| Item   | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Cash   | 281,487,756.73  | 211,223,695.43  |
| Including: Cash in hand  | 368,534.22      | 238,756.63      |
| Bank deposits readily available for payments   | 281,119,222.51  | 210,984,938.80  |
| Other cash and cash equivalents readily available for payments                                 | —               | —               |
| Cash equivalents   | —               | —               |
| Including: Investments in bonds due within 3 months  | —               | —               |
| Closing balance of cash and cash equivalents   | 281,487,756.73  | 211,223,695.43  |
| Including: Restricted cash and cash equivalents of the Company or subsidiaries under the Group | —               | —               |



## NOTES TO THE FINANCIAL STATEMENTS

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(these notes to financial statements are presented in RMB unless otherwise specified)

### **XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY** *(continued)*

#### **52. Statement of changes in Shareholder's equity items**

Included in the statement of changes in shareholder's equity under the item "Others" for this year is RMB2,057,101.93, in which: 1) capital reserves of RMB557,101.93 was incurred by other equity movement in Zqgame; 2) RMB1,500,000.00 was share premium of Beijing Haiyun Jiexun. Under the item "Others" for last year is RMB3,266,916.58, in which: 1) capital reserves of RMB1,433,583.25 were incurred by share based payments of Zqgame; 2) RMB1,833,333.33 was share premium of Beijing Haiyun Jiexun.

### **XVII. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved for publication by the Board of Directors of the Company on 28 April 2015.

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS

#### 1. NON-RECURRING PROFIT (LOSS) FOR THE YEAR

In accordance with the requirements of "Interpretation on Information Disclosures by Listed Companies No. 1 [2008] — Non-recurring profit or loss" issued by the CSRC, the non-recurring profit or loss items for 2013 are as follows:

| Item   | Amount for<br>this year | Explanation |
|--|-------------------------|-------------|
| Gain on disposal of non-current assets   | 3,644,783.91            |             |
| Ultra vires or no formal approval documents for approval or incidental tax refunds or relief   | —                       |             |
| Government grants credited to profit for the period  | 2,175,200.00            |             |
| Funds-use income received by non-financial enterprises and credited to the profit or loss for the year   | —                       |             |
| Gains derived from excess of the attributable fair value of net identifiable assets of the investee over the cost of investment of acquisition of subsidiaries, associates and Joint venture   | —                       |             |
| Gain or loss on exchange of non-cash or cash equivalents   | —                       |             |
| Gain or loss on investment on trust or asset under management by third party   | —                       |             |
| Assets impairment losses provided for due to force majeure such as nature disasters  | —                       |             |
| Gain or loss on debts restructuring  | —                       |             |
| Re-organisation expenses   | —                       |             |
| Profit or loss in excess of attributable fair value arising from transactions with apparently unfair price   | —                       |             |
| Profit or loss for the period of the subsidiary formed under business combination under common control from beginning of the period to date of combination   | —                       |             |
| Profit or loss on contingencies outsider the normal course of business   | —                       |             |
| Profit or loss arising from fair value change in financial assets held-for-trading and financial liabilities held-for-trading; and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available for sale financial assets, except for effective hedging operations related to the ordinary course of operations of the company | 128,285.81              |             |
| Reversal of provision for impairment for accounts receivables which was individually tested for impairment   | —                       |             |
| Profit or loss on loans on trust   | —                       |             |
| Profit or loss arising from changes in fair value of investment properties measured subsequently at fair value   | —                       |             |
| Effect of one-off adjustments to profit or loss for the period made in accordance with the requirements of the tax and accounting laws and regulations   | —                       |             |
| Custodian fee for entrusted operations   | —                       |             |
| Non-operating income and expenses other than the above items   | (7,759.98)              |             |
| Other profit and loss items meet the definition of non-recurring   | —                       |             |
| Sub-total  | 5,940,509.74            |             |
| Effect on income tax   | (906,280.29)            |             |
| Effect on minority interest (after tax)  | —                       |             |
| <b>Total</b>   | <b>5,034,229.45</b>     |             |

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 to 31 December 2014

(these notes to financial statements are presented in RMB unless otherwise specified)

### 2. RETURNS ON NET ASSETS AND EARNING PER SHARE

In accordance with the requirements of "Compilation Rules for Information Disclosures by Listed Companies No. 9 — Calculations and disclosures for the return on net assets and earnings per share" (as amended in 2010) issued by the CSRC, the weighted average returns on net assets, basic earnings per share and diluted earnings per share of the Company for the 2014 are as follows:

| Profit for the reporting period  | Weighted average returns on net assets (%) |      | Earnings per share       |        |                            |        |
|--|--|------|--------------------------|--------|----------------------------|--------|
|  |  |      | Basic earnings per share |        | Diluted earnings per share |        |
|  | 2014                                       | 2013 | 2014                     | 2013   | 2014                       | 2013   |
| Net profit attributable to the shareholders of the Company                                       | 6.97                                       | 6.87 | 0.2222                   | 0.2067 | 0.2222                     | 0.2067 |
| Net profit attributable to shareholders of the Company (excluding non-recurring profit and loss) | 6.32                                       | 5.76 | 0.2015                   | 0.1731 | 0.2015                     | 0.1731 |

Powerleader Science & Technology Group Limited

28 April 2015