



宝德科技集團股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

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

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

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

* For identification purpose only

THIRD QUARTERLY RESULTS

The board of Directors is pleased to report the unaudited results of the Company and its subsidiaries (“The Group”) for the nine months ended 30 September 2015 (“Nine Months Period”) together with comparative unaudited figures for the corresponding periods in 2014 are as follows:

CONSOLIDATED INCOME STATEMENT

Item	Note	For the three months ended		For the nine months ended	
		30 September	2014	30 September	2014
		2015	2014	2015	2014
		RMB	RMB	RMB	RMB
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
I. Total operating revenue		652,031,578.13	451,687,396.86	1,679,340,661.95	1,191,926,595.08
Including: operating revenue	3	652,031,578.13	451,687,396.86	1,679,340,661.95	1,191,926,595.08
II. Total operating cost		652,090,710.49	443,936,426.22	1,654,014,102.97	1,157,445,523.68
Including: Cost of operation		600,652,963.27	401,058,724.71	1,505,085,558.32	1,039,518,729.93
Sales tax and levies		620,064.68	535,667.25	1,348,032.25	1,396,529.68
Selling expenses		15,417,397.57	11,762,975.26	40,576,638.27	30,864,894.71
Administrative expenses		17,968,168.46	18,231,677.57	51,247,189.56	47,980,925.46
Finance costs		17,432,116.51	12,347,381.43	55,756,684.57	37,684,443.90
Impairment loss of assets		—	—	—	—
Add: Gain on fair value changes (loss is denoted as “()”)		—	—	—	—
Investment income (loss is denoted as “()”)		(482,210.44)	1,912,650.65	(407,101.02)	4,615,745.44
Including: Share of profit of associates and jointly controlled entity		(545,131.92)	1,749,985.10	(634,261.87)	4,270,801.08
III. Operating profit (loss is denoted as “()”)		(541,342.80)	9,663,621.29	24,919,457.96	39,096,816.84
Add: Non-operating income	4	13,982,708.04	4,738,557.95	20,777,838.89	15,758,790.34
Including: Gain on disposal of non-current assets		—	—	—	—
Less: Non-operating expenses		904,644.73	11,374.17	1,797,524.76	31,060.24
Including: Loss on disposal of non-current assets		712,140.73	—	—	—
IV. Total Profit (total loss is denoted as “()”)		12,536,720.51	14,390,805.07	43,899,772.09	54,824,546.94
Less: Income tax expenses	5	135,756.50	726,312.46	2,230,504.69	5,182,674.28
V. Net profit (net loss is denoted as “()”)		12,400,964.01	13,664,492.61	41,669,267.40	49,641,872.66
Attributable to shareholders of the parent company		12,400,783.31	13,673,680.81	41,669,251.15	49,489,699.02
Minority interests		180.70	(9,188.20)	16.25	152,173.64
VI. Earnings per share:					
(1) Basic earnings per share	7	0.051	0.056	0.172	0.204
(2) Diluted earnings per share		0.051	0.056	0.172	0.204
VII. Other comprehensive income					
Other comprehensive income which cannot be recycled to profit or loss in subsequent accounting periods		—	—	—	—
Other comprehensive income which can be recycled to profit or loss in subsequent accounting periods if conditions are satisfied		—	—	—	—
VIII. Total comprehensive income (net loss is denoted as “()”)		12,400,964.01	13,664,492.61	41,669,267.40	49,641,872.66
Total comprehensive income attributed to shareholders of the parent company		12,400,783.31	13,673,680.81	41,669,251.15	49,489,699.02
Total comprehensive income attributed to minority interests		180.70	(9,188.20)	16.25	152,173.64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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) — Research and development, design and manufacturing and sale of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services; and (iii) Software and Platform as a Service (SaaS & PaaS) — Development of cloud computing software and platforms and provision of related services.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared based on a going concern basis and in accordance with the requirements of "Accounting Standards for Business Enterprises — Basic Standard" and 40 Specific Standards issued by the Ministry of Finance 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 "CAS") and also comply with the applicable disclosure requirements of "Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (2010 revised)" issued by China Securities Regulatory Commission, the Rules Governing the Listing of Securities on the Market of the Stock Exchange of Hong Kong Limited 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 nine months ended 30 September 2015 together with comparative unaudited figures for the corresponding period in 2014 are as follows:

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income from the principal business				
Including:				
Cloud Infrastructure as a Service	248,709,937.22	130,760,539.86	616,391,242.09	335,891,402.31
Cloud Module as a Service	390,183,439.59	317,038,474.18	1,037,968,819.13	842,780,453.28
Software and Platform as a Service	12,350,762.24	2,498,224.19	19,967,795.70	8,056,690.88
Income from other business	787,439.08	1,390,158.63	5,012,805.03	5,198,048.61
Total	<u>652,031,578.13</u>	<u>451,687,396.86</u>	<u>1,679,340,661.95</u>	<u>1,191,926,595.08</u>

4. NON-OPERATING INCOME

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government subsidies	13,892,708.04	1,300,000.00	20,727,417.44	10,437,000.00
Others	—	3,438,557.95	50,421.45	5,321,790.34
Total	<u>13,892,708.04</u>	<u>4,738,557.95</u>	<u>20,777,838.89</u>	<u>15,758,790.34</u>

5. INCOME TAX EXPENSE

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax charge				
PRC	57,578.17	516,590.43	732,041.64	1,078,201.35
Hong Kong	78,178.33	209,722.03	1,498,463.05	4,104,472.93
Total	<u>135,756.50</u>	<u>726,312.46</u>	<u>2,230,504.69</u>	<u>5,182,674.28</u>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau in 2009, and was subject to EIT at a rate of 15% from the year 2009. The Company passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau on 12 September 2012, and continued to be regarded as a national high-tech enterprise, and was subject to EIT at a rate of 15%. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computing System Co., Ltd. (深圳市宝德計算機系統有限公司) (“Powerleader Computing”) as well as Shenzhen Powerleader Software Development Limited (深圳市宝德軟件開發有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 30 September 2015 (during the period ended 30 September 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 September 2015 (during the period ended 30 September 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 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 September 2015 (during the period ended 30 September 2014: 12.5%).

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

6. DIVIDEND

At the meeting held on 28 October 2015, the Directors resolved not to recommend the payment of any dividend for the nine months ended 30 September 2015 (for the nine months ended 30 September 2014: nil).

7. EARNINGS PER SHARE

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

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Net profit attributable to shareholders of the parent company	12,400,783.31	13,673,680.81	41,669,251.15	49,489,699.02
Number of share				
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 Company of RMB41,669,251.15 (for the nine months ended 30 September 2014: RMB49,489,699.02) and the weighted average number of 243,000,000 shares in issue during the Nine Months Period.

Diluted earnings per share are the same as basic earnings per share because the Company had no dilutive potential shares for the Nine Months Period (for the nine months ended 30 September 2015: nil).

8. SHARE CAPITAL

Name of shareholder/ category	As at 31 December 2014		Movements for the period					As at 30 September 2015	
	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 persons 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 share capital	<u>243,000,000.00</u>	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>243,000,000.00</u>	<u>100</u>

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.

9. SHAREHOLDERS' EQUITY

	Attributable to shareholders of the parent Company					Minority interests	Total shareholders' equity
	Share capital	Capital reserves	Surplus reserves	Undistributed Profits			
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
(Unaudited)							
As at 1 January 2014	243,000,000.00	31,987,251.85	34,601,238.65	437,634,780.76	464,718.54	747,687,989.00	
Net profit for the period	—	—	—	57,870,565.06	(32,410.60)	57,838,154.46	
As at 30 September 2014	243,000,000.00	31,987,251.85	34,601,238.65	487,124,479.78	616,892.18	797,329,862.46	
(Unaudited)							
As at 1 January 2015	243,000,000.00	34,065,777.42	34,601,238.65	491,631,832.64	(2,260.93)	803,296,587.78	
Net profit for the period	—	—	—	41,669,251.15	16.25	41,669,267.40	
As at 30 September 2015	<u>243,000,000.00</u>	<u>34,065,777.42</u>	<u>34,601,238.65</u>	<u>533,301,083.79</u>	<u>(2,244.68)</u>	<u>844,965,855.18</u>	

MANAGEMENT DISCUSSION AND ANALYSIS

In the third quarter of 2015, the Company 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 team, a strict management system, extensive sales channels and quality customer services, the Group provides 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 big data machine, 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 of components related to cloud computing in the PRC.

Thirdly, we accelerated our SaaS and PaaS segments through focusing on demands for the applications 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 potentials of cloud module and speed up the development of relevant software and platform, aiming at driving the integration of prime 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 shall maintain our leading position in the cloud computing industry in the PRC.

FINANCIAL REVIEW

Revenue of the Group for the Nine Months Period amounted to RMB1,679,340,661.95, representing an increase of 40.89% in revenue as compared to RMB1,191,926,595.08 for the corresponding period in 2014. Gross profit margin of the Group was 10.38%, representing a decrease of 2.41% as compared to a gross profit margin of 12.79% for the corresponding period in 2014.

Cost of sale and administrative fee of the Group increased by 16.46% from RMB78,845,820.17 for the same period of last year to RMB91,823,827.83, mainly attributed to the increase in the number of staff of the Group.

Finance costs of the Group rose by 47.96% from RMB37,684,443.90 for the same period of last year to RMB55,756,684.57, mainly due to the increase of bank loans.

BUSINESS REVIEW AND PROSPECT

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

In 2015, cloud computing industry maintains its rapid growth. The Company provide customers with proper equipment and solutions of cloud server and cloud storage based on its own precipitation and accumulation in the aspect of product, technology, R&D, market and services. The Company enhanced its sales system based on interconnection between regions and industry with emphasis on the expansion of industrial marketing, and as a result, it successfully enhanced its corporate operation and management capability to a great extent. In the third quarter of 2015, revenue of IaaS increased by 83.51% as compared to the same period of last year.

In the fourth quarter of 2015, we will continue our effort in providing customers with more sophisticated products and solutions and providing users with higher quality and more diversified services while in the process of improving R&D and performance of our products in accordance with our independent innovation principles.

Marketing and Promotion

In the third quarter of 2015, the Group carried out extensive promotion for Powerleader brand, products and view of industry through many channels, such as media promotion, marketing activities and We-Media and targeted at the fields of cloud computing, Internet, government, HPC and finance. Besides, the Group also enables users and target users to get knowledge about the development of Powerleader and the stable growth of it through second transmission by numerous fans on the official Micro-blog and WeChat.

In respect of new products, the Company deliver different target customer groups with advantaged products technical solutions and application cases of Powerleader by holding technical seminars for server products to promote new products such as the self-developed high-end 8-processors server (高端八路服務器), so as to enable participants have a brand-new knowledge and understanding to Powerleader's latest products, techniques and solutions. Powerleader's self-developed new products stood out from numerous excellent products in the industry and were well recognized by customers.

In respect of cloud computing, the Company held and attended several cloud computing meetings and forums to share Powerleader's integrated solutions of hardware and software with users in a timely manner. The Company actively participated in the third parties meetings, providing suggestions for the development of industry and contributing efforts together with alliance and peers for the development of cloud computing industry.

In respect of the government, the Company held the E7v3 industry applications exhibitions and government and enterprises' informatization strategy seminar, providing solutions to substitute the international bands with 4 and 8 processors server and cloud computing solutions for government and enterprises' informatization users, providing a strong safeguard for the localization of IT.

In respect of HPC, the Company held modernization national tour training of HPC code together with Intel, with an effort to provide users with HPC solution and to help users improving the level of HPC applications, as well as cultivate and reserve HPC applications personnel. The Company's diversified and customized solutions attracted attention of more and more customers.

In the fourth quarter of 2015, the Company will enhance marketing strengths, and demonstrate comprehensively to the public with the Company's product technology, trends, bidding news, successful cases, brand growth and industry insights through marketing activities, public promotion, We-media and other manners, so as to improve the Company's reputation.

Honors:

In July 2015, Powerleader Science and Technology Group was recognized as an "Executive Director Unit of the First Session of the Council of Shenzhen Municipal Government Association";

In July 2015, Mr. Ma Zhumao, the deputy vice president of the Powerleader Science and Technology Group, received the first batch of "Top Computer Science Contribution Award" in Shenzhen;

In July 2015, Powerleader Science and Technology Group was recognized as "Cloud500 Cloud Server Provider";

In September 2015, Ms. Zhang Yunxia, the chairman of the Powerleader Science and Technology Group, was awarded as the sixth "Top Ten Outstanding Female Entrepreneurs of Shenzhen".

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 third quarter of 2015, the MaaS business segment recorded an increase of 23.16% in operating income as compared to the same period of last year due to economic recovery in the sector of agency distribution for related components of cloud computing equipment in the PRC. The Company uphold the operation philosophy of "customer-oriented, press-forward with ambition" and the principle of "customer-first" and provided one-stop shopping experience for its customers through optimizing product portfolio and diversifying product categories. At the same time, the Company kept striving for progress and actively cooperated with the business strategies and business mode of suppliers. By integrating its wide range of products and resources, the Company successfully improved the relevant value-added cloud computing services and provided customers with a more comprehensive range of solutions.

In the fourth quarter of 2015, the Company will consolidate its sales system and enhance its internal management capacity as well as external service support of the Company. It will strengthen its cooperative relationship with suppliers and explore areas for collaboration. By further improving the product system of agency distribution for key components of cloud computing equipment, it endeavors to provide timely and sufficient component support and professional technical support to channel partners and industry customers.

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

In the third quarter of 2015, Powerleader cloud platform, independently developed and designed by the Company, provided clients with safe and stable cloud computing services and its system functions and capability are highly recognized by clients and the revenue of SaaS and PaaS grew significantly as compared to the same period of last year. In the fourth quarter, the Company will devote more resources to the technology research and development of cloud computing and focus on decentralized storage, application container and other technologies, aiming to provide its clients with cloud computing software and platform services that are more advanced, safe and stable.

Data Centre

In the third quarter of 2015, with the excellent bandwidth resource and circuit resources, construction of high standard, flexible business deployment, efficient utilization, the perfect operation and maintenance services, Phase I machine room of Shenzhen Guanlan and Phase I machine room of Guangzhou accelerator are highly recognized by the operators and clients in the industry, and the operation revenue of data centre grew significantly as compared to the same period of last year. In the fourth quarter of 2015, the Company aims to become a “leading internet infrastructure and cloud computing service provider”, focus on building cloud computing Green Information Centre with high standard and low energy consumption, update and expand CDN platform and enhance its operation management capability, so as to give full play to its resource superiority, as well as the advantages in platform scale and operations management, and to become a leading internet infrastructure and cloud computing service provider in the industry. At the same time, the Company will continue to pay attention to the needs of market segments, facilitate product structure adjustment, improve resource utilization rate and further intensify enterprise internal management level, improve the overall operation efficiency, so as to keep the stable development of the Company’s business.

Capital Management

In the third quarter of 2015, with the rate cuts as well as reductions of required reserve ratio, rates in capital market decreased significantly, but the real economy condition is still severe. Under such circumstances, the Company improved utilization efficiency of the facilities, and made timely repayment to guarantee the credit rating, through which realized the stability of the capital and ensured the sustainable and organized operation of the business of the Company. Meanwhile, the Company will learn more about the characteristics of other financing products provided by banks, and selectively make choice of products suitable for the Company.

In the fourth quarter of 2015, in order to prevent adverse impact arising from the financial market, the Company will strictly comply with laws and regulations on foreign exchange and the risk control mechanism process, further standardize various fields and segments involving operation of bill financing, letter of credit financing and factoring financing, and will introduce more and more multilateral institutions involve in trade financing business. The Company will further open up channels to strive for greater development space.

MAJOR ASSOCIATE OF THE GROUP

In the third quarter of 2015, 深圳中青寶互動網絡股份有限公司 (Shenzhen ZQ Game Co., Ltd) (“ZQ Game”), a major associate of the Group, recorded a turnover of RMB274,550,208.25, representing a decrease of 16.73% over the corresponding period of last year; a net profit attributable to holders of ordinary shares of the Company of RMB15,663,889.64, representing a decrease of 43.88% over the corresponding period of last year. The decrease was mainly due to the lack of scale effect of the new online games. During the first three quarters, ZQ Game made achievements in game related business lines through continuous improving and breakthroughs. ZQ Game will further enhance cooperation in industrial chain in the future and carry out more branches layout, with an aim to play a role in upstream, midstream and downstream, so as to gain more advantages and success in the market competition in the future.

Government Affairs

In the first three quarters of 2015, the Group continued to apply for projects with cloud computing as core content and applied for a number of qualification accreditations and project funding, and certain number of its research projects have passed the inspection and acceptance procedures depended by flexible way of independent innovation, joint research and development and introduction. In connection with the cooperation with external parties, the Company has been conducting R&D cooperation with universities 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 July 2015, Powerleader Software was awarded as “The Top 100 Fourth Type Enterprise of Longhua New District (龍華新區四類100強企業)” of 2014;

In August 2015, Powerleader Software’s self-developed intellectual property rights was granted the special subsidy of Shenzhen;

In August 2015, the project “Powerleader’s IAAS Platform Research and Development and Industrialization Based on the Cloud Computing (基於雲計算的寶德IAAS平台的研發及產業化)” was awarded the Science and Technology Innovation Prize of Longhua New District (龍華新區科技創新獎勵);

In September 2015, the chairman of Powerleader Science and Technology Group, Zhang Yunxia was awarded as “the Sixth Municipal Top Ten Outstanding Female Entrepreneurs of Shenzhen (市第六屆深圳十大傑出女企業家)”.

In September 2015, the project “Internet Application-Oriented Powerleader Cloud Servers Technology Reform” (「面向互聯網應用的寶德云服務器技術改造」) of Powerleader Science and Technology Group was approved as the national electronic information industry revitalization and technical transformation projects (國家電子資訊產業振興和技術改造項目).

In the fourth quarter of 2015, the Group 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 universities and R&D institutions.

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

At as 30 September 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 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
Li Ruijie (Note)	102,184,500	42.05%	56.07%
Zhang Yunxia (Note)	102,184,500	42.05%	56.07%

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

Save as disclosed above, as at 30 September 2015, none of the directors, supervisors, chief executive and their associates had any interests or short positions in any shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have to be notified 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 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 as otherwise notified the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities and debt securities transactions.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 30 September 2015, the Company or any of the 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 corporates. Also, 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

As at 30 September 2015, the Company has not adopted any share option schemes and did not grant any options.

SUBSTANTIAL SHAREHOLDERS

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

Long positions in Domestic Shares	Number of Shares	Capacity	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Powerleader Investment Holding Company (<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 Holding Company Limited, a limited liability company established in the PRC, is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively and holds in aggregate 102,184,500 Domestic Shares.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 September 2015, none of the Directors, original 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.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the GEM Listing Rules (“GEM Listing Rules”) of the Stock Exchange of Hong Kong Limited throughout the nine months ended 30 September 2015.

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 Nine 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 Nine 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 of the Group. 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 Nine 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, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the Nine Months Period.

By order of the Board
Zhang Yunxia
Chairman

Shenzhen, the PRC, 28 October 2015

As at the report hereof, the Board comprises a total of nine 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 and published at the Company’s website at www.powerleader.com.cn for at least 7 days from its date of publication.