



宝德科技集團股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Powerleader Science & Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement herein misleading.

* For identification purpose only

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to report the unaudited results of the Company for the three months and six months ended 30 June 2015 (“Six Months Period”) together with comparative unaudited figures for the same periods in 2014 as follows:

CONSOLIDATED INCOME STATEMENT

Items	Note	Three months ended 30 June		Six months ended 30 June	
		2015 RMB (Unaudited)	2014 RMB (Unaudited)	2015 RMB (Unaudited)	2014 RMB (Unaudited)
I. Total operating revenue		639,729,407.69	486,182,891.12	1,027,309,083.82	740,239,198.22
Including: operating revenue	3	639,729,407.69	486,182,891.12	1,027,309,083.82	740,239,198.22
II. Total operating cost		630,737,601.13	475,314,463.01	1,001,923,392.48	713,509,097.46
Including: Cost of operation		576,891,045.56	433,907,867.61	904,432,595.05	638,460,005.22
Business taxes and surcharges		268,581.53	486,143.42	727,967.57	860,862.43
Selling expenses		13,977,002.41	9,688,636.74	25,159,240.70	19,101,919.45
Administrative expenses		17,004,601.23	19,512,292.65	33,279,021.10	29,749,247.89
Finance costs	5	22,596,370.40	11,719,522.59	38,324,568.06	25,337,062.47
Impairment loss of assets		—	—	—	—
Add: Gain on fair value changes (loss is denoted as “()”)		—	—	—	—
Investment income (loss is denoted as “()”)		(114,452.19)	2,574,023.66	75,109.42	2,703,094.79
Including: Gain on investment to associates and joint ventures		(205,831.89)	2,499,257.77	(89,129.95)	2,520,815.98
III. Operating profit (loss is denoted as “()”)		8,877,354.37	13,442,451.77	25,460,800.76	29,433,195.55
Add: Non-operating income	4	5,551,833.84	4,196,189.65	6,795,130.85	11,020,232.39
Including: Gain on disposal of non-current assets		—	—	—	—
Less: Non-operating expenses		484,143.27	4,413.24	892,880.03	19,686.07
Including: Loss on disposal of non-current assets		662,827.86	—	836,196.96	—
IV. Total Profit (total loss is denoted as “()”)		13,945,044.94	17,634,228.18	31,363,051.58	40,433,741.87
Less: Income tax expenses	6	676,664.12	2,170,481.40	2,094,748.19	4,456,361.82
V. Net profit (net loss is denoted as “()”)		13,268,380.82	15,463,746.78	29,268,303.39	35,977,380.05
Net profit attributable to shareholders of the parent company		13,268,210.74	15,463,669.60	29,268,467.84	35,816,018.21
Minority interests		170.08	77.18	(164.45)	161,361.84
VI. Earnings per share:					
(1) Basic earnings per share	8	0.055	0.064	0.120	0.147
(2) Diluted earnings per share	8	0.055	0.064	0.120	0.147
VII. Other comprehensive income		—	—	—	—
Other comprehensive income which cannot be reclassified to profit or loss in subsequent accounting periods		—	—	—	—
Other comprehensive income which will be reclassified to profit or loss in subsequent accounting periods subject to satisfaction of required conditions		—	—	—	—
VIII. Total comprehensive income (net loss is denoted as “()”)		13,268,380.82	15,463,746.78	29,268,303.39	35,977,380.05
Total comprehensive income attributable to shareholders of the parent company		13,268,210.74	15,463,669.60	29,268,407.84	35,816,018.21
Total comprehensive income attributable to minority interests		170.08	77.18	(164.45)	161,361.84

CONSOLIDATED BALANCE SHEET

Items	<i>Note</i>	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Current Assets:			
Monetary capital		517,813,555.41	465,885,673.02
Financial assets at fair value through the current profit or loss			
Notes receivable		1,916,883.18	27,772,871.40
Accounts receivable	12	599,159,560.13	496,542,626.13
Prepayments		85,999,293.85	32,922,620.33
Interest receivables		—	—
Dividend receivables		—	—
Other receivables	13	272,540,481.32	233,467,980.03
Inventories		447,936,386.54	321,873,815.99
Non-current assets classified as held for disposal and assets in an asset group classified as held for disposal		—	—
Non-current assets due within 1 year		—	—
Other current assets		2,254,698.11	20,742,261.23
Total current assets		<u>1,927,620,858.54</u>	<u>1,599,207,848.13</u>
Non-current assets:			
Available-for-sale financial assets		4,000,000.00	4,000,000.00
Held-to-maturity investment		—	—
Long-term accounts receivable		—	—
Long-term equity investment	11	202,165,006.33	195,544,136.28
Investment Properties		12,406,154.48	13,883,577.12
Fixed assets	9	262,564,470.85	267,943,201.85
Construction in progress	9	124,512,924.05	116,741,077.26
Construction material		—	—
Fixed assets pending for disposal		—	—
Intangible assets		63,872,016.22	69,635,911.97
Development expenditure	10	26,259,644.77	21,124,616.31
Goodwill		—	—
Long-term prepayments		1,244,188.13	1,244,188.13
Deferred income tax assets		1,958,721.16	1,958,721.16
Other non-current assets			
Total non-current assets		<u>698,983,125.99</u>	<u>692,075,430.08</u>
Total assets		<u>2,626,603,984.53</u>	<u>2,291,283,278.21</u>

Items	<i>Note</i>	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Current liabilities:			
Short-term loans	15	1,290,271,095.94	976,112,408.03
Financial liabilities at fair value through the current profit or loss		—	—
Notes payable		—	—
Accounts payable	14	250,744,686.02	259,973,782.34
Receipts in advance		16,629,474.16	14,699,090.26
Employee emolument payables		515,704.51	6,892,898.10
Tax payables		(22,762,432.49)	19,129,411.79
Interest payables		—	363,125.00
Dividend payables		—	—
Other payables		14,153,565.22	59,152,722.63
Liabilities classified as held for disposal		—	—
Non-current liabilities repayable within one year		80,000,000.00	140,000,000.00
Other current liabilities		3,200,000.00	2,532,190.51
		<u>1,632,752,093.36</u>	<u>1,483,399,690.43</u>
Total current liabilities			
Non-current liabilities:			
Long-term loans		160,000,000.00	—
Long-term payables		—	—
Payables for special project		—	—
Estimated liabilities		—	—
Deferred income tax liabilities		—	—
Other non-current liabilities		1,287,000.00	4,587,000.00
		<u>1,287,000.00</u>	<u>4,587,000.00</u>
Total non-current liabilities			
		<u>161,287,000.00</u>	<u>4,587,000.00</u>
Total Liabilities			
		<u>1,794,039,093.36</u>	<u>1,487,986,690.43</u>

Items	<i>Note</i>	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Shareholders' equity:			
Capital	16	243,000,000.00	243,000,000.00
Capital reserves		34,065,777.42	34,065,777.42
Less: Treasury shares			
Special reserves		—	—
Surplus reserves		34,601,238.65	34,601,238.65
General risk reserves		—	—
Undistributed profits		520,900,300.48	491,631,832.64
Exchange difference on translation of financial statements denominated in foreign currency			
Total equity attributable to shareholders of the parent company		<u>832,567,316.55</u>	<u>803,298,848.71</u>
Minority interests		<u>(2,425.38)</u>	<u>(2,260.93)</u>
Total shareholders' equity		<u>832,564,891.17</u>	<u>803,296,587.78</u>
Total liabilities and shareholders' equity		<u>2,626,603,984.53</u>	<u>2,291,283,278.21</u>

CONSOLIDATED CASH FLOW STATEMENT

Items	<i>Note</i>	As of 30 June 2015 RMB (Unaudited)	As of 30 June 2014 RMB (Unaudited)
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		1,016,265,077.99	811,194,488.43
Refund of taxes and levies		1,655,709.39	1,771,733.33
Other cash receipts relating to operating activities		9,644,634.56	6,352,647.42
Sub-total of cash inflows from operating activities		1,027,565,421.94	819,318,869.18
Cash paid for goods and services		1,090,501,657.94	749,003,068.98
Cash paid to and on behalf of employees		24,152,672.78	21,396,877.25
Payments of taxes and levies		9,036,345.41	12,645,473.76
Other cash payments relating to operating activities		18,756,564.64	27,736,075.79
Sub-total of cash outflows from operating activities		1,142,447,240.77	810,781,495.78
Net cash flows from operating activities		(114,881,818.83)	8,537,373.40
II. Cash flows from investing activities:			
Cash received from investments		—	49,500,000.00
Cash received from returns on investments		—	167,494.74
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		10,364.47	—
Net cash received from disposal of subsidiaries and other operating units		—	—
Other cash receipts relating to investing activities		—	—
Sub-total cash inflows from investing activities		10,364.47	49,667,494.74
Cash paid to acquire fixed assets, intangible assets and other long-term assets		10,353,573.93	65,830,652.75
Cash paid on investments		—	28,000,000.00
Net cash paid on acquisition of subsidiaries and other operating units		—	—
Other cash payments relating to investing activities		—	—
Sub-total cash outflows from investing activities		10,353,573.93	93,830,652.75
Net cash flows from investing activities		(10,343,209.46)	(44,163,158.01)

Items	<i>Note</i>	As of 30 June 2015 <i>RMB</i> (Unaudited)	As of 30 June 2014 <i>RMB</i> (Unaudited)
III. Cash flows from financing activities:			
Cash received from investment		—	—
Including: Cash received from investment from minority shareholders		—	—
Cash received from loans		1,054,875,634.57	920,068,648.83
Cash received from insuring bonds		—	—
Cash received from other financing activities		—	2,643,748.23
Sub-total cash inflows from financing activities		1,054,875,634.57	922,712,397.06
Cash payments for settlement of loans		1,047,618,367.39	863,764,547.47
Cash payments for distribution of dividend, profit or interest expenses		38,324,568.06	25,066,744.01
Including: Cash payments for distribution of dividends or profit to minority shareholders		—	—
Other cash payments relating to financing activities		—	—
Sub-total cash outflows from financing activities		1,085,942,935.45	888,831,291.48
Net cash flows from financing activities		(31,067,300.88)	33,881,105.58
IV. Effect of foreign exchange rate changes to cash and cash equivalents		—	—
V. Increase in cash and cash equivalents		(156,292,329.17)	(1,744,679.03)
Add: Cash and cash equivalents at the beginning of period		381,156,365.62	331,919,213.53
VI. Cash and cash equivalents at the end of period		<u>224,864,036.45</u>	<u>330,174,534.50</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF SHAREHOLDERS

Items (Unaudited)	Amount for the period									
	Attributable to shareholders of the parent company									
	Share capital <i>RMB</i>	Capital reserves <i>RMB</i>	Less: Treasury share	Special reserves	Surplus reserves <i>RMB</i>	General risk reserves	Undistributed profits <i>RMB</i>	Others	Minority interests <i>RMB</i>	Total shareholders' equity <i>RMB</i>
I. Balance at the end of last year	243,000,000.00	34,065,777.42	—	—	34,601,238.65	—	491,631,832.64	—	(2,260.93)	803,296,587.78
Add: Correction of errors in previous period due to changes in accounting policy	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of year	243,000,000.00	34,065,777.42	—	—	34,601,238.65	—	491,631,832.64	—	(2,260.93)	803,296,587.78
III. Increase/decrease for the period (decrease in denoted as “0”)	—	—	—	—	—	—	29,268,467.84	—	(164.45)	29,268,303.39
(1) Net profit	—	—	—	—	—	—	29,268,467.84	—	(164.45)	29,268,303.39
(2) Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Sub-total of (1) and (2)	—	—	—	—	—	—	29,268,467.84	—	(164.45)	29,268,303.39
(3) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	—	—
2. Share-based payment included in the amount of Stockholders' equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
(4) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Internal structure of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recover losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(6) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Appropriation for the period	—	—	—	—	—	—	—	—	—	—
2. Utilisation of the period	—	—	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of period	<u>243,000,000.00</u>	<u>34,065,777.42</u>	<u>—</u>	<u>—</u>	<u>34,601,238.65</u>	<u>—</u>	<u>520,900,300.48</u>	<u>—</u>	<u>(2,425.38)</u>	<u>832,564,891.17</u>
Amount for last period										
Attributable to shareholders of the Company										
Item (unaudited)	Share capital <i>RMB</i>	Capital reserves <i>RMB</i>	Less: Treasury share	Special reserves	Surplus Reserves <i>RMB</i>	General risk reserves	Undistributed profits <i>RMB</i>	Others	Minority interests <i>RMB</i>	Total shareholders' equity <i>RMB</i>
I. Balance at the end of last year	243,000,000.00	31,987,251.85	—	—	34,601,238.65	—	437,634,780.76	—	464,718.54	747,687,989.80
Add: Correction of errors in previous period due to changes in accounting policy	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of year	243,000,000.00	31,987,251.85	—	—	34,601,238.65	—	437,634,780.76	—	464,718.54	747,687,989.80
III. Increase/decrease for the period (decrease in denoted as “0”)	—	—	—	—	—	—	36,898,756.04	—	(329,259.15)	36,569,496.89
(1) Net profit	—	—	—	—	—	—	35,816,018.21	—	161,361.84	35,977,380.05
(2) Other comprehensive income	—	—	—	—	—	—	—	—	9,379.01	9,379.01
Sub-total of (1) and (2)	—	—	—	—	—	—	35,816,018.21	—	170,740.85	35,986,759.06
(3) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	(500,000.00)	(500,000.00)
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	—	—
2. Share-based payment included in the amount of Stockholders' equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	(500,000.00)	(500,000.00)
(4) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Internal structure of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recover losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(6) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Appropriation for the period	—	—	—	—	—	—	—	—	—	—
2. Utilisation of the period	—	—	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	1,082,737.83	—	—	1,082,737.83
IV. Balance at the end of period	<u>243,000,000.00</u>	<u>31,987,251.85</u>	<u>—</u>	<u>—</u>	<u>34,601,238.65</u>	<u>—</u>	<u>474,533,536.80</u>	<u>—</u>	<u>135,459.39</u>	<u>784,257,486.69</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL

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

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

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

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

3. OPERATING INCOME

Operating income represents the amounts received and receivables for services provided and goods sold to customers, net of returns and allowances. Operating income recognized for the six months ended 30 June 2015 together with comparative unaudited figures for the corresponding period in 2014 are as follows:

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

	For the three months ended 30 June		For the six months ended 30 June	
	2015 RMB (Unaudited)	2014 RMB (Unaudited)	2015 RMB (Unaudited)	2014 RMB (Unaudited)
Main operating revenue				
Including: Cloud Infrastructure as a Service	198,205,911.74	121,047,267.00	367,681,304.87	205,130,862.45
Cloud Module as a Service	435,575,327.04	358,663,444.27	647,785,379.54	525,741,979.10
Software and Platform as a Service	4,779,695.12	4,410,671.56	7,617,033.46	5,558,466.69
Other operating revenue	1,168,473.79	2,061,508.29	4,225,365.95	3,807,889.98
Total	639,729,407.69	486,182,891.12	1,027,309,083.82	740,239,198.22
Results of main operating				
Including: Cloud Infrastructure as a Service	22,621,904.11	13,533,511.24	42,562,053.44	32,692,792.47
Cloud Module as a Service	15,569,154.97	10,563,882.91	30,694,275.90	25,786,069.79
Software and Platform as a Service	(2,554,001.46)	1,752,582.41	(6,037,179.53)	2,020,227.97
Results of other business	1,110,189.61	1,004,516.44	2,791,003.66	2,750,898.13
Total	36,747,247.23	26,854,493.00	70,010,153.47	63,249,988.36
Finance costs	22,596,370.40	11,719,522.59	38,324,568.06	25,337,062.47
Share of profit from associates	(205,831.89)	2,499,257.77	(89,129.95)	2,520,815.98
Profit before taxation	13,945,044.94	17,634,228.18	31,363,051.58	40,433,741.87
Income tax expense	676,664.12	2,170,481.40	2,094,748.19	4,456,361.82
Net profit for the period	13,268,380.82	15,463,746.78	29,268,303.39	35,977,380.05

4. NON-OPERATING INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2015 RMB (Unaudited)	2014 RMB (Unaudited)	2015 RMB (Unaudited)	2014 RMB (Unaudited)
Government subsidies	5,544,658.12	3,037,000.00	6,744,709.40	9,137,000.00
Others	7,175.72	1,159,189.65	50,421.45	1,883,232.39
Total	5,551,833.84	4,196,189.65	6,795,130.85	11,020,232.39

5. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2015 RMB (Unaudited)	2014 RMB (Unaudited)	2015 RMB (Unaudited)	2014 RMB (Unaudited)
Interest expenses	18,171,606.70	9,743,606.24	32,688,361.07	21,804,034.82
Less: Interest income	323,864.64	176,187.35	425,475.86	213,898.34
Add: Loss on exchange				846,578.72
Less: Gain on exchange	1,069,065.43	2,708.34	583,562.02	
Handling charges	5,817,693.77	2,154,812.04	6,645,244.87	2,900,347.27
Total	22,596,370.40	11,719,522.59	38,324,568.06	25,337,062.47

6. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2015 RMB (Unaudited)	2014 RMB (Unaudited)	2015 RMB (Unaudited)	2014 RMB (Unaudited)
Current income tax (credit)/charge				
PRC	252,736.78	(71,486.27)	674,463.47	561,610.92
Hong Kong	423,927.34	2,241,967.67	1,420,284.72	3,894,750.90
Total	676,664.12	2,170,481.40	2,094,748.19	4,456,361.82

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau in 2009, and was subject to EIT at a rate of 15% from the year 2009. The Company passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau on 12 September 2012, and continued to be regarded as a national high-tech enterprise, and was subject to EIT at a rate of 15%. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computing System Co., Ltd. (深圳市宝德計算機系統有限公司) (“Powerleader Computing”) as well as Shenzhen Powerleader Software Development Limited (深圳市宝德軟件開發有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 30 June 2015 (during the period ended 30 June 2014: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. On 31 October 2011, Powerleader Computing passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau, and continued to be regarded as a national high-tech enterprise. Powerleader Computing was subject to EIT at a rate of 15% during the period ended 30 June 2015 (during the period ended 30 June 2014: 15%).

Pursuant to an approval document (Shen Guo Shui Bao Guan Jian Mian Bei An 2009 No. 4) (《深國稅寶觀減免備案2009第4號》) dated 11 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, Powerleader Software is qualified as a software enterprise and entitled to an exemption from EIT for the years of 2009 and 2010 and a 50% reduction in EIT from 2011 to 2013. Powerleader Software was subject to EIT at a rate of 15% during the period ended 30 June 2015 (during the period ended 30 June 2014: 15%).

Hong Kong Profits tax is calculated at 16.5% (for the six months ended 30 June 2014: 16.5%) of the estimated assessable profit for the Six Months Period.

7. INTERIM DIVIDEND

At a meeting held on 14 August 2015, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2015.

8. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Net profit attributable to shareholders of the parent company	13,268,210.74	15,463,669.60	29,268,303.39	35,816,018.21
Number of shares				
Weighted average number of issued shares for the purpose of basic earnings per share	<u>243,000,000</u>	<u>243,000,000</u>	<u>243,000,000</u>	<u>243,000,000</u>

The calculation of the basic and diluted earnings per share is based on the net profit attributable to the shareholders of the parent company of RMB29,268,303.39 (for the six months ended 30 June 2014: RMB35,816,018.21) and the weighted average number of 243,000,000 shares in issue (2014: 2,430,000,000 shares).

Diluted earnings per share is the same as basic earnings per share because the Company had no dilutive potential shares for the Six Months Period (for the six months ended 30 June 2014: nil).

9. FIXED ASSETS AND CONSTRUCTION IN PROGRESS

During the period, the Group spent RMB10,353,573.93 (the same period of 2014: RMB51,581,479.97) on acquisition of property, plant and equipment.

10. DEVELOPMENT COSTS

During the period, the Group spent RMB5,135,028.46 (the same period of 2014: RMB4,711,414.79) on development costs.

11. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments accounted for using equity method

Name of investee	Proportion of shareholdings (%)	Proportion of voting rights (%)	Investment cost	Beginning balance (Audited)	Increase for the period (Unaudited)	Decrease for the period (Unaudited)	Ending balance for the period (Unaudited)	Cash dividend received for the period
Accounted for using equity method								
Shenzhen Zqgame Interactive Network Co., Limited ^{Note 1}								
	15.3	15.30	3,000,000.00	141,116,282.28	2,027,528.83		143,143,811.11	—
Beijing Haiyun Jiexun Technology Limited ^{Note 2}								
	25	33.33	15,000,000.00	18,091,449.55		253,388.87	17,838,060.68	—
Sichuan Baoteng Internet Technology Limited ^{Note 3}								
	49	66.67	42,000,000.00	36,336,404.45	610,000.00	1,863,269.91	35,083,134.54	—
Total			<u>60,000,000.00</u>	<u>195,544,136.28</u>	<u>2,637,528.83</u>	<u>2,116,658.78</u>	<u>196,065,006.33</u>	

Note 1: Shenzhen Zqgame Interactive Network Co., Limited (referred to as “Zqgame”) is formerly known as “Shenzhen Powerleader Network Technology Limited”. It is mainly engaged in development and operating network games. It was established jointly by the Company and the controlling shareholder of the Company, Powerleader Investment in 2000. The Company owned 99% shareholding while Powerleader Investment owned 1%. After a number of shareholding changes from 2007 to 2010 and the listing of

Zqgame in A shares GEM board in 2010, the shareholding of the Company in Zqgame was diluted from 20.40% to 15.30%. As the Company has 3 out of the 7 directors in the board of Zqgame, the Company has significant influence over Zqgame. Accordingly, Zqgame is accounted for using equity method.

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

Note 3: Sichuan Baoteng Internet Technology Limited (referred to as “Sichuan Baoteng”) was invested and established by Sichuan Mingguan Network Technology Limited (referred to as “Sichuan Mingguan”). It obtained its business registration licence on 30 September 2013. The registered capital (paid-up capital) at the time of establishment was RMB1 million. On 30 October 2013, the Company entered into the capital increment agreement with Sichuan Mingguan, according to which the Company would subscribe newly increased capital in Sichuan Baoteng of RMB0.9608 million at a consideration of RMB42 million. After the increment of capital, the registered capital of Sichuan Baoteng was RMB1.9608 million. The shareholding of Sichuan Mingguan and the Company was 51% and 49% respectively. The board of directors in Sichuan Baoteng has 3 directors, 2 of them were appointed by the Company. The Company has 66.67% voting rights in the board of directors. However, the significant decision must be agreed by all directors and shareholders, therefore, it is accounted for using equity method. Up to 30 June 2015, the Company has actually made investment cost of RMB32.61 million.

Long-term equity investments accounted by using cost method

Name of investee	Proportion of shareholdings (%)	Proportion of voting rights (%)	Investment cost	Beginning balance (Audited)	Increase for the period (Unaudited)	Decrease for the period (Unaudited)	Ending balance for the period (Unaudited)	Cash dividend received for the period
SurDoc Corp. <i>Note 4</i>	2.86	2.86	6,100,000.00	0	6,100,000.00	0	6,100,000.00	—
Total	2.86	2.86	6,100,000.00	0	6,100,000.00	0	6,100,000.00	—

Note 4: SurDoc Corp. (referred to as “SurDoc”) was established in the United States by Mr. Wang Donglin, and is primarily engaged in providing safe and reliable cloud storage service to customers. As at 26 December 2014, the wholly-owned subsidiary of the Company, Powerleader Science & Technology (HK) Limited entered into an investment agreement with SurDoc, with a total contribution of US\$1 million holding 2.86% of the equity interest in SurDoc. As of 30 June 2015, the actual investment payment by the Company was US\$1,000,000.00 (equivalent to RMB6,100,000.00).

12. ACCOUNTS RECEIVABLE

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

	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Within 1 month	301,987,645.87	282,124,236.27
1–3 months	153,578,935.91	137,475,457.47
4–6 months	56,463,975.37	43,745,389.25
Over 6 months	98,474,935.74	43,917,077.36
Less: allowance for bad debts	11,345,932.76	10,719,534.22
Accounts receivable, net	599,159,560.13	496,542,626.13

13. OTHER RECEIVABLES

	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Other receivables	273,627,944.15	234,457,407.37
Less: allowance for bad debts	1,087,462.83	989,427.34
Other receivables, net	<u>272,540,481.32</u>	<u>233,467,980.03</u>

14. ACCOUNTS PAYABLE

The aging of accounts payable is analyzed as follows:

	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Within 1 month	183,568,424.86	171,086,153.72
1–3 months	34,673,075.52	47,746,381.53
4–6 months	19,756,647.73	24,467,272.74
Over 6 months	12,746,537.91	16,673,974.35
Total	<u>250,744,686.02</u>	<u>259,973,782.34</u>

15. SHORT-TERM LOANS

Category	Currency	As of 30 June 2015 (Unaudited)		
		Amount in original	Exchange rate	Amount in RMB
Guaranteed loans	RMB	581,000,000.00	1	581,000,000.00
Guaranteed loans	US\$	116,273,950.15	6.10	709,271,095.94
Total				<u>1,290,271,095.94</u>

Category	Currency	As of 31 December 2014 (Audited)		
		Amount in original	Exchange rate	Amount in RMB
Guaranteed loans	RMB	500,000,000.00	1	500,000,000.00
Guaranteed loans	US\$	77,808,858.97	6.119	476,112,408.03
Total				<u>976,112,408.03</u>

Details of guarantee:

Lender	Currency	Loan principal in original currency	Guarantor
Industrial Bank	RMB	239,962,775.00	Powerleader Investment Holding Company Limited (“Powerleader Investment”), Zhang Yunxia (“Ms. Zhang”), Li Ruijie (“Mr. Li”)
HSBC	US\$	7,016,592.00	Hong Kong Powerleader, Mr. Li, Ms. Zhang, Mr. Dong
Construction Bank of China	US\$	32,944,674.89	Powerleader Investment, Ms. Zhang, Mr. Li
Construction Bank of China	RMB	120,000,000.00	Powerleader Investment, Ms. Zhang, Mr. Li
Ping An Bank	RMB	75,000,000.00	Shenzhen HTI Finance Security Co., Ltd.* (深圳市高新投融資擔保有限公司), Mr. Li, Powerleader Investment
Citic Bank	RMB	25,000,000.00	Ms. Zhang, Mr. Li
China Merchants Bank	RMB	60,000,000.00	Powerleader Investment, Mr. Li, Ms. Zhang
China Resource Bank	RMB	40,000,000.00	Powerleader Investment, Mr. Li
Standard Chartered Bank	US\$	600,000.00	Powerleader Science & Technology (HK) Limited (“Hong Kong Powerleader”), Mr. Li, Ms. Zhang, Dong Weiping (“Mr. Dong”)
ANZ	US\$	4,968,168.00	Hong Kong Powerleader, Mr. Li, Ms. Zhang, Mr. Dong
Bank of China (Hong Kong)	US\$	3,680,000.00	Hong Kong Powerleader, Mr. Li, Ms. Zhang, Mr. Dong
Agricultural Bank of China	RMB	84,000,000.00	Powerleader Investment, Ms. Zhang, Mr. Li, Powerleader Binhai Technology (Tianjin) Company Limited property
The Export-Import Bank of China, Shenzhen Branch	RMB	300,000,000.00	Powerleader Investment
Shanghai Commercial Bank	US\$	7,562,421.00	Hong Kong Powerleader, Mr. Li, Ms. Zhang, Mr. Dong

Details of interest rate:

The annual interest rates for the short-term loans was 1.9396% to 7.8000%, the weighted average annual interest rate was 4.8390% (2014: annual interest rate for the short-term loans was 1.9396% to 7.8000%, weighted average interest rate was 4.8390%).

16. SHARE CAPITAL

Name of shareholder/category	As of 31 December 2014 (Audited)		Movements during the period					As of 30 June 2015 (Unaudited)	
	Amount	Proportion (%)	Issue of new shares	Bonus issue	Transfer from capital reserves	Others	Sub-total	Amount	Proportion (%)
Shares with restrictions on trading									
State shares	—	—	—	—	—	—	—	—	—
National legal persons shares	—	—	—	—	—	—	—	—	—
Other domestic shares	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Including: Domestic legal person shares	150,000,000.00	61.73	—	—	—	—	—	150,000,000.00	61.73
Domestic Limited partnership shares	32,250,000.00	13.27	—	—	—	—	—	32,250,000.00	13.27
Foreign investors shares	—	—	—	—	—	—	—	—	—
Including: Overseas legal persons shares	—	—	—	—	—	—	—	—	—
Overseas natural persons shares	—	—	—	—	—	—	—	—	—
Total of shares with restrictions on trading	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Shares without restrictions on trading									
RMB ordinary shares	—	—	—	—	—	—	—	—	—
Domestic listed foreign investors shares	—	—	—	—	—	—	—	—	—
Overseas listed foreign investors shares	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
Others	—	—	—	—	—	—	—	—	—
Total of shares without restrictions on trading	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
Total Shares	243,000,000.00	100	—	—	—	—	—	243,000,000.00	100

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

17. CAPITAL COMMITMENTS

(a) Commitments under operating leases

At 30 June 2015, the Company as lessee had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Within one year	12,445,636.46	12,555,065.32
In the second to fifth year (both years inclusive)	42,117,476.92	42,214,360.17
Total	<u>54,563,113.38</u>	<u>54,769,425.49</u>

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

	30 June 2015 RMB (Unaudited)	31 December 2014 RMB (Audited)
Construction-in-progress	<u>28,433,426.40</u>	<u>31,209,412.47</u>

18. RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2015, the Group paid rent amounting to RMB69,849 (the same period of 2014: RMB140,000.00) to Ms. Zhang for office premises. Since 31 March 2015, the Group ceased to rent the office.

19. SEGMENT INFORMATION

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

The segment information of the Group is as follows:

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

Profit or loss, assets and liabilities of reportable segments

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

For the six months ended 30 June 2015 (Unaudited)

Items	Cloud Infrastructure as a Service (IaaS)	Cloud Module as a Service (MaaS)	Software and Platform as a Service (SaaS and PaaS)	Unallocated	Elimination	Total
Operating revenue	485,928,693.02	783,464,423.22	20,210,464.48	—	(262,294,496.90)	1,027,309,083.82
Including: Revenue from external transactions	370,436,730.26	649,255,320.10	7,617,033.46	—	—	1,027,309,083.82
Revenue from intra-segment transactions	115,491,962.76	134,209,103.12	12,593,431.02	—	(262,294,496.90)	—
Operating costs	419,908,506.46	738,376,485.02	8,442,100.47	—	(262,294,496.90)	904,432,595.05
Expenses for the period	31,474,837.38	21,243,672.19	5,212,112.52	39,560,175.34	—	97,490,797.43
Total segment operating profit (loss)	36,848,947.37	29,687,474.07	(6,037,179.53)	(29,136,190.33)	—	31,363,051.58
Total assets	1,098,475,732.02	1,367,574,957.49	174,457,245.95	1,126,478,556.78	(1,140,382,507.71)	2,626,603,984.53
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	745,365,946.35	936,561,045.91	42,875,096.73	1,037,240,762.08	(968,003,757.71)	1,794,039,093.36
Supplementary information	—	—	—	—	—	—
Capital expenditure	2,477,935.84	—	874,643.37	7,000,994.72	—	10,353,573.93
Impairment loss recognized in the period	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—
Depreciation and amortization expenses	3,763,895.75	2,184,473.03	7,846,263.97	4,014,926.56	—	17,809,559.31
Non-cash expenses other than impairment loss, depreciation and amortization	1,863,657.48	1,146,374.48	354,893.81	—	—	3,364,925.77

For the six months ended 30 June 2014 (Unaudited)

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

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2015, Powerleader Science & Technology Group continued its operation with a clear strategic positioning as a “leading cloud computing solutions provider with the capability of autonomous innovation in China.” Based on the leading technology developed over the years, a competent research and development (“R&D”) team, a strict management system, extensive sales channels and quality customer services, the Group provided comprehensive cloud computing solutions and related services by focusing on the five key business sectors underpinned by cloud computing solutions and services providers, namely, Cloud Infrastructure as a Service (IaaS), Cloud Module as a Service (MaaS), Software as a Service (SaaS), Platform as a Service (PaaS), Client as a Service (CaaS).

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

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

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

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

FINANCIAL REVIEW

Turnover of the Group for the Six Months Period amounted to RMB1,027,309,083.82, representing an increase of 38.78% compared to RMB740,239,198.22 in the same period of 2014, which was attributable to an increase in turnover from the Group’s principal activities, being Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment and their related solutions, and Cloud Module as a Service (MaaS) — providing R&D, design, manufacturing and

sales of cloud computing equipment related components, as well as agency distribution for key components of cloud computing equipment and related value-added services. In particular, turnover from IaaS and MaaS increased by 79.24% and 23.21%.

Consolidated gross profit margin of the Group for the Six Months Period was 11.96%, representing a small decrease as compared to that of 13.75% in the same period of 2014, mainly as a result of the intense competition in the market and the price discounted in some projects given by the Company in order to promote the application of cloud computing solutions.

The Group's distribution costs and administrative and other expenses rose by approximately 26.62% to RMB58,438,261.80 from RMB46,152,857.98 for the same period of last year, mainly due to the increase in personnel costs and marketing expenses during the process of further implementation of the cloud strategy by the Company. In addition, greater R&D efforts in products and technology of cloud computing also drove up the R&D cost and other related expenses of the Company.

BUSINESS REVIEW AND PROSPECT

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

In the first half of 2015, the cloud computing market in China continues to maintain its rapid growth. The great demand in cloud infrastructure market brought a constant increase cloud server, cloud storage and related products equipment and solutions. The company provide customers with more improved equipment and solutions of cloud server and cloud storage based on its own precipitation and accumulation in the aspect of product, technology, R&D, marketing and services. In the first half of 2015, the operating revenue from Cloud Infrastructure as a Service (IaaS) recorded an increase of 79.24% as compared to the corresponding period of last year.

In the second half of 2015, with the mature and further application of cloud computing technology, the Company will continue to improve the customer's satisfaction relied on its own strong technical strength and cooperation with powerful partners. On the one hand, the Company provide more diversified choices for customers by strengthening of independent R&D capability and creating more new products, so as to provide customers with more convenient service by taking the advantages of local manufacturers; on the other hand, the Company integrate the industry chain resources of cloud computing with the IT partners in China and provide customers with the improved and independent and controllable solutions by strengthening the comprehensive capabilities of software and hardware.

Market Promotion

In the first half of 2015, the Company substantially raised the popularity and influence of its brand by focusing on marketing initiatives with regard to its new application of IT strategy, solutions and new products in various industries through media promotion, marketing activities, WeChat and Weibo.

In respect of new products, the advanced technology and their excellent performance in terms of reliability, availability and maintainability of the self-developed high end 4 quad server product and all flash memory disk array system of the Company fully satisfied the critical application demand of customers from government, military, finance and energy, distinguished themselves from many other excellent products in the industry and won well recognition from clients. Powerleader will continue to take its advantage of its independent R&D strength, oriented with the needs of customers, operating with aggressiveness and continuous innovation spirit, and constantly explore new market growth point to achieve leapfrog development.

In respect of cloud computing, the Company has always been devoting itself to being the international advanced, safe and controllable and customized cloud computing products, solutions and service provider. Under the historical background of “Internet+”, based on the complete industry chain of “cloud server business, cloud data center business and cloud service business”, the Company will spare no efforts to promote the comprehensive implementation of China cloud, to drive the cloudization and internet to the traditional industry, and to help the enterprises to respond to new market challenges, develop more business opportunities and promote the healthy and rapid development to all walks of life.

In respect of the Intelligent City, Powerleader has instructed the implementation of several cloud computing projects and become an active executor of Intelligent City. Powerleader launched series of solutions such as Secure City, Intelligent Transportation, Intelligent Park and Intelligent Education. Powerleader launched Intelligent City surveillance solution with monitoring storage server as the core part, which help to build a whole-day, omnibearing and three-dimensional public security prevention and control system integrated with manpower defense, physical defense and technical defense, improving the technological content in the management of public safety and the political-legal organs’ capacity of solving complicated social public security and constantly enhance safety protection level of the Public so as to provide a powerful guarantee for harmonious city.

In respect of education, the Company provides stable, reliable and high cost performance cloud computing and solution for various application requirements in the educational field. Under the future trend of education informationization, Powerleader created tailored Powerleader education cloud (宝德教育雲) relying on its experience and accumulation from independent R&D technology, to provide a favorable auxiliary teaching cloud service platform for educational institution, teachers and students with all the hardware computing resources necessary for education informationization through virtualization network integration technology.

In the second half of 2015, under the backdrop of national information security, cloud computing and big data, the Company will continue to conduct major promotional activities for the launch of new products, big data server products, high-end storage products and industry solutions through various channels, including marketing activities, advertisements, WeChat and Weibo, such that the Company can promote its brand name to a wide variety of customers.

Honors:

In January 2015: Powerleader Science and Technology Group received China IDC Industry 2014’s “Pioneer Enterprise Award”;

In February 2015: Powerleader Science and Technology Group received the “Outstanding Contribution Award 2014” from Intel;

In March 2015: Powerleader’s PR4860R received the “Innovative Product of the Year” — China server market 2014–2015;

In March 2015: Powerleader’s PR4860R server received the “2014 Innovative Product Award”;

In March 2015: Powerleader’s Center for Cloud Computing and Data (Shenzhen-Guanlan) had been granted the 2014 China Data Center Outstanding Energy Saving Project Award;

In March 2015: Powerleader’s Center for Cloud Computing and Data (Shenzhen-Guanlan) had been granted the “2014–2015 Outstanding Data Center of the Year”;

In May 2015, Powerleader had been granted “Well-Known Brand of Shenzhen”;

In May 2015, Powerleader had been granted the “The Best Partner of the Year” from Inter;

In June 2015, Powerleader had been granted “Standing Council Unit” from China Enforcement Recorder Science & Technology Innovation Industry Alliance;

Cloud Module as a Service (MaaS) — Providing R&D, Design, Manufacturing and Sales of Cloud Computing Equipment Related Components, as well as Agency Distribution for Key Components of Cloud Computing Equipment and Related Value-added Services

In the first half of 2015, China’s IT market economy was in recovery. Relying on leading capability of agency distribution, professional management team, efficient information management, powerful capital operation and strong technical support, the Company continued to strengthen the agency distribution for cloud computing related components and related value-added services. Meanwhile, the Company opened up broad and stable supply channels in China, strengthened cooperation with the mainstream brands, cooperated with the manufacturer’s operation strategy and business model, as well as integrated its own rich products and resources to provide one-stop solution for clients, owing to which the operating revenue from the agency distribution for cloud computing related components and related value-added services increased by 23.21% compared to the corresponding period of last year.

In the second half of 2015, by continuously upholding the operation philosophy of “customer-oriented, press-forward with ambition” and the principle of “customer-first”, the Company perfected after-sale service system and provided customized services with the best quality to broad manufacturers and customers. The Company also controlled operation cost, promoted customer satisfaction and devoted to be the most professional cloud modules solutions provider in China.

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

In the first half of 2015, by leveraging the OpenStack technology, the Company designed and optimized data for the broad customer and helped customers of different industries to rapidly deploy safe and efficient cloud platform in order to achieve centralized management and unified scheduling, improve working efficiency of customers and service capability, as well as substantially reduce the cost. Meanwhile, as the official launch of PLCloud, the Powerleader cloud billing way was perfected by virtue of the “monthly paid” and “postpaid” functions.

In the second half of 2015, the Company will closely keep pace with the development of cloud computing industry to continuously strengthen the R&D investment of Software and Platform as Service (SaaS & PaaS), make layout in advance, be bold in innovation and offer customers with safe and reliable cloud service featured with convenient deployment, outstanding properties and complete system.

Data Centres

With large-scale development of internet economy and cloud computing, back-end data center industry grow rapidly once again, the data centres in the market has been experiencing a huge demand. In the first half of 2015, the Company, with rich experience in the fields of tailor-made cloud server and tailor-made cloud software and through long-term strategic cooperative relationship and mutual trust with operators, continued to provide various enterprises with tailor-made data centres and cloud computing services that suit their needs of development.

In the second half of 2015, the Company will be a leading provider of internet infrastructure and cloud computing by taking fully advantages of data centres, platform scale and operation management strength, while focusing on market segment needs and promoting product structure adjustment, with an aim to enhance level of resources utilization and further intensify enterprise internal management, improve the efficiency of overall operation and keep a stable development of various business segments.

Capital Management

Though the national monetary policy was relatively loose in the first half of 2015, in order to mitigate the adverse impacts that might result from fluctuations in the financial market, the Company further manage its capital management model, ensure the orderly deployment of capital and reasonably control the operating risk, improving utilization efficiency of the capital so as to prevent financial risk, reduce financial costs and guarantee a well-organized management function of the Company.

In the second half of 2015, under the macro environment of cutting reserve requirement ratio and interest rate by the national policy, the Company will adjust the existing financing structure and financing currency, improving service efficiency of financing limit as well as reinforce the long-term and mutual trust bank-enterprise relationship with major cooperative banks, strive for credit products with lower costs, so as to provide a favorable financing environment and stable financial support for the normal development of business.

Principal Associated Company of the Group

In the first half of 2015, Shenzhen Zqgame Co., Ltd (“Zqgame”), a principal associated company of the Group, recorded a turnover of RMB154,483,509.73, representing a decrease of 24.70% as compared to the same period of last year, which was mainly due to the newly launched online game hasn’t produce scale effect, and the Company delayed the launch time of new products in consideration of market environment and fining of product. Net profit attributable to ordinary shareholders of the Company amounted to RMB13,251,822.42, representing a decrease of 30.62% as compared to that of the same period of last year. In the first half year, Zqgame consistently made progress on “four horizontal and one vertical”, and made wonderful achievements in self-resource integration and connection of ecotypic chain as regard to relevant businesses. In the second half year, Zqgame will further enhance basic operating capacity, improve its service system, increase its commercial brand value, accumulate great product brand resource and client resource, and strive to occupy the high position of interactive entertainment industry in the future.

Government Affairs

In the first half of 2015, the Company stepped up its effort in applying for government project funding and awards in respect of government affair. With cloud computing as its core content, the Company applied for a number of qualification accreditations and project funding, and certain number of its research projects have passed the inspection and acceptance procedures. In connection with the cooperation with external parties, the Company has been conducting R&D cooperation with institutes and R&D institutions with a view to absorbing skilled professionals and advanced technologies.

In January 2015, Powerleader Software had been recognized as a high-tech enterprise under the Science and Technology Scheme of Longhua New District, Shenzhen Municipal.

In April 2015, Powerleader Science and Technology Group's "Research and Development on Key Technology for New Cloud Server System" project was admitted as Technology Tackling project under the Science and Technology Scheme of Shenzhen;

In April 2015, Powerleader Software's "Data Cloud" project passed the inspection and acceptance procedures by Shenzhen Development and Reform Commission panel;

In April 2015, Powerleader Software's "Load Balance" project passed the inspection and acceptance procedures by Shenzhen Science and Technology Innovation panel;

In May 2015, Powerleader Science and Technology Group's "Desktop Computer" project passed the inspection and acceptance procedures by Shenzhen Science and Technology Innovation panel;

In May 2015, Powerleader Software's "Cloud Operating System" project passed the inspection and acceptance procedures by Shenzhen Science and Technology panel;

In May 2015, Powerleader science and Technology Group's self-developed intellectual property rights was granted the special subsidy of Shenzhen;

In May 2015, Powerleader Software's "the R&D of High-performance Distributed Storage System" project was admitted as a R&D on Technology project under the Science and Technology Scheme of Shenzhen;

In June 2015, Powerleader Science and Technology Group's "High performance server" project passed the inspection and acceptance procedures by Shenzhen Science and Technology Innovation panel;

In June 2015, Powerleader Science and Technology Group was again recognized as the "National High-tech enterprise";

In the second half of 2015, the Company will continue to apply for new funding and honors and further raise the rate of successful applications. The Group will conduct an overall review of the strengths and weaknesses on the tasks, collect government information and complete all the project applications on time and with quality in order to lift up the brand reputation of Powerleader. The Company will strive to add new impetus to Powerleader's technology innovation by further cooperation with institutes and R&D institutions.

Assets, Liabilities and Shareholders' Equity

As at 30 June 2015, current assets of the Group amounted to RMB1,927,620,858.54 (31 December 2014: RMB1,599,207,848.13), which mainly comprised of monetary capital of RMB517,813,555.41 (31 December 2014: RMB465,885,673.02), trade and bills receivables of RMB601,076,443.31 (31 December 2014: RMB524,315,497.53), inventories of RMB447,936,386.54 (31 December 2014: RMB321,873,815.99). Non-current assets amounted to RMB698,983,125.99 (31 December 2014: RMB692,075,430.08), which mainly comprised of long-term equity investment of RMB202,165,006.33 (31 December 2014: RMB195,544,136.28), fixed assets of RMB262,564,470.85 (31 December 2014: RMB267,943,201.85), intangible assets and development costs of RMB90,131,660.99 (31 December 2014: RMB90,760,528.28). Total assets were RMB2,626,603,984.53 (31 December 2014: RMB2,291,283,278.21).

As at 30 June 2015, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,290,271,095.94 (31 December 2014: RMB976,112,408.03) and accounts payable of RMB250,744,686.00 (31 December 2014: RMB259,973,782.34). Non-current liabilities mainly included long-term borrowings of RMB160,000,000 (31 December 2014: RMB0). Total liabilities were RMB1,794,039,093.36 (31 December 2014: RMB1,487,986,690.43).

As at 30 June 2015, the Group's equity attributable to the shareholders of the parent company was RMB832,564,891.17 (31 December 2014: RMB803,298,848.71).

Employee Information

As at 30 June 2015, employees of the Company were 886 (30 June 2014: 773). The total staff costs amounted to RMB24,152,672.78 for the Six Months Period compared to RMB21,396,877.25 for that of the same period in 2014.

Foreign Exchange Risk

The purchase and sales of Cloud Infrastructure as a Service (IaaS) were mainly denominated in RMB, of which part of the purchase of cloud servers and cloud storage and other related equipments was denominated in USD, while the purchase and sales of Cloud Module as a Service (MaaS) were mainly denominated in USD. The Company did not make any arrangement to hedge against its exchange risk during the Six Months Period as it considered that the exchange risk faced by it was limited.

Contingent Liabilities

As at 30 June 2015, the Directors were not aware of any significant contingent liabilities.

Interim Dividend

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

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

At as 30 June 2015, the interests or short positions of the directors, supervisors and the chief executive of the Company and their associates in the shares and debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions, underlying shares and debt securities were as follows:

SHARES OF THE COMPANY

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

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

Save as disclosed above, as at 30 June 2015, none of the directors, supervisors and chief executive of the Company and their associates had any interests or short positions in any shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or the transactions of the securities and debt securities which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 30 June 2015, the Company or any of its subsidiaries was not a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

Up to 30 June 2015, the Company has not adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2015, the Directors are not aware of any other interests and short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

LONG POSITIONS IN DOMESTIC SHARES

	Number of Shares	Capacity	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Share
Powerleader Investment (<i>Note</i>)	102,184,500	Beneficial owner	42.05%	56.07%
深圳市恆通達遠電子有限公司	23,958,000	Beneficial owner	9.86%	13.15%
哈爾濱世紀龍翔科技開發有限公司	15,963,750	Beneficial owner	6.57%	8.76%
天津誠柏股權投資合夥企業 (Limited Partnership)	15,000,000	Beneficial owner	6.17%	8.23%

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, initial management shareholders or any of their respective associates (as defined in GEM Listing Rules) of the Company had any interests in any businesses which compete or may compete with the businesses of the Group or any other conflicts of interest which any such person may have with the Group as at 30 June 2015.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the six months ended 30 June 2015, with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the Group's auditors in matters coming within the scope of the Group's audit and (ii) to review the effectiveness of the external audit, internal controls and risk evaluation. At present, the Committee comprises three independent non-executive directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun. The Group's financial statements for the Six Months Period have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures were made.

PURCHASE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased or redeemed any of the Company's shares during the Six Months Period.

TERMINATION OF POSSIBLE OFFERS

The Company disclosed the announcement regarding possible offers pursuant to rule 3.7 of the takeovers code, inside information, termination of negotiation in relation to the possible offers and resumption of trading on 29 May 2015. The Board has informed the Shareholders and potential investors of the Company that, as notified by Powerleader Investment and the Offeror, after considering issues regarding the feasibility and implementation of the Possible Offers, including the recent traded prices of the H Shares of the Company being higher than the proposed offer price previously indicated, and their views on the future prospect of Hong Kong capital market, Powerleader Investment and the Offeror have decided not to proceed with the Possible Offers and the negotiation in respect of the Possible Offers have been terminated.

By order of the Board
Zhang Yunxia
Chairman

Shenzhen, the PRC, 14 August 2015

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

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