



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

Stock Code : 8236

Annual Report 2015

中国云
中国赢
宝德云
宝德赢



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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Li Ruijie (*Vice Chairman*)
Sun Wei
Xu Yueming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Shiu Yuen Sammy
Guo Wanda
Jiang Baijun

SUPERVISORS

Shu Ling
Li Xiaowei
Zhou Liqin

COMPANY SECRETARY

Dong Weiping

COMPLIANCE OFFICER

Li Ruijie

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

STOCK CODE

08236 (H Share)

AUDITOR

ShineWing Certified Public Accountants (Special General Partnership)

LEGAL ADVISOR

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

PRINCIPAL BANKERS

Construction Bank
Agricultural Bank
Industrial Bank Co., Ltd.

HONG KONG H SHARE TRANSFER OFFICE

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

REGISTERED OFFICE

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

COMPANY WEBSITE

www.powerleader.com.cn

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUTHORISED REPRESENTATIVES

Dong Weiping
Ma Zhumao

FINANCIAL SUMMARY

RESULTS	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total Revenue	2,686,354	1,852,839	1,560,678	1,750,773	1,714,837
Gross Profit	253,321	227,155	184,319	220,777	190,442
Gross Profit Margin	9.43%	12.26%	11.81%	12.61%	11.11%
Profit attributable to shareholders of the Company	21,270	53,997	50,224	78,743	74,256

Financial Position	As at 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	2,802,917	2,291,283	1,765,429	1,461,978	1,494,106
Total liabilities	1,977,181	1,487,987	1,017,741	755,928	854,599
Minority Interests	(2)	(2)	465	158	211
Equity attributable to shareholders of the Company	825,738	803,299	747,223	705,892	639,296

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board") of Powerleader Science & Technology Group Limited (hereinafter referred to as the "Company"), I am pleased to present the results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2015.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2015, the Group's revenue was RMB2,686,354,110, representing an increase of approximately 44.99% as compared to the revenue of RMB1,852,839,421 for the year ended 31 December 2014. Audited profit attributable to shareholders amounted to RMB21,269,795, representing a decrease of approximately 60.61% as compared to RMB53,997,052 for the year ended 31 December 2014.

RESULTS REVIEW

In 2015, growth in IT equipment procurement by major industries slowed down owing to complicated global economic condition and disappointed domestic economy. The Company took steady measures to conduct re-layout for core server, cloud distribution, and cloud IDC business to strengthen sales management, optimize quality management model, expand brand promotion, deeply explored markets of various sectors, and improve sales service capacity. During the year, the Company's revenue recorded a significant growth.

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

In 2015, thanks to the gradual implementation of the cloud computing industry policies, China's cloud computing server market grew rapidly. With the advent of the Internet era and further development, customer demand was robust, and new technologies and products were also upgrading. In this market environment, the Company set up the cloud ecosystem to better integrate market resources and gradually improved cloud solutions for vertical industries to further improve the deployment efficiency of cloud computing and intensify product innovation and core technology research and development. We greatly enriched the application scenarios of cloud computing in the new technology field to provide more users with the more extensive and convenient application and make positive contributions to application and popularization of China's cloud computing technology! During this year, the prime operating revenue from IaaS increased by 50.08% as compared to the same period of last year.

In 2015, in the background of information localization, the Company actively expanded the business market depending on the precipitation and accumulation in the various aspects of products, technologies, research and development, marketing, and services. The Company promoted the domestic manufactured secured and controllable cloud servers and cloud solutions with proprietary R&D in various sectors, such as military industry, energy, Desktop Cloud, finance, and national tax, thereby enhanced the brand's influence vertically along the industrial chain. Meanwhile, the Company hosted and participated in industrial conferences covering cloud computing, internet, SmartCity, military industry and education, which strengthened the Company's position within the industry and enhanced the brand's sphere of influence in the industry.

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

In 2015, as a result of the economic recovery in the agency distribution segment of cloud computing equipment related components in China was enhanced, the total prime operating revenue from this business increased by 42.55% year on year. Depending on years of operation in the cloud computing equipment related components independently researched and developed as well as designed, the Company expanded the distribution channels, got through the distribution chain information flow and adopted the sales models such as channel refinement and narrow-focused propagation to segment the markets for the business such as cloud server accessory products, network cards, storage products and all-in-one machine to develop the niche markets of different demand characteristics and implement different propagation strategies to them so as to better meet the one-stop purchasing demands of the market customers and provide more integrated and efficient solutions for customers.

CHAIRMAN'S STATEMENT

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

In 2015, depending on years of software development technology and experience, the Company continued our ambitious expansion, researched and developed as well as improved the cloud computing technology related software and platforms, and provided the safe, stable and highly available public cloud, private cloud and mixed cloud products; meanwhile, the Company optimized the operation management model and enhanced the marketing capabilities in line with the current cloud computing development trend, the progress in cloud computing business model and future potential market demands, provided the more personalized and diversified cloud application demands for customers and maintained China's leading position of comprehensive cloud service provider.

R&D achievements and intellectual property rights

During the year, cloud computing presented an excellent history-making development opportunity to the domestic information services industry. In light of this, the Company continued to focus on innovative R&D and technology investment. We have sufficiently leveraged on our expertise in proprietary server R&D and customized services and endeavored in the provision of mega data infrastructure equipment and solutions. Benefited from the foundation laid down by our 2 quad server and 4 quad server with proprietary R&D and design, we had developed additional proprietary products and presented a wider range of choices for the domestic users. Moreover, after years of persistent R&D, the Company had shown remarkable achievements in intellectual property rights, which evidenced by an aggregate of 72 patents, 50 computer software copyrights and 15 trademarks.

Future development strategies

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

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

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

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



CHAIRMAN'S STATEMENT

APPRECIATION

Finally, on behalf of the Board of Directors, I would like to express heartfelt gratitude to our customers and suppliers for their enduring support to and trust in the Group, and to extend thanks to all the staff of the Group for diligence and dedication. Sectors of the Internet, cloud computing, big data, and the Internet of Things will see further development fueled by the "Internet" action plan clearly proposed by Prime Minister Li Keqiang in his government report. In 2016, the Group will seize this historic opportunity to unite together, carry out reform and innovation, and endeavor to provide satisfactory returns for our shareholders.

Powerleader Science & Technology Group Limited
Zhang Yunxia
Chairman

Shenzhen, the PRC
29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 December 2015, the Group recorded an revenue of RMB2,686,354,110 and profit attributable to equity owners of the Company of RMB21,269,795 as compared to revenue and profit attributable to equity owners of RMB1,852,839,421 and RMB53,997,052 for the year ended 31 December 2014, representing an increase of 44.99% and a decrease of 60.61% respectively. Earnings per share was RMB0.0875 (2014: RMB0.2222) and net assets per share of the Company was RMB3.40 (2014: RMB3.31).

Revenue

The revenue of the Group for the year ended 31 December 2015 and the comparative figures of 2014 as classified by businesses were as follows:

	2015		2014		Change %
	RMB	%	RMB	%	
Income from the principal business					
Cloud Infrastructure as a Service (IaaS)	805,512,385	29.98	536,722,121	28.97	50.08
Cloud Module as a Service (MaaS)	1,849,524,072	68.85	1,297,465,299	70.03	42.55
Software and Platform as a Service (SaaS & PaaS)	24,092,690	0.90	8,872,032	0.48	171.56
Income from other business	7,224,963	0.27	9,779,969	0.52	(26.12)
Total	2,686,354,110	100	1,852,839,421	100	44.99

The Group's revenue was mainly derived from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS). With reference to the table above, for the year ended 31 December 2015, prime operating revenue from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS) amounted to RMB805,512,385 and RMB1,849,524,072 respectively (2014: RMB536,722,121 and RMB1,297,465,299), accounted for 29.98% and 68.85% (2014: 28.97% and 70.03%) of total revenue respectively. Revenue from Cloud Infrastructure as a Service (IaaS) increased by 50.08%, which was mainly attributable to the Group's significant increase in revenue from major customers and industry customers during the year. Revenue from Cloud Module as a Service (MaaS) increased by 42.55%, mainly due to gradual recovery the rapid growth of the rapid recovery of IT industry and new business during the year. Further details of business analysis are set out in the paragraph "Business Review" below.

Gross Profit

	Revenue		Gross profit		Gross profit margin	
	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 %	2014 %
Income from the principal business						
Cloud Infrastructure as a Service (IaaS)	805,512,385	536,722,121	171,994,052	147,902,126	21.35	27.56
Cloud Module as a Service (MaaS)	1,849,524,072	1,297,465,299	79,525,764	70,985,735	4.30	5.47
Software and platform as a Service (SaaS & PaaS)	24,092,690	8,872,032	(2,575,390)	3,310,996	(10.69)	37.32
Income from other business	7,224,963	9,779,969	4,376,896	4,956,576	60.58	50.68
Total	2,686,354,110	1,852,839,421	253,321,322	227,155,433	9.43	12.26

The Group's gross profit increased from RMB227,155,433 for the year ended 31 December 2014 to RMB253,321,322 for the year ended 31 December 2015, representing an increase of 11.52%.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's overall gross profit margin decreased from 12.26% for the year ended 31 December 2014 to 9.43% for the year ended 31 December 2015. Gross profit margin of Cloud Infrastructure as a Service (IaaS) decreased from that of 2014. These were mainly attributable to the Company's promotion strategy of lowering price for the purpose of increasing sales volume. Further details of business analysis are set out in the paragraph "Business Review" below.

Sales expenses

Sales expenses mainly comprised of, amongst others, salaries of sales personnel, marketing expenses, rents and transportation cost. For the year ended 31 December 2015, sales expenses in total were RMB59,544,520, compared to the total sales expenses of RMB45,674,561 for the year ended 31 December 2014, representing an increase of 30.37% from last year.

Administrative expenses

Administrative expenses mainly comprised of, amongst others, amortization of intangible assets, salaries of management personnel, depreciation, R&D cost. For the year ended 31 December 2015, total administrative expenses were RMB75,623,844, compared to the total administrative expenses of RMB63,769,919 for the year ended 31 December 2014, representing an increase of 18.59% from last year.

Finance costs

Finance costs mainly comprised of, amongst others, interest expenses, exchange gain or loss, and handling fees. For the year ended 31 December 2015, total finance costs were RMB89,749,447, compared to the total finance costs of RMB60,769,922 for the year ended 31 December 2014, representing an increase of 47.69% from last year.

Assets, liabilities and shareholders' equity

As at 31 December 2015, current assets of the Group amounted to RMB2,047,570,979 (2014: RMB1,599,207,848), which mainly comprised of cash and cash equivalent of RMB486,466,976 (2014: RMB465,885,673), trade and bills receivables of RMB791,965,902 (2014: RMB524,315,498), inventories of RMB396,209,413 (2014: RMB321,873,816). Non-current assets amounted to RMB755,345,622 (2014: RMB692,075,430), which mainly comprised of long-term equity investment of RMB203,846,548 (2014: RMB195,544,136), fixed assets of RMB421,305,660 (2014: RMB267,943,202), intangible assets and development costs of RMB108,112,203 (2014: RMB90,760,528). Total assets were RMB2,802,916,601 (2014: RMB2,291,283,278).

As at 31 December 2015, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,091,452,256 (2014: RMB976,112,408) and accounts payable of RMB286,158,969 (2014: RMB259,973,782). Non-current liabilities mainly included long-term borrowings of RMB115,000,000 (2014: RMB0). Total liabilities were RMB1,977,180,834 (2014: RMB1,487,986,690).

As at 31 December 2015, the Group's equity attributable to the shareholders of the Company was RMB825,738,249 (2014: RMB803,298,849).

Significant investment, acquisition and disposal of subsidiaries and associates

According to the capital increment agreement entered into on 18 October 2013, the Company would contribute a total of RMB15 million in 3 tranches the company holds 25% of the share, with a shareholding of 25%. Up to 11 August 2015, the Company had contributed RMB15 million. On 31 August 2015, Internet Semiconductor (Dalian) Co., Ltd. (英特爾半導體(大連)有限公司) subscribed the newly increased registered capital of Beijing Haiyun Jiexun of RMB1.60 million at the consideration of RMB24.83 million. The shareholding of Zhang Zhengyu, Li Hua, employees, Powerleader Science & Technology and Internet were 34.06%, 21.98%, 8.62%, 21.55%, 13.79% respectively. The legal representative is Li Hua. Powerleader Science & Technology has 1 out of 3 directors in the board. It is accounted for using equity method.

Currency Risk

The Company and some of its subsidiaries conduct sales and procurement settlement in foreign currencies, which expose the Group to foreign currency risks. In 2015, approximately 67% (2014: 62%) of the Group's sales were denominated in currencies other than the functional currency of the Group's entities for the sales, and approximately 27% (2014: 21%) of the costs were denominated in the Group entities' functional currencies.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

As at 31 December 2015, the gearing ratio of the Group was approximately 70.54% (2014: 64.94%), which is determined by the Group as the percentage of total liabilities to total assets. The gearing ratio increased by 5.60 percentage points compared to last year.

BUSINESS REVIEW

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

In 2015, thanks to the gradual implementation of the cloud computing industry policies, China's cloud computing server market grew rapidly. With the advent of the Internet era and further development, customer demand was robust, and new technologies and new products were upgrading. In this market environment, the Company set up the cloud ecosystem to better integrate market resources and gradually improved cloud solutions for vertical industries to further improve the deployment efficiency of cloud computing and intensify product innovation and core technology research and development. We greatly enriched the application scenarios of cloud computing in the new technology field to provide more users with the more extensive and convenient application and make positive contributions to application and popularization of China's cloud computing technology! During this year, the prime operating revenue from IaaS increased 50.08% year on year.

In the R&D front, the Company launched new enterprise-class server Powerleader 4U four-quad high efficiency server PR4880G. This server is designed for release of large data and used for e-commerce, large intermediary software applications, large database applications, high performance computing, computer clusters and other fields. It is preferably applied to the data center construction, enterprise ERP system construction, customer relationship management (CRM), and other applications, etc. At the same time, in response to customers' demand for GPU servers, the Company introduced eight new generation of high-density GPU accelerated computing servers to fully meet the needs of different customers in different application scenarios.

In the sales front, the Company placed cloud server business as our strategic development focus for the Group's cloud computing infrastructure and services. With the development of the Internet, domestic enterprises witnessed a substantial increase in overall server market share. The Company strengthened the construction of the sales talent team and conducted layout in terms of the Internet, police enforcement instrument, network security, HPC, smart city, energy, telecommunications and other key industries and actively developed new business markets. The Company constantly improved the ability of cloud computing solutions and strengthened the implementation of key industry solutions through independent R&D and integration of cloud computing industry chain to comprehensively enhance the sales capacity in the market based on solutions.

In the marketing front, the Company conducted comprehensive promotion for product technologies, program cases, brand growth, etc. by way of marketing events, public relations promotion and We media communications through the promotion ideal of "professional focus", "security control", "customization on-demand", and "advancing with times". Based on building upon our official WeChat and Weibo accounts, we promoted our news and marketing events by leveraging on the social circle of our suppliers, customers and employees so as to attract broader attention and participation, and comprehensively improved Powerleader's professional image and leading position as well.

In 2015, in the background of information localization, the Company actively expanded the business market depending on the precipitation and accumulation in the various aspects of products, technologies, research and development, marketing, and services. The Company promoted the domestic manufactured secured and controllable cloud servers and cloud solutions with proprietary R&D in various sectors, such as military industry, energy, Desktop Cloud, finance, and national tax, thereby enhanced the brand's influence vertically along the industrial chain. Meanwhile, the Company hosted and participated in industrial conferences covering cloud computing, internet, SmartCity, military industry and education, which strengthened the Company's position within the industry and enhanced the brand's sphere of influence in the industry.

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;

MANAGEMENT DISCUSSION AND ANALYSIS

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 Intel;

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

In July 2015, PowerLeader Science & Technology Group was awarded "Standing Council Member of the First Council of Shenzhen Government Procurement Association";

In July 2015, Mr. Ma Zhumao, the executive vice president of PowerLeader Science & Technology Group, won the first "First-class Contribution Medal for Computer Science & Technology" in Shenzhen;

In July 2015, PowerLeader Science & Technology Group was awarded "Cloud 500 Server Supplier";

In Sep 2015, Ms. Zhang Yunxia, the chairman of PowerLeader Science & Technology Group, was awarded the title of the sixth "Ten Outstanding Women Entrepreneurs of Shenzhen";

In November 2015, PowerLeader Science & Technology Group was nominated for the second "Shenzhen Industrial Award";

In November 2015, Ms. Zhang Yunxia, the chairman of PowerLeader Science & Technology Group, was nominated for the second "Shenzhen industrial Award";

In December 2015, Mr. Ma Zhumao, the executive vice president of PowerLeader Science & Technology Group, was employed as the member of Pan Pearl River Delta Smart City Expert Committee;

In December 2015, PowerLeader Science & Technology Group was awarded "Top Ten Enterprises" of China Smart City in 2015;

In December 2015, PowerLeader Science & Technology Group was awarded the prize of Intel "Super Fusion Product Partner-Enterprise of the Year";

In December 2015, PowerLeader Science & Technology Group was awarded the prize of Intel "Super Fusion Product-Excellent Supplier".

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

In 2015, as a result of the economic recovery in the agency distribution segment of cloud computing equipment related components in China was enhanced, the total prime operating revenue from this business increased by 42.55% year on year from that of the previous year. Depending on years of operation in the cloud computing equipment related components independently researched and developed as well as designed, the Company expanded the distribution channels, got through the distribution chain information flow and adopted the sales models such as channel refinement and narrow-focused propagation to "segment" the key markets for the business such as cloud server accessory products, network cards, storage products and all-in-one machine to develop the niche markets of different demand characteristics and implement different propagation strategies to them so as better meet the one-stop purchasing demands of the market customers and provide the more integrated and efficient solutions for the customers.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2015, depending on years of software development technology and experience, the Company continued our ambitious expansion, researched and developed as well as improved the cloud computing technology related software and platforms, and provided the safe, stable and highly available public cloud, private cloud and mixed cloud products; meanwhile, the Company optimized the operation management model and enhanced the marketing capabilities in line with the current cloud computing development trend, the progress in cloud computing business model and future potential market demands, provided the more personalized and diversified cloud application demands for customers and maintained China's leading position of comprehensive cloud service provider.

Powerleader's cloud platform

By virtue of the resources such as cloud computing, cloud networking, cloud storage, cloud security and cloud delivery, Powerleader's cloud platform enhanced the research and development strength continuously. In terms of Powerleader cloud billing way, the Company adopted the "monthly paid" and "postpaid" functions. For the enterprise users with the relatively stable flow and resource demands, choosing the monthly paid billing would save much expenditure than pay-per-use billing and minimized the hardware procurement, operation and maintenance costs. During this year, the Company increased R&D investments of Powerleader's cloud platform related products and continued the in-depth development of our marketing service model, which further improved Powerleader's cloud platform by launching the more improved Powerleader cloud services. Meanwhile, we strengthened our marketing team and improved our professional services standard, so that we could guarantee our customers with the smooth delivery of the simplest and most convenient services.

Cloud hosting

Powerleader's cloud hosting products were derived from Powerleader's cloud platform, which constituted an integral part of the infrastructure applications of Powerleader's cloud computing. With an integration of high-performance servers and quality network band width, Powerleader's cloud hosting could effectively address the problems of traditional hosting, which is expensive yet quality non-guaranteed services, and can fully satisfy the requirements of small and medium size enterprises and individual host owners towards hosting services, that are cost-effectiveness, reliability and manageability; meanwhile, the Company strengthened cooperation with the partners to the high-level safety performance for Powerleader's cloud hosting, adopted the standardized safety reinforcing process to provide 12 safety reinforcing processes including permission configuration, bug fixes, security policy, port configuration, system service optimization and registry optimizer for the server system environment so as to ensure the safer cloud services for the customers.

CDN acceleration platform

Powerleader's CDN delivered the users' acceleration contents to the services nodes deployed around the world, and conducted the intelligent regulation and cache to compute the nearest access node for the users and provide the better and faster networking experience for the customers. It could fully address the fundamental problems of slow website response experienced by users due to narrow band width, high traffic and uneven POP distribution. Users could obtain the required content from the most convenient access so as to ease up the internet congestion and speed up the user response time of the websites. At the same time, we have integrated our quality resources comprised of our own independent computer room in Shenzhen and Guangzhou and backbone network nodes distributed over different region, so as to achieve cloud acceleration functions by national coverage of core backbone networks, speed-up content delivery and response from the nearest router.

MANAGEMENT DISCUSSION AND ANALYSIS

Data center

In 2015, targeted at the “leading Internet infrastructure and cloud computing service provider”, the Company focused on preparing to build the high-standard and low-energy cloud computing green data center and promoting the operation and management capacities to give full play to the resource advantages, platform scale and operation and management advantages. As the specialist unit of CSIP Cloud Computing Research Center of Ministry of Industry and Information Technology of the People’s Republic of China, the Company participated in developing the cloud computing standards in China and obtained the top recognition such as “Award of Best Domestic Cloud Computing Solution”. The Company has formed the cloud computing overall solution service capacity covering five levels of MaaS, IaaS, PaaS, SaaS and CaaS, which could create the intelligent cloud computing infrastructure platform for the customers from various industries. With establishment of the data center training base, the certification systems of the relevant examinations will be established to promote the operation and maintenance and management standards of the whole data center industry effectively.

Currently, the Company has built the world-class data center network covering the places such as North China, East China, South China and Southwest of China, radiating the Asian-Pacific region. In addition to Shenzhen Guanlan Data Center, Guangzhou Accelerator Data Center has also been in whole line operation, and the self-built data centers in Chengdu, Beijing and Nanjing has also been completed successively. “Powerleader’s (Guangzhou · Accelerator) cloud computing data center” had been set up in accordance with the international Tier 3+ standards with reference to international leading modular design philosophies, and it adopted first class infrastructure equipment around the globe and followed green and energy conservation design philosophies. In addition to this, Powerleader Science & Technology also maintained the long-term cooperation with the operators across the country, and it had more than 160 quality nodes with nearly 200G reserved band width resources in nearly one hundred large and medium size cities nationwide, covering various telecom operators including China Mobile, China Telecom and China Unicom. 28 service supporting institutions across the country provided the quality and uninterrupted comprehensive application services for all kinds of users all year round (7*24*365).

At the same time, the Company focused on the market segmentation demands, facilitated the product structure adjustment, improved the resource utilization rate, and further reinforced the enterprise’s internal management standard and increased the Company’s overall operation efficiency to make the Company’s businesses keep the steady development.

Bank financing and capital management

In 2015, the domestic macro economy was in the downward trend, so the government realized the interest rate liberation and reduced the business finance costs by many means. In respect of bank financing, the Company adjusted the credit structure, optimized the financing way and realized gradual decline in the financing costs. In respect of capital management, the Company dispatched the capitals according to the business needs to enhance the rate of capital utilization; at the same time, it avoided the repayment risks to ensure the capital security.

GOVERNMENT SUPPORT

In 2015, the Company continued to keep abreast of the cloud computing industrial policies unveiled by PRC governments at different levels proactively. Through flexible measures such as proprietary innovations, joint R&D efforts and learning from and sharing with other industrial players, we continued to foster our R&D efforts for the next generation cloud computing infrastructure with an emphasis on cloud server software and hardware and cloud management platform, which have been highly approved of and supported by the government. In respect of external cooperation among industrial players, academic institutions and research institutions, the Company improved the exchange and cooperation mechanism with major scientific research institutions and higher education institutions, such as East China University of Science and Technology and National University of Defense Technology, with a view to groom talents in the field of high technology through joint efforts, so as to strive for better development for the cloud computing industry.

In 2015, the Group received a number of highly influential government subsidies, which are detailed as follows:

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;

MANAGEMENT DISCUSSION AND ANALYSIS

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 passed the accreditation of LongHua New District Four Class Top 100 Enterprises during the year of 2014.

In August 2015, PowerLeader awarded proprietary intellectual property rights and Shenzhen city patent subsidies;

In August 2015, PowerLeader have the honor to get "LongHua New District Technology Innovation Awards" due to the research and industrialization projects based on cloud computing IAAS platform;

In September 2015, Zhang Yunxia, president of PowerLeader Group, won the title of "the Top Ten Outstanding Women Entrepreneurs of the Sixth Session in Shenzhen Municipality";

In September 2015, relying on its cloud server technological transformation project to the Internet, Power Leader Group achieved National Electronic Information Industry Revitalization and Technical Transformation Projects;

In November 2015, the project "PowerLeader IAAS Cloud Service Platform for industrial application demonstration" obtained Shenzhen city of a new generation of Information Technology Industry — Industrial Application Demonstration and Industrial Services Project;

In December 2015, the project "PowerLeader Super Integration Cloud System Research" has been approved LongHua New District industry development special fund — SME Technology Innovation projects;

In December 2015, the project "PowerLeader Video Cloud Monitoring Platform Technology Development and Industrialization" achieved Longhua New District industry development special fund — Industry, Academic and Research technological cooperation projects;

In December 2015, PowerLeader's Project "Software Development" achieved Longhua New District industry development funds project.

ASSOCIATED COMPANY

Shenzhen Zqgame Interactive Network Co., Limited (referred to as "Zqgame"), the 15.24% holding associate of the Company, is mainly engaged in development and operating network games. Zqgame's revenue in 2015 was RMB343,090,937.31, decreased by 29.91% as compared to RMB489,527,552.74 in the corresponding period of 2014, which was mainly due to the intense competition in the industry accelerated by the capital boom. Zqgame will continue adhering to its strategy of platformization, constantly strengthening and improving the interaction among the Company's businesses, exploring and creating game business, further enhancing the R&D and innovation of products and services, exploring the hot point in the market. By adhering to the strategy of pan entertainment platform, the synergy of the Company's each business further reinforced and the brands value constant improved, products accumulated further deepened, Zqgame will welcome a year of corner overtaking year. Net profit attributable to shareholders of listed companies of Zqgame in 2015 was RMB65,202,765.48, increased by 395.89% compared to (22,035,893.48) of the corresponding period of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

Human resources planning, recruitment and performance appraisal

During this year, the Group accomplished the scientific human resource planning and improved the organizational structure to avoid the waste of human costs and sustainable development capacity; the Company strengthened the team, established the efficient mechanism to train talents; the Company motivated the staff to work from the salary and performance system, which speeded up improvement and sustainable and healthy development of the Group's economic level and provided the powerful guarantee for the Company to remain invincible in the fierce competitions.

Building and Training of Talent pool

To meet the Group's development and strategic demand, discover and train good talents timely and carry out the backup talent pool building systematically to provide the powerful talent support for the Company's sustainable development, the Company carried out the courses such as product knowledge, various of skills and mentality training for the staff regularly to reserve and train talents for the long-term development of each post. In addition, the Company better improved the degree of active participation and interest in training by inducing the online training and improving the independent consciousness of training through a variety of training methods.

Corporate culture and staff relationships

Regular staff activities, routine staff care as well as highly motivated working environment, interactive and integrated work culture were all the link to improve the staff satisfaction and promote the cultural cohesion, which boosted promotion of staff satisfaction and enhancement of enterprise competitiveness.

PROSPECT

Set forth below is the summary of relevant policies formulated by the PRC government at different levels for supporting the development of cloud computing industry in 2015:

Policies of the State Council:

Cloud computing is a brand-new business promoting the information technology capacity to realize supply-per-use and facilitate the full use of information technology and data resources, and it is the significant change and inevitable trend of information development. The development of cloud computing is beneficial to share information knowledge and innovation resources, reduce the social start-up costs and train and form the new industry and new consumption hotspots, which is of great importance to stabilize growth, adjust structure, benefit livelihood and build an innovative nation. Currently, at the initial development period of the global cloud computing, China is facing the uncommon opportunity, but it also has the issues such as the weaker service capacities, bigger difference in the core technology, insufficient degree of information resource opening and sharing and outstanding challenges in information security, and the signs of paying attention to building and neglecting application as well as disordered development of data center have appeared initially. In order to facilitate innovation and development of cloud computing in China and actively cultivate the new businesses in the information industry, the State Council presented "Opinions on Promoting Innovation and Development of Cloud Computing and Cultivating New Businesses in the Information Industry" on 6 January 2015.

On 1 July 2015, in order to boost "Internet+" development, to be beneficial to rebuild the innovation system, stimulate the innovation energy and cultivate the new business and innovate the public service mode, to be of great importance to create the public entrepreneurship and people innovation as well as increase "two engines" of the public products and public services, actively adapt to and lead the new normal of economic development, form the new momentum of economic development and realize quality promotion, efficiency increasing and upgrading of the economy in China, and to fully play the important role of "Internet+" in stabilizing growth, promoting reform, adjusting structure, benefiting livelihood and preventing risk, "Guiding Opinions of the State Council on Promoting 'Internet+' Action" was presented with regard to active promotion of "Internet+" action.

MANAGEMENT DISCUSSION AND ANALYSIS

Policy of Ministry of Industry and Information Technology

As an important ingredient of the strategic emerging industry, cloud computing is a significant innovation of the information technology service mode and is significant to carry out and implement “Made in China 2025” and “Internet+” action plan. In order to speed up promotion of the cloud computing standardization work, improve the overall support role of standard in building the cloud computing ecological system, Ministry of Industry and Information Technology organized the relevant units, standardized institutions and standardized technology organizations to develop “Guide on Building the Comprehensive Standardization System of Cloud Computing” on 16 October 2015.

Policies of the People’s Government of Guangdong Province:

On 23 September 2015, General Office of Guangdong Provincial Government printed and distributed “Guangdong Provincial ‘Internet+’ Action Plan (2015–2020)”. The “Action Plan” presented to focus on the Internet new philosophy, new technology, new product and new mode development and grasp the development of the new business of the networked, intelligent, service-oriented and collaborative “Internet+” industry to fully motivate the new energy in the Internet public entrepreneurship and people innovation, promote the wide application of Internet in the economic and social fields, drive the speed-up development of the Internet economy, improve the economic development quality and social governance standard and facilitate the sustainable and healthy economic development and comprehensive social progress in Guangdong Province.

On 22 October 2015, in order to carry out and implement “Opinions of the State Council on Promoting Innovation and Development of Cloud Computing and Cultivating New Businesses in the Information Industry” (GF [2015] No.5) and promote the speed-up development of the cloud computing industry in our Province, Guangdong Provincial Economy and Information Committee printed and distributed the notification on Guangdong Provincial implementation program of promoting innovation and development of cloud computing.

In 2016, under the context of deeper implementation of relevant policies with national cloud computing and continuous growth of cloud computing demand, the Company will grasp good development opportunity to realize healthy and rapid development of business services with following relevant prospects:

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

Looking forward to 2016, rate of cloud computing development will be further accelerated, and demand of cloud computing, big data, Internet and other applications will be continuously improved. The Company will continue to put down root in China’s cloud computing market, deeply work in various fields of cloud computing industry, expand military industry, energy, desktop cloud, finance, national tax and other new industrial markets by its accumulation and deposition in products, technologies, R&D, market, services and other aspects, realizing all-round breakthroughs and development. While improving core competitiveness of cloud computing solutions customized as required, the Company will plan higher requirements on system layout, operation service capacity, market development and other aspects. As good policies related to cloud computing are continuously introduced and the whole society pays increasingly attention to information safety, the Company will welcome good development opportunities.

In the aspect of important development strategies, the Company will cooperate with Taiji Computer Corporation Limited (stock code: 002368) in 2016. As a supplier for IT large-scale comprehensive information system products, solutions and services, based on customer demands, with operation philosophy of creation of values by services, and the basis of service integration, Taiji Computer Corporation Limited optimizes existing business combinations, forming the four business systems of information system solutions targeting key industries, intelligent building projects, information product production and sales and IT consultation service that cooperate with one another. Meanwhile, Taiji Computer is the first brand of Chinese E-Government with leading solutions and strong competitiveness in government E-government, military, smart city, energy, traffic, cloud computing and other industries. During the period from 24 December 2015 to 5 January 2016, the Company announced substantial selling and acquisition transaction with Taiji Computer Corporation Limited that is selling all options of PowerLeader Computer held by the Group, transferring server business and software business operated by PowerLeader Computer and PowerLeader Software. After the satisfaction of conditions precedent for the transaction, Taiji Computer will purchase PowerLeader Computer options by issued shares and cash. Upon the closing, the Company will become a shareholder of Taiji Computer, and its cloud server business will conduct a series of cooperation with Taiji Computer, building dual-brand operation mode of “Taiji-PowerLeader”, gradually transforming to a professional server manufacturer with keen market capacity and customization capacity and industry market competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Looking forward to 2016, the Company will strengthen marketing system building, improve marketing management capacity, consolidate supplier partnership, expand cooperation space and make existing businesses bigger and stronger. Meanwhile, the Company will expand the product systems distributed, positively expand channel partners, and introduce new products and new businesses through supply chain distribution, logistics distribution, finance distribution and other new modes.

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

Looking forward to 2016, the Company will actively respond to the government's call to greatly develop cloud computing building, promoting independent innovation and industrialization of cloud computing technologies. In the aspect of relevant software and platform R&D with cloud computing, the Company will increase investment in integrating integrated computer and relevant products and combination with cloud server product resources to form the product policy of software and hardware integration, providing more complete value-added services to customers through private cloud management platform technologies, and promoting sever products marketing by driving server product values at the same time. For market strategy, the Company will make full use of the Group's advantages to quickly take over market advance chance, providing simple and efficient, flexibly extended, safe and stable and pay-for-use cloud services to the customers.

Bank financing and capital management

Looking forward to 2016, Chinese economy will grow at a slower speed, with unclear exchange rate market and increasing financial risks. To ensure capital safety, the Company will put risk control as priority to achieve steady development. On the one hand, the Company will strictly control investment, financing and guarantee scale, and rationally determine financing plans and schemes to reduce financing costs and prevent guarantee risks; on the other hand, the Company will have unified management of all subsidiaries, control operation data and dynamics and combine with budget to control capital costs to reduce payment risks and accelerate capital turnover, ensuring orderly development of the Company's businesses.

Human resources

Looking forward to 2016, the Group will optimize human resources management system, complete talent management system and strengthen multi-channel, multi-level manpower input duct construction. According to the requirements of enterprise development strategy, the Group will systematically have rational allocation of human resources. For talent management, the Company will make use of employees recruitment, training, use, appraisal, incentive, adjustment and other processes to mobilize positivity of its employees to develop their potentiality, create its values and bring its benefits, ensuring realization and continuous implementation of its strategic objectives, providing protection for its long-term continuous and healthy development.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

DIRECTORS

Executive directors

Ms. Zhang Yunxia, aged 50, the Company's founder, chairman of the Board and an executive Director. Ms. Zhang graduated from the Faculty of Computer Engineering in Software of Nankai University, Tianjin in 1988, and obtained a master's degree in tourism management from the same university in 1990. She had previously served in Shenzhen Wan Tong Software Engineering Limited. She co-founded Shenzhen Xin Le He Electronics Limited with Mr. Li Ruijie in 1991 and co-founded the Company with Mr. Li Ruijie in 1997. At present, she is mainly serving as a director of Powerleader Holdings (宝德投控) and of Zqgame. She is also concurrently acting as the vice president of the Shenzhen Software Industry Association, and vice president of the Shenzhen Association of Women Entrepreneurs. She has been appointed for the current term of office as an executive Director on 26 June 2013, and is responsible for the management of the overall strategies and policies of the Company.

Mr. Dong Weiping, aged 55, an executive Director, president and company secretary of the Company. Mr. Dong graduated from Jilin University in the PRC with a bachelor's degree in computer systems engineering. Since 1982, Mr. Dong has served in a number of information technology companies. Prior to joining the Company in August 2000, he has worked for Hong Kong Laser Computer Limited as sales manager for the China division. Mr. Dong has been appointed for the current term of office as an executive Director on 26 June 2013, and is responsible for the overall operation management of the Company. He has also been appointed as the company secretary of the Company by the Board on 6 July 2015.

Mr. Ma Zhumao, aged 51, an executive Director and vice president of the Company. He graduated with a master's degree in Engineering from the Computer Faculty of the Tianjin University (天津大學) in 1988, and subsequently obtained a master's degree in Business Administration from Guanghua School of Management, Peking University in 2003. Mr. Ma previously worked for Tianjin Institute of Computer Application Technology as an engineer, Shenzhen Wan Tong Software Engineering Limited as an assistant general manager, 深圳愛華電子有限公司 (Shenzhen Ai Hua Electronics Limited) as a senior engineer and its affiliated companies as the deputy general manager and chief engineer, TCL Computer Co., Ltd. as technical director, and 綿陽聚星超級計算技術有限公司 as director and vice president. He is currently serving as a supervisor of Zqgame. Mr. Ma has been appointed for the current term of office as an executive Director on 26 June 2013.

Non-executive Directors

Mr. Li Ruijie, aged 48, the founder, vice chairman of the Board and a non-executive Director of the Company. He graduated from the Nankai University with a double bachelor's degree in economics and electronics in 1989, and obtained an EMBA degree from Cheung Kong Graduate School of Business in 2012. He had previously served in Shenzhen Shanbao Electronics Co., Ltd. Shenzhen Wan Tong Software Engineering Limited. He co-founded Shenzhen Xin Le He Electronics Limited with Ms. Zhang Yunxia in 1991 and co-founded the Company with Ms. Zhang Yunxia in 1997. At present, he is mainly serving as the chairman of Powerleader Holdings (宝德投控) and as the chairman and general manager of Zqgame. He is also concurrently serving as an expert in the cloud computing research center under the Ministry of Industry and Information Technology Software and Integrated Circuit Promotion Centre (CSIP), as an executive vice president in Shenzhen General Chamber of Commerce Chaoshan Chamber of Commerce, as an executive director of Shenzhen General Chamber of Commerce (Association of the Industrialists and Businessmen), as the vice president of Futian General Chamber of Commerce, and Shenzhen Charity Federation as vice president, among other positions in public service. He was appointed as the honorary chairman of the Chamber of Commerce of Jieyang in Shenzhen in 2012; the 14th session of member of Central Committee of the China Zhi Gong Party in 2013, member of social services, the chairman of the Second Branch of Zhi Gong Party in Longhua Shenzhen, president of Union Council of the mobile games in China in 2013; and the member of the CPPCC of Shenzhen in 2015. Mr. Li has been appointed for the current term of office as a non-executive Director on 26 June 2013.

Mr. Sun Wei, aged 51, a non-executive Director of the Company, graduated with a bachelor's degree and a master's degree in Engineering from Harbin Shipbuilding Engineering Institute in July 1987 and September 1992, respectively. He graduated with a master's degree in Business Administration from China Europe International Business School in Beijing in September 2005, and obtained a doctoral degree in Engineering from Harbin Engineering University in June 2006, during which time he published 5 articles in national top-notch publications, and was awarded two Third Class Awards in Provincial (Municipal) Scientific & Technological Achievement. Currently, he is serving as chairman and general manager for Harbin Shi Ji Longxiang Technology Development Co., Ltd. Mr. Sun has been appointed for the current term of office as a non-executive Director on 26 June 2013.

Mr. Xu Yueming, aged 42, the non-executive director of the Company. He is a Chinese certified public accountant, a Chinese certified tax agent and a qualified senior accountant in China. Mr. Xu holds a bachelor's degree in economics from Hangzhou Institute of Electronic Engineering. He worked in the finance department of Shenzhen SEG Samsung Glass Co., Ltd., the audit department of

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Shenzhen China Accounting Company and the finance department of HL Corp. (Shenzhen) (深圳信隆實業股份有限公司). He previously worked for Shenzhen Yuto Printing & Packing Co., Ltd. (深圳市裕同印刷包裝有限公司). Mr. Xu is currently acting as a director of Shenzhen Woer Heat-Shrinkable Material Co., Ltd. (沃爾核材) (stock code: 002130). Mr. Xu currently served as the deputy general manager and chief financial officer of Shenzhen Zqgame Co., Ltd. (深圳中青寶互動網絡股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300052) and is also an expert for the assessment of the government funded projects in Futian District, Shenzhen and the deputy chairman of the Shenzhen Longhua second branch of China Zhi Gong Party. Mr. Xu's term of appointment as the non-executive director on 17 June 2015 shall expire until the next general meeting and being eligible, offer himself for re-election pursuant to the articles of association of the Company.

Independent Non-executive Directors

Mr. Chan Shiu Yuen Sammy, aged 51, an independent non-executive Director of the Company, has more than 21 years of experience in auditing, accounting, taxation, business consultancy and financial management. Mr. Chan holds a bachelor's degree in Commerce from Dalhousie University, Canada and is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chan was the qualified accountant, company secretary and authorized representative of the Company, the deputy general manager of China Fibretech Limited and the chief financial officer of Newtree Group Holdings Limited. He is currently a director of Brilliant Consultancy Limited. Mr. Chan has been appointed for the current term of office as an independent non-executive Director on 26 June 2013.

Dr. Guo Wanda, aged 50, an independent non-executive Director of the Company, graduated with a doctoral degree in economics from Nankai University in 1991. He was a former researcher of the Economics Research Institute, Nankai University. He also served as the director of the macro-economic center of the economic forecasting department of The Information Centre of Shenzhen Municipality. He previously served in Shenzhen Guangshun Co., Ltd. (深圳廣順股份有限公司) as the head of the investment department, the secretary of the Board of Directors and an assistant general manager. He served for Guangshun Investment Hubei Shashi Company Limited (廣順投資湖北沙市公司) as the chairman and general manager. He is currently acting as an independent director of Shenzhen MYS Environmental Protection & Technology Company Ltd. (美盈森) (stock code: 002303), and HIT Shouchuang Technology Co., Ltd. (工大首創) (stock code: 600857). He is the vice president of China Development Institute of Shenzhen, the chairman of Shenzhen Association of Management Consultants, and also a committee member of the advisory committee of Shenzhen municipal government. He has been appointed for the current term of office as an independent non-executive Director on 26 June 2013.

Mr. Jiang Bajun, aged 54, graduated from the China Central Radio and TV University and majored in Chinese Literature. He was previously a secondary school teacher in Xian. He was engaged by the newspaper, Computerworld, as a special commentator on market development, and hosted a CEO interview program. He was the China market strategic consultant of AST, the market strategic consultant of Create Group, the market strategic consultant of the office automation department of Digital China (Toshiba China business), the market strategic consultant and strategic development consultant of HP China, and also the market strategic consultant of the product market in Compaq in China. Mr. Jiang was engaged as the market strategic consultant of the Hong Kong China Business of NEC (Notebook computer and monitor business), and was appointed the market strategic consultant of the monitor business of PHILIPS China, as well as the market strategic consultant of the peripheral product business of Legend Computer. Mr. Jiang was also the chief consultant in strategic development of Shenzhen Qinzhong Electronics, and the market strategic consultant of Huayu Bancoo. Mr. Jiang has been the market strategic consultant of the PC business of IBM China (notebook computer business), as well as the market strategic consultant of the Panasonic business and FUJITSU business of the China Daheng Group. Mr. Jiang has been appointed for the current term of office as an independent non-executive Director on 26 June 2013.

SUPERVISORS

Ms. Shu Ling, aged 41, graduated with a bachelor's degree in biology education from Guizhou Normal University. She is currently the chairman of the supervisory committee of the Company and the assistant to the director and the operation officer of Powerleader Cloud Computing Research Institute.

Ms. Li Xiaowei, aged 39, holds a bachelor's degree in electrical automation engineering from Xian University of Technology in the PRC. Ms. Li had worked with Jiangsu Yizheng Wellong Piston Ring Co., Ltd. as an equipment maintenance engineer. Ms. Li is currently a supervisor of the Company, and the chief operation officer of Baotong Zhiyuan, a subsidiary of the Company.

Ms. Zhou Liqin, aged 43, graduated from the Jingdezhen Ceramic Institute with a bachelor's degree, is currently a supervisor and the procurement director of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Dong Weiping, aged 55, an executive Director, president and company secretary of the Company. Mr. Dong graduated from Jilin University in the PRC with a bachelor's degree in computer systems engineering. Since 1982, Mr. Dong has served in a number of information technology companies. Prior to joining the Company in August 2000, he has worked for Hong Kong Laser Computer Limited as sales manager for the China division. Mr. Dong has been appointed for the current term of office as an executive Director on 26 June 2013, and is responsible for the overall operation management of the Company. He has also been appointed as the company secretary of the Company by the Board on 6 July 2015.

SENIOR MANAGEMENT

Mr. Zhang Xu, aged 55, the Company's vice president and president of the technology research institute. He graduated with a bachelor's degree from the Faculty of Radio of the University of Science and Technology of China, and a master's degree from the Space Science and Applied Research Centre, the Chinese Academy of Sciences. He was the ASIC chip design manager of OPTI Computer Inc. in United States. He was a senior ASIC design engineer of Divio Inc. in the United States. He was a senior engineer of core switching network equipment of Nortel Networks in the United States. He was also R&D manager of enterprise-class network equipment of Nortel Networks in China. He was the chief engineer of the Supermicro Computer, Inc. in the United State He worked for Inspur Electronic Information Industry Co., Ltd. (浪潮信息 (stock code: 000977)) as chief product director and deputy general manager of high-end servers R&D department.

Mr. Zhong Xu, aged 49, the Company's vice president. He graduated with a bachelor's degree in software from the Computer and Science Faculty of Nankai University. He served as a senior network system administrator in Critical Mass Inc., Canada and a senior software engineer in Hitachi ID Systems, Inc. of Canada. He has plenty of experience in the areas of product design, software research and development and corporate governance.

Mr. Wang Li, aged 35, the vice president of the Company. He is the director of Shenzhen Powerleader Investment Holdings Limited. Mr. Wang Li obtained bachelor's degree in engineering management from China South University in June 2003 and was granted the master's degree in finance in December 2005. He served as the manager of risk projects for Shenzhen Tianlue Credit Security Co., Ltd. (深圳市天略信用擔保有限公司), the general manager of Shenzhen Haofengde Investment & Consulting Co., Ltd. (深圳市浩豐德投資諮詢有限公司), and capital manager, capital supervisor of Powerleader Science & Technology Group Limited. He is currently the director of Powerleader Investment Holdings Company Limited and director of Shenzhen Zqgame Co., Ltd.

REPORT OF THE SUPERVISORS

To all shareholders,

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

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

The Supervisory Committee earnestly reviewed the Director’s Report proposed to be submitted by the Board at the forthcoming annual general meeting and the financial statements of the Group for the year ended 31 December 2015 audited by ShineWing CPA (Special General Partnership). The Supervisory Committee is of the view that the financial report had been prepared in accordance with relevant accounting standards and gives a true and fair view on the financial position and operating results of the Group.

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

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

By Order of the Supervisory Committee

Shu Ling

Chairman of the Supervisory Committee

Shenzhen, PRC
29 March 2016

DIRECTORS' REPORT

The Directors hereby present the annual report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL BUSINESSES

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

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

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

RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 36. The Directors do not recommend the payment of final dividend for the year ended 31 December 2015 (final dividend payment for the year ended 31 December 2014: RMB0 per shares, totaling RMB0 payment).

DISTRIBUTABLE RESERVES

In accordance with the Company's Articles of Association, the net income available for distribution will be the lesser as determined in accordance with (i) PRC accounting standards and regulations and (ii) International Financial Reporting Standards or the accounting standards of the places where the Company issues its shares. The Directors determined that the Company's distributable reserves as at 31 December 2015 and 2014 were RMB509,876,824 and RMB491,631,833 respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Group during the year are set out in note VI.31 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note VI.10 and 11 to the financial statements.

DIRECTORS AND SUPERVISORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Li Ruijie ("Mr. Li")
Mr. Sun Wei ("Mr. Sun")
Mr. Xu Yueming ("Mr. Xu")

DIRECTORS' REPORT

Independent non-executive Directors:

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

Supervisors:

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including the executive, non-executive and independent non-executive Directors) has entered into a service contract with the Company, in each case, for a term of three years with effect from the date of their appointments, subject to termination pursuant to the right of termination as stipulated in the relevant service contract. The basic salary of each of the Directors for the year ended 31 December 2015 is as set out below:

Name of Director	RMB
Executive Directors:	
Ms. Zhang	323,318.12
Mr. Dong	651,277.58
Mr. Ma	272,885.40
Non-executive Directors:	
Mr. Li	80,133.00
Mr. Sun	60,960.00
Mr. Xu	36,352.00
Independent non-executive Directors:	
Mr. Chan Shiu Yuen Sammy ("Mr. Chan")	60,907.00
Dr. Guo Wanda ("Dr. Guo")	60,960.00
Mr. Jiang Baijun ("Mr. Jiang")	60,960.00

Ms. Zhang Yunxia, Mr. Dong Weiping, Mr. Ma Zhumao, Mr. Li Ruijie, Mr. Sun Wei, Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun, all being directors, have renewed the service contract with the Company on 26 June 2013. Mr. Xu Yueming has entered into a service contract with the Company on 17 June 2015 as a result of the resignation of Mr. Li Donglei.

Each of the supervisors has entered into a service contract with the Company, in each case, for a term of three years with effect from the date of their appointment, subject to termination under certain circumstances as stipulated in the relevant service contract. The basic salary of each of the supervisors for the year ended 31 December 2015 is as set out below:

Name of Supervisor	RMB
Ms. Shu Ling	169,295.70
Ms. Li Xiaowei	161,732.06
Ms. Zhou Liqin	161,692.02

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

DIRECTORS' REPORT

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

As at 31 December 2015, interests or short positions of the Directors, supervisors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or the interests or short positions required to be entered into the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the requirements in Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by the Directors were as follows:

Shares of the Company

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

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

Save as disclosed above, as at 31 December 2015, none of the Directors, supervisors and chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or any interest or short positions required to be entered into the register required to be kept pursuant to section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

SHARE OPTION SCHEME

As of 31 December 2015, the Company has neither adopted any share option scheme nor granted any option.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES

During the year, neither the Company nor any of its subsidiaries was a party to any arrangements to allow the Directors or the supervisors of the Company to acquire benefits by the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the Directors and the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2015, so far as known to the Directors, no other interests or short positions of substantial shareholders of the Company and other persons in shares, underlying shares or debentures, which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required to be entered into the register referred to in section 336 of the SFO.

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

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

RELATED PARTY TRANSACTIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales

- the largest customer 4.78%
- five largest customers in aggregate 18.16%

Purchase

- the largest supplier 41.92%
- five largest supplies in aggregate 61.86%

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

COMPETING BUSINESS AND CONFLICT OF INTEREST

None of the Directors, initial management shareholders and their respective associates (as defined in GEM Listing Rules) held any interest in any business which competes or may compete with the Group or had any other conflict of interest with the Group as at 31 December 2015.

CODE OF CORPORATE GOVERNANCE PRACTICE

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

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to act as an important link between the Board and the Group's auditor for issues fall under the scope of audit of the Group and (ii) to review the effectiveness of the external audit and of the internal control and risk evaluation of the Company. At present, the Committee comprises three independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda, and Mr. Jiang Baijun. During the year, the Committee held four meetings for the purpose of reviewing the annual report of 2014, the quarterly reports of the first and third quarters of 2015 as well as the interim report of 2015. The Committee has also reviewed the annual results for the year ended 31 December 2015 and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements of the Stock Exchange and other legal requirements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDITOR

ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合伙)) acted as the auditor of the Company for the year ended 31 December 2015, whose appointment was approved at the annual general meeting convened on 16 June 2015, such appointment was effective from 16 June 2015 and it will hold the office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board
Zhang Yunxia
Chairman

Shenzhen, the PRC
29 March 2016

CORPORATE GOVERNANCE REPORT

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has formulated a model code regarding to the securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors have confirmed their compliance with such model code and the requirements under standard of dealings and the model code for securities transactions by the Directors throughout the year ended 31 December 2015 upon specific enquiries.

THE BOARD AND BOARD MEETING

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

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

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

The Board held 20 Board meetings during the year under review. Details of the attendance of the Directors are as set out in the table below:

Director	Attendance
Executive Directors	
Ms. Zhang Yunxia (<i>Chairman</i>)	20/20
Mr. Dong Weiping (<i>Chief Executive Officer</i>)	20/20
Mr. Ma Zhumao	20/20
Non-executive Directors	
Mr. Li Ruijie (<i>Vice Chairman</i>)	20/20
Mr. Sun Wei	20/20
Mr. Xu Yueming	20/20
Independent Non-executive Directors	
Mr. Chan Shiu Yuen Sammy	20/20
Dr. Guo Wanda	20/20
Mr. Jiang Baijun	20/20

CORPORATE GOVERNANCE REPORT

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

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

Continuing Professional Development of Directors

As of 31 December 2015, the Directors of the Company attended seminars and training programs organized by various professional institutions and bodies. Reading materials on, amongst others, the latest updates of business, operation, corporate control, legal and regulatory matters had also been provided to all Directors for their reference and study.

Participation in continuing professional development activities

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

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

LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has maintained liability insurance policies for its Directors, supervisors and senior management in March 2015, and those policies are suitable for its Directors, supervisors and senior management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

TERM OF APPOINTMENT OF EXECUTIVE DIRECTORS

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

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Li Ruijie was reappointed as a non-executive Director on 26 June 2013 for a term of three years. Mr. Sun Wei was reappointed as a non-executive Director on 26 June 2013 for a term of three years. Mr. Xu's term of appointment as the non-executive director on 17 June 2015 shall expire until the next general meeting and being eligible, offer himself for re-election pursuant to the articles of association of the Company. All the existing appointments shall be subject to re-election and re-appointment and other related provisions as stipulated in the articles of association of the Company, provided that the term of appointment may be terminated by mutual agreement between the Director and the Company.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

GENERAL MEETINGS

The general meetings of the Company possesses the highest authority. A total of one general meetings were convened in 2015. On 16 June 2015, the Company convened the annual general meeting, at which the Director's Report, the Report of the Supervisors, the financial statements and the reappointment of ShineWing Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year ended 31 December 2015 were approved and passed by way of ordinary resolutions, and the Directors have been authorized to determine its remuneration.

AUDIT COMMITTEE

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

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

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

The audit committee had reviewed all of the Group's unaudited quarterly and interim results for the year ended 31 December 2015 and audited annual results of 2015, and are of the opinion that the preparation of such results complied with the applicable accounting standards and requirements of the Stock Exchange and other legal requirements, and that adequate disclosure have been made.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND APPRAISAL COMMITTEE

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

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

During the period under review, a meeting of the remuneration committee was held on 29 April 2015. Details of the attendance record of the remuneration committee meeting are set out as follows:

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

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

NOMINATION COMMITTEE

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

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

During the period under review, a meeting of the nomination committee was held on 29 April 2015. Details of the attendance of the nomination committee meeting are as follows:

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

AUDITOR'S REMUNERATION

During the year under review, the remuneration to the external auditor of the Company was RMB834,045.

COMPANY SECRETARY

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

The Directors were responsible for overseeing the preparation of the financial statements for the year ended 31 December 2015. The Directors' responsibility for the preparation of the financial statements and the auditor's responsibility are set out in the Auditor's Report.

INTERNAL CONTROL

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

AUDITOR'S REPORT



信永中和会计师事务所

ShineWing
certified public accountants

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TO THE SHAREHOLDERS OF POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED

We have audited the accompanying financial statements of Powerleader Science & Technology Group Limited (hereinafter referred to as "Powerleader Science & Technology Company"), which comprise the consolidated and Company balance sheets as at 31 December 2015, the consolidated and Company income statements, the consolidated and Company cash flow statements and the consolidated and Company statements of changes in owners' equity for the year 2015 and notes to these financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

2. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY

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

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

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

3. AUDIT OPINION

In our opinion, the financial statements of Powerleader Science & Technology Company have been prepared in accordance with ASBE and reflect fairly, in all material aspects, the consolidated and Company financial position of Powerleader Science & Technology Company as at 31 December 2015 and of their financial performance and their cash flows for the year 2015.

ShineWing Certified Public Accountants
(Special General Partnership)

Beijing, China

Chinese Certified Public Accountant:
Guo Jinlong

Chinese Certified Public Accountant:
Qiu Lequn

29 March 2016

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Cash and cash equivalents	VI.1	486,466,976.00	465,885,673.02
Financial assets at fair value through profit or loss for the current period			
Notes receivable	VI.2	6,314,185.02	27,772,871.40
Accounts receivable	VI.3	785,651,717.22	496,542,626.13
Prepayments	VI.4	37,937,239.65	32,922,620.33
Interest receivables			
Dividend receivables			
Other receivables	VI.5	317,934,413.10	233,467,980.03
Inventories	VI.6	396,209,412.70	321,873,815.99
Assets classified as held for sale			
Non-current assets due within 1 year			
Other current assets	VI.7	17,057,035.51	20,742,261.23
Total current assets		2,047,570,979.20	1,599,207,848.13
Non-current assets:			
Available-for-sale financial assets	VI.8	10,100,000.00	4,000,000.00
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	VI.9	203,846,547.56	195,544,136.28
Investment Properties	VI.10	9,036,206.94	13,883,577.12
Fixed assets	VI.11	421,305,659.74	267,943,201.85
Construction in progress	VI.12	—	116,741,077.26
Construction material			
Fixed assets disposal			
Intangible assets	VI.13	64,285,020.01	69,635,911.97
Development expenditure	VI.14	43,827,182.72	21,124,616.31
Goodwill			
Long-term prepayments	VI.15	1,182,454.81	1,244,188.13
Deferred income tax assets	VI.16	1,762,550.44	1,958,721.16
Other non-current assets			
Total non-current assets		755,345,622.22	692,075,430.08
Total assets		2,802,916,601.42	2,291,283,278.21

Zhang Yunxia
Director

Zhang Yunxia
Legal Representative

Dong Weiping
Director

Wang Li
Chief Financial Officer

Tang Rongxun
Head of Financial Section

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans	VI.17	1,091,452,256.44	976,112,408.03
Financial liabilities at fair value through profit or loss for the current period	VI.18	4,228,219.07	—
Notes payable	VI.19	220,000,000.00	—
Accounts payable	VI.20	286,158,968.96	259,973,782.34
Receipts in advance	VI.21	40,935,292.29	14,699,090.26
Employee remuneration payables	VI.22	7,181,758.69	6,892,898.10
Tax and levy payables	VI.23	54,291,104.82	19,129,411.79
Interest payables	VI.24	470,903.47	363,125.00
Dividend payables			
Other payables	VI.25	49,958,803.54	59,152,722.63
Liabilities classified as held for sale			
Non-current liabilities repayable within one year	VI.26	54,174,596.81	140,000,000.00
Other current liabilities	VI.27	1,526,246.93	7,076,252.28
Total current liabilities		1,810,378,151.02	1,483,399,690.43
Non-current liabilities:			
Long-term loans	VI.28	115,000,000.00	—
Bond payables		—	—
Including: Preference shares		—	—
Perpetual bonds		—	—
Long-term payables	VI.29	31,142,682.49	—
Long-term employee remuneration payables		—	—
Special payables		—	—
Provisions		—	—
Deferred income	VI.30	20,660,000.00	4,587,000.00
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		166,802,682.49	4,587,000.00
Total Liabilities		1,977,180,833.51	1,487,986,690.43

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

Item	Note	Closing balance	Opening balance
Owners' equity:			
Capital	VI.31	243,000,000.00	243,000,000.00
Other equity instrument Including: Preference share Perpetual bonds			
Capital reserves	VI.32	35,384,836.46	34,042,006.02
Less: Treasury shares			
Other comprehensive income	VI.33	(149,453.72)	23,771.40
Special reserves			
Surplus reserves	VI.34	37,626,042.30	34,601,238.65
General Risk Reserves			
Undistributed profits	VI.35	509,876,824.43	491,631,832.64
Total equity attributable to shareholders of the Company		825,738,249.47	803,298,848.71
Minority interests	VI.36	(2,481.56)	(2,260.93)
Total shareholders' equity		825,735,767.91	803,296,587.78
Total liabilities and shareholders' equity		2,802,916,601.42	2,291,283,278.21

Zhang Yunxia
Director

Zhang Yunxia
Legal Representative

Wang Li
Chief Financial Officer

Dong Weiping
Director

Tang Rongxun
Head of Financial Section

BALANCE SHEET OF THE COMPANY

As at 31 December 2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Cash and cash equivalents	XVI.1	371,597,470.64	336,038,114.77
Financial assets at fair value through profit or loss for the current period		—	—
Notes receivable	XVI.2	1,274,671.02	27,772,871.40
Accounts receivable	XVI.3	313,665,238.44	228,824,168.19
Prepayments	XVI.4	2,200,896.72	3,383,951.61
Interest receivables		—	—
Dividend receivables	XVI.5	80,000,000.00	80,000,000.00
Other receivables	XVI.6	837,970,116.82	349,101,951.86
Inventories	XVI.7	32,428,269.27	109,095,502.25
Assets classified as held for sale		—	—
Non-current assets due within 1 year		—	—
Other current assets	XVI.8	—	215,152.39
Total current assets		1,639,136,662.91	1,134,431,712.47
Non-current assets:			
Available-for-sale financial assets	XVI.9	4,000,000.00	4,000,000.00
Held-to-maturity investment		—	—
Long-term accounts receivable		—	—
Long-term equity investment	XVI.10	314,750,297.56	317,722,886.28
Investment Properties	XVI.11	9,036,206.94	13,883,577.12
Fixed assets	XVI.12	300,654,589.14	143,183,440.22
Construction in progress	XVI.13	—	109,369,691.77
Construction material		—	—
Fixed assets disposal		—	—
Intangible assets	XVI.14	20,816,821.23	16,946,873.05
Development expenditure	XVI.15	3,373,218.45	7,313,199.44
Goodwill		—	—
Long-term prepayments	XVI.16	1,177,120.65	1,221,294.44
Deferred income tax assets	XVI.17	—	—
Other non-current assets		—	—
Total non-current assets		653,808,253.97	613,640,962.32
Total assets		2,292,944,916.88	1,748,072,674.79

BALANCE SHEET OF THE COMPANY

As at 31 December 2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans	XVI.18	864,913,047.02	679,728,724.38
Financial liabilities at fair value through profit or loss for the current period		—	—
Notes payable	XVI.19	220,000,000.00	—
Accounts payable	XVI.20	453,394,820.76	386,851,526.59
Receipts in advance	XVI.21	21,843,903.62	7,180,480.47
Employee remuneration payables	XVI.22	1,018,244.75	3,523,010.32
Tax and levy payables	XVI.23	25,070,828.58	12,939,905.60
Interest payables	XVI.24	470,903.47	363,125.00
Dividend payables		—	—
Other payables	XVI.25	33,638,514.90	87,505,349.73
Liabilities classified as held for sale		—	—
Non-current liabilities repayable within one year	XVI.26	54,174,596.81	140,000,000.00
Other current liabilities	XVI.27	242,734.29	3,736,554.28
Total current liabilities		1,674,767,594.20	1,321,828,676.37
Non-current liabilities:			
Long-term loans	XVI.28	115,000,000.00	—
Bond payables		—	—
Including: Preference shares		—	—
Perpetual bonds		—	—
Long-term payables	XVI.29	31,142,682.49	—
Long-term employee remuneration payables		—	—
Special payables		—	—
Provisions		—	—
Deferred income	XVI.30	16,960,000.00	2,587,000.00
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		163,102,682.49	2,587,000.00
Total Liabilities		1,837,870,276.69	1,324,415,676.37

BALANCE SHEET OF THE COMPANY

As at 31 December 2015

Item	Note	Closing balance	Opening balance
Owners' equity:			
Capital	XVI.31	243,000,000.00	243,000,000.00
Other equity instrument		—	—
Including: Preference share		—	—
Perpetual bonds		—	—
Capital reserves	XVI.32	32,572,121.40	31,229,290.96
Less: Treasury shares		—	—
Other comprehensive income	XVI.33	(149,453.72)	23,771.40
Special reserves			
Surplus reserves	XVI.34	37,626,042.30	34,601,238.65
Undistributed profits	XVI.35	142,025,930.21	114,802,697.41
Total shareholders' equity		455,074,640.19	423,656,998.42
Total liabilities and shareholders' equity		2,292,944,916.88	1,748,072,674.79

Zhang Yunxia
Director

Zhang Yunxia
Legal Representative

Wang Li
Chief Financial Officer

Dong Weiping
Director

Tang Rongxun
Head of Financial Section

CONSOLIDATED INCOME STATEMENT

2015

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

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Amount for this year	Amount for last year
I. Total revenue	VI.40	2,686,354,110.38	1,852,839,420.50
Including: revenue	VI.40	2,686,354,110.38	1,852,839,420.50
II. Total operating cost		2,671,498,107.03	1,800,563,649.03
Including: Operating cost	VI.40	2,433,032,788.56	1,625,683,987.49
Business taxes and surcharges	VI.41	2,056,983.42	1,924,483.09
Sales expenses	VI.42	59,544,519.53	45,674,560.79
Administrative expenses	VI.43	75,623,844.23	63,769,919.26
Finance costs	VI.44	89,749,447.32	60,769,922.35
Impairment loss of assets	VI.45	11,490,523.97	2,740,776.05
Add: Gain on changes in fair value (loss is denoted as “()”)	VI.46	(4,228,219.07)	(362,198.90)
Gain on investment (loss is denoted as “()”)	VI.47	7,329,851.91	(7,017,232.86)
Including: Gain on investment to associates and joint ventures	VI.47	7,132,805.96	(10,172,065.04)
III. Operating profit (loss is denoted as “()”)		17,957,636.19	44,896,339.71
Add: Non-operating income	VI.48	13,324,570.47	7,206,490.31
Including: Gain on disposal of non-current assets	VI.48	143.00	1,074,754.56
Less: Non-operating expenses	VI.49	1,549,841.80	258,666.88
Including: Loss on disposal of non-current assets	VI.49	1,227,354.44	94,318.12
IV. Total Profit (total loss is denoted as “()”)		29,732,364.86	51,844,163.14
Less: Income tax expenses	VI.50	8,462,790.05	(2,187,521.84)
V. Net profit (net loss is denoted as “()”)		21,269,574.81	54,031,684.98
Net profit attributable to shareholders of the Company		21,269,795.44	53,997,051.88
Profit or loss attributable to minority interests		(220.63)	34,633.10
VI. Other comprehensive income net of tax		(173,225.12)	21,423.64
Other comprehensive income net of tax attributable to owners of the Company		(173,225.12)	21,423.64
(I) Other comprehensive income which will not be reclassified to profit or loss		—	—
1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes			
2. Share of other comprehensive income of investee that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income which will be reclassified to profit or loss		(173,225.12)	21,423.64
1. Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method	VI.56	(173,225.12)	21,423.64
2. Gain or loss on changes in fair value of available-for-sale financial assets	VI.56	(173,225.12)	21,423.64
3. Gain or loss on reclassification of held-to-maturity investment to available-for-sale financial assets			
4. Effective portion in gain or loss on cash flow hedging			
5. Exchange difference arising from translation of foreign currency denominated financial statements			
6. Others			
Other comprehensive income attributable to minority interest net of tax			

CONSOLIDATED INCOME STATEMENT

2015

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

Item	Note	Amount for this year	Amount for last year
VII. Total comprehensive income		21,096,349.69	54,053,108.62
Total comprehensive income attributable to shareholders of the Company		21,096,570.32	54,018,475.52
Total comprehensive income attributable to minority interests		(220.63)	34,633.10
VIII. Earnings per share:			
(I) Basic earnings per share	VI.55	0.0875	0.2222
(II) Diluted earnings per share	VI.55	0.0875	0.2222

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

Zhang Yunxia
Director

Zhang Yunxia
Legal Representative

Wang Li
Chief Financial Officer

Dong Weiping
Director

Tang Rongxun
Head of Financial Section

INCOME STATEMENT OF THE COMPANY

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Amount for this year	Amount for last year
I. Revenue	VI.39	590,291,682.00	593,666,120.18
Less: Operating cost	VI.39	529,839,409.73	487,554,820.55
Business taxes and surcharges	VI.40	635,702.04	854,541.77
Sales expenses	VI.41	1,455,869.73	19,244,587.44
Administrative expenses	VI.42	35,957,625.55	36,660,181.78
Finance costs	VI.43	78,204,847.35	53,191,675.95
Assets impairment loss	VI.44	2,776,637.03	2,022,392.17
Add: Gain on changes in fair value (loss is denoted as “()”)		—	—
Gain on investment (loss is denoted as “()”)	VI.45	85,157,805.96	(9,772,065.04)
Including: Gain on investment to associates and joint ventures	VI.45	7,132,805.96	(10,172,065.04)
II. Operating profit (loss is denoted as “()”)		26,579,396.53	(15,634,144.52)
Add: Non-operating income	VI.46	4,378,927.20	2,671,302.48
Including: Gain on disposal of non-current assets	VI.46	143.00	1,073,452.96
Less: Non-operating expenses	VI.47	710,287.28	178,002.06
Including: Loss on disposal of non-current assets	VI.47	597,015.11	15,463.71
III. Total Profit (total loss is denoted as “()”)		30,248,036.45	(13,140,844.10)
Less: Income tax expenses	VI.48	—	(3,151,310.43)
IV. Net profit (net loss is denoted as “()”)		30,248,036.45	(9,989,533.67)
V. Other comprehensive income net of tax		(173,225.12)	21,423.64
(I) Other comprehensive income which will not be reclassified to profit or loss		—	—
1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes			
2. Share of other comprehensive income of investee that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income which will be reclassified to profit or loss	VI.52	(173,225.12)	21,423.64
1. Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method	VI.52	(173,225.12)	21,423.64
2. Gain or loss on changes in fair value of available-for-sale financial assets			
3. Gain or loss on reclassification of held-to-maturity investment to available-for-sale financial assets			
4. Effective portion in gain or loss on cash flow hedging			
5. Exchange difference arising from translation of foreign currency denominated financial statements			
6. Others			
VI. Total comprehensive income		30,074,811.33	(9,968,110.03)
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Zhang Yunxia
Director

Dong Weiping
Director

Zhang Yunxia
Legal Representative

Wang Li
Chief Financial Officer

Tang Rongxun
Head of Financial Section

CONSOLIDATED CASH FLOW STATEMENT

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Amount for this year	Amount for last year
I. Cash flows generated from operating activities:			
Cash received from sale of goods and rendering of services		2,740,140,952.81	1,904,866,655.02
Refund of taxes and levies received		3,054,355.10	3,799,946.97
Other cash receipts relating to operating activities	VI.57	114,573,493.44	49,859,855.75
Sub-total of cash inflows from operating activities		2,857,768,801.35	1,958,526,457.74
II. Cash flows generated from investing activities:			
Cash paid for purchase of goods and receiving services		2,619,256,466.89	1,818,888,286.86
Cash paid to and on behalf of employees		53,877,868.67	44,827,493.57
Payments of taxes and levies		68,781,011.78	24,918,627.25
Other cash payments relating to operating activities	VI.57	157,412,116.63	101,469,495.94
Sub-total of cash outflows from operating activities		2,899,327,463.97	1,990,103,903.62
Net cash flows generated from operating activities		(41,558,662.62)	(31,577,445.88)
II. Cash flows generated from investing activities:			
Cash received from recovery of investments		1,000,000.00	—
Cash received from returns on investments		197,045.95	1,286,084.71
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		138,460.00	3,948,115.16
Net cash received from disposal of subsidiaries and other business units		1,300,000.00	49,384,312.65
Other cash receipts relating to investing activities		—	—
Sub-total cash inflows from investing activities		2,635,505.95	54,618,512.52
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		84,129,178.72	204,075,919.72
Cash paid on investments		11,440,000.00	33,000,000.00
Net cash paid to acquire subsidiaries and other business units		—	—
Other cash payments relating to investing activities		—	—
Sub-total cash outflows from investing activities		95,569,178.72	237,075,919.72
Net cash flows generated from investing activities		(92,933,672.77)	(182,457,407.20)

CONSOLIDATED CASH FLOW STATEMENT

2015

Item	Note	Amount for this year	Amount for last year
III. Cash flows generated from financing activities:			
Cash received from capital contributions		—	—
Including: cash received by subsidiaries from capital contribution by minority interest			
Cash received from loans		2,788,946,091.43	1,948,438,996.67
Cash received from bonds issuance		—	—
Other cash receipts from financing activities		—	—
Sub-total cash inflows from financing activities		2,788,946,091.43	1,948,438,996.67
Cash payments for settlement of debts		2,565,992,270.52	1,585,128,448.53
Cash payments for distribution of dividend, profits or interests settlement		66,240,657.42	54,722,043.50
Including: payments of dividends and profits to minority shareholders by subsidiaries			
Other cash payments relating to financing activities	VI.57	158,649,175.16	46,326,618.01
Sub-total cash outflows from financing activities		2,790,882,103.10	1,686,177,110.04
Net cash flows generated from financing activities		(1,936,011.67)	262,261,886.63
IV. Effect of changes in exchange rate on cash and cash equivalents			
		7,481,108.88	1,010,118.54
V. Net increase in cash and cash equivalents			
Add: Balance of cash and cash equivalents at beginning of period		381,156,365.62	331,919,213.53
VI. Balance of cash and cash equivalents at end of period			
		252,209,127.44	381,156,365.62

Zhang Yunxia
Legal Representative

Zhang Yunxia
Director

Wang Li
Chief Financial Officer

Dong Weiping
Director

Tang Rongxun
Head of Financial Section

CASH FLOW STATEMENT OF THE COMPANY

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Amount for this year	Amount for last year
I. Cash flows generated from operating activities:			
Cash received from sale of goods and rendering of services		571,923,279.80	495,312,424.54
Refund of taxes and levies		—	—
Other cash receipts relating to operating activities	XVI.53	23,218,454.84	153,825,380.24
Sub-total of cash inflows from operating activities		595,141,734.64	649,137,804.78
II. Cash flows generated from investing activities:			
Cash paid for purchase of goods and receiving services		287,367,151.70	414,020,529.85
Cash paid to and on behalf of employees		10,719,564.71	28,221,500.00
Payments of taxes and levies		22,623,174.88	6,935,146.75
Other cash payments relating to operating activities	XVI.53	312,072,431.04	61,367,473.21
Sub-total of cash outflows from operating activities		632,782,322.33	510,544,649.81
Net cash flows generated from operating activities		(37,640,587.69)	138,593,154.97
II. Cash flows generated from investing activities:			
Cash received from recovery of investments		—	—
Cash received from returns on investments		—	795,600.00
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		138,460.00	1,477,147.18
Net cash received from disposal of subsidiaries and other business units		1,300,000.00	49,500,000.00
Other cash receipts relating to investing activities		—	—
Sub-total cash inflows from investing activities		1,438,460.00	51,772,747.18
Cash paid to acquire fixed assets, intangible assets and other long-term assets		28,292,235.47	179,552,665.38
Cash paid on investments		5,340,000.00	42,000,000.00
Net cash paid to acquire subsidiaries and other business units		—	—
Other cash payments relating to investing activities		—	—
Sub-total cash outflows from investing activities		33,632,235.47	221,552,665.38
Net cash flows generated from investing activities		(32,193,775.47)	(169,779,918.20)

CASH FLOW STATEMENT OF THE COMPANY

2015

Item	Note	Amount for this year	Amount for last year
III. Cash flows generated from financing activities:			
Cash received from capital contributions		—	—
Cash received from loans		1,409,678,003.00	1,168,928,193.80
Cash received from bonds issuance		—	—
Other cash receipts from financing activities		—	—
Sub-total cash inflows from financing activities		1,409,678,003.00	1,168,928,193.80
Cash payments for settlement of debts		1,234,837,043.00	1,001,465,934.21
Cash payments for distribution of dividend, profits or interests settlement		62,412,659.69	48,293,067.13
Other cash payments relating to financing activities	XVI.53	140,953,527.60	19,512,036.60
Sub-total cash outflows from financing activities		1,438,203,230.29	1,069,271,037.94
Net cash flows generated from financing activities		(28,525,227.29)	99,657,155.86
IV. Effect of changes in exchange rate on cash and cash equivalents			
		2,086,052.72	1,793,668.67
V. Net increase in cash and cash equivalents			
Add: Balance of cash and cash equivalents at beginning of period		281,487,756.73	211,223,695.43
VI. Balance of cash and cash equivalents at end of year			
		185,214,219.00	281,487,756.73

Zhang Yunxia
Director

Zhang Yunxia
Legal Representative

Dong Weiping
Director

Wang Li
Chief Financial Officer

Tang Rongxun
Head of Financial Section

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	This year													Total Shareholders' equity
	Other equity instrument				Attributable to shareholders of the Company									
	Share capital	Preference share	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interest		
I. Balance at the end of last year	243,000,000.00	—	—	—	34,042,006.02	—	23,771.40	—	34,601,238.65	—	491,631,832.64	(2,260.93)	803,296,587.78	
Add: Changes in accounting policies													—	
Correction of errors in previous periods													—	
Business combination under common control													—	
Others													—	
II. Balance at beginning of year	243,000,000.00	—	—	—	34,042,006.02	—	23,771.40	—	34,601,238.65	—	491,631,832.64	(2,260.93)	803,296,587.78	
III. Changes (increase/decrease) for the year (decrease is denoted in "(0)")	—	—	—	—	1,342,830.44	—	(173,225.12)	—	3,024,803.65	—	18,244,991.79	(220.63)	22,439,180.13	
(I) Total comprehensive income							(173,225.12)				21,269,795.44	(220.63)	21,096,349.69	
(II) Contribution from shareholders and reduction of capital													—	
1. Ordinary share contributed by shareholders													—	
2. Capital contribution by holders of other equity instrument													—	
3. Amount of share-based payment included under shareholders' equity													—	
4. Others													—	
(III) Profit appropriation									3,024,803.65		(3,024,803.65)		—	
1. Transfer to surplus reserves									3,024,803.65		(3,024,803.65)		—	
2. Transfer to general risk reserves													—	
3. Distribution to shareholders													—	
4. Others													—	
(IV) Internal transfer of shareholders' equity													—	
1. Capitalization of capital reserves													—	
2. Capitalization of surplus reserves													—	
3. Surplus reserves for making up losses													—	
4. Others													—	
(V) Special reserves													—	
1. Transfer during the year													—	
2. Utilised during the year													—	
(VI) Others					1,342,830.44								1,342,830.44	
IV. Balance at the end of the year	243,000,000.00	—	—	—	35,384,836.46	—	(149,453.72)	—	37,626,042.30	—	509,876,824.43	(2,481.56)	825,735,767.91	

Zhang Yunxia
Director

Zhang Yunxia
Legal Representative

Dong Weiping
Director

Wang Li
Chief Financial Officer

Tang Rongxun
Head of Financial Section

Note: As required under the (X) of the Notice for Annual Report in 2011 (Cai Kuai [2011] No. 25) issued by the Ministry of Finance, enterprises shall prepare the Consolidated Statement of Changes in Equity for 2011 in accordance with the requirements under the ASBE. Items in the "Plus: changes of accounting policies" and "Correction for error in previous period" under the "Amounts for the year" of the Consolidated Statement of Changes in Equity (AC04) shall not be fill with figures.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

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

Zhang Yunxia
Director

Zhang Yunxia
Legal Representative

Dong Weiping
Director

Wang Li
Chief Financial Officer

Tang Rongxun
Head of Financial Section

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	This year										Total Shareholders' equity
	Other equity instrument				Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	
Share capital	Preference share	Perpetual bonds	Others								
I. Balance at the end of last year	243,000,000.00	—	—	—	31,229,290.96	—	23,771.40	—	34,601,238.65	114,802,697.41	423,656,998.42
Add: Changes in accounting policies											—
Correction of errors in previous periods											—
Others											—
II. Balance at beginning of year	243,000,000.00	—	—	—	31,229,290.96	—	23,771.40	—	34,601,238.65	114,802,697.41	423,656,998.42
III. Changes (increase/decrease) for the year (decrease is denoted in "(0)")	—	—	—	—	1,342,830.44	—	(173,225.12)	—	3,024,803.65	27,223,232.80	31,417,641.77
(I) Total comprehensive income							(173,225.12)			30,248,036.45	30,074,811.33
(II) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	—	—	—
1. Ordinary share contributed by shareholders											—
2. Capital contribution by holders of other equity instrument											—
3. Amount of share-based payment included under shareholders' equity											—
4. Others											—
(III) Profit appropriation	—	—	—	—	—	—	—	—	3,024,803.65	(3,024,803.65)	—
1. Transfer to surplus reserves									3,024,803.65	(3,024,803.65)	—
2. Distribution to shareholders											—
3. Others											—
(IV) Internal transfer of shareholders' equity	—	—	—	—	—	—	—	—	—	—	—
1. Capitalization of capital reserves											—
2. Capitalization of surplus reserves											—
3. Surplus reserves for making up losses											—
4. Others											—
(V) Special reserves	—	—	—	—	—	—	—	—	—	—	—
1. Transfer for the year											—
2. Utilised during the year											—
(VI) Others					1,342,830.44						1,342,830.44
IV. Balance at the end of the year	243,000,000.00	—	—	—	32,572,121.40	—	(149,453.72)	—	37,626,042.30	142,025,930.21	455,074,640.19

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STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Other equity instrument				Capital reserves	Last year		Special reserves	Surplus reserves	Undistributed profits	Total Shareholders' equity
	Share capital	Preference share	Perpetual bonds	Others		Less: Treasury shares	Other comprehensive income				
I. Balance at the end of last year	243,000,000.00	—	—	—	29,172,189.03	—	2,347.76	—	34,601,238.65	124,792,231.08	431,568,006.52
Add: Changes in accounting policies											—
Correction of errors in previous periods											—
Others											—
II. Balance at beginning of year	243,000,000.00	—	—	—	29,172,189.03	—	2,347.76	—	34,601,238.65	124,792,231.08	431,568,006.52
III. Changes (increase/decrease) for the year (decrease is denoted in "(I)")	—	—	—	—	2,057,101.93	—	21,423.64	—	—	(9,989,533.67)	(7,911,008.10)
(I) Total comprehensive income							21,423.64			(9,989,533.67)	(9,968,110.03)
(II) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	—	—	—
1. Ordinary share contributed by shareholders											—
2. Capital contribution by holders of other equity instrument											—
3. Amount of share-based payment included under shareholders' equity											—
4. Others											—
(III) Profit appropriation	—	—	—	—	—	—	—	—	—	—	—
1. Transfer to surplus reserves									—	—	—
2. Distribution to shareholders									—	—	—
3. Others									—	—	—
(IV) Internal transfer of shareholders' equity	—	—	—	—	—	—	—	—	—	—	—
1. Capitalization of capital reserves									—	—	—
2. Capitalization of surplus reserves									—	—	—
3. Surplus reserves for making up losses									—	—	—
4. Others									—	—	—
(V) Special reserves	—	—	—	—	—	—	—	—	—	—	—
1. Transfer for the year									—	—	—
2. Utilised during the year									—	—	—
(VI) Others					2,057,101.93						2,057,101.93
IV. Balance at the end of the year	243,000,000.00	—	—	—	31,229,290.96	—	23,771.40	—	34,601,238.65	114,802,697.41	423,656,998.42

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NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

I. BASIC INFORMATION OF THE COMPANY

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

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

As of 31 December 2015, the total share capital of the Company was 243 million shares of RMB1.00 each, comprising 182.25 million restricted shares, accounted for 75% of the total capital, and 60.75 million non-restricted shares, accounted for 25% of the total capital. The capital structure was as follows:

Expressed in: RMB'000

Company Name	Amount	Shareholding Percentage (%)
Shenzhen Powerleader Investment Holdings Limited	10,218.45	42.05
Shenzhen Hengtong Dayuan Electronic Limited	2,395.80	9.86
Harbin Century Longxiang Science & Technology Development Limited	1,596.375	6.57
Tianjin Chengbai Equity Investment Partnership (Limited Partnership)	1,500.00	6.17
Shenzhen Luheng Technology Limited	789.375	3.25
Shenzhen Jinbo Litong Investment Partnership (Limited Partnership)	725.00	2.98
Shenzhen Jiachong Joint Investment Partnership (Limited Partnership)	500.00	2.06
Shenzhen Zhizheng Lida Investment Partnership (Limited Partnership)	500.00	2.06
Overseas listed foreign shares	6,075.00	25.00
Total	24,300.00	100.00

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

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

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

II. THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The scope of the consolidated financial statements of the Group covers 7 second-tier subsidiaries and 4 third-tier subsidiaries, including the Company, Powerleader Computing, Hong Kong Powerleader and Baotong Zhiyuan. Comparing to last year, the Company added a third-tier company, Powerleader Computing (Hong Kong) Limited. For details of changes in the scope of consolidated financial statements, please see note VII, for details of subsidiaries fall within the scope of the consolidated financial statements, please see note VIII.1.

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis for preparation

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

2. On-going concern

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

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of Compliance to ASBE

The financial statements of the Group for the year 2015 are in compliance with the requirements of the ASBE and give a true and complete view on such information as the financial position of the Company and the Group as at 31 December 2015, and the operating results and cash flows for year 2014.

2. Accounting year

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

3. Functional currency

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

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

5. Preparation methods of consolidated financial statements

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

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

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

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

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

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

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

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

7. Cash and cash equivalents

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

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

Foreign currency amounts in the foreign currency transactions of the Group are translated into RMB amounts at fixed exchange rate (US\$ converted to RMB at 1:6.1 for the period from January to November of 2015, US\$ converted to RMB at 1:6.4 in December, US\$ converted to RMB at 1:6.5 at 31 December; HK\$ converted to RMB at 1:0.79 for the period from January to November of 2015, HK\$ converted to RMB at 1:0.82 in December).

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

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

8. Foreign currency business and translation of foreign currency financial statements *(continued)*

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

9. Financial assets and financial liabilities

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

(1) Financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

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

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

(1) Financial assets *(continued)*

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

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

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

(1) Financial assets *(continued)*

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

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

(2) Financial liabilities

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

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

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

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

2) Conditions for derecognition of financial liabilities

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

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

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

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

10. Provision for bad debts of receivables

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

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

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

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

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

Basis for determination of provision or amount of individually significant amount

Individual receivables of over RMB5 million are regarded as significant receivables

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

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

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

Basis for determination of groups

Age group

Credit risk characteristics groups classified by age of the receivables

Related party group

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

Collateral group

Credit risk characteristics groups classified by nature of the receivables

Long-term strategic co-operative enterprise group

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

Provision method for bad debts collectively made

Aged group

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

Related party group

Not provided for in general

Collateral group

Not provided for in general

Long-term strategic co-operative enterprise group

Provided for according to certain percentage of the age

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

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

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

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

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

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

Related party group	Bad debts are not provided for in general for related parties which have special relationship with the Group, such as joint operations and associates (among others) where the difference between the present value of future cash flows and the carrying amount is expected to be insignificant.
Deposit group	Bad debts are not provided for in general for (among others) rental deposits, procurement deposits and petty cash where the difference between the present value of future cash flows and the carrying amount is expected to be insignificant.
Long term strategic cooperative enterprise group	1% for those aged 3 months to 1 year; 2% for those aged 1 to 2 years; 5% for those aged 2 to 3 years, 8% for those aged 3 to 4 years

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

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

11. Inventories

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

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

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

11. Inventories *(continued)*

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

12. Long-term equity investments

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

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

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

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

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

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

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

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

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

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

12. Long-term equity investments *(continued)*

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

13. Investment properties

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

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

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

14. Fixed Assets

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

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

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

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

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

Financing leases are such leases as all risks and returns related to the ownership of assets are substantially transferred, and their ownership may be or may not be transferred ultimately. Fixed assets acquired through finance lease are depreciated using policy consistent with that for own fixed assets. If there is reasonable certainty that the lessee will obtain ownership of the leased asset when the lease term expires, the leased asset should be depreciated over its useful life. If there is no reasonable certainty that the lessee will obtain ownership of the leased asset when the lease term expires, the leased asset should be depreciated over the shorter one between lease period and its useful life.

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

15. Construction in progress

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

16. Borrowing cost

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

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

17. Intangible assets

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

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

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

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

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

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

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

18. Impairment of long term assets

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

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

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

19. Long term prepayments

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

20. Employee Remunerations

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

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

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

21. Provisions

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

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

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

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

22. Share-based payments

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

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

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

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

23. Recognition and measurement of revenue

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

(1) Revenue from sales of goods

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

Particulars of revenue recognition are as follows:

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

(2) Revenue from provision of services

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

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

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

(3) Revenue from transfer of asset use rights

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

24. Government grants

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

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

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

25. Deferred income tax assets and deferred income tax liabilities

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

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

26. Repurchase of the Company's shares

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

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

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

26. Repurchase of the Company's shares *(continued)*

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

27. Lease

The lease activities of the Group are operating leases.

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

28. Changes in Critical Accounting Policies and Accounting Estimates

(1) *Changes in critical accounting policies*

There was no change in critical accounting policies of the Group during the year.

(2) *Changes in critical accounting estimates*

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

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V. TAXATION

1. Enterprise Income Tax ("EIT")

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

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

Name of company	Statutory tax rate in the place of operation	Effective tax rate		Tax incentive(s)
		2015	2014	
The Company	25%	15%	15%	Entitled to tax incentive upon passing the review of "New and high technology Enterprises" in 2015, pursuant to which EIT tax rate was reduced to 15% with an allowance for an extra 50% of research and development expenditures deductible from EIT. Preferential period lasts from 2015 to 2017.
Powerleader Computing	25%	15%	15%	Entitled to tax incentive upon passing the review of "New and high technology Enterprises" in 2014, pursuant to which EIT tax rate was reduced to 15% with an allowance for an extra 50% of research and development expenditures deductible from EIT. Preferential period lasts from 2014 to 2016.
Baoteng Internet	25%	25%	25%	
Powerleader Software	25%	15%	15%	Entitled to tax incentive for "New and high technology Enterprises" from 2011 onwards, pursuant to which EIT tax rate was reduced to 15% with an allowance for an extra 50% of research and development expenditures to be deductible from EIT; and is entitled to a tax incentive of two years of full EIT exemption followed by three years of 50% tax rate reduction for enterprises engaging in software and IC designs, pursuant to which EIT is fully exempted for two years from 2009 onwards and followed by a 50% tax reduction in the next three years, pursuant to which, fully exemption is applicable in 2010, and 50% tax rate reduction is applicable from 2011 to 2013. The qualification of "New and high Technology Enterprises" had been renewed in 2014. Preferential period lasts from 2014 to 2016.
Powerleader Property	25%	25%	25%	Levy by verification and assessment: $\text{Cost}/(1-10\%)\times 10\%\times 25\%$
Baotong Zhiyuan	25%	25%	25%	
Research Institute	25%	25%	25%	
Hong Kong Powerleader	16.5%	16.5%	16.5%	Applicable Hong Kong profits tax rate
Ex-channel	16.5%	16.5%	16.5%	Applicable Hong Kong profits tax rate
Binhai Powerleader	25%	25%	25%	
Guangzhou Baoyun	25%	25%	25%	
Powerleader Computing (Hong Kong)	16.5%	16.5%		Applicable Hong Kong profits tax rate

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V. TAXATION (continued)

2. Value added tax ("VAT")

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

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

Tax incentive

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

3. Business tax

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

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

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

5. Property tax

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

6. Land use tax

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

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VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, for the financial statement data as disclosed below, "opening" means at 1 January 2015; "closing" means at 31 December 2015; "this year" means 1 January to 31 December 2015, "last year" means 1 January to 31 December 2014 the currency unit is expressed in RMB.

1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	783,560.99	588,977.86
Bank deposits	251,425,566.45	380,567,387.76
Other cash and cash equivalents	234,257,848.56	84,729,307.40
Total	486,466,976.00	465,885,673.02
Including: total deposits placed overseas	85,034,283.27	90,808,700.56

As at the end of 2015, the restricted cash and cash equivalents of the Group were RMB234,257,848.56 (opening balance: RMB84,729,307.40), which were guarantee deposits pledged to banks for issuing letters of credit and facilities guarantee deposits for utilizing letters of credit beyond certain limit in "other cash and cash equivalents".

Particulars of restricted cash and cash equivalents:

Nature of accounts	Closing balance	Opening balance
Guarantee deposits for letters of credit	114,257,848.56	84,729,307.40
Bank acceptance deposits	120,000,000.00	—
Total	234,257,848.56	84,729,307.40

NOTES TO THE FINANCIAL STATEMENTS

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

2. Notes receivable

(1) Categories of notes receivable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	4,557,512.00	8,358,962.40
Commercial acceptance notes	1,756,673.02	19,413,909.00
Total	6,314,185.02	27,772,871.40

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

Item	Amount derecognised at the end of the year	Amount remain recognised at the end of the year
Bank acceptance notes	200,000.00	—
Commercial acceptance notes	38,833,155.00	—
Total	39,033,155.00	—

3. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	802,385,413.17	507,262,160.35
Less: Provision for bad debts	16,733,695.95	10,719,534.22
Net amount	785,651,717.22	496,542,626.13

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

3. Accounts receivable *(continued)*

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

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

Age	Closing balance	Opening balance
Within 3 months	617,152,255.81	416,302,612.89
3 months to 1 year	153,196,598.97	62,674,236.29
1 to 2 years	10,277,594.50	15,354,667.57
2 to 3 years	4,091,398.13	1,431,672.71
3 to 4 years	306,918.48	419,915.47
4 to 5 years	282,613.73	359,521.20
Over 5 years	344,337.60	—
Net amount	785,651,717.22	496,542,626.13

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

Age	Closing balance	Opening balance
Within 3 months	105,632.68	106,305.00
3 months to 1 year	3,301,000.00	29,700.00
1 to 2 years	—	39,600.00
2 to 3 years	3,600.00	—
3 to 4 years	—	145,312.07
4 to 5 years	145,312.07	344,337.60
Over 5 years	344,337.60	—
Net amount	3,899,882.35	665,254.67

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

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1 January 2015 to 31 December 2015

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

3. Accounts receivable (continued)

(3) Risk category of accounts receivable

Category	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Accounts receivable individually significant for which provision for bad debts has been individually made	—	—	—	—	—
Accounts receivable for which provision for bad debts has been made on group basis by credit risk characteristics	797,441,418.12	99.38	11,789,700.90	1.48	785,651,717.22
Accounts receivable individually insignificant but for which provision for bad debts has been individually made	4,943,995.05	0.62	4,943,995.05	100.00	—
Total	802,385,413.17	100.00	16,733,695.95	—	785,651,717.22

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

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

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

3. Accounts receivable (continued)

(3) Risk category of accounts receivable (continued)

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

Age	Accounts receivable	Closing balance Provision for bad debts	Percentage of provision (%)
Within 3 months	614,851,023.13	—	—
3 months to 1 year	90,734,306.52	4,536,715.33	5.00
1 to 2 years	12,745,085.38	2,549,017.08	20.00
2 to 3 years	6,812,996.89	2,725,198.76	40.00
3 to 4 years	767,296.21	460,377.73	60.00
4 to 5 years	686,508.29	549,206.63	80.00
Over 5 years	324,107.35	324,107.35	100.00
Total	726,921,323.77	11,144,622.88	—

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

Item	Book balance	Closing balance Amount of bad debts	Percentage of provision (%)
Related party group	3,899,882.35	—	—
Long term strategic cooperation enterprise group	66,620,212.00	645,078.02	0.97
Total	70,520,094.35	645,078.02	—

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

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

3. Accounts receivable (continued)

(3) Risk category of accounts receivable (continued)

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

Name of entity	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Daxing Electronics Limited (達興電子有限公司)	3,025,585.90	3,025,585.90	100.00	Expected to be irrecoverable
Nanjing Sutian Feihua Electrical Industrial Limited (南京蘇電飛華電力實業有限公司)	440,570.00	440,570.00	100.00	Expected to be irrecoverable
Inhuijie Technology Limited (淄博新惠佳科技有限公司)	332,725.00	332,725.00	100.00	Expected to be irrecoverable
Shandong Sciwal Information Technology Limited (山東賽沃信息技術有限公司)	320,748.00	320,748.00	100.00	Expected to be irrecoverable
Baoji Yunyi Network Technology Limited (寶雞雲翼網絡科技公司)	182,100.00	182,100.00	100.00	Expected to be irrecoverable
Beijing Long Speedkey Limited (北京長久斯捷有限公司)	157,500.00	157,500.00	100.00	Expected to be irrecoverable
Shandong Shanda Huatian Softwares Limited (山東山大華天軟件有限公司)	98,200.00	98,200.00	100.00	Expected to be irrecoverable
Shanghai Ouwang Network Technology Limited (上海歐網網絡科技有限公司)	63,646.00	63,646.00	100.00	Expected to be irrecoverable
Shanghia Quanyao Technology Trading Co., Ltd, (上海泉堯科貿有限公司)	59,900.00	59,900.00	100.00	Expected to be irrecoverable
Hunan Sipulin Technology Trading Limited (湖南斯普林科貿有限公司)	29,400.00	29,400.00	100.00	Expected to be irrecoverable
Beijing Sina Information Technology Limited (北京新浪信息技術有限公司)	29,004.00	29,004.00	100.00	Expected to be irrecoverable
Bailing Information Technology Limited (百靈信息科技有限公司)	29,000.00	29,000.00	100.00	Expected to be irrecoverable
Sihua Technology (Shanghai) Limited (思華科技(上海)有限公司)	28,200.00	28,200.00	100.00	Expected to be irrecoverable
Guangzhou Electricity Bureau of Guangdong Electricity Network Company (廣東電網公司廣州供電局)	21,300.00	21,300.00	100.00	Expected to be irrecoverable
Others	126,116.15	126,116.15	100.00	Expected to be irrecoverable
Total	4,943,995.05	4,943,995.05	—	—

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

3. Accounts receivable *(continued)*

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

Provision for bad debts amounted to RMB7,321,100.43 during the year. RMB1,306,938.70 of provision for bad debts had been released during the year. There was a new account receivable of RMB3,025,585.90 that are individually insignificant but for which provision for bad debts were individually made. Because such receivable was expected to be not recovered due to finance difficulty met by the client and its lower repayment ability.

(5) There was no account receivable effectively wrote-off during the year.

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

Top five accounts receivable grouped by closing balance of attributable debtors for the year amounted to RMB253,793,218.60 in aggregate, accounted for 31.63% of the closing balance of the total accounts receivable, the corresponding provision for bad debts on the total closing balance amounted to RMB1,818,503.44.

4. Prepayments

(1) Age of prepayments

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	17,301,333.92	45.60	18,295,671.23	55.57
1 to 2 years	8,178,924.54	21.56	14,626,949.10	44.43
2 to 3 years	12,456,981.19	32.84	—	—
Total	37,937,239.65	100.00	32,922,620.33	100.00

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

4. Prepayments *(continued)*

(1) Age of prepayments *(continued)*

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

Name of entity	Relationship with the Group	Amount	Age	Reason for past due
Guangzhou Motto Technology Development Co., Ltd. (廣州格源科技開發有限公司)	Independent third party	7,660,823.65	One to two years	Defective goods were returned and receivables were pending negotiation.
		4,093,599.12	Two to three years	
Sub-total of Guangzhou Motto Technology		11,754,422.77		
Guangzhou Zhonglian Shuntong Computer Technology Service Co., Ltd. (廣州市中聯順通計算機技術服務有限公司)	Independent third party	341,597.93	One to two years	Defective goods were returned and receivables were pending negotiation.
		3,384,560.36	Two to three years	
Sub-total of Guangzhou Zhonglian Shuntong (廣州中聯順通)		3,726,158.29		
Dongguan Touxin Information Technology Co., Ltd. (東莞市投新信息技術有限公司)	Independent third party	2,283,508.10	Two to three years	Defective goods were returned and receivables were pending negotiation.
Guangzhou Shanglian Software Technology Co., Ltd. (廣州尚聯軟件技術有限公司)	Independent third party	1,866,941.06	Two to three years	Defective goods were returned and receivables were pending negotiation.
Total		19,631,030.22		

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

During the year, total closing balance of top five prepayments grouped by attributable creditor of prepayment amounted to RMB27,245,489.65, accounted for 71.82% of total closing balance of prepayments.

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

5. Other receivables

Name of item	Closing balance	Opening balance
Other receivables	318,720,966.84	234,457,407.37
Less: Provision for bad debts	786,553.74	989,427.34
Net amount	317,934,413.10	233,467,980.03

(1) Age analysis of other receivables

Age	Closing balance	Opening balance
Within 3 months	261,475,446.48	148,166,623.31
3 months to 1 year	8,144,389.36	46,686,021.85
1 to 2 years	16,684,723.12	20,237,349.38
2 to 3 years	16,652,803.69	10,855,625.39
3 to 4 years	7,462,797.25	5,631,892.13
4 to 5 years	5,623,785.23	28,100.00
Over 5 years	1,890,467.97	1,862,367.97
Net amount	317,934,413.10	233,467,980.03

(2) Category of other receivables

Category	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Other receivables individually significant for which provision for bad debts has been individually made	—	—	—	—	—
Other receivables for which provision for bad debts has been made on group basis by credit risk characteristics	318,720,966.84	100.00	786,553.74	0.25	317,934,413.10
Other receivables individually insignificant but for which provision for bad debts has been individually made	—	—	—	—	—
Total	318,720,966.84	100.00	786,553.74	—	317,934,413.10

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

5. Other receivables (continued)

(2) Category of other receivables (continued)

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

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

Age	Closing balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within 3 months	176,736,602.80	—	—
3 months to 1 year	201,021.72	10,051.09	5.00
1 to 2 years	16,000.00	3,200.00	20.00
2 to 3 years	1,060.00	424.00	40.00
3 to 4 years	82,880.00	49,728.00	60.00
Total	177,037,564.52	63,403.09	—

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

Name of group	Closing balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Related party group	17,670,638.70	—	—
Deposit group	30,119,350.66	—	—
Long term strategic cooperation enterprise group	93,893,412.96	723,150.65	0.77
Total	141,683,402.32	723,150.65	—

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

5. Other receivables (continued)

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

Provision for bad debts amounted to RMB170,793.19 during the year. RMB373,666.79 of provision for bad debts had not been recovered or released during the year.

(4) Category of other receivables by nature

Nature	Closing balance	Opening balance
From individual	15,454,003.16	13,621,734.21
From entity	285,596,324.98	200,034,412.14
From related parties	17,670,638.70	20,801,261.02
Total	318,720,966.84	234,457,407.37

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

Name of entity	Nature	Closing balance	Age	Percentage to total closing balance of other receivables (%)	Closing balance of provision for bad debts
Shenzhen G-speed Industrial Development Co., Ltd. (深圳市英捷迅實業發展有限公司)	Open credit	168,368,470.26	Within three months	52.83	—
Intel China Ltd.	Procurement rebate	81,774,390.48	Within three months	25.66	—
		901,365.77	Three months to one year	0.28	9,013.66
		2,444,233.04	One to two years	0.77	48,884.66
		1,220,718.78	Two to three years	0.38	61,035.94
		7,552,704.89	Three to four years	2.37	604,216.39
Sub-total of Intel		93,893,412.96		29.46	723,150.65
International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司)	Financing security	7,142,857.00	Within three months	2.24	—
Shenzhen Municipal Federation of Industry & Commerce (深圳市工商業聯合會)	Loan security	6,000,000.00	Two to three years	1.88	—
Nanjing Powerleader Cloud Computing Technology Limited	Associated open credit	5,870,027.32	One to two years	1.84	—
Total		281,274,767.54		88.25	723,150.65

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

6. Inventories

(1) Categories of inventories

Item	Book balance	Closing balance Provision for impairment	Carrying amount
Materials in transits	1,931,916.16	—	1,931,916.16
Raw materials	140,303,092.00	4,632,610.95	135,670,481.05
Construction in progress	7,045,468.44	—	7,045,468.44
Finished goods	243,302,538.69	7,049,892.24	236,252,646.45
Goods in transits	15,145,688.12	—	15,145,688.12
Sub-contracting material	163,212.48	—	163,212.48
Total	407,891,915.89	11,682,503.19	396,209,412.70

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

(2) Provision for impairment of inventories

Item	Opening balance	Increase during the year		Decrease during the year		Closing balance
		Provision	Others	Write-back or write-off	Transfer to others	
Raw materials	789,527.83	3,843,083.12	—	—	—	4,632,610.95
Finished goods	5,213,739.52	1,836,152.72	—	—	—	7,049,892.24
Total	6,003,267.35	5,679,235.84	—	—	—	11,682,503.19

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1 January 2015 to 31 December 2015

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

6. Inventories (continued)

(3) Provision for impairment of inventories made

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

7. Other current assets

Item	Closing balance	Opening balance	Nature
Reclassification of VAT credit balance	16,341,721.37	19,520,493.84	VAT credit balance
Prepaid expenditure	715,314.14	221,767.39	Property rent, decoration, etc
Wealth management products	—	1,000,000.00	Bank wealth management products
Total	17,057,035.51	20,742,261.23	

8. Available-for-sale financial assets

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

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Equity instrument available-for-sale	—	—	—	—	—	—
Measured at cost	10,100,000.00	—	10,100,000.00	4,000,000.00	—	4,000,000.00
Total	10,100,000.00	—	10,100,000.00	4,000,000.00	—	4,000,000.00

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

Investee	Book balance				Provision for impairment				Percentage of shareholdings in investee (%)	Cash dividend for the year
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance		
Shenzhen Qianhai Pengde Mobile Internet Venture Capital Fund (Limited Partnership) (深圳市前海鵬德移動互聯網創業投資基金(有限合夥))	4,000,000.00	—	—	4,000,000.00	—	—	—	—	4.00	—
SurDoc Corp.	—	6,100,000.00	—	6,100,000.00	—	—	—	—	2.86	—
Total	4,000,000.00	6,100,000.00	—	10,100,000.00	—	—	—	—	—	—

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

8. Available-for-sale financial assets (continued)

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

The Company entered into a partnership agreement with 盈富泰克創業投資有限公司, Office of Shenzhen VC Fund of Funds Management Committee, Powerleader Holdings and other 8 companies and individuals on 11 June 2014 to jointly establish Shenzhen Qianhai Pengde Mobile Internet Venture Capital Fund (Limited Partnership) (深圳市前海鵬德移動互聯網創業投資基金(有限合夥)). According to which, the Company would invest RMB10 million (representing 4.00%) by three tranches. As of 31 December 2015, the Company had invested RMB4 million (representing 4.00% of the first phase of injection), which was calculated by cost method.

Hong Kong Powerleader, a subsidiary of the Company, entered into an investment agreement on 26 December 2014 to invest US\$1 million in SurDoc Corp. Upon completion of the transaction, Hong Kong Powerleader would hold 2.86% of its equity interest. As of 31 December 2015, Hong Kong Powerleader had invested US\$1 million, which was calculated by cost method.

9. Long-term equity investments

(1) Category of long-term equity investments

Investee	Opening balance	Additional investment	Reduction in investment	Increase/decrease during the year				Distributable cash dividend or profit declared	Impairment Provision	Others	Closing balance	Closing balance for impairment provision
				Investment gains or losses recognized by equity method	Adjustment in other comprehensive income	Other changes in equity						
Associated company												
Shenzhen Zqgame Co., Ltd.	141,116,282.28	—	—	10,418,672.74	(173,225.12)	1,342,830.44	—	—	—	152,704,560.34	—	
Beijing Haiyun Jiexun Technology Limited	18,091,449.55	—	—	2,902,723.86	—	—	—	—	—	20,994,173.41	—	
Sichuan Baoteng Internet Technology Limited	36,336,404.45	—	—	(6,188,590.64)	—	—	—	—	—	30,147,813.81	—	
Total	195,544,136.28	—	—	7,132,805.96	(173,225.12)	1,342,830.44	—	—	—	203,846,547.56	—	

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

(2) Analysis on long-term equity investments

Item	Closing balance	Opening balance
Listed		
PRC (other than Hong Kong)	152,704,560.34	141,116,282.28
Sub-total	152,704,560.34	141,116,282.28
Unlisted	51,141,987.22	54,427,854.00
Total	203,846,547.56	195,544,136.28

As at end of the year, the market value of listed investments was RMB1,153,288,373.73.

As at 31 December 2015, the fair value of long-term equity investments in listed companies were RMB1,153,288,373.73.

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

10. Investment properties

(1) Investment properties measured at cost

Item	Buildings and structures	Total
I. Initial carrying amount		
1. Opening balance	15,949,150.41	15,949,150.41
2. Amount of increase during the year	4,380,000.00	4,380,000.00
(1) Transfer from fixed assets	4,380,000.00	4,380,000.00
3. Amount of decrease during the year	8,505,759.91	8,505,759.91
(1) Transfer to others	8,505,759.91	8,505,759.91
4. Closing balance	11,823,390.50	11,823,390.50
II. Accumulated depreciation		
1. Opening balance	2,065,573.29	2,065,573.29
2. Amount of increase during the year	1,823,190.60	1,823,190.60
(1) Depreciation or amortization	248,033.10	248,033.10
(2) Transfer from fixed assets	1,575,157.50	1,575,157.50
3. Amount of decrease during the year	1,101,580.33	1,101,580.33
(1) Transfer to others	1,101,580.33	1,101,580.33
4. Closing balance	2,787,183.56	2,787,183.56
III. Provision for impairment		
1. Opening balance	—	—
2. Amount of increase during the year	—	—
3. Amount of decrease during the year	—	—
4. Closing balance	—	—
IV. Carrying amount		
1. Carrying amount at the end of the year	9,036,206.94	9,036,206.94
2. Carrying amount at the beginning of year	13,883,577.12	13,883,577.12

Amount of depreciation of investment properties recognised in profit or loss during the year was RMB248,033.10 (last year: RMB306,223.70).

- (2) Investment properties are those located in PRC held under mid-term lease (under 50 years but no less than 10 years).
- (3) There is no gain or loss on investment properties disposed of during the year.

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

11. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Plants and machinery	Transportation equipment	Office appliances	Other equipment	Total
I. Initial carrying amount						
1. Opening balance	275,394,204.02	13,328,439.66	9,324,146.89	27,769,562.32	462,154.01	326,278,506.90
2. Amount of increase during the year	11,216,456.61	169,023,216.05	—	3,709,082.83	18,587,233.99	202,535,989.48
(1) Addition	2,710,696.70	1,783,456.73	—	3,709,082.83	18,587,233.99	26,790,470.25
(2) Transfer from construction in progress	—	167,239,759.32	—	—	—	167,239,759.32
(3) Transfer from others	8,505,759.91	—	—	—	—	8,505,759.91
3. Amount of decrease during the year	4,380,000.00	5,131,461.87	852,340.00	7,839,119.92	18,569,552.35	36,772,474.14
(1) Disposal or retirement	—	5,131,461.87	852,340.00	7,839,119.92	18,569,552.35	32,392,474.14
(2) Transfer to others	4,380,000.00	—	—	—	—	4,380,000.00
4. Closing balance	282,230,660.63	177,220,193.84	8,471,806.89	23,639,525.23	479,835.65	492,042,022.24
II. Accumulated depreciation						
1. Opening balance	27,273,698.27	8,507,397.32	5,484,738.08	16,766,898.39	302,572.99	58,335,305.05
2. Amount of increase during the year	14,081,245.83	8,107,306.61	621,121.83	3,430,006.47	604,532.66	26,844,213.40
(1) Depreciation	12,979,665.50	8,107,306.61	621,121.83	3,430,006.47	604,532.66	25,742,633.07
(2) Transfer from others	1,101,580.33	—	—	—	—	1,101,580.33
3. Amount of decrease during the year	1,575,157.50	4,515,107.71	579,212.78	7,222,072.50	551,605.46	14,443,155.95
(1) Disposal or retirement	—	4,515,107.71	579,212.78	7,222,072.50	551,605.46	12,867,998.45
(2) Transfer to others	1,575,157.50	—	—	—	—	1,575,157.50
4. Closing balance	39,779,786.60	12,099,596.22	5,526,647.13	12,974,832.36	355,500.19	70,736,362.50
III. Provision for impairment						
1. Opening balance	—	—	—	—	—	—
2. Amount of increase during the year	—	—	—	—	—	—
3. Amount of decrease during the year	—	—	—	—	—	—
4. Closing balance	—	—	—	—	—	—
IV. Carrying amount						
1. Carrying amount at the end of the year	242,450,874.03	165,120,597.62	2,945,159.76	10,664,692.87	124,335.46	421,305,659.74
2. Carrying amount at the beginning of year	248,120,505.75	4,821,042.34	3,839,408.81	11,002,663.93	159,581.02	267,943,201.85

Depreciation of fixed assets recognised in profit or loss during the year was RMB23,624,155.41 (last year: RMB12,314,805.24).

For the increase in the fixed assets during the year, an amount of RMB167,239,759.32 was transferred from construction in progress.

Profit from disposal of fixed assets during the year amounted to RMB1,227,211.44.

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

11. Fixed assets *(continued)*

- (2) Buildings and structures are located in PRC and held under mid-term lease (under 50 years but no less than 10 years).
- (3) As at the end of the year, the Company had no temporarily idle asset.
- (4) **Fixed assets leased in by financing lease**

Closing	Initial carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	57,142,857.00	2,374,999.99	—	54,767,857.01
Total	57,142,857.00	2,374,999.99	—	54,767,857.01

In respect of the machineries and equipments leased in by financing lease, the Company entered into a Financing Lease Contract with International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司) on 17 June 2015, main terms of which require the Company to sell its equipments including low-voltage switchgears, electric wires and power distribution cabinets to International Far Eastern Leasing Co., Ltd. at a price of RMB57,142,857.00 and then the Company to lease in these assets from International Far Eastern Leasing Co., Ltd. by financing lease with lease period of three years and effective rate of 4.41%.

The original value of these assets was RMB57,142,857.00 and the net value was RMB57,142,857.00 at their sale date.

(5) Fixed assets leased out by operating lease

At the end of the year, no fixed asset was leased out by operating lease (at the beginning of the year: Nil).

(6) Fixed assets in lack of title certificates

As the staff quarters of the Company located in Futian District (initial value: RMB1,869,900; carrying amount at the end of the year: RMB1,645,500 (carrying amount at beginning of the year: RMB1,692,300)) are government affordable housing, the title certificate is held by the Government of Futian District, and therefore, title certificate of the house cannot be obtained.

As the property developer of the residential housing of the Company located in Xian of Shanxi (initial value: RMB736,500; carrying amount at the end of the year: RMB599,200 (carrying amount at beginning of the year: RMB617,000)) could not pass the acceptance test due to substandard fire prevention facilities, therefore, the property certificate of the house has not been obtained.

As the staff quarters of the Company located in Songde Garden (頌德花園) of Meilin (initial value: RMB906,300; carrying amount at the end of the year: RMB886,400 (carrying amount at beginning of the year: 0)) are government affordable housing, the title certificate is held by the Government of Futian District, and therefore, title certificate of the house cannot be obtained.

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

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

12. Construction in progress

(1) Breakdown of construction in progress

Item	Closing balance			+	Opening balance		
	Book balance	Provision for impairment	Carrying amount		Book balance	Provision for impairment	Carrying amount
Guangzhou (IDC) Center for Cloud Computing and Data	—	—	—	116,741,077.26	—	116,741,077.26	
Total	—	—	—	116,741,077.26	—	116,741,077.26	

(2) Movements of material construction in progress items

Name of project	Opening balance	Increase during the year	Decrease during the year		Closing balance
			Transfer to fixed assets	Other decrease	
Guangzhou (IDC) Center for Cloud Computing and Data	116,741,077.26	50,498,682.06	167,239,759.32	—	—
Total	116,741,077.26	50,498,682.06	167,239,759.32	—	—

Name of project	Budget (RMB'000)	Percentage of expenditure injected to budget (%)	Progress	Accumulated capitalised interest	Including: Interest capitalised for the year	Interest capitalisation rate for the year (%)	Source of funds
Guangzhou (IDC) Center for Cloud Computing and Data	16,669.46	100.33	100.00	5,648,725.00	5,648,725.00	6.4575	Bank loans
Total	16,669.46			5,648,725.00	5,648,725.00		

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

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

13. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Computer software	R&D software	Total
I. Initial carrying amount				
1. Opening balance	36,926,345.00	4,176,406.37	149,909,366.31	191,012,117.68
2. Amount of increase during the year	—	2,810,270.96	12,121,054.97	14,931,325.93
(1) Addition	—	2,810,270.96	—	2,810,270.96
(2) Internal R&D	—	—	12,121,054.97	12,121,054.97
3. Amount of decrease during the year	—	981,132.15	—	981,132.15
(1) Transfer to others	—	981,132.15	—	981,132.15
4. Closing balance	36,926,345.00	6,005,545.18	162,030,421.28	204,962,311.46
II. Accumulated amortization				
1. Opening balance	3,323,539.70	1,947,262.22	116,105,403.79	121,376,205.71
2. Amount of increase during the year	982,875.69	1,247,181.29	17,071,028.76	19,301,085.74
(1) Provision	982,875.69	1,247,181.29	17,071,028.76	19,301,085.74
3. Amount of decrease during the year	—	—	—	—
(1) Transfer to others	—	—	—	—
4. Closing balance	4,306,415.39	3,194,443.51	133,176,432.55	140,677,291.45
III. Provision for impairment				
1. Opening balance	—	—	—	—
2. Amount of increase during the year	—	—	—	—
3. Amount of decrease during the year	—	—	—	—
4. Closing balance	—	—	—	—
IV. Carrying amount				
1. Carrying amount at the end of the year	32,619,929.61	2,811,101.67	28,853,988.73	64,285,020.01
2. Carrying amount at the beginning of year	33,602,805.30	2,229,144.15	33,803,962.52	69,635,911.97

(2) The intangible assets derived from the Company's internal R&D accounted for 79.05% of the closing balance of intangible assets.

(3) Land use rights are lands located in PRC and held under mid-term lease (under 50 years but not less than 10 years).

(4) Depreciation of intangible assets recognized in profit or loss during the year was RMB18,416,132.14 (last year: RMB17,163,666.81).

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

14. Development expenditures

(1) Breakdown of development expenditures

Item	Opening balance	Increase during the year	Decrease during the year		Closing balance
			Internal development expenditures	Recognized as intangible assets	
Strengthened customized 4 quad server (6U-400 projects)	7,313,199.44	4,807,855.53	12,121,054.97	—	—
8 quad server	5,938,909.25	7,198,021.46	—	—	13,136,930.71
High end 4 quad server	5,524,566.75	6,168,731.28	—	—	11,693,298.03
Next generation dual quad server	2,347,940.87	5,510,086.80	—	—	7,858,027.67
High-performance calculation server	—	5,044,665.54	—	—	5,044,665.54
Powerleader's household server system	—	1,643,895.44	—	—	1,643,895.44
Powerleader's CDN project	—	1,409,053.21	—	—	1,409,053.21
Storage server	—	1,261,166.39	—	—	1,261,166.39
Powerleader's Desktop Cloud	—	939,368.14	—	—	939,368.14
Double control redundancy storage server	—	840,777.59	—	—	840,777.59
Total	21,124,616.31	34,823,621.38	12,121,054.97	—	43,827,182.72

(2) The intangible assets derived from the Company's internal R&D accounted for 44.88% of the closing balance of carrying amount of intangible assets.

(3) The Group's development expenditures incurred during the year is expected to finish testing and completion in 2017.

15. Long-term prepayments

Item	Opening balance	Increase during the year	Amortized during the year	Other decrease during the year	Closing balance
Decoration fee	1,244,188.13	385,545.39	447,278.71	—	1,182,454.81
Total	1,244,188.13	385,545.39	447,278.71	—	1,182,454.81

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

16. Deferred income tax assets and deferred income tax liabilities

(1) Unutilized deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment	9,458,715.22	1,762,550.44	11,212,525.56	1,958,721.16
Total	9,458,715.22	1,762,550.44	11,212,525.56	1,958,721.16

(2) Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary differences	8,364,076.73	6,499,703.35
Deductible losses	37,631,892.06	52,678,829.43
Total	45,995,968.79	59,178,532.78

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

Item	Closing balance	Opening balance	Note
To be expired in 2015 (2010)	853,147.22	3,861,154.31	Deductible losses to be determined by Tax Bureau
To be expired in 2016 (2011)	1,062,247.53	5,277,031.69	Deductible losses to be determined by Tax Bureau
To be expired in 2017 (2012)	7,686,746.48	20,032,205.45	Deductible losses to be determined by Tax Bureau
To be expired in 2018 (2013)	9,376,455.90	23,508,437.98	Deductible losses to be determined by Tax Bureau
To be expired in 2019 (2014)	18,653,294.93	—	Deductible losses to be determined by Tax Bureau
Total	37,631,892.06	52,678,829.43	

17. Short-term loans

(1) Category of Short-term loans

Category of loans	Closing balance	Opening balance
Guaranteed loans	898,671,685.74	976,112,408.03
Secured loans	192,780,570.70	—
Total	1,091,452,256.44	976,112,408.03

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

17. Short-term loans (continued)

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

Details of guarantee:

Lending bank	Currency	Loan principal in original currency	Guarantor
Industrial Bank Co. Ltd. (Shenzhen Huang Gang sub-branch)	RMB	70,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie
Ping An Bank (Shenzhen Changcheng sub-branch)	RMB	70,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie
China Construction Bank (Shenzhen Housing and Urban Construction branch)	RMB	20,000,000.00	Shenzhen HTI Finance Security Co., Ltd. (深圳市高新投資擔保有限公司), Zhang Yunxia, Li Ruijie
China Construction Bank (Shenzhen Housing and Urban Construction branch)	RMB	200,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel
China Construction Bank (Shenzhen Housing and Urban Construction branch)	US\$	4,985,190.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel
China Merchants Bank (Shenzhen Zhongdian sub-branch)	RMB	40,000,000.00	Zhang Yunxia, Li Ruijie, Powerleader Holdings
China Resources Bank of Zhuhai (Shenzhen Futian branch)	RMB	40,000,000.00	Powerleader Holdings, Li Ruijie
China Citic Bank (Xiangmihu branch)	RMB	100,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Nanjing Powerleader Cloud Computing Technology Limited (南京宝德雲計算技術有限公司)
Agricultural Bank of China (University Town of Shenzhen branch)	RMB	84,000,000.00	Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader
Macau Bank SinoPac	US\$	4,355,000.00	Zhang Yunxia
China Construction Bank (Shenzhen Housing and Urban Construction branch)	US\$	27,759,885.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel
Shanghai Commercial Bank (Hong Kong Sham Shui Po branch)	US\$	6,016,558.06	Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader
Standard Chartered Bank	US\$	600,000.00	Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader
Australia and New Zealand Bank	US\$	9,750,000.00	Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader
Bank of China (Hong Kong) Limited (Telford House, Kowloon Bay branch)	US\$	1,280,000.00	Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader
Hongkong and Shanghai Banking Corporation Limited (Telford Garden branch)	US\$	7,700,000.00	Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader
Citibank	US\$	8,000,000.00	Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader
China Merchants Bank (Shenzhen Zhongdian sub-branch)	RMB	10,000,000.00	Zhang Yunxia, Li Ruijie, Powerleader Holdings

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

17. Short-term loans (continued)

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

Details of securities:

- 1) As at the end of the year, the short term borrowing of RMB100 million from China Citic Bank was secured by the land for science and education in Yuhua economic development zone in Yuhuatai District of the related party Nanjing Powerleader Cloud Computing Technology Limited (Land No. 14107084017) with security appraisal value of RMB60,114,300.00 and security amount of RMB48,091,440.00.
- 2) As at the end of the year, the short term borrowing of RMB200 million from Construction Bank was secured by the factory and R&D centre of Guanlan Hi-Tech Park, Guanlan Street, Baoan District (Shen Fang Di Zi No. 5000559246). The initial carrying amount was RMB68,399,578.69, the accumulated depreciation was RMB10,171,696.35. The factory area was 23,558.42 m² and its net appraisal value was RMB66,434,744.00. The R&D centre area was 8,607.82 m² and its net valuation was RMB24,274,052.00. The security amount was RMB90,968,926.26.
- 3) As at the end of the year, the short term borrowing of RMB84 million from Agricultural Bank was secured by No. 84 of West 2nd Street in Kong Gang Economic District of Binhai Powerleader (Fang Di Chan Jin Zi No. 115011200003), the area was 22,743.32m², the initial carrying amount was RMB104,839,985.92, the accumulated depreciation was RMB11,071,102.56, the appraisal value was RMB186,495,224.00 and the security amount was RMB100 million.

Details of interest rates:

As at 31 December 2015, the interest rates of short-term loans were 1.8610%–7.8000% per annum, the weighted average interest rate was 4.7806% per annum (31 December 2014: interest rate for short-term loans were 1.9014%–7.8000% per annum, weighted average interest rate was 4.8427% per annum).

18. Financial liabilities at fair value through profit or loss for the current period

(1) Categories of trading financial liabilities

Items	Balance at the end of the year	Balance at the beginning of the year
Derivative financial liabilities	4,228,219.07	—
Total	4,228,219.07	—

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

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

19. Notes payable

(1) Categories of notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	220,000,000.00	—
Total	220,000,000.00	—

On 12 March 2015, the Company entered into a Facility Agreement (2015 Fu Zi No. 0015823005) with China Merchants Bank (Shenzhen Zhongdian sub-branch) with a facility limit of RMB50 million and a facility period from 13 March 2015 to 12 March 2016. The Company opened the bank acceptance note through the bank and needed to offer RMB20 million of guarantee deposit as security.

On 11 June 2015, the Company entered into a Facility Limit Contract with Industrial Bank Co. Ltd. (Shenzhen sub-branch) with a period of one year and RMB150 million of facility limit. The number of the contract was "Xing Yin Shen Huang Gang Shou Xin Zi 2015 No. BD001", the effective period of the facility was from 12 June 2015 to 12 June 2016. Such facility limit may be circulated and used in 1) domestic and foreign currency loans, 2) bank acceptance notes, 3) domestic and foreign currency credit letters and documentary credit, negotiation under the letter, 4) domestic letter of credit and documentary credit, negotiation under the letter, 5) documentary credit, negotiation under T/T. On 2 July 2015, a Supplementary Agreement was entered with contract No. of "Xing Yin Shen Huang Gang Bu Chong Zi 2015 No. BD001", thereby the facility limit was changed to RMB200 million.

(2) The amount due in the next accounting year will be RMB220,000,000.00.

20. Accounts payable

(1) Accounts payable by nature

Item	Closing balance	Opening balance
Payables for purchase of raw materials	259,317,899.13	255,659,967.57
Payables for construction	26,841,069.83	4,313,814.77
Total	286,158,968.96	259,973,782.34

(2) Age analysis of accounts payable

The age analysis of accounts payable by invoice date as at 31 December 2015 is as follows:

Item	Closing balance	Opening balance
Within 1 year	274,693,246.69	247,654,250.86
1 to 2 years	4,381,369.91	6,299,085.60
2 to 3 years	5,195,956.15	3,426,474.73
3 to 4 years	181,716.29	1,239,249.14
4 to 5 years	351,957.91	914,567.50
Over 5 years	1,354,722.01	440,154.51
Total	286,158,968.96	259,973,782.34

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

20. Accounts payable (continued)

(3) Material accounts payable aged over one year

Name of entity	Closing balance	Reason for outstanding or carrying forward
BEST WEBSITE LIMITED	2,061,996.66	Under negotiation for product quality issue
Guangzhou Bai Feng Digital Technology Co., Ltd. (廣州市柏豐數碼科技有限公司)	1,774,965.72	Customer-type supplier, who will have business for account balance
MITAC COMPUTING TECHNOLOGY	1,594,096.77	Prepayment is converted into payable, and the account will be balance after the documentation is complete
Total	5,431,059.15	—

21. Receipts in advance

(1) Receipts in advance

Item	Closing balance	Opening balance
Total	40,935,292.29	14,699,090.26
Including: over 1 year	2,306,165.35	2,383,602.36

(2) Material receipts in advance aged over one year

Name of entity	Closing balance	Reason for outstanding or carrying forward
Beijing Guanqun Jinchun Software Co., Ltd. (北京冠群金辰軟體有限公司)	400,000.00	Consult with the customer about subsequent supply of goods
Hunan Zhongxinan Technology Co., Ltd. (湖南中信安科技有限責任公司)	130,950.00	Consult with the customer about subsequent supply of goods
Hangzhou Binary Network Interaction Co., Ltd. (杭州二元網路互動有限公司)	200,000.00	Consult with the customer about subsequent supply of goods
Changsha Ao Yuan Technology Co., Ltd. (長沙奧遠科技有限公司)	113,648.27	Consult with the customer about subsequent supply of goods
Wuxi Xiangrun Century Technology Development Co., Ltd. (無錫祥潤世紀科技開發有限公司)	120,000.00	Consult with the customer about subsequent supply of goods
Nanjing ZTEsoft Technology Co., Ltd.	106,267.00	Consult with the customer about subsequent supply of goods
Guangzhou Zong Chen Trade Co., Ltd. (廣州眾晨貿易有限公司)	101,931.00	Consult with the customer about subsequent supply of goods
Total	1,172,796.27	—

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

22. Employee remuneration payables

(1) Category of employee remuneration payables

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term remuneration	6,892,898.10	65,736,734.18	65,447,873.59	7,181,758.69
Post-employment benefits — defined contribution plans	—	3,884,955.50	3,884,955.50	—
Termination benefits	—	—	—	—
Other benefit matured within one year	—	—	—	—
Total	6,892,898.10	69,621,689.68	69,332,829.09	7,181,758.69

(2) Short-term remuneration

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonus, allowance and subsidies	6,892,898.10	58,679,963.44	58,391,102.85	7,181,758.69
Staff benefits	—	3,547,675.04	3,547,675.04	—
Social security insurance	—	2,293,686.87	2,293,686.87	—
Including: Medical insurance	—	1,451,722.94	1,451,722.94	—
Work-related injury insurance	—	95,503.81	95,503.81	—
Maternity insurance	—	746,460.12	746,460.12	—
Housing provident fund	—	1,215,408.83	1,215,408.83	—
Union operation cost and staff education cost	—	—	—	—
Short-term compensated leaves	—	—	—	—
Short-term profit sharing scheme	—	—	—	—
Total	6,892,898.10	65,736,734.18	65,447,873.59	7,181,758.69

(3) Defined contribution plans

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic pension	—	3,592,876.35	3,592,876.35	—
Unemployment insurance	—	292,079.15	292,079.15	—
Enterprise annuity	—	—	—	—
Total	—	3,884,955.50	3,884,955.50	—

(4) The closing balance of employee remuneration payables of the Group represented the accrued salaries of December 2015 and the thirteenth month salary for 2015. Up to the date of approval for publication of this financial report, the salaries of December and the thirteenth month salary.

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

22. Employee remuneration payables (continued)

(5) There was no overdue nature payables in employee remuneration payables as at the end of 2015.

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

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

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

23. Tax payables

Item	Closing balance	Opening balance
VAT	43,958,807.31	12,974,545.94
Business tax	235,824.76	259,009.36
EIT	9,696,197.34	5,588,447.85
Individual income tax	196,796.69	191,760.02
Urban maintenance and construction tax	118,783.62	65,792.27
Education surcharge	84,159.71	48,628.28
Others	535.39	1,228.07
Total	54,291,104.82	19,129,411.79

As at the end of the year, tax payables included RMB436,651.86 of Hong Kong Profits Tax payable.

24. Interest payables

(1) Category of interest payables

Item	Closing balance	Opening balance
Interest on long-term loan which requires to pay interest by instalments and repay principal at maturity	291,828.47	251,125.00
Short-term loans interest payables	179,075.00	112,000.00
Total	470,903.47	363,125.00

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

25. Other payables

(1) Category of other payables by nature

Nature of amount	Closing balance	Opening balance
Open credit with entities	46,302,238.39	47,561,752.29
Investment costs payable	2,150,000.00	10,000,000.00
Security for tendering	910,000.00	1,300,000.00
Current account with individuals	596,565.15	290,970.34
Total	49,958,803.54	59,152,722.63

(2) Material other payables aged over one year

Name of entity	Closing balance	Reason for outstanding or carrying forward
Shenzhen Powerleader Communications Technology Co., Ltd.	5,866,831.99	Connected open credit
Sichuan Powerleader (四川寶騰)	2,132,980.61	Investment funds and scattered open credit
Total	7,999,812.60	

26. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loans due within 1 year	36,000,000.00	140,000,000.00
Long-term payment due within 1 year	18,174,596.81	—
Total	54,174,596.81	140,000,000.00

27. Other current liabilities

(1) Category of other current liabilities

Item	Closing balance	Opening balance
Accrued transportation fee	1,161,906.44	1,327,127.45
Accrued customs declaration fee	364,340.49	450,110.20
Deferred income due within one year	—	4,900,000.00
Accrued rental	—	399,014.63
Total	1,526,246.93	7,076,252.28

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

27. Other current liabilities (continued)

(2) Government grants

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

28. Long-term loans

(1) Category of loans

Category of loans	Closing balance	Opening balance
Guaranteed loans	117,749,657.89	140,000,000.00
Pledged loan	33,250,342.11	—
Sub-total	151,000,000.00	140,000,000.00
Less: portion repayable within 1 year	36,000,000.00	140,000,000.00
Total	115,000,000.00	—

Details of guarantees and securities:

Long term loans refer to the fixed assets loan contract entered into between the Company and China Construction Bank Corporation (Shenzhen branch) under the loan contract no. "Jie 2015 Gu 182 Qianhai". The loan principle as agreed by the agreement is RMB0.16 billion with a term from 26 March 2015 to 25 March 2020, the loan is applied as payment for the applicant's initial investment other than capital for equipment procurement, installation or replacement of IDC project, the closing balance was RMB151,000,000.00, and RMB36,000,000.00 will be due within one year. RMB9 million is repayable quarterly from the seventh month after such loan had been granted with the loans settled by the end of the term.

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

28. Long-term loans (continued)

(1) Category of loans (continued)

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

- 1) The guarantee contracts included "Bao 2015 Gu 182 Qianhai-1", "Bao 2015 Gu 182 Qianhai-2", "Bao 2015 Gu 182 Qianhai-3" and "Bao 2015 Gu 182 Qianhai-4" respectively; the guarantors were Powerleader Holdings, Zhang Yunxia, Li Ruijie and Ex-channel, respectively.
- 2) The pledge contract was the pledge contract for accounts receivable with contract no. "Zhi 2015 Gu 182 Qianhai". In particular, it has "pledge of accounts receivable/transfer registration agreement" with the agreement numbered "Xie 2015 Gu 182 Qianhai".
- 3) The security contract was numbered "Di 2015 Gu 182 Qianhai-1". The list of secured properties covers the machinery equipment of Powerleader Technology Park, Guanlan Hi-Tech Park, Longhua New District, Shenzhen, with the net value assessed of RMB36,384,427.00 and original book value of RMB39,259,440.08. The accumulated depreciation as of the end of the year was RMB6,009,097.97.

Details of interest rates:

As at 31 December 2015, the interest rates of long-term loans were 6.3000%–6.4575% per annum, the weighted average interest rate was 6.3349% per annum (31 December 2014: interest rate for long-term loans were 6.4000%–6.4575% per annum, weighted average interest rate was 6.4288% per annum).

(2) Analysis on maturity of long-term loans

Item	Closing balance	Opening balance
1 to 2 years	36,000,000.00	—
2 to 5 years	79,000,000.00	—
Total	115,000,000.00	—

29. Long-term payables

Item	Closing balance	Opening balance
Financial leasing payables	49,317,279.30	—
Less: the part due within one year	18,174,596.81	—
The part due after one year	31,142,682.49	—
Total	31,142,682.49	—

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

29. Long-term payables *(continued)*

(1) Details of financial leasing payables

Financial leasing payables are the net of minimum lease payment for financial leasing deducting unconfirmed financing costs. The details are as follows:

Item	Closing balance	Opening balance
Far Eastern International Leasing Co., Ltd.	49,317,279.30	—
Total	49,317,279.30	—

(2) The Group carried out subsequent measurement for such long-term payables by adopting the effective interest rate method and amortized cost.

(3) As at the end of the year, the term of the minimum lease payments for the financial leasing was as follows:

Item	Closing balance	Opening balance
Within 1 year	21,047,616.00	—
1 to 2 years	21,047,616.00	—
2 to 3 years	11,926,982.00	—
Sub-total	54,022,214.00	—
Less: unrecognized financing expenses	4,704,934.70	—
Total	49,317,279.30	—

Unconfirmed financing costs are allocated by using the effective interest rate method in the respective period of the lease term, and dealt with in accordance with the principle of borrowing costs.

30. Deferred Income

(1) Category of deferred income

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason
Government grants	4,587,000.00	20,660,000.00	4,587,000.00	20,660,000.00	Government subsidy for projects subject to acceptance test
Total	4,587,000.00	20,660,000.00	4,587,000.00	20,660,000.00	—

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

30. Deferred Income (continued)

(2) Government grants items

Government grant item	Opening balance	Amount of additional grants for the year	Amount include in non-operating income for the year	Other changes	Closing balance	Asset-related/ income-related
Industrial application demonstration project for Powerleader desk top cloud system	1,300,000.00	—	1,300,000.00	—	—	Income-related
Industrial application demonstration project for Powerleader's center for cloud computation and data	1,200,000.00	—	1,200,000.00	—	—	Income-related
Powerleader Kai Kai game cloud platform	1,200,000.00	—	1,200,000.00	—	—	Income-related
Research on the key technologies for cloud-based big data processing platform	800,000.00	—	800,000.00	—	—	Income-related
Development of intelligent logistics technology and its application system based on UHF RFID	87,000.00	—	87,000.00	—	—	Income-related
Electronic information industry revitalization and base transformation project	—	10,000,000.00	—	—	10,000,000.00	Asset-related
Industrial application demonstration project for Powerleader IAAS cloud service platform	—	4,260,000.00	—	—	4,260,000.00	Income-related
Research on the key technologies for new server system	—	2,700,000.00	—	—	2,700,000.00	Asset-related
Powerleader cloud storage server technology and production transformation project based on Loongson CPU	—	2,000,000.00	—	—	2,000,000.00	Asset-related
Technology development of high-performance distributed cloud storage system	—	1,000,000.00	—	—	1,000,000.00	Asset-related
Research on the key technologies for video cloud monitoring platform	—	300,000.00	—	—	300,000.00	Asset-related
R&D of Powerleader super fusion integrated cloud system	—	250,000.00	—	—	250,000.00	Asset-related
R&D of cloud server virtualization management platform	—	150,000.00	—	—	150,000.00	Asset-related
Total	4,587,000.00	20,660,000.00	4,587,000.00	—	20,660,000.00	

No government grants had been refunded in 2015 and 2014.

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

31. Share Capital

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

This year

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

Last year

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

32. Capital reserves

This year

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	25,875,000.00	—	—	25,875,000.00
Other capital reserves	8,167,006.02	1,342,830.44	—	9,509,836.46
Total	34,042,006.02	1,342,830.44	—	35,384,836.46

Last year

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

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

33. Other comprehensive income

Item	Opening balance	This year before income tax	Less: Amounts transferred to profit or loss for the current period from other comprehensive income in prior period	This year		Attributable to the minority interest after tax	Closing balance
				Less: income tax charge	+		
I. Other comprehensive income which will not be reclassified to profit or loss	—	—	—	—	—	—	—
II. Other comprehensive income which will be reclassified to profit or loss	23,771.40	(173,225.12)	—	—	(173,225.12)	—	(149,453.72)
Including: Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method	23,771.40	(173,225.12)	—	—	(173,225.12)	—	(149,453.72)
Total other comprehensive income	23,771.40	(173,225.12)	—	—	(173,225.12)	—	(149,453.72)

34. Surplus reserves

This year

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory surplus reserves	34,601,238.65	3,024,803.65	—	37,626,042.30
Total	34,601,238.65	3,024,803.65	—	37,626,042.30

Last year

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory surplus reserves	34,601,238.65	—	—	34,601,238.65
Total	34,601,238.65	—	—	34,601,238.65

According to the Companies Law of the PRC and the articles of association of the Company, the Company is required to appropriate 10% of its annual net profit to statutory surplus reserves, appropriation for which will be ceased until it is accumulated up to 50% of the registered capital. Statutory surplus reserves can be used to make up losses or increase share capital upon approval. The net profit for this year is appropriated to the statutory surplus reserves amounted to RMB3,024,803.65 (2014: net profit was negative, no appropriation had been made to the statutory surplus reserves).

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

35. Undistributed profits

Item	Balance for this year	Balance for last year
At the end of last year	491,631,832.64	437,634,780.76
Add: Adjustments to beginning balance of undistributed profits	—	—
Including: Retrospective adjustment according to new requirements of ASBE	—	—
Changes in accounting policies	—	—
Correction of material mistakes in the prior periods	—	—
Changes in scope of business combination under common control	—	—
Other adjustment factors	—	—
At the beginning of this year	491,631,832.64	437,634,780.76
Add: Net profit attributable to shareholders of the Company for the year	21,269,795.44	53,997,051.88
Less: Appropriation to statutory surplus reserves	3,024,803.65	—
Distribution of dividends on ordinary shares	—	—
At the end of this year	509,876,824.43	491,631,832.64

Distribution of dividends of ordinary shares for the year: the Directors of The Company do not recommend for the payment of dividend for the year ended 31 December 2014 (2014: the Directors of The Company did not recommend for the payment of dividend for the year ended 31 December 2013).

36. Minority interests

Minority interests attributable to minority shareholders of subsidiaries

Name of subsidiary	Percentage of minority shareholding (%)	Closing balance	Opening balance
Shenzhen Powerleader Property Development Limited	1.00	(2,481.56)	(2,260.93)
Total		(2,481.56)	(2,260.93)

Deficit of minority shareholders written against minority interest of the Group

Name of subsidiary	Balance for this year	Balance for last year
Shenzhen Powerleader Property Development Limited	2,481.56	2,260.93
Total	2,481.56	2,260.93

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

37. Net current assets

Item	Closing balance	Opening balance
Current assets	2,047,570,979.20	1,599,207,848.13
Less: Current liabilities	1,810,378,151.02	1,483,399,690.43
Net current assets	237,192,828.18	115,808,157.70

38. Total assets less current liabilities

Item	Closing balance	Opening balance
Total assets	2,802,916,601.42	2,291,283,278.21
Less: Current liabilities	1,810,378,151.02	1,483,399,690.43
Total assets less current liabilities	992,538,450.40	807,883,587.78

39. Borrowings

The borrowings of the Group are summarized as follows:

Item	Closing balance	Opening balance
Short-term loans	1,091,452,256.44	976,112,408.03
Long-term loans	151,000,000.00	140,000,000.00
Total	1,242,452,256.44	1,116,112,408.03

(1) Analysis of borrowings

Item	Closing balance	Opening balance
Bank loans		
— Repayable within one year	1,127,452,256.44	1,116,112,408.03
— Repayable after one year	115,000,000.00	—
Total	1,242,452,256.44	1,116,112,408.03

(2) Analysis of borrowings by maturity dates

Item	Closing balance	Opening balance
Repayable on demand or within one year	1,127,452,256.44	1,116,112,408.03
One to two years	36,000,000.00	—
Two to five years	79,000,000.00	—
Total	1,242,452,256.44	1,116,112,408.03

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

40. Revenue and operating costs

Item	Amount of this year		Amount of last year	
	Revenue	Costs	Revenue	Costs
Principle businesses	2,679,129,147.52	2,430,184,721.02	1,843,059,452.57	1,620,860,594.94
Other businesses	7,224,962.86	2,848,067.54	9,779,967.93	4,823,392.55
Total	2,686,354,110.38	2,433,032,788.56	1,852,839,420.50	1,625,683,987.49

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

Gross profit

Item	Balance for this year	Balance for last year
Revenue from principal businesses	2,679,129,147.52	1,843,059,452.57
Costs of principal businesses	2,430,184,721.02	1,620,860,594.94
Gross profits	248,944,426.50	222,198,857.63

(1) Principal businesses — classified by sectors

Name of sector	Amount for this year	
	Revenue from principal businesses	Cost of principal businesses
Cloud infrastructure as a service	805,512,385.54	633,518,333.62
Cloud module as a service	1,849,524,072.35	1,769,998,308.01
Software and platform as a service	24,092,689.63	26,668,079.39
Total	2,679,129,147.52	2,430,184,721.02

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

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

40. Revenue and operating costs (continued)

(2) Principal businesses — classified by geographical regions

Name of geographical region	Amount for this year	
	Revenue from principal businesses	Cost of principal businesses
Mainland China	2,069,596,108.54	1,831,581,988.87
Hong Kong	598,516,207.93	587,168,396.90
Others	11,016,831.05	11,434,335.25
Total	2,679,129,147.52	2,430,184,721.02

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

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

Name of business	Amount for this year		Amount for last year	
	Revenue from other businesses	Costs of other businesses	Revenue from other businesses	Costs of other businesses
Service fee revenue	3,724,428.24	551,628.92	7,838,266.93	4,516,598.97
Lease revenue	1,131,480.00	—	1,770,701.00	306,223.70
Others	2,369,054.62	2,296,438.62	171,000.00	569.88
Total	7,224,962.86	2,848,067.54	9,779,967.93	4,823,392.55

(4) The sales to the largest customer during the year amounted to RMB128,530,241.90, accounted for 4.78% of the total sales value (2014: RMB143,180,155.40, 7.73%), the sales to the 5 largest customers amounted to RMB487,874,548.53 in aggregate, accounted for 18.16% of the total sales value (2014: RMB410,035,202.97, 22.13%).

(5) The purchases from the largest supplier during the year amounted to RMB1,111,103,322.83, accounted for 41.92% of the total purchase value (2014: RMB880,356,004.80, 39.33%), the purchases from the 5 largest suppliers amounted to RMB1,639,763,166.29, accounted for 61.86% of the total purchase value (2014: RMB1,259,543,187.33, 56.28%).

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

41. Business tax and surcharge

Item	Amount for this year	Amount for last year
Business tax	118,285.30	142,614.05
Urban maintenance and construction tax	1,128,919.27	1,034,096.56
Education surcharge	809,778.85	747,772.48
Total	2,056,983.42	1,924,483.09

42. Selling expenses

Item	Amount for this year	Amount for last year
Total	59,544,519.53	45,674,560.79
Including: Salaries	26,259,209.99	21,562,525.84
Rents	6,403,637.14	3,356,552.61
Transportation expenses	6,018,538.29	4,470,907.21
Marketing expenses	3,257,485.62	2,573,870.68
Traffic expenses in the city	3,245,287.10	1,315,339.08
Employees' social security insurance	3,176,080.99	2,141,654.10
Entertainment expenses	2,878,261.85	2,377,633.32
Travelling expenses	2,710,929.19	2,116,827.05
Office expenses	1,394,942.54	1,106,257.13
Property management fee	1,005,655.46	727,827.22

43. Administrative expenses

Item	Amount for this year	Amount for last year
Total	75,623,844.23	63,769,919.26
Including: Amortization of intangible assets	17,628,642.38	16,375,468.41
Salaries	14,829,810.90	14,605,390.87
Depreciation	11,000,720.09	8,968,684.19
Water and electricity	2,887,023.55	725,672.73
Taxes	2,545,408.87	2,454,955.52
Office expenses	2,529,569.70	1,169,936.33
Agency fee	2,453,042.43	1,960,771.04
Transportation expenses	2,444,975.89	802,114.03
Staff incentives	2,074,376.11	1,178,234.75
Service fee	1,982,521.09	661,190.37

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

44. Finance costs

(1) Breakdown of finance cost

Item	Amount for this year	Amount for last year
Interest expenses	60,699,710.89	54,690,543.50
Less: Interest income	4,125,984.18	311,517.50
Add: Gain or loss on exchange	21,036,974.51	1,010,118.54
Add: Other expenses	12,138,746.10	5,380,777.81
Total	89,749,447.32	60,769,922.35

(2) Breakdown of interest expenses

Item	Amount for this year	Amount for last year
Interest on bank loans	66,348,435.89	54,690,543.50
Sub-total	66,348,435.89	54,690,543.50
Less: Interest capitalised	5,648,725.00	—
Total	60,699,710.89	54,690,543.50

(3) Breakdown of interest income

Item	Amount for this year	Amount for last year
Interest income on bank deposits	4,125,984.18	311,517.50
Total	4,125,984.18	311,517.50

45. Impairment losses of assets

Item	Amount for this year	Amount for last year
Bad debts losses	5,811,288.13	(3,107,824.77)
Impairment loss of inventories	5,679,235.84	5,848,600.82
Total	11,490,523.97	2,740,776.05

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

46. Gain/loss on changes in fair value

Item	Amount for this year	Amount for last year
Financial assets at fair value through profit or loss for the current period	(4,228,219.07)	(362,198.90)
Including: Gain on changes in fair value of derivative financial instrument	(4,228,219.07)	(362,198.90)
Total	(4,228,219.07)	(362,198.90)

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

47. Gain on investments

Item	Amount for this year	Amount for last year
Gain on long-term equity investments accounted for using equity method	7,132,805.96	(10,172,065.04)
Gain on investment on disposal of long-term equity investments	—	2,664,347.47
Gain on investment in financial assets at fair value through profit or loss for the current period during the holding period	197,045.95	490,484.71
Total	7,329,851.91	(7,017,232.86)

Gain on investments derived from listed and unlisted investments for the year were RMB10,418,672.74 and RMB(3,088,820.83), respectively, the remit back of the gain on investment by the Group is not subject to significant restriction.

48. Non-operating income

(1) Breakdown of non-operating income

Item	Amount for this year	Amount for last year	Included in non-recurring profit or loss for the year
Gain on disposal of non-current assets	143.00	1,074,754.56	143.00
Including: gain on disposal of fixed assets	143.00	1,074,754.56	143.00
Government grants	13,205,055.10	5,975,146.97	10,239,700.00
Fine income	—	4,000.00	—
Others	119,372.37	152,588.78	119,372.37
Total	13,324,570.47	7,206,490.31	10,359,215.37

The amount included in non-recurring profit or loss for this year was RMB10,359,215.37 (last year: RMB3,406,543.34).

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

48. Non-operating income (continued)

(2) Breakdown of government grants

Item	Amount for current year	Source and basis	Asset-related/ income-related
VAT levy and drawback	2,965,355.10		Income-related
2011 National High-Tech Enterprises in Longhua New District	200,000.00	Shenzhen Longhua New District Economic Services (深圳市龍華新區經濟服務網)	Income-related
R&D and industrialization of cloud-computing-based Powerleader IAA platform	300,000.00	Shenzhen Longhua New District Development and Finance Bureau (深圳市龍華新區發展和財政局)	Income-related
Software Development Project	100,000.00	Shenzhen Longhua New District Economic Services (深圳市龍華新區經濟服務網)	Income-related
Powerleader powersoft load balancer	150,000.00	Management Centre of Technology Innovation Fund for Small and Medium-sized Technology-based Enterprises, MOST (科學技術部科技型中小企業技術創新基金管理中心)	Income-related
R&D of OpenStack-based Powerleader cloud operating system	1,200,000.00	Shen Ke Ji Chuang Xin [2013] No. 167	Income-related
Powerleader Kaikai Game cloud platform	1,200,000.00	Shen Fa Gai [2013] No. 993	Income-related
Internet-based service-oriented industrialization project of intelligent distribution system undertaken by Shenzhen Powerleader Computing System Limited	2,000,000.00	Funds from Shenzhen Finance Committee	Income-related
Research on the Key Technologies for cloud-computing-based Mega Data Processing Platform	800,000.00	Shenzhen Science & Technology Innovation Committee	Income-related
Industrial application demonstration project for Powerleader desk top cloud operation system	1,300,000.00	Economy, Trade and Information Commission of Shenzhen Municipality	Income-related
Industrial application demonstration project for Powerleader's cloud computing data centre	1,200,000.00	Funds from Shenzhen Finance Committee	Income-related
R&D and industrialisation of Powerleader's wholly localized high performance servers	900,000.00	District industry development special funds	Income-related
R&D of safe and reliable CPU based Powerleader's desk top computer project	800,000.00	Shenzhen Finance Committee	Income-related
Development of UHF RFID based intelligent logistics technology and its application system	87,000.00	2012 Municipal Science and Technology Research and Development Funds for national and provincial projects, Shenzhen Finance Committee	Income-related
Registration of computer software copyright	2,700.00	Market Supervision Administration of Shenzhen Municipality	Income-related
Total	13,205,055.10		

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

48. Non-operating income (continued)

(2) Breakdown of government grants

Item	Amount for last year	Source and basis	Asset-related/ income-related
VAT levy and drawback	3,799,946.97		Income-related
R&D and industrialization of cloud-computing-based Powercloud high performance server	800,000.00	Project contract under science and technology R&D funds of Shenzhen Municipality	Income-related
Special incentives for intellectual property rights — registration of software copyright	500,000.00	Finance Bureau of Futian District of Shenzhen Municipality	Income-related
R&D of cloud-computing-based Powerleader security data storage services platform	450,000.00	Project funds utilization contract of special industries development fund (science and technology development sub-category) of Futian District	Income-related
Special development funds for strategic emerging industries of Shenzhen Municipality	210,000.00	Science and Technology Innovation Committee of Shenzhen Municipality	Income-related
Industrial special funds	214,000.00	Treasury Division, Finance Bureau of Futian District of Shenzhen Municipality	Income-related
Subsidy for registration of copyright from Market Supervision Administration of Shenzhen Municipality	1,200.00	Publication by text message	Income-related
Total	5,975,146.97		

49. Non-operating costs

Item	Amount for this year	Amount for last year	Included in non-recurring profit or loss for the year
Total loss on disposal of non-current assets	1,227,354.44	94,318.12	1,227,354.44
Including: Loss on disposal of fixed assets	1,227,354.44	94,318.12	1,227,354.44
Donation	—	30,000.00	—
Non-recurring losses	8,365.70	887.13	8,365.70
Others	314,121.66	133,461.63	314,121.66
Total	1,549,841.80	258,666.88	1,549,841.80

Amount included in non-recurring profit or loss for this year was RMB1,549,841.80 (last year: RMB258,666.88).

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

50. Income tax expenses

(1) Income tax expenses

Item	Amount for this year	Amount for last year
Current income tax — PRC EIT	7,989,966.65	5,679,393.69
PRC	7,468,780.66	4,714,236.44
Hong Kong	521,185.99	965,157.25
Over provision for prior years (under provision is denoted as "+")	276,652.68	(5,383,359.98)
Deferred income tax	196,170.72	(2,483,555.55)
Total	8,462,790.05	(2,187,521.84)

The amount of Hong Kong Profits Tax included in the income statement for the year was RMB2,173,572.63 (last year: RMB399,208.30).

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

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

Item	Amount for this year	Amount for last year
Total consolidated profits for the year	29,732,364.86	51,844,163.14
Income tax charges calculated at applicable tax rates of 15% (2014: 15%)	4,459,854.73	7,776,624.46
Effect of different applicable tax rate among subsidiaries	356,502.32	(81,625.74)
Effect of adjustment to the income tax for the prior period	276,652.68	(5,383,359.98)
Effect of non-taxable income	(6,924,694.43)	(7,933,103.58)
Tax effect of special tax exemption	—	—
Effect of non-deductible costs, expenses and losses	13,458,140.95	(1,843,969.09)
Effect of utilisation of deductible losses for which no deferred income tax assets is recognised in prior periods	(5,767,460.88)	(72,844.82)
Effect of deductible temporary differences or deductible losses for which no deferred income tax assets is recognised for the year	2,603,794.68	5,350,756.91
Income tax expenses	8,462,790.05	(2,187,521.84)

51. Audit fee

Audit fee for the year was RMB834,044.80 (last year: RMB718,330.50).

52. Depreciation and amortization

Depreciation recognised in the income statement for this year was RMB23,872,188.51 (last year: RMB12,621,028.94), amortisation recognised in the income statement was RMB18,863,410.85 (last year: RMB17,209,031.57).

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

53. Operating lease expenses

Operating lease expenses for this year was RMB8,166,705.11 (last year: RMB4,012,275.22).

54. Rental income

Rents from lands and buildings (net of government rent, rates and other expenditure) was RMB1,131,480.00 (last year: RMB1,770,701.00).

55. Earnings per share

(1) Basic earnings per share

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

Item	Amount for this year	Amount for last year
Consolidated net profit attributable to ordinary shareholders of the Company	21,269,795.44	53,997,051.88
Consolidated net profit (after non-recurring profit or loss) attributable to the ordinary shareholders of the Company	11,791,057.34	48,962,822.43
Weighted average number of outstanding ordinary shares of the Company	243,000,000.00	243,000,000.00
Basic earnings per share (RMB/share)	0.0875	0.2222
Basic earnings per share (RMB/share) (after non-recurring profit or loss)	0.0485	0.2015

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

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

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

55. Earnings per share *(continued)*

(2) Diluted earnings per share

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

56. Other comprehensive income

Item	Amount for this year	Amount for last year
1. Gain (loss) on available-for-sale financial assets	—	—
Less: Income tax effect on available-for-sale financial assets	—	—
Net amount included in other comprehensive income in prior periods which transferred to profit or loss for the period	—	—
Sub-total	—	—
2. Share of other comprehensive income of investee accounted for by equity method	(173,225.12)	21,423.64
Less: Income tax effect on share of other comprehensive income of investee accounted for by equity method	—	—
Net amount included in other comprehensive income in prior periods which transferred to profit or loss for the period	—	—
Sub-total	(173,225.12)	21,423.64
3. Gain (loss) generated from cash flow hedging instrument	—	—
Less: Income tax effect arising from cash flow hedging instrument	—	—
Net amount included in other comprehensive income in prior periods which transferred to profit or loss for the period	—	—
Adjustment amount transferred out as the initial recognition amount of the hedged item	—	—
Sub-total	—	—
4. Translation difference of financial statements denominated in foreign currencies	—	—
Less: Net amount transferred to profit or loss for the period from the disposal of overseas operations	—	—
Sub-total	—	—
5. Others	—	—
Less: Income tax effect on the transfer from others to other comprehensive income	—	—
Net amount included in other comprehensive income in prior periods which transferred to profit or loss for the period	—	—
Sub-total	—	—
Total	(173,225.12)	21,423.64

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

57. Notes to cash flow statement items

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

1) Other cash received relating to operating activities

Item	Amount for this year	Amount for last year
Open credit with entities and individuals	79,211,842.08	45,043,437.91
Government grants	30,810,700.00	4,275,200.00
Interests income	4,125,984.18	311,503.31
Deposits	305,594.81	73,125.75
Others	119,372.37	156,588.78
Total	114,573,493.44	49,859,855.75

2) Other cash paid relating to operating activities

Item	Amount for this year	Amount for last year
Open credit with entities and individuals	93,229,911.09	57,355,394.65
Transportation expenses	8,463,514.18	5,273,021.24
Marketing expenses	3,638,095.14	3,489,710.64
Rents	8,166,705.11	4,012,275.22
Travelling expenses	4,421,838.50	3,584,252.93
Entertainment expenses	3,577,600.54	2,952,048.97
Water and electricity expenses	2,501,930.78	2,777,637.64
Audit fee	1,051,948.04	1,594,422.95
Vehicle expenses	860,855.53	1,121,929.65
Traffic expenses in the city	3,476,241.78	1,486,002.98
Office expenses	3,924,512.24	2,276,193.46
Bank charges	12,138,746.10	5,380,777.81
Others	11,960,217.60	10,165,827.80
Total	157,412,116.63	101,469,495.94

3) Other cash paid relating to financing activities

Item	Amount for current year	Amount for last year
Security deposit	149,528,541.16	46,326,618.01
Cash paid under the financial lease	9,120,634.00	—
Total	158,649,175.16	46,326,618.01

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

57. Notes to cash flow statement items (continued)

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

(2) Supplementary information for consolidated cash flow statement

Item	Amount for this year	Amount for last year
1. Reconciliation of net profits to cash flows from operating activities:		
Net profit	21,269,574.81	54,031,684.98
Add: Assets impairment losses	11,490,523.97	2,740,776.05
Depreciation of Property Investment	248,033.10	306,223.70
Depreciation of fixed assets	23,624,155.41	12,314,805.24
Amortization of intangible assets	18,416,132.14	17,163,666.81
Amortization of long-term prepayments	447,278.71	45,364.76
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain is denoted as “()”)	1,227,211.44	(980,436.44)
Loss on retirement of fixed assets (Gain is denoted as “()”)	—	—
Gain or loss on changes in fair value (Gain is denoted as “()”)	4,228,219.07	362,198.90
Finance costs (Gain is denoted as “()”)	60,699,710.89	54,690,543.50
Loss on investment (Gain is denoted as “()”)	(7,329,851.91)	7,017,232.86
Decrease in deferred income tax assets (Increase is denoted as “()”)	196,170.72	(970,252.14)
Increase in deferred income tax liabilities (Decrease is denoted as “()”)	—	(1,513,303.41)
Decrease in inventories (Increase is denoted as “()”)	(80,014,832.55)	(136,205,581.24)
Decrease in operating receivables (Increase is denoted as “()”)	(370,176,943.66)	(178,445,617.80)
Increase in operating payables (Decrease is denoted as “()”)	274,115,955.24	137,865,248.35
Others	—	—
Net cash flow from operating activities	(41,558,662.62)	(31,577,445.88)
2. Significant non-cash investing and financing activities:		
Conversion of debts to capital	—	—
Convertible corporate bonds due within 1 year	—	—
Acquisition of fixed assets under finance leases	—	—
3. Net changes in cash and cash equivalents:		
Closing balance of cash	252,209,127.44	381,156,365.62
Less: Beginning balance of cash	381,156,365.62	331,919,213.53
Add: Closing balance of cash equivalents	—	—
Less: Beginning balance of cash equivalents	—	—
Net increase in cash and cash equivalents	(128,947,238.18)	49,237,152.09

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

57. Notes to cash flow statement items (continued)

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

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

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

(4) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	252,209,127.44	381,156,365.62
Including: Cash in hand	783,560.99	588,977.86
Bank deposits readily available for payments	251,425,566.45	380,567,387.76
Other cash and cash equivalents readily available for payments	—	—
Cash equivalents	—	—
Including: Investments in bonds due within 3 months	—	—
Closing balance of cash and cash equivalents	252,209,127.44	381,156,365.62
Including: Restricted cash and cash equivalents of the Company or subsidiaries under the Group	—	—

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

58. Statement of changes in Shareholder's equity items

Included in the statement of changes in shareholder's equity under the item "Others" for this year is RMB1,342,830.44, which was change in capital reserves incurred by other equity movement in Zqgame. Under the item "Others" for last year is RMB2,057,101.93, in which: 1) capital reserves of RMB557,101.93 was incurred by share based payments of Zqgame; 2) RMB1,500,000.00 was share premium of Beijing Haiyun Jiexun.

59. Assets with restrictions on legal titles or rights of use

Item	Carrying amount at the end of year	Reason of restriction
Cash and cash equivalents	234,257,848.56	Security deposit and bank acceptances deposits for letter of credits
Fixed assets	185,247,107.81	Collateral for loans

60. Foreign currency items

(1) Foreign currency items

Item	Closing balance of foreign currency	Exchange rate	Closing balance of amount in RMB
Cash and cash equivalents			
Including: US\$	18,052,908.25	6.4936	117,228,365.01
HK\$	898,451.26	0.83778	752,704.50
Accounts receivables			
Including: US\$	15,894,782.58	6.4936	103,214,360.16
Other receivables			
Including: US\$	14,388,425.93	6.4936	93,432,682.62
HK\$	355,432.16	0.83778	297,773.96
Prepayments			
Including: US\$	1,024,025.26	6.4936	6,649,610.43
Short-term loans			
Including: US\$	70,446,633.06	6.4936	457,452,256.44
Accounts payable			
Including: US\$	32,192,051.06	6.4936	209,042,302.76
Receipts in advance			
Including: US\$	283,206.22	6.4936	1,839,027.91
Financial liabilities held-for-trading			
Including: US\$	651,136.36	6.4936	4,228,219.07
Total			994,137,302.86

(2) Overseas business units

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

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VII. CHANGES IN SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

No disposal of subsidiaries during the reporting period.

2. Changes in scope of consolidation due to other reasons

Powerleader Computing (Hong Kong) Limited (宝德计算机(香港)有限公司), a third-tier subsidiary, was newly set up by the Company on 29 July 2015 with a registered capital of US\$1 million, and it was 100% indirectly held by the Company and was included in the consolidated financial statements during the year.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Structure of the Group

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

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

None of the subsidiaries of the Company issued any debt securities during the year and no debt securities was outstanding as at 31 December 2015.

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VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

(1) Structure of the Group *(continued)*

- 1) *Shenzhen Powerleader Computing System Limited (深圳市宝德计算机系统有限公司) (referred to as "Powerleader Computing")*

Powerleader Computing was established on 8 October 2003 with an initial registered capital of RMB10 million. The Company holds 94.26% of its equity interest. It holds the business licence numbered 440301103172983 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Dong Weiping. In 2010, Powerleader Computing increased its registered capital to RMB38 million by capitalising the undistributed profits and taking up investment of RMB2 million from new shareholder(s). On 2 April 2011, the Company acquired 5.74% of equity interest in Powerleader Computing from minority shareholders at a consideration of RMB2.8 million. On 24 July 2015, The Company transferred its 10% shareholdings in Powerleader Computing to Research Institute with a consideration of RMB4.5 million. As of 31 December 2015, the Company indirectly held its 100% shareholdings.

Business scope: production (conducted by branches), development and sale of computer software, hardware and peripherals, computer parts, electronic, electrical, communication product; computer system integration (the above do not include restricted items and franchised, controlled and monopolized goods); engage in the business of import and export of goods and technologies.

- 2) *Shenzhen Baoteng Internet Technology Limited (深圳市宝腾互联科技有限公司) (referred to as "Baoteng Internet")*

Baoteng Internet was established in 2003 with an initial registered capital of RMB1 million. The Company holds 75% of its equity interest. It holds the business licence numbered 440306103599524 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. On 4 April 2006, the Company and Powerleader Holdings contributed an additional capital of RMB9 million to Baoteng Internet. As a result, the registered capital of Baoteng Internet was increased to RMB10 million. On 2 April 2011, the Company acquired 25% of equity interest in Baoteng internet from minority shareholders at a consideration of RMB2 million. As of 31 December 2015, the Company owned 100% of its equity interest.

Business scope: research and development as well as purchase and sales of information technology products, communication technology products, electronic consumer products and software and hardware of internet technological products.

- 3) *Shenzhen Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (referred as "Powerleader Software")*

Powerleader Software was established in 2008 with a registered capital of RMB10 million. The Company holds 99% of its equity interest. It holds the business licence numbered 440306103615979 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. On 2 April 2011, the Company acquired 1% of equity interest from the minority shareholders, Powerleader Holdings, at a consideration of RMB0.3 million. On 23 July 2015, The Company transferred its 100% shareholdings in Powerleader Software to Powerleader Computing with a consideration of RMB85 million. As of 31 December 2015, the Company indirectly held its 100% shareholdings.

Business scope: development of computer software and hardware, development of internet technologies (excluding provision of internet services, hardware-in-software and system development).

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VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

(1) Structure of the Group *(continued)*

- 4) *Shenzhen Powerleader Property Development Limited (深圳市宝德物業發展有限公司) (referred to as "Powerleader Property")*

Powerleader Property was established in 2007 with a registered capital of RMB0.5 million. It holds the business licence numbered 440301103052307 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. As of 31 December 2015, the Company held 99% of its equity interest, and Powerleader Holdings held 1% of its equity interest.

Business scope: Water and electricity installation and maintenance for buildings, property management (operate with qualification certificate); lease of self-owned properties, landscaping (operate with qualification certificate); domestic commercial, materials supply and distribution (excluding franchised, controlled and monopolized goods and foreign investment restricted projects).

- 5) *Shenzhen Baotong Zhiyuan Technology Limited (深圳市宝通志遠科技有限公司) (referred to as "Baotong Zhiyuan")*

Baotong Zhiyuan was established in 2008 with an initial registered capital of RMB1 million. The Company holds 99% of its equity interest. It holds the business licence numbered 440306103471649 issued by Shenzhen Administration for Industry & Commerce. Its legal representative is Ma Zhumao. On 20 May 2009, both the Company and Powerleader Holdings increased capital contribution in the same proportion, the registered capital of Baotong Zhiyuan changed to RMB10 million. On 2 April 2011, the Company acquired 1% of its equity interest from a minority shareholder of Baotong Zhiyuan, Powerleader Holdings, at a consideration of RMB0.18 million. As of 31 December 2015, the Company owned 100% of its equity interest.

Business scope: Technological development and sale of computer software and hardware, communication products and electronic instruments. Provision of system integration services; domestic commercial, materials supply and distribution, import and export of goods and technologies; conference planning; marketing planning; supply chain logistic management.

- 6) *Shenzhen Powerleader Cloud Computing Research Institute Limited (深圳市宝德雲計算研究院有限公司) (referred to as "Research Institute")*

Research Institute was established in 2011. It holds the business licence numbered 440306105730362 issued by Shenzhen Administration for Industry & Commerce. Its registered capital is RMB10 million. Its legal representative is Ma Zhumao. As of 31 December 2014, the Company contributed RMB9 million to its capital and held 90% of its equity interest; Powerleader Computing contributed RMB1 million to its capital and held 10% of its shareholding. The Company indirectly held 100% of its equity interest. On 25 June 2015, Powerleader Computing transferred its 10% shareholdings in Research Institute to The Company with a consideration of RMB200,000. As of 31 December 2015, the Company held 100% shareholdings in Research Institute.

Business scope: Technological development and sales of computer software and hardware, research and development of communication and internet technologies, digital multi-media technologies (excluding provision of internet services), domestic trading (except for those projects which require prior approval according to law, administrative regulations, State Council decisions).

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VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

(1) Structure of the Group *(continued)*

- 7) *Guangzhou Baoyun Information Technology Co., Ltd.* (廣州寶雲信息科技有限公司) (referred to as "Guangzhou Baoyun")

Guangzhou Baoyun was established on 30 December 2013 with a registered capital of RMB10 million. It holds the business licence numbered 440108000081509 issued by Guangzhou Administration for Industry & Commerce. 100% of its capital was contributed by the Company and the legal representative is Ma Zhumao.

Business scope: Development of software; information system integration services; information technology consulting services; data processing and storage services.

- 8) *Powerleader Science & Technology (HK) Limited* (寶德科技(香港)有限公司) (referred as "Hong Kong Powerleader")

Hong Kong Powerleader was incorporated in 2003 with an initial registered capital of US\$0.99 million. It was a wholly-owned subsidiary of the Company. In 2011, the Company contributed an additional capital of US\$9 million. The share capital of Hong Kong Powerleader was changed to US\$9.99 million accordingly. As of 31 December 2015, the Company owned 100% of its equity interest.

Business scope: Investment holding of computer server related products.

- 9) *Ex-Channel Group Limited* (寶通集團有限公司) (referred as "Ex-channel")

Ex-channel was incorporated in 2003 with a registered capital of HK\$30 million. On 17 February 2011, Hong Kong Powerleader acquired from each of the minority shareholders, Top Pioneer Limited and Dong Weiping, 10% of their respective shareholding in Ex-channel at HK\$8.8 million. As of 31 December 2015, the Company owned 100% of equity interest in Ex-channel through Hong Kong Powerleader.

Business scope: Sale of cloud computing equipment related parts, distribution agency of cloud computing equipment's core parts and provision of related value-added services.

- 10) *Powerleader Binhai Technology (Tianjin) Limited* (寶德濱海科技(天津)有限公司) (referred as "Binhai Powerleader")

Binhai Powerleader was established in 2007. It holds the business licence numbered 12000040002133 issued by Tianjin Administration for Industry & Commerce. Its registered capital is US\$13 million. The legal representative is Li Ruijie. As of 31 December 2015, the Company indirectly held 100% of its equity interest through Hong Kong Powerleader.

Business scope: Development, design, production and sales of computer network, electronics, communication products and their software and hardware system engineering; exhibition and relevant technical training services and conference and exhibition services; property management and consulting services of the above-mentioned aspects.

- 11) *Powerleader Computing (Hong Kong) Limited* (寶德計算機(香港)有限公司) (referred to as "Powerleader Computing (Hong Kong)" (香港寶計))

Powerleader Computing (Hong Kong) was established on 29 July 2015 with a registered capital of US\$1 million, which is a wholly-owned subsidiary of Powerleader Computing. As of 31 December 2015, the Company indirectly held its 100% shareholdings through Powerleader Computing.

Business scope: Development and sale of computer software, hardware and peripherals, computer parts, electronic, electrical, communication product; computer system integration; import and export of goods and technologies.

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VIII. INTERESTS IN OTHER ENTITIES *(continued)*

2. Interests in joint ventures or associates

(1) Significant joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Accounting treatment for investment in joint ventures or associates
				Direct	Indirect	
Shenzhen Zqgame Co., Ltd.	Shenzhen Municipal	Shenzhen Municipal	Development and operation of network game	15.24		Equity method
Beijing Haiyun Jiexun Technology Limited	Beijing Municipal	Beijing Municipal	Computer services and software industry	21.55		Equity method
Sichuan Baoteng Internet Technology Limited	Chengdu Municipal	Chengdu Municipal	Computer services and software industry	49.00		Equity method

- Shenzhen Zqgame Co., Ltd. (referred to as "Zqgame") was formerly known as "Shenzhen Powerleader Network Technology Limited". It mainly engages in the development and operation of network games. It was established jointly by the Company and its controlling shareholder, Powerleader Holdings, in 2000. In which, the Company held 99% of its equity interest and Powerleader Holdings held 1% of its equity interest. After a number of shareholding restructuring between 2007 to 2010, in addition to the listing of Zqgame in A shares ChiNext Board in 2010, the shareholding of the Company in Zqgame was diluted from 20.40% to 15.30%. In 2015, a total of 1,038,600 stock options were exercised by the equity incentive objectives of Zqgame, and the shareholdings of the Company was diluted from 15.30% to 15.24%. As the Company takes up 2 seats out of the 8 directors in the board of Zqgame, the Company exercises significant influence over Zqgame, accordingly, Zqgame is accounted by using equity method.
- Beijing Haiyun Jiexun Technology Limited (referred to as "Beijing Haiyun Jiexun") was established on 25 May 2010 in Beijing by Lin Zhiguo through RMB5 million of capital contribution. According to the capital increment agreement entered into on 18 October 2013, the Company contributed a total of RMB15 millions in 3 tranches. As of 31 December 2015, the capital contribution by the Company amounted to RMB15 million. On 11 August 2015, Intel Semiconductor (Da Lian) Co., Ltd (英特爾半導體(大連)有限公司) subscribed the newly registered capital of RMB1.6 million in Beijing Haiyun Jiexun with a consideration of RMB24.83 million. After such capital increase, the shareholding of Zhang Zhengyu, Li Hua, employees' shareholding, the Company and Intel were 34.06%, 21.98%, 8.62%, 21.55% and 13.79% respectively. Its legal representative is Li Hua. The Company takes up 1 seat out of 3 directors in the Board and it is accounted for using equity method.
- Sichuan Baoteng Internet Technology Limited (referred to as "Sichuan Baoteng") is a limited liability company established by the capital contribution of Sichuan Mingguan Network Technology Limited (referred to as "Sichuan Mingguan"). It obtained its business licence on 30 September 2013. The registered capital (paid-in-capital) at the time of establishment was RMB1 million. On 30 October 2013, the Company entered into a capital increment agreement with Sichuan Mingguan, it was agreed that the Company would subscribe for RMB0.9608 million of the new additional registered capital in Sichuan Baoteng at a consideration of RMB42 million. After the capital increase, the registered capital of Sichuan Baoteng was RMB1.9608 million. The shareholdings of Sichuan Mingguan and the Company were 51% and 49% respectively. On 20 March 2015, Shenzhen Subita Network Technology Limited (referred to as "Subita"), as a transferee, obtained 51% shareholdings in Sichuan Baoteng from Sichuan Mingguan. As of 31 December 2015, Subita and the Company held 51% and 49% shareholdings in Sichuan Baoteng, respectively. Of the 3 seats in the board of directors of Sichuan Baoteng, 2 directors were appointed by the Company. The Company has 66.67% of voting rights in the board of directors. However, significant decision of Sichuan Baoteng are subject to the unanimous consent of all directors and shareholders, therefore, it is accounted for using equity method. As of 31 December 2015, the Company has effectively paid RMB39.85 million of capital contribution.

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VIII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures or associates (continued)

(2) Key financial information of significant associates

Item	Closing balance/ Amount for this year			Opening balance/ Amount for last year		
	Zqgame	Sichuan Baoteng	Beijing Haiyun Jiexun	Zqgame	Sichuan Baoteng	Beijing Haiyun Jiexun
Current assets:	567,001,727.32	8,200,444.76	53,862,054.76	476,711,474.11	20,407,651.45	15,720,469.92
Including: Cash and cash equivalents	291,139,329.09	576,992.27	22,250,738.85	211,346,220.78	1,986,264.56	5,858,062.71
Non-current assets	688,856,564.71	29,074,814.49	3,798,735.39	1,058,462,021.55	29,601,438.74	3,449,034.10
Total assets	1,255,858,292.03	37,275,259.25	57,660,790.15	1,535,173,495.66	50,009,090.19	19,169,504.02
Current liabilities	174,988,140.52	17,070,430.96	13,866,064.07	356,012,318.14	14,434,526.94	429,738.05
Non-current liabilities	46,238,419.34	—	—	179,846,225.09	2,739,958.14	—
Total liabilities	221,226,559.86	17,070,430.96	13,866,064.07	535,858,543.23	17,174,485.08	429,738.05
Minority interests	32,633,304.76	—	—	76,986,310.11	—	—
Equity attributable to the shareholders of the parent	1,001,998,427.41	20,204,828.29	43,794,726.08	922,328,642.32	32,834,605.11	18,739,765.97
Share of net assets calculated on shareholding	152,704,560.34	9,900,365.86	9,437,763.47	141,116,282.28	16,088,956.50	4,684,941.49
Adjustment events						
— Goodwill	—	20,247,447.95	11,556,409.94	—	20,247,447.95	13,406,508.07
— Unrealized profit of intragroup transactions	—	—	—	—	—	—
— Others	—	—	—	—	—	—
Carrying amount of equity investment in associates	152,704,560.34	30,147,813.81	20,994,173.41	141,116,282.28	36,336,404.45	18,091,449.56
Fair value of equity investment in associates quoted in an open market	1,153,288,373.73	—	—	809,523,000.00	—	—
Revenue	343,090,937.31	8,333,532.18	20,864,901.13	489,527,552.74	14,937,994.00	13,780,074.31
Finance costs	9,487,346.72	2,098.39	(372,655.65)	8,531,515.41	(352,822.96)	(380,572.94)
Income tax expenses	24,914,041.92	6,063.72	—	(18,636,825.71)	5,369.72	—
Net profit	62,606,933.49	(12,629,776.82)	224,960.11	6,450,912.61	(13,981,615.38)	201,673.08
Net profit of discontinued operation	—	—	—	—	—	—
Other comprehensive income	(1,136,647.77)	—	—	140,023.77	—	—
Total comprehensive income	61,470,285.72	(12,629,776.82)	224,960.11	6,590,936.38	(13,981,615.38)	201,673.08
Dividend received from associates during the year	—	—	—	795,600.00	—	—

(3) There is no material restriction joint ventures or associates' ability to transfer capital to the Company.

(4) No excessive loss had been incurred by any joint venture or associate.

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IX. FINANCIAL INSTRUMENTS RELATED RISK

Major financial instruments of the Group include (among others) loans, receivables, payables, financial assets held-for-trading, financial liabilities held-for-trading. Detailed descriptions of these financial instruments are set out in Note VI. Set out below the risks associated with such financial instruments and the risk management policies adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure that such risks are contained within a prescribed scope.

1. Objective and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group's operating results are minimised, with a view to maximise the benefits of shareholders and other stakeholders. Based on such objective of risk management, the underlying strategy of the Group's risk management is to ascertain and analyse all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

(1) Market risks

1) Foreign exchange risk

The Group is mainly exposed to foreign exchange risks in connection with US\$ and HK\$; except for certain subsidiaries of the Company which effect purchases and sales in US\$, other principal operating activities of the Group are settled with RMB. As at 31 December 2015, except for the US\$ balances in assets and liabilities as well as small amount in EUR, HK\$, all balances of assets and liabilities of the Group were denominated in RMB. The foreign exchange risk arising from assets and liabilities denominated in US\$ may affect the operating results of the Group.

Item	Closing balance	Opening balance
Cash and cash equivalents — US\$	18,052,908.25	21,677,643.40
Cash and cash equivalents — HK\$	898,451.26	719,886.69
Accounts receivable — US\$	15,894,782.58	29,039,173.19
Prepayment — US\$	1,024,025.26	845,087.38
Other receivables — US\$	14,388,425.93	16,810,475.24
Other receivables — HK\$	355,432.16	355,432.16
Accounts payable — US\$	32,192,051.06	44,290,986.10
Accounts payable — HK\$	—	32,250.00
Receipts in advance — US\$	283,206.22	118,999.74
Short-term loans — US\$	70,446,633.06	54,935,387.00
Financial liabilities held-for-trading — US\$	651,136.36	—

The Group closely monitors the effect of changes in foreign exchange rates to the Group's exposure in foreign exchange risk.

For foreign exchange risk, the Group has attached importance to the research of foreign exchange risk management policies and strategies. For the avoidance of foreign currency risk related to US\$ loans and interest expenses, the Group has entered into certain forward exchange contracts with banks. The fair value of forward exchange contracts recognised as derivative financial instruments as at 31 December 2015 was US\$(651,136.36). The changes in the fair value of derivative financial instruments are included in profit and loss, please see Note VI.46 for details.

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IX. FINANCIAL INSTRUMENTS RELATED RISK *(continued)*

1. Objective and policies of risk management *(continued)*

(1) Market risks *(continued)*

2) Interest rate risk

The Group's interest rate risk arises from interest bearing liabilities derived from bank loans. Financial liabilities at floating interest rates expose the Group to cash flow interest rate risk. Financial liabilities at fixed rates expose the Group to fair value interest rate risk. The Group determined the relative ratio of its fixed rate and floating rate contracts in light of the prevailing market conditions and RMB-denominated loan contracts at fixed rates, amounted to RMB1,242,452,256.44 in aggregate (31 December 2014: RMB1,116,112,408.03), of which RMB-denominated loans at floating rate amounted to RMB371,000,000.00 (31 December 2014: RMB779,962,775.00); US\$-denominated loans at floating rate amounted to RMB457,452,256.44 (31 December 2014: RMB336,149,633.03); and RMB-denominated loans at fixed rate amounted to RMB414,000,000.00 (31 December 2014: nil).

The Group's risk of changes in fair value of financial instruments resulted from the changes in interest rates was mainly associated with fixed-rate bank loans. The Group aims at maintaining these fixed-rate bank loans at floating rates.

The Group's risk of changes in cash flow of financial instruments resulted from the changes in interest rates was mainly associated with floating-rate bank loans. The Group's policy is to maintain these loans at floating rates, so as to eliminate fair value risks arising from changes in interest rate.

3) Price risk

As the Group sells computer server products at market prices, it is exposed to market price fluctuations.

(2) Credit risk

On 31 December 2015, the largest credit risk exposure that might induce financial loss of the Group was mainly attributable to contractual counterparty's non-performance of its obligations which could lead to losses in financial assets of the Group and financial guarantee undertaken by the Group, particulars are set out as follows:

The carrying amount of financial assets recognised in the consolidated balance sheet: For the financial instruments measured at fair value, its carrying amount reflects its risk exposure; however, such amount does not represent the maximum risk exposure which changes in line with future changes in fair value.

In order to mitigate credit risk, the Group established a designated department for determining credit limits, approving credit applications and carrying out other monitoring procedures to ensure necessary measures are adopted to recover overdue debts. Besides, the Group reviews the recoverability of individual receivables at each balance sheet date, to ensure that sufficient provisions for bad debts have been made for irrecoverable amounts. As such, the management of the Group believes the credit risk assumed by the Group has been significantly reduced.

The Group places its liquidity in banks with relatively high credit ratings; therefore, the credit risk with respect to liquidity is low.

The Group adopted necessary policies to ensure that sales are made to customers with good credit history. Except the top 5 accounts receivable, the Group has no other significant concentrated credit risk.

The top 5 accounts receivable in aggregate amounted to RMB253,793,218.60.

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IX. FINANCIAL INSTRUMENTS RELATED RISK *(continued)*

1. Objective and policies of risk management *(continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group is unable to discharge its financial obligations when due. The Group manages its liquidity risk to ensure that it has adequate liquidity to serve the debts as they fall due, thus avoiding unacceptable loss or damage to the reputation of the Group. Analysis on liability structure and maturity is carried out on a regular basis by the Group to ensure adequate liquidity. The management of the Group monitors the utilisation of bank loans to ensure that the borrowing agreements are complied with. Meanwhile, in order to minimize liquidity risk, the Group negotiates with financial institutions to maintain certain facilities.

The Group deems bank loans as its major source of funds. At 31 December 2015, the Group had unutilised bank loan facilities of RMB138,869,447.56 (31 December 2014: RMB479,748,446.51), of which short-term bank loan facilities of RMB138,869,447.56 (31 December 2014: RMB479,748,446.51) was unutilized by the Group.

Set out below is an analysis of the financial assets and financial liabilities of the Group by their maturity date of undiscounted remaining contractual obligations:

Amount as at 31 December 2015:

Item	Within 1 year	One to two years	Two to five years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	486,466,976.00	—	—	—	486,466,976.00
Notes receivable	6,314,185.02	—	—	—	6,314,185.02
Accounts receivable	785,651,717.22	—	—	—	785,651,717.22
Other receivables	317,934,413.10	—	—	—	317,934,413.10
Prepayments	37,937,239.65	—	—	—	37,937,239.65
Financial liabilities					
Short-term loans	1,091,452,256.44	—	—	—	1,091,452,256.44
Financial liabilities held-for-trading	4,228,219.07	—	—	—	4,228,219.07
Notes payable	220,000,000.00	—	—	—	220,000,000.00
Accounts payable	286,158,968.96	—	—	—	286,158,968.96
Receipts in advance	40,935,292.29	—	—	—	40,935,292.29
Other payables	49,958,803.54	—	—	—	49,958,803.54
Dividends payable	470,903.47	—	—	—	470,903.47
Employee remuneration payables	7,181,758.69	—	—	—	7,181,758.69
Non-current liabilities due within one year	54,174,596.81	—	—	—	54,174,596.81
Long-term loans	—	36,000,000.00	79,000,000.00	—	115,000,000.00
Long-term payables	—	19,486,824.05	11,655,858.44	—	31,142,682.49

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IX. FINANCIAL INSTRUMENTS RELATED RISK (continued)

2. Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyse the possible effects arising from reasonable and possible changes in risk variables to profit and loss for the current period or to the owners' equity. Since risk variables seldom change on an individual basis, while the correlation among variables significantly affect the ultimate amount subject to the change in a particular risk variable; therefore, the below analysis is based on the assumption that the changes in each variable occurred separately.

(1) Sensitivity analysis on foreign exchange risk

Assumption of foreign exchange risk sensitivity analysis: all overseas operating net investment hedging and cash flow hedging are highly effective.

Based on the above assumption, on the basis that all other variables are held constant, the effects of reasonable changes in exchange rate that may arise on the profit and loss and equity for the period are set out below:

Item	Changes in exchange rate	Year 2015		Year 2014	
		Effect to net profit	Effect to owners' equity	Effect to net profit	Effect to owner's equity
All foreign currencies	5% increase against RMB	(17,549,315.48)	(17,549,315.48)	(9,435,045.11)	(9,435,045.11)
All foreign currencies	5% decrease against RMB	17,549,315.48	17,549,315.48	9,435,045.11	9,435,045.11

(2) Sensitivity analysis on interest rate risk

Sensitivity analysis of interest rate risk is based on the following assumptions:

Changes in market interest rate affect the interest income or expense of financial instruments at variable interest rate;

For fixed rate financial instruments measured at fair value, the changes in market interest rates only affect its interest income or expenses;

The changes in fair value of derivative financial instrument and other financial assets and liabilities were calculated by the discounted cash flow method with the market interest rate at the balance sheet date.

Based on the above assumptions, on the basis that all other variables are held constant, the effect of reasonable changes in interest rate that may arise on the profit and loss and equity for the period after tax are set out below:

Item	Changes in interest rates	Year 2015		Year 2014	
		Effect to net profit	Effect to owner's equity	Effect to net profit	Effect to owner's equity
Loans at floating rate	Increase 1%	(7,041,844.17)	(7,041,844.17)	(3,836,761.31)	(3,836,761.31)
Loans at floating rate	Decrease 1%	7,041,844.17	7,041,844.17	3,836,761.31	3,836,761.31

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Relationships with related parties

(1) Controlling shareholder and ultimate controller

1) Controlling shareholder

Name of controlling shareholder	Place of registration	Business nature	Registered capital (RMB'000)	Percentage of shareholding in the Company (%)	Percentage of voting rights in the Company (%)
Powerleader Holdings	Shenzhen Municipal	Investment	80,000.00	42.05	42.05

2) Ultimate controllers

The ultimate controllers of the Group are Mr. Li Ruijie and Ms. Zhang Yunxia.

3) Registered capital of controlling shareholder and its change

Controlling shareholder	Opening balance (RMB'000)	Increase during the year	Decrease during the year	Closing balance (RMB'000)
Powerleader Holdings	30,000.00	50,000.00	—	80,000.00

4) The Shareholdings or equity of controlling shareholder and its change

Controlling shareholder	Amount of shareholding (RMB'000)		Percentage of shareholdings (%)	
	Closing balance	Opening balance	Closing percentage	Beginning percentage
Powerleader Holdings	10,218.45	10,218.45	42.05	42.05

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

1. Relationships with related parties *(continued)*

(2) Subsidiaries

For details of subsidiaries, please refer to related information in "VIII.1.(1)Structure of the Group" in these notes.

Name of subsidiary	Category of enterprise	Place of registration	Business nature	Legal representative/ secretary	Organisation code
Shenzhen Powerleader Computing System Limited	Private enterprise	Shenzhen Municipal	Production	Dong Weiping	75429051-8
Shenzhen Baoteng Internet Technology Limited	Private enterprise	Shenzhen Municipal	Computing service and software	Ma Zhumao	75429063-0
Shenzhen Powerleader Software Development Limited	Private enterprise	Shenzhen Municipal	Computing service and software	Ma Zhumao	68038422-X
Shenzhen Powerleader Property Development Limited	Private enterprise	Shenzhen Municipal	Services	Ma Zhumao	67004830-2
Shenzhen Baotong Zhiyuan Technology Limited	Private enterprise	Shenzhen Municipal	Trading	Ma Zhumao	67666977-5
Shenzhen Powerleader Cloud Computing Research Institute Limited	Private enterprise	Shenzhen Municipal	Computing service and software	Ma Zhumao	58406489-1
Guangzhou Baoyun Information Technology Co., Ltd. (廣州寶雲信息科技有限公司)	Private enterprise	Guangzhou city	Software and information technology service	Ma Zhumao	08771308-8
Powerleader Science & Technology (HK) Limited	Private enterprise	Hong Kong	Trading	Dong Weiping	—
Ex-Channel Group Limited	Private enterprise	Hong Kong	Trading	Dong Weiping	—
Powerleader Binhai Technology (Tianjin) Limited	Private enterprise	Tianjin city	Trading	Li Ruijie	79728307-8
Powerleader Computing (Hong Kong) Limited	Private enterprise	Hong Kong	Trading	Zhou Liqin	—

(3) Joint venture and associates

For detailed information on significant joint ventures and associates of the Company, please refer to the related information in note VIII.2.(1). Information on other joint ventures and associates that have related party transactions with the Company during the year or have balance with the Company due to related party transactions with the Company in the prior periods are set out as below:

Name of joint ventures and associates	Relationship with the Company
Zqgame	Other enterprise under common control of the same controlling shareholder and ultimate controllers
Beijing Haiyun Jiexun	Investor-investee relationship
Sichuan Baoteng	Investor-investee relationship

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

1. Relationships with related parties *(continued)*

(4) Other related parties

Name of other related parties	Relationship with the Company
Subita	Other enterprise under the common control of the same controlling shareholder and ultimate controllers
Qianhai Pengde Mobile Internet Venture Capital Fund (前海鵬德移動互聯網創業投資基金)	Investor-investee relationship
Shenzhen Zhuoye Interactive Network Technology Limited	Other enterprise under the common control of the same controlling shareholder and ultimate controllers
Jieyang Powerleader Computer Digital Mall Co., Ltd. (揭陽市宝德電腦數碼廣場有限公司)	Other enterprise under the common control of the same controlling shareholder and ultimate controllers
Nanjing Powerleader Cloud Computing Technology Limited	Other enterprise under the common control of the same controlling shareholder and ultimate controllers
Shenzhen Powerleader Communication Technology Limited	Other enterprise under the common control of the same controlling shareholder and ultimate controllers
Shenzhen Yingbao Communication Technology Limited	Other related party
Dong Weiping	Director of The Company

2. Related party transactions

(1) Related party transactions regarding the purchase and sale of goods and provision and receipt of services

1) Purchase of goods and receipt of services

Related party	Related party transaction	Amount for this year	Amount for last year
Subita	Purchase of goods	96,405.00	—
Total		96,405.00	—

2) Sale of goods and provision of services

Related party	Related party transaction	Amount for this year	Amount for last year
Shenzhen Yingbao Communication Technology Limited	Sale of goods	4,377,350.43	—
Subita	Sale of goods	905,620.51	1,231,454.69
Zqgame	Sale of goods/provision of services	1,139,399.55	8,329,542.20
Jieyang Powerleader Computer Digital Mall Co., Ltd. (揭陽市宝德電腦數碼廣場有限公司)	Sale of goods	—	34,384.62
Powerleader Holdings	Sale of goods	—	7,294.40
Shenzhen Powerleader Communication Technology Limited	Sale of goods	—	3,076.92
Total		6,422,370.49	9,605,752.83

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party transactions (continued)

(2) Lease with related parties (continued)

1) As lessor

Name of lessor	Name of lessee	Category of leased asset	Lease income recognised this year	Lease income recognised last year
The Company	Zqgame	Building	39,600.00	39,600.00
The Company	Shenzhen Powerleader Communication Technology Limited	Building	—	400,000.00
Total			39,600.00	439,600.00

2) As lessee

Name of lessor	Name of lessee	Category of leased asset	Lease expenses recognised this year	Lease expenses recognised last year
Zqgame	The Company	Building	1,994,050.00	—
Zhang Yunxia	Powerleader Computing	Building	—	279,396.00
Total			1,994,050.00	279,396.00

(3) Guarantee with related parties

Name of guarantor	Secured party	Closing balance	Opening balance
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	563,633,419.02	140,000,000.00
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	400,000,000.00	209,728,724.38
Hong Kong Powerleader, Zhang Yunxia, Li Ruijie, Dong Weiping	Ex-channel	216,539,209.42	286,383,683.65
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Nanjing Powerleader Cloud Computing Technology Limited	The Company	100,000,000.00	—
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Binhai Powerleader	The Company	84,000,000.00	—
Powerleader Holdings, Li Ruijie	The Company	40,000,000.00	125,000,000.00
Zhang Yunxia	Ex-channel	28,279,628.00	—
Shenzhen HTI Finance Security Co., Ltd. (深圳市高新投融资擔保有限公司), Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	20,000,000.00
Powerleader Holdings, Li Ruijie, Zhang Yunxia	Baotong Zhiyuan	10,000,000.00	10,000,000.00
Powerleader Holdings	The Company	—	300,000,000.00
Li Ruijie, Zhang Yunxia	The Company	—	25,000,000.00
Total		1,462,452,256.44	1,116,112,408.03

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

(3) *Guarantee with related parties (continued)*

Details of guarantee:

Name of guarantor	Name of secured party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Guarantee completed or not
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	140,000,000.00	2013/1/31	2016/1/30	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	20,000,000.00	2014/2/24	2015/2/24	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	100,000,000.00	2014/2/18	2015/2/18	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	19,962,775.00	2014/5/15	2015/2/18	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	20,000,000.00	2014/2/18	2015/2/18	Yes
Shenzhen HTI Finance Security Co., Ltd. (深圳市高新投融资擔保有限公司), Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	2014/9/17	2015/9/16	Yes
Powerleader Holdings, Li Ruijie	The Company	20,000,000.00	2014/9/19	2015/9/19	Yes
Powerleader Holdings, Li Ruijie	The Company	45,000,000.00	2014/12/8	2015/12/8	Yes
Powerleader Holdings, Li Ruijie	The Company	60,000,000.00	2014/12/11	2015/6/11	Yes
Powerleader Holdings	The Company	100,000,000.00	2014/8/1	2015/8/1	Yes
Powerleader Holdings	The Company	100,000,000.00	2014/8/29	2015/8/29	Yes
Powerleader Holdings	The Company	100,000,000.00	2014/11/14	2015/11/14	Yes
Zhang Yunxia, Li Ruijie	The Company	25,000,000.00	2014/3/31	2015/3/31	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	49,765,949.38	2014/12/4	2015/3/16	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	Baotong Zhiyuan	10,000,000.00	2014/9/25	2015/7/25	Yes
Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping	Ex-channel	15,909,400.00	2014/11/6	2015/1/26	Yes
Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping	Ex-channel	49,183,445.06	2014/11/13	2015/3/30	Yes
Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping	Ex-channel	11,748,480.00	2014/11/20	2015/1/19	Yes
Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping	Ex-channel	139,517,666.87	2014/11/21	2015/2/17	Yes
Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping	Ex-channel	61,481,368.42	2014/12/11	2015/3/23	Yes
Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping	Ex-channel	8,543,323.30	2014/12/2	2015/1/7	Yes
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	151,000,000.00	2015/3/26	2020/3/25	No
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	36,000,000.00	2015/3/26	2015/12/21	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/2/3	2016/2/3	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/2/9	2016/2/9	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	30,000,000.00	2015/7/2	2016/6/12	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	100,000,000.00	2015/2/11	2015/6/11	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/9/21	2016/9/21	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/11	2016/11/11	No
Shenzhen HTI Finance Security Co., Ltd. (深圳市高新投融资擔保有限公司), Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/12/9	2016/12/8	No

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

(3) **Guarantee with related parties** *(continued)*

Details of guarantee: (continued)

Name of guarantor	Name of secured party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Guarantee completed or not
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	60,000,000.00	2015/2/16	2016/2/15	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	20,000,000.00	2015/2/27	2016/2/27	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	40,000,000.00	2015/5/22	2016/5/22	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	40,000,000.00	2015/8/18	2016/8/14	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	40,000,000.00	2015/8/21	2016/8/14	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	212,633,419.02	2015/10/21	2016/2/24	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	603,834,393.10	2015/2/17	2015/12/7	Yes
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	2015/3/16	2016/3/16	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	10,000,000.00	2015/3/20	2016/3/20	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	10,000,000.00	2015/7/28	2016/7/28	No
Powerleader Holdings, Li Ruijie	The Company	40,000,000.00	2015/6/11	2016/6/11	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Nanjing Powerleader Cloud Computing Technology Limited	The Company	75,000,000.00	2015/8/13	2016/8/13	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Nanjing Powerleader Cloud Computing Technology Limited	The Company	25,000,000.00	2015/9/8	2016/9/8	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader	The Company	6,000,000.00	2015/6/8	2016/6/7	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader	The Company	78,000,000.00	2015/12/2	2016/12/1	No
Zhang Yunxia	Ex-channel	28,279,628.00	2015/7/23	2016/3/2	No
Zhang Yunxia	Ex-channel	81,087,300.00	2015/1/2	2015/12/26	Yes
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	39,069,121.42	2015/10/26	2016/3/30	No
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	127,948,799.30	2015/01/08	2015/12/21	Yes
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	3,896,160.00	2015/10/23	2016/1/4	No
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	23,180,000.00	2015/1/22	2015/10/19	Yes
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	63,312,600.00	2015/10/8	2016/3/22	No
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	172,108,724.50	2015/2/5	2015/12/23	Yes
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	8,311,808.00	2015/10/29	2016/1/8	No
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	70,272,000.00	2015/1/5	2015/12/25	Yes

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

(3) *Guarantee with related parties (continued)*

Details of guarantee: (continued)

Name of guarantor	Name of secured party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Guarantee completed or not
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	50,000,720.00	2015/11/6	2016/3/16	No
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	154,345,256.10	2015/2/11	2015/12/17	Yes
Li Ruijie, Zhang Yunxia, Dong Weiping, Hong Kong Powerleader	Ex-channel	51,948,800.00	2015/12/30	2016/3/29	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings	Baotong Zhiyuan	10,000,000.00	2015/9/12	2016/9/12	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader	The Company	78,000,000.00	2015/6/2	2015/12/1	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	100,000,000.00	2015/6/12	2015/12/12	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	100,000,000.00	2015/6/15	2015/12/15	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/12	2016/5/12	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/13	2016/5/13	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/17	2016/5/17	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/18	2016/5/18	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	2015/7/15	2016/1/15	No
Li Ruijie, Zhang Yunxia	The Company	25,000,000.00	2015/3/17	2015/9/17	Yes
Total		4,250,341,137.47			

(4) *Related party equity transfers*

Name of related party	Category of transaction	Amount for this year	Amount for last year
Powerleader Holdings	Equity transfer	—	50,800,000.00

3. The Company's related party transactions

(1) *Related party transactions of purchase and sale of goods and provision and receipt of services*

1) *Purchase of goods and receipt of services*

Related party	Related party transaction	Amount for this year	Amount for last year
Powerleader Computing	Purchase of goods	95,585,233.92	2,234,992.68
Ex-channel	Purchase of goods	52,674,806.05	142,111,946.91
Baotong Zhiyuan	Purchase of goods	13,961,556.80	23,037,184.25
Powerleader Software	Purchase of goods	36,577.43	30,706,284.21
Hong Kong Powerleader	Purchase of goods	—	404,711.20
Total		162,258,174.20	198,495,119.25

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. The Company's related party transactions *(continued)*

(1) Related party transactions of purchase and sale of goods and provision and receipt of services *(continued)*

2) Sale of goods and provision of services

Related party	Related party transaction	Amount for current year	Amount for last year
Powerleader Computing	Sale of goods	97,502,900.65	355,577.09
Powerleader Software	Sale of goods	10,390,773.41	1,524,390.98
Baotong Zhiyuan	Sale of goods	8,735,317.95	457,607.68
Zqgame	Sale of goods	183,760.68	8,285,247.86
Subita	Sale of goods	160,700.85	1,231,454.69
Guangzhou Baoyun	Sale of goods	5,042.74	5,854.70
Baoteng Internet	Sale of goods	—	78,632.48
Jieyang Powerleader Computer Digital Mall Co., Ltd. (揭陽市寶德電腦數碼廣場有限公司)	Sale of goods	—	34,384.62
Ex-channel	Sale of goods	—	7,740.04
Powerleader Holdings	Sale of goods	—	7,294.40
Total		116,978,496.28	11,988,184.54

(2) Lease with related parties

1) As lessor

Name of lessor	Name of lessee	Category of leased property	Lease income recognised this year	Lease income recognised last year
The Company	Baotong Zhiyuan	Building	315,000.00	1,680,000.00
The Company	Zqgame	Building	39,600.00	39,600.00
The Company	Shenzhen Powerleader Communication Technology Limited	Building	—	400,000.00
Total			354,600.00	2,119,600.00

2) As lessee

Name of lessor	Name of lessee	Category of leased asset	Lease expenses recognised during the year	Lease expenses recognised in previous year
Zqgame	The Company	Building	1,994,050.00	—
Total			1,994,050.00	—

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. The Company's related party transactions (continued)

(2) Lease with related parties (continued)

(3) Guarantee with related parties

Guarantor	Secured party	Closing balance	Opening balance
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	563,633,419.02	140,000,000.00
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	400,000,000.00	209,728,724.38
Powerleader Holdings, Nanjing Powerleader Cloud Computing Technology Limited, Zhang Yunxia	The Company	100,000,000.00	—
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Binhai Powerleader	The Company	84,000,000.00	—
Powerleader Holdings, Li Ruijie	The Company	40,000,000.00	125,000,000.00
Shenzhen HTI Finance Security Co., Ltd.* (深圳市高新投融資擔保有限公司), Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	20,000,000.00
Powerleader Holdings	The Company	—	300,000,000.00
Li Ruijie, Zhang Yunxia	Powerleader Computing	—	25,000,000.00
Total		1,207,633,419.02	819,728,724.38

Details of guarantee:

Name of guarantor	Name of secured party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Guarantee completed or not
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	140,000,000.00	2013/1/31	2016/1/30	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	20,000,000.00	2014/2/24	2015/2/24	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	100,000,000.00	2014/2/18	2015/2/18	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	19,962,775.00	2014/5/15	2015/2/18	Yes
Powerleader Holdings, Li Ruijie, Zhang Yunxia	The Company	20,000,000.00	2014/2/18	2015/2/18	Yes
Shenzhen HTI Finance Security Co., Ltd. (深圳市高新投融資擔保有限公司), Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	2014/9/17	2015/9/16	Yes
Powerleader Holdings, Li Ruijie	The Company	20,000,000.00	2014/9/19	2015/9/19	Yes
Powerleader Holdings, Li Ruijie	The Company	45,000,000.00	2014/12/8	2015/12/8	Yes
Powerleader Holdings, Li Ruijie	The Company	60,000,000.00	2014/12/11	2015/6/11	Yes
Powerleader Holdings	The Company	100,000,000.00	2014/8/1	2015/8/1	Yes
Powerleader Holdings	The Company	100,000,000.00	2014/8/29	2015/8/29	Yes
Powerleader Holdings	The Company	100,000,000.00	2014/11/14	2015/11/14	Yes
Zhang Yunxia, Li Ruijie	The Company	25,000,000.00	2014/3/31	2015/3/31	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	49,765,949.38	2014/12/4	2015/3/16	Yes

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. The Company's related party transactions *(continued)*

(2) Lease with related parties *(continued)*

(3) Guarantee with related parties *(continued)*

Name of guarantor	Name of secured party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Guarantee completed or not
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	151,000,000.00	2015/3/26	2020/3/25	No
Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia	The Company	36,000,000.00	2015/3/26	2015/12/21	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/2/3	2016/2/3	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/2/9	2016/2/9	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	30,000,000.00	2015/7/2	2016/6/12	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	100,000,000.00	2015/2/11	2015/6/11	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/9/21	2016/9/21	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/11	2016/11/11	No
Shenzhen HTI Finance Security Co., Ltd. (深圳市高新投融资擔保有限公司), Zhang Yunxia, Li Ruijie	The Company	20,000,000.00	2015/12/9	2016/12/8	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	60,000,000.00	2015/2/16	2016/2/15	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	20,000,000.00	2015/2/27	2016/2/27	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	40,000,000.00	2015/5/22	2016/5/22	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	40,000,000.00	2015/8/18	2016/8/14	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	40,000,000.00	2015/8/21	2016/8/14	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	212,633,419.02	2015/10/21	2016/2/24	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Ex-channel	The Company	603,834,393.10	2015/2/17	2015/12/7	Yes
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	2015/3/16	2016/3/16	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	10,000,000.00	2015/3/20	2016/3/20	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	10,000,000.00	2015/7/28	2016/7/28	No
Powerleader Holdings, Li Ruijie	The Company	40,000,000.00	2015/6/11	2016/6/11	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Nanjing Powerleader Cloud Computing Technology Limited	The Company	75,000,000.00	2015/8/13	2016/8/13	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie, Nanjing Powerleader Cloud Computing Technology Limited	The Company	25,000,000.00	2015/9/8	2016/9/8	No

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. The Company's related party transactions *(continued)*

(2) Lease with related parties *(continued)*

(3) Guarantee with related parties *(continued)*

Name of guarantor	Name of secured party	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Guarantee completed or not
Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader	The Company	6,000,000.00	2015/6/8	2016/6/7	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader	The Company	78,000,000.00	2015/12/2	2016/12/1	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader	The Company	78,000,000.00	2015/6/2	2015/12/1	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	100,000,000.00	2015/6/12	2015/12/12	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	100,000,000.00	2015/6/15	2015/12/15	Yes
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/12	2016/5/12	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/13	2016/5/13	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/17	2016/5/17	No
Powerleader Holdings, Zhang Yunxia, Li Ruijie	The Company	50,000,000.00	2015/11/18	2016/5/18	No
Zhang Yunxia, Li Ruijie, Powerleader Holdings	The Company	20,000,000.00	2015/7/15	2016/1/15	No
Li Ruijie, Zhang Yunxia	The Company	25,000,000.00	2015/3/17	2015/9/17	Yes
Total		3,070,196,536.50			

(4) Related party equity transfers

Name of related party	Type of transaction	Amount for current year	Amount for last year
Powerleader Computing	Equity transfer	85,000,000.00	—
Research Institute	Equity transfer	4,500,000.00	—
Powerleader Holdings	Equity transfer	—	50,800,000.00
Total		89,500,000.00	50,800,000.00

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1 January 2015 to 31 December 2015

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. The Group and the Company

Remuneration of key management members

(1) Remuneration of Directors and Supervisors

The details of remuneration of each of the Directors and supervisors in this year were as follows:

Name	Fee of Directors and supervisors	Salaries and allowances	Retirement benefits scheme contributions	Total
Executive Directors	1,118,327.58	81,000.00	48,153.52	1,247,481.10
Zhang Yunxia	275,210.00	33,000.00	15,108.12	323,318.12
Dong Weiping	618,277.58	15,000.00	18,000.00	651,277.58
Ma Zhumao	224,840.00	33,000.00	15,045.40	272,885.40
Non-executive Directors	197,845.00	5,000.00	—	202,845.00
Li Ruijie	75,133.00	5,000.00	—	80,133.00
Sun Wei	60,960.00	—	—	60,960.00
Li Donglei	25,400.00	—	—	25,400.00
Xu Yue Ming	36,352.00	—	—	36,352.00
Independent non-executive Directors	182,827.00	—	—	182,827.00
Jiang Baijun	60,960.00	—	—	60,960.00
Chan Shiu Yuen	60,907.00	—	—	60,907.00
Guo Wanda	60,960.00	—	—	60,960.00
Supervisors	422,878.57	33,650.00	36,191.21	492,719.78
Shu Ling	143,964.13	10,150.00	15,181.57	169,295.70
Zhou Liqin	140,138.00	13,000.00	8,554.02	161,692.02
Li Xiaowei	138,776.44	10,500.00	12,455.62	161,732.06

The details of remuneration of each of the Directors and supervisors in last year were as follows:

Name	Fee of Directors and supervisors	Salaries and allowances	Retirement benefits scheme contributions	Total
Executive Directors	842,615.57	57,266.00	42,914.30	942,795.87
Zhang Yunxia	206,760.52	16,100.00	14,664.65	237,525.17
Dong Weiping	433,091.03	25,066.00	13,585.00	471,742.03
Ma Zhumao	202,764.02	16,100.00	14,664.65	233,528.67
Non-executive Directors	195,255.68	3,500.00	—	198,755.68
Li Ruijie	73,555.68	3,500.00	—	77,055.68
Sun Wei	60,850.00	—	—	60,850.00
Li Donglei	60,850.00	—	—	60,850.00
Independent non-executive Directors	181,808.00	—	—	181,808.00
Jiang Baijun	60,850.00	—	—	60,850.00
Chan Shiu Yuen	60,108.00	—	—	60,108.00
Guo Wanda	60,850.00	—	—	60,850.00
Supervisors	357,115.10	24,500.00	34,727.27	416,342.37
Shu Ling	117,368.70	9,100.00	14,526.80	140,995.50
Zhou Liqin	109,735.95	8,400.00	8,068.04	126,203.99
Li Xiaowei	130,010.45	7,000.00	12,132.43	149,142.88

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. The Group and the Company *(continued)*

Remuneration of key management members *(continued)*

(1) *Remuneration of Directors and Supervisors* *(continued)*

On 17 June 2015, Mr. Li Donglei resigned as a non-executive Director of The Company, and Mr. Xu Yueming has been appointed as a non-executive Director of The Company. There is no change in other Directors.

During the year, no Director or Supervisor of the Company has waived any remuneration.

During the year, no payment was paid or payable to Director as an inducement to join or upon joining the Group, or paid or payable to any Director or former Director as compensation for loss of office of Director or other management positions in any member of the Group.

Remuneration for the Directors and Supervisors of the Group were determined according to the salary management system and approved by the remuneration committee of the Board.

(2) *Five highest paid individuals:*

Of the five highest paid individuals of the Group, three (last year: three) were Directors of the Company. The remuneration of the remaining two (last year: two) highest paid individuals were as follows:

Item	Amount for this year	Amount for last year
Salaries and allowances	642,871.77	675,145.06
Retirement benefits scheme contributions	24,342.99	14,283.79
Total	667,214.76	689,428.85

During the year, no payment was paid or payable to any highest paid individual as an inducement to join or upon joining the Group or paid or payable to such highest paid individual as compensation for loss of office in any members of the Group or other management positions.

The highest paid individuals are classified by remuneration bands (number of person) as set out below:

Item	This year	Last year
Nil to RMB837,780 (Nil to HK\$1,000,000)	2	2
Total	2	2

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Open credit with related parties

(1) The Group

1) Due from related parties

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Shenzhen Yingbao Communication Technology Limited	3,301,000.00	—	—	—
Accounts receivable	Shenzhen Powerleader Communication Technology Limited	489,649.67	—	489,649.67	—
Accounts receivable	Zqgame	76,516.68	—	79,200.00	—
Accounts receivable	Subita	32,716.00	—	96,405.00	—
Sub-total of accounts receivable		3,899,882.35	—	665,254.67	—
Other receivables	Shenzhen Powerleader Communication Technology Limited	9,156,203.12	—	9,156,203.12	—
Other receivables	Nanjing Powerleader Cloud Computing Technology Limited	5,870,027.32	—	5,870,027.32	—
Other receivables	Subita	1,894,572.15	—	1,217,030.37	—
Other receivables	Zqgame	478,972.20	—	477,194.70	—
Other receivables	Li Ruijie	270,863.91	—	270,805.51	—
Other receivables	Chengdu Ai Sheng Science and Technology Co., Ltd. (成都艾晟科技有限責任公司)	—	—	2,510,000.00	—
Other receivables	Powerleader Holdings	—	—	1,300,000.00	—
Sub-total of other receivables		17,670,638.70	—	20,801,261.02	—
Total		21,570,521.05	—	21,466,515.69	—

The closing balance of other amounts due from Li Ruijie, the defacto controller, was petty cash paid on his behalf. The maximum balance outstanding during the year was RMB270,863.91 (which is the closing balance).

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Open credit with related parties *(continued)*

(1) The Group *(continued)*

2) Due to related parties

Item	Related parties	Closing balance	Opening balance
Accounts payable	Shenzhen Powerleader Communication Technology Limited	360,827.12	360,827.12
Sub-total of accounts payable		360,827.12	360,827.12
Other payables	Shenzhen Powerleader Communication Technology Limited	5,894,434.30	6,786,826.99
Other payables	Sichuan Baoteng	2,132,980.61	9,982,980.61
Other payables	Powerleader Holdings	1,450,076.45	—
Other payables	Subita	—	34,365.87
Sub-total of other payables		9,477,491.36	16,804,173.47
Total		9,838,318.48	17,165,000.59

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Open credit with related parties *(continued)*

(2) The Company

1) Due from related party

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Powerleader Computing	114,231,319.96	—	416,025.20	—
Accounts receivable	Powerleader Software	12,339,885.39	—	872,857.31	—
Accounts receivable	Baotong Zhiyuan	10,730,815.76	—	399,651.76	—
	Shenzhen Powerleader Communication Technology Limited	354,449.67	—	354,449.67	—
Accounts receivable	Zqgame	39,600.00	—	79,200.00	—
Accounts receivable	Subita	—	—	96,405.00	—
Subtotal of accounts receivable		137,696,070.78	—	2,218,588.94	—
Other receivables	Ex-channel	251,459,542.84	—	48,075,525.77	—
Other receivables	Powerleader Computing	129,715,892.73	—	—	—
Other receivables	Baotong Zhiyuan	96,767,988.13	—	—	—
Other receivables	Binhai Powerleader	92,150,037.63	—	90,097,126.95	—
Other receivables	Hong Kong Powerleader	36,373,650.56	—	64,569,349.35	—
Other receivables	Powerleader Software	34,438,468.47	—	20,054,380.39	—
	Nanjing Powerleader Cloud Computing Technology Limited	5,870,027.32	—	5,870,027.32	—
Other receivables	Research Institute	2,502,508.00	—	—	—
Other receivables	Subita	1,465,594.42	—	1,135,432.37	—
Other receivables	Zqgame	477,194.70	—	477,194.70	—
Other receivables	Li Ruijie	270,863.91	—	270,805.51	—
Other receivables	Powerleader Property	303,726.57	—	240,057.51	—
	Chengdu Ai Sheng Science and Technology Co., Ltd. (成都艾晟科技有限責任公司)	—	—	2,510,000.00	—
Other receivables	Powerleader Holdings	—	—	1,300,000.00	—
Other receivables	Guangzhou Baoyun	—	—	130,841.79	—
Subtotal of other receivables		651,795,495.28	—	234,730,741.66	—
Total		789,491,566.06	—	236,949,330.60	—

The closing balance of other amounts due from Li Ruijie, the defacto controller, was petty cash paid on his behalf. The maximum balance outstanding during the year was RMB270,863.91 (which is the closing balance).

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1 January 2015 to 31 December 2015

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Open credit with related parties *(continued)*

(2) The Company *(continued)*

2) Due to related party

Item	Related party	Closing balance	Opening balance
Accounts payable	Ex-channel	176,069,220.17	167,874,426.99
Accounts payable	Powerleader Computing	161,515,170.49	49,936,856.80
Accounts payable	Baotong Zhiyuan	52,179,637.59	54,223,884.75
Accounts payable	Powerleader Software	39,606,508.11	39,563,712.52
Subtotal of accounts payable		429,370,536.36	311,598,881.06
Other payables	Powerleader Computing (Hong Kong) (宝計香港)	13,321,829.86	—
Other payables	Baoteng Internet	6,860,855.14	6,890,855.14
Other payables	Guangzhou Baoyun	3,987,574.65	—
Other payables	Shenzhen Powerleader Communication Technology Limited	3,375,616.43	4,401,533.95
Other payables	Sichuan Baoteng	2,132,980.61	9,982,980.61
Other payables	Baotong Zhiyuan	1,500,000.00	25,273,834.41
Other payables	Powerleader Computing	—	36,438,023.88
Other payables	Research Institute	—	1,997,992.00
Subtotal of other payables		31,178,856.69	84,985,219.99
Total		460,549,393.05	396,584,101.05

XI. SHARE-BASED PAYMENT

The Group has no significant share-based payment during the reporting period.

XII. CONTINGENT EVENTS

1. The Group

(1) Contingent liabilities arising from provision of guarantees to external parties

As of 31 December 2015, all guarantees provided by the Group to external parties were guarantees for related party. The details are set out in Note X. 2. (3).

(2) Other than the contingent events as mentioned above, the Group had no other significant contingent events as of 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XII. CONTINGENT EVENTS *(continued)*

2. The Company

(1) *Contingent liabilities arising from provision of guarantees to external parties*

As at 31 December 2015, all guarantees provided by the Company to external parties were guarantees for related party. The details are set out in Note X. 3. (3).

(2) Other than the contingent events as mentioned above, the Company had no other significant contingent event as of 31 December 2015.

XIII. COMMITMENTS

1. The Group

(1) *Significant commitments*

1) *The capital expenditure commitments of the Group as at the end of the year*

The capital expenditure commitments that have been contracted for but not recognised in the financial statements

Item	Closing amount	Opening amount
Construction in progress	—	31,209,412.47
External Investment	—	6,119,000.00
Total	—	37,328,412.47

As of 31 December 2015, the Group still has no material external investment expenses contract.

2) *Lease contracts contracted for and which is or going to be effective*

As at 31 December 2015 (T), the Group, as the lessee, had the following total future minimum lease payables commitments during the following periods under the requirements of non-cancellable operating leases in respect of (among others) plants:

Period	Amount for this year	Amount for last year
Within one year (T+1 year)	13,932,482.92	12,555,065.32
One to two years (T+2 year)	11,128,175.48	10,778,367.88
Two to three years (T+3 year)	11,444,020.02	10,457,559.82
Over three years (T+3 year)	166,492,316.57	180,527,021.17
Total	202,996,994.99	214,318,014.19

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XIII. COMMITMENTS (continued)

1. The Group (continued)

(1) Significant commitments (continued)

2) Lease contracts contracted for and which is or going to be effective (continued)

As at 31 December 2015 (T), the Group, as a lessor, had the following total future minimum lease receivables during the following periods under non-cancellable operating leases in respect of buildings and structures:

Period	Amount for this year	Amount for last year
Within one year (T+1 year)	1,062,144.00	846,680.00
One to two years (T+2 year)	—	302,544.00
Total	1,062,144.00	1,149,224.00

As at 31 December 2015 (T), the Group, as the lessee, had the following total future minimum lease payables during the following periods under the non-cancellable financial leases in respect of machinery and equipment:

Period	Amount for current year	Amount for last year
Within one year (T+1 year)	21,047,616.00	—
One to two years (T+2 year)	21,047,616.00	—
Two to three years (T+3 year)	11,926,982.00	—
Total	54,022,214.00	—

3) Acquisition and merger agreements contracted for and which is or going to be effective

No acquisition and merger agreement contracted for and which is or going to be effective during the year.

(2) Fulfilment of commitments of prior periods

There were no irregularity found in fulfilment of commitments of prior periods.

(3) Other than the above mentioned commitments, the Group had no other significant commitments as of 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XIII. COMMITMENTS (continued)

2. The Company

(1) Significant commitments

1) Capital expenditure commitments of the Company as at the end of the year

Capital expenditure commitments that have been contracted for but not recognised in the financial statements

Item	Closing balance	Opening balance
Construction in progress	—	31,209,412.47
Total	—	31,209,412.47

As of 31 December 2015, the Company has no agreed material external investment expenses contract that have been contracted but not settled.

2) Lease contracts contracted for and which is or going to be effective

As at 31 December 2015(T), the Company, as the lessee, had the following total future minimum lease payables commitments during the following periods under the requirements of non-cancellable operating leases in respect of (among others) plants:

Period	Amount for this year	Amount for last year
Within one year (T+1 year)	1,590,300.00	3,927,137.36
One to two years (T+2 years)	—	1,970,504.03
Two to three years (T+3 years)	—	1,767,146.00
Over three years (T+3 years)	—	4,642,994.67
Total	1,590,300.00	12,307,782.06

As at 31 December 2015 (T), the Company, as a lessor, had the following total future minimum lease receivables during the following periods under non-cancellable operating leases in respect of buildings and structures:

Period	Amount for current year	Amount for last year
Within one year (T+1 year)	1,062,144.00	1,161,680.00
One to two years (T+2 years)	—	302,544.00
Total	1,062,144.00	1,464,224.00

As at 31 December 2015 (T), the Company, as a lessor, had the following total future minimum lease receivable during the following periods under non-cancellable operating leases in respect of buildings and structures:

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XIII. COMMITMENTS (continued)

2. The Company (continued)

(1) Significant commitments (continued)

2) Lease contracts contracted for and which is or going to be effective (continued)

Period	Amount for this year	Amount for last year
Within one year (T+1 year)	21,047,616.00	—
One to two years (T+2 years)	21,047,616.00	—
Two to three years (T+3 years)	11,926,982.00	—
Total	54,022,214.00	—

3) Acquisition and merger agreements contracted for and which is or going to be effective

No acquisition and merger agreement contracted for and which is or going to be effective during the year.

(2) Fulfilment of commitments of prior periods

There were no irregularity found in fulfilment of commitments of prior periods.

(3) Other than the above mentioned commitments, the Company had no other significant commitments as of 31 December 2015.

XIV. POST-BALANCE SHEET DATE EVENTS

1. Profits distribution

The Directors of the Company do not recommend dividend payment for the year ended 31 December 2015 (no dividend had been paid for the year ended 31 December 2014).

2. Substantial asset reorganization

On 22 December 2015, the resolution meeting of the Board of Directors of the Company examined and adopted the Motion of Selling 90% of Equity Held by the Company in Shenzhen Powerleader Computing System Co., Ltd. to Taiji Computer Co., Ltd., the Motion of Signing the "Agreement of Issuing Shares and Purchase of Assets by Payment of Cash" between the Company and Taiji Computer, the Motion of Signing the "Profit Forecast Compensation Agreement" between the Company and Taiji Computer, and the Motion of Selling 10% of Equity Held by the Wholly-owned Subsidiary of the Company Research Institute in Powerleader Computing to Taiji Computer.

Among which, the Agreement of Issuing Shares and Purchase of Assets by Payment of Cash specified that Taiji Computer Co., Ltd. (hereinafter referred to as "Taiji Computer") acquired 100% of equity held by the Company and Research Institute in Powerleader Computing at a consideration of RMB1,666 million (among which, RMB224.91 million was paid to the Company in cash, RMB24.99 million was paid to the Research Institute in cash, RMB1,274.49 million was paid to the Company in the manner of issuing shares by Taiji Computer, and RMB141.61 million was paid to the Research Institute in the manner of issuing shares by Taiji Computer. After the above issue of shares, the Group will hold approximately 8.65% equity in Taiji Computer).

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XIV. POST-BALANCE SHEET DATE EVENTS *(continued)*

2. Substantial asset reorganization *(continued)*

Among which, the Profit Forecast Compensation Agreement specified that the Company and the Research Institute undertake to Powerleader Computing that the audited net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses for year 2016, 2017 and 2018 shall be no less than RMB121.9154 million, RMB159.6223 million and RMB213.757 million, respectively. If the certified accountant examines and verifies that the actual net profit of Powerleader Computing in any of the three fiscal years fails to reach the net profit forecast of the corresponding year promised by the Company, the Company and the Research Institute shall compensate Powerleader Computing in the form of shares. The total number of shares for compensation annually is calculated as follows:

The total number of shares for compensation = (cumulative promised net profit as at the end of the current period – cumulative actual net profit as at the end of the current period) ÷ sum of projected net profit for respective year during the profit compensation period x total transaction price of target assets ÷ the issue price of shares of this transaction – the number of shares which have been compensated.

3. Construction of Shenzhen IDC Phase II

On 1 February 2016, the Group signed the "Construction Engineering Contract of Powerleader Technology Shenzhen (Guanlan) Cloud Computing Data Center Room" with Schneider Great Wall Engineering (Beijing) Co., Ltd. (施耐德長城工程(北京)有限公司) to carry out the construction of Shenzhen (Guanlan) Cloud Computing Data Center IDC Room Phase II. The construction contract amount is RMB12.98 million. The project is expected to be completed before 30 May 2016.

4. Apart from the above mentioned post-balance sheet date events disclosures, the Group has no other material post-balance sheet date events.

XV. OTHER IMPORTANT EVENTS

1. Prior period corrections and effect

The Group has no prior period correction during this year.

2. Debt restructuring

The Group has no material debt restructuring during the year (2014: Nil).

3. Leases

(1) Lease of assets under operating leases (as lessor of operating leases)

As at the end of the year, the Group's assets categories leased out under operating lease are set out as below:

Asset category leased out under operating lease	Closing balance	Opening balance
Buildings and structures	9,036,206.94	13,883,577.12
Total	9,036,206.94	13,883,577.12

(2) Minimum lease payments under material operating leases (as the lessee of operating lease)

For details of total future minimum lease payables commitments for the Group, as lessee, under non-cancellable operating leases in respect of plant during the following periods as at 31 December 2015 (T) are set out in Note XIII. 1. (1).

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XV. OTHER IMPORTANT EVENTS *(continued)*

4. Asset replacement

The Group has no material asset replacement during the year (2014: nil).

5. Segment Information

The operations of the Group are divided into 3 reportable segments based on the structure of its internal organization, management requirements and internal reporting system. The management of the Group regularly assess the operating results of these reportable segments to make decisions about their resources allocation and to assess their performance. The main products and services rendered by each reportable segment are servers, parts, software and others respectively.

The reportable segments of the Group are as follows:

Business segment	Principal operations
Cloud infrastructure as a service (IaaS)	Provision of relevant equipment such as cloud servers and cloud storage and their related solutions
Cloud module as a service (MaaS)	Provision of development, design, manufacturing and sale of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and related value added services
Software and platform as a service (SaaS and PaaS)	Provision of development and servicing of cloud computing related software and platforms

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted in reporting to the management by each segment, these measurement basis are consistent with the accounting and measurement basis for the preparation of financial statements.

Transfer price between each segment is measured at the price in third party sales, and indirect expenses attributable to each segment are allocated to each segment in proportion to revenue.

Profit or loss and assets and liabilities of reporting segment

Except for the Company's cash and cash equivalents, buildings and structures, transportation equipment, and office appliances under fixed assets, investment properties, dividends receivable, long-term equity investments, investment income, loans and interest, owners' equity of the Company and administrative expenses, all assets, liabilities and profit or loss are allocated to each operating segment.

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

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XV. OTHER IMPORTANT EVENTS *(continued)*

5. Segment Information *(continued)*

Reportable segment 2015

Item	Cloud infrastructure as a service	Cloud module as a service	Software and platform as a service	Unallocated	Elimination	Total
Revenue	845,401,698.74	2,037,334,053.52	24,092,689.63	—	(220,474,331.51)	2,686,354,110.38
Including: Revenue from transactions with external parties	810,206,136.16	1,852,055,284.59	24,092,689.63	—	—	2,686,354,110.38
Revenue from intra-segment transactions	35,195,562.58	185,278,768.93	—	—	(220,474,331.51)	—
Operating costs	678,244,996.10	1,948,279,044.58	26,668,079.39	—	(220,159,331.51)	2,433,032,788.56
Expenses for the period	71,153,541.24	40,105,600.45	1,868,179.91	114,162,472.90	(315,000.00)	226,974,794.50
Total segment profit (loss)	100,352,434.51	40,950,331.80	(4,540,734.51)	(29,004,666.94)	(78,025,000.00)	29,732,364.86
Total assets	1,682,457,829.30	1,514,389,044.78	15,395,777.31	912,392,199.83	(1,321,718,249.80)	2,802,916,601.42
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	931,382,174.50	992,257,482.66	743,775.04	1,034,558,547.30	(981,761,145.99)	1,977,180,833.51
Supplementary information						
Capital expenditure	34,332,716.17	138,616.16	19,064,752.37	82,013,774.83	—	135,549,859.53
Impairment loss recognised for the period	7,375,194.36	4,056,903.57	58,426.04	—	—	11,490,523.97
Including: Share of impairment of goodwill	—	—	—	—	—	—
Depreciation and amortisation	12,027,420.29	4,269,217.35	735,839.09	25,703,122.63	—	42,735,599.36
Non-cash expenses other than impairment loss, depreciation and amortisation	6,455,702.32	1,831,692.78	92,748.88	—	—	8,380,143.98

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XV. OTHER IMPORTANT EVENTS (continued)

5. Segment Information (continued)

Reportable segment for 2014

Item	Cloud infrastructure as a service	Cloud module as a service	Software and platform as a service	Unallocated	Elimination	Total
Revenue	650,206,888.98	1,363,277,907.23	39,578,316.05	—	(200,223,691.76)	1,852,839,420.50
Including: Revenue from transactions with external parties	539,360,958.12	1,304,606,430.54	8,872,031.84	—	—	1,852,839,420.50
Revenue from intra-segment transactions	110,845,930.86	58,671,476.69	30,706,284.21	—	(200,223,691.76)	—
Operating costs	537,926,409.17	1,272,964,673.85	13,336,596.23	—	(198,543,691.76)	1,625,683,987.49
Expenses for the period	32,651,743.35	42,553,321.58	8,761,962.83	89,851,857.73	(1,680,000.00)	172,138,885.49
Total segment profit (loss)	80,873,902.67	47,476,669.51	20,853,166.26	(99,623,922.77)	2,264,347.47	51,844,163.14
Total assets	829,128,017.87	1,247,332,066.28	138,247,685.09	996,751,187.70	(920,175,678.73)	2,291,283,278.21
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	539,598,723.82	760,560,082.87	36,834,925.09	820,091,849.38	(669,098,890.73)	1,487,986,690.43
Supplementary information						
Capital expenditure	20,541,274.65	27,203.94	31,724,784.88	190,757,685.44	—	243,050,948.91
Impairment loss recognised for the period	1,750,070.13	410,598.46	580,107.46	—	—	2,740,776.05
Including: Share of impairment of goodwill	—	—	—	—	—	—
Depreciation and amortisation	7,407,564.54	4,358,685.37	6,332,420.84	13,432,447.66	—	31,531,118.41
Non-cash expenses other than impairment loss, depreciation and amortisation	4,587,008.52	3,020,903.35	1,957,638.83	—	—	9,565,550.70

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XV. OTHER IMPORTANT EVENTS *(continued)*

5. Segment Information *(continued)*

The Group's total revenue from transactions with external parties domestically and in other overseas countries and regions, and the total non-current assets other than financial assets and deferred income tax assets located domestically and in other overseas countries and regions are as follows:

Revenue from transactions with external parties	Amount for this year	Amount for last year
PRC (excluding Hong Kong)	2,076,821,071.40	1,325,394,315.11
Hong Kong	598,516,207.93	519,451,733.69
Other overseas regions	11,016,831.05	7,993,371.70
Total	2,686,354,110.38	1,852,839,420.50

Total non-current assets	Closing balance	Opening balance
PRC (excluding Hong Kong)	743,452,323.78	686,045,819.67
Hong Kong	30,748.00	70,889.25
Other overseas regions	—	—
Total	743,483,071.78	686,116,708.92

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	417,096.58	368,534.22
Bank deposits	184,797,122.42	281,119,222.51
Other Cash and cash equivalents	186,383,251.64	54,550,358.04
Total	371,597,470.64	336,038,114.77
Including: total amount placed overseas	—	—

As at the end of 2015, the restricted cash and cash equivalents of the Group were RMB186,383,251.64 (2014: RMB54,550,358.04), which were guarantee deposits pledged to banks for issuing letters of credit and bank acceptances deposits in "other cash and cash equivalents"

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

2. Notes receivable

(1) Categories of notes receivable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	—	8,358,962.40
Commercial acceptance notes	1,274,671.02	19,413,909.00
Total	1,274,671.02	27,772,871.40

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

Item	Amount derecognised at the end of the year	Amount remain recognised at the end of the year
Commercial acceptance notes	38,833,155.00	—
Total	38,833,155.00	—

3. Accounts receivable

Item	Closing balance	Opening balance
Accounts receivable	319,501,335.28	232,667,306.95
Less: Provision for bad debts	5,836,096.84	3,843,138.76
Net amount	313,665,238.44	228,824,168.19

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

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

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

3. Accounts receivable (continued)

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

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

Age	Closing balance	Opening balance
Within 3 months	227,461,209.40	207,117,260.76
3 months to 1 year	79,143,230.07	18,653,516.54
1 to 2 years	6,371,874.12	2,143,550.30
2 to 3 years	16,757.28	495,644.84
3 to 4 years	294,869.90	45,696.08
4 to 5 years	22,848.00	368,499.67
over 5 years	354,449.67	—
Net amount	313,665,238.44	228,824,168.19

(2) Risk category of accounts receivable

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Accounts receivable individually significant for which provision for bad debts has been individually made	—	—	—	—	—
Accounts receivable for which provision for bad debts has been made on group basis by credit risk characteristics	317,582,926.13	99.40	3,917,687.69	1.23	313,665,238.44
Accounts receivable individually insignificant but for which provision for bad debts has been individually made	1,918,409.15	0.60	1,918,409.15	100.00	—
Total	319,501,335.28	100.00	5,836,096.84	—	313,665,238.44

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

3. Accounts receivable (continued)

(2) Risk category of accounts receivable (continued)

Category	Book balance		Opening balance		Carrying amount
	Amount	Percentage (%)	Provision for bad debts Amount	Percentage of provision (%)	
Accounts receivable individually significant for which provision for bad debts has been individually made	—	—	—	—	—
Accounts receivable for which provision for bad debts has been made on group basis by credit risk characteristics	230,748,897.80	99.18	1,924,729.61	0.83	228,824,168.19
Accounts receivable individually insignificant but for which provision for bad debts has been individually made	1,918,409.15	0.82	1,918,409.15	100.00	—
Total	232,667,306.95	100.00	3,843,138.76	—	228,824,168.19

- 1) There was no accounts receivable that is individually significant for which provision for bad debts were individually made.

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Accounts receivable (continued)

(2) Risk category of accounts receivable (continued)

2) Accounts receivable for which provision for bad debts has been made by age analysis in groups.

Age	Closing balance		Percentage of provision (%)
	Accounts receivable	Provision for bad debts	
Within 3 months	97,108,391.90	—	—
3 months to 1 year	27,890,686.59	1,394,534.33	5.00
1 to 2 years	7,199,059.32	1,439,811.86	20.00
2 to 3 years	27,928.80	11,171.52	40.00
3 to 4 years	737,174.74	442,304.84	60.00
4 to 5 years	114,240.00	91,392.00	80.00
Over 5 years	70,250.00	70,250.00	100.00
Total	133,147,731.35	3,449,464.55	—

3) Accounts receivable for which provision for bad debt has been made by other method in groups

Item	Closing balance		Percentage of provision made (%)
	Book balance	Amount of bad debt	
Related party group	137,696,070.78	—	—
Long term strategic cooperation enterprise group	46,739,124.00	468,223.14	1.00
Total	184,435,194.78	468,223.14	—

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

3. Accounts receivable (continued)

(2) Risk category of accounts receivable (continued)

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

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

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Accounts receivable (continued)

(3) Information on bad debts released (or recovered) during the year

Provision for bad debts amounted to RMB1,992,958.08 during the year. No provision for bad debts had been recovered or released during the year.

(4) There is no trade receivables actually written off for the year.

(5) Age analysis of amounts past due but not impaired at balance sheet date:

Age	Closing balance	Opening balance
Within 3 months	130,352,817.50	1,098,815.00
3 months to 1 year	6,457,703.15	725,724.27
1 to 2 years	531,100.46	39,600.00
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	—	354,449.67
Over 5 years	354,449.67	—
Net amount	137,696,070.78	2,218,588.94

Account receivables past due but not impaired is associated with related parties. Such accounts have good credit history with the Company. According to past experience, the management of the Company are of the view that provision for impairment is not required for these balance as the credit quality did not experience significant change and the balance is believed to be fully recoverable.

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

Top five accounts receivable grouped by closing balance of attributable debtors for the year amounted to RMB207,112,001.24, in aggregate, accounted for 64.82% of the closing balance of the total accounts receivable, the corresponding provision for bad debts on the total closing balance amounted to RMB468,223.14.

4. Prepayments

(1) Age of prepayments

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,166,058.20	98.42	1,698,951.61	50.21
1 to 2 years	33,088.52	1.50	1,685,000.00	49.79
2-3 years	1,750.00	0.08	—	—
Total	2,200,896.72	100.00	3,383,951.61	100.00

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

During the year, total closing balance of top five prepayments grouped by attributable creditor of prepayment amounted to RMB2,017,062.94, accounted for 91.65% of total closing balance of prepayment.

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

5. Dividends receivable

(1) Breakdown of dividends receivable

Item	Closing balance	Opening balance
Powerleader Computing	56,000,000.00	56,000,000.00
Hong Kong Powerleader	24,000,000.00	24,000,000.00
Total	80,000,000.00	80,000,000.00

(2) Material dividends receivable aged over one year

Item (or investee)	Closing balance	Age	Reason of Outstanding	Whether impairment incurred and the basis of determination
Powerleader Computing	56,000,000.00	Over five years	Working capital	Subsidiary within the Group, not impaired
Hong Kong Powerleader	24,000,000.00	Over five years	Working capital	Subsidiary within the Group, not impaired
Total	80,000,000.00	—	—	—

6. Other receivables

Name of item	Closing balance	Opening balance
Other receivables	838,694,767.47	349,678,387.79
Less: Provision for bad debts	724,650.65	576,435.93
Net amount	837,970,116.82	349,101,951.86

(1) Age analysis of other receivables

Age	Closing balance	Opening balance
Within 3 months	539,883,350.82	172,969,848.51
3 months to 1 year	153,738,307.23	32,735,031.90
1 to 2 years	128,019,435.58	53,554,675.94
2 to 3 years	7,356,914.78	63,966,093.94
3 to 4 years	7,061,557.71	23,985,833.60
4 to 5 years	20,082.73	28,100.00
Over 5 years	1,890,467.97	1,862,367.97
Net amount	837,970,116.82	349,101,951.86

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

6. Other receivables (continued)

(2) Category of other receivables

Category	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Other receivables individually significant for which provision for bad debts has been individually made	—	—	—	—	—
Other receivables for which provision for bad debts has been made on group basis by credit risk characteristics	838,694,767.47	100.00	724,650.65	0.09	837,970,116.82
Other receivables individually insignificant but for which provision for bad debts has been individually made	—	—	—	—	—
Total	838,694,767.47	100.00	724,650.65	—	837,970,116.82

Category	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Other receivables individually significant for which provision for bad debts has been individually made	—	—	—	—	—
Other receivables for which provision for bad debts has been made on group basis by credit risk characteristics	349,678,387.79	100.00	576,435.93	0.16	349,101,951.86
Other receivables individually insignificant but for which provision for bad debts has been individually made	—	—	—	—	—
Total	349,678,387.79	100.00	576,435.93	—	349,101,951.86

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

6. Other receivables (continued)

(2) Category of other receivables (continued)

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

Age	Closing balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Within 3 months	153,945,494.45	—	—
3 months to 1 year	30,000.00	1,500.00	5.00
Total	153,975,494.45	1,500.00	—

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

Name of group	Closing balance		
	Other receivables	Provision for bad debts	Percentage of provision (%)
Related party group	651,795,495.28	—	—
Deposit group	19,432,081.99	—	—
Long term strategic cooperation enterprise group	13,491,695.75	723,150.65	5.36
Total	684,719,273.02	723,150.65	—

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

Provision for bad debts amounted to RMB148,214.72 during the year. No provision for bad debts was recovered or released during the year.

(4) Category of other receivables by nature

Nature	Closing book balance	Opening book balance
Individual open credit	11,592,081.99	11,484,299.04
Entities open credit	175,307,190.20	103,463,347.09
Related parties open credit	651,795,495.28	234,730,741.66
Total	838,694,767.47	349,678,387.79

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

6. Other receivables (continued)

(5) Information on top five other receivables by closing balance of recovery of debtors

Name of entity	Nature	Closing balance	Age	Percentage to total closing balance of other receivables (%)	Closing balance of provision for bad debts
Hong Kong Baotong	Open credit of subsidiary	251,459,542.84	Within three months	29.98	—
Shenzhen G-speed Industrial Development Co., Ltd. (深圳市英捷迅實業發展有限公司)	Open credit	146,793,527.52	Within three months	17.50	—
Powerleader Computing	Open credit of subsidiary	55,301,453.55	Within three months	6.60	—
		74,414,439.18	Three months to one year	8.87	—
Sub-total of Powerleader Computing		129,715,892.73		15.47	—
Baotong Zhiyuan	Open credit of subsidiary	60,325,662.52	Within three months	7.19	—
		36,442,325.61	Three months to one year	4.35	—
Sub-total of Baotong Zhiyuan		96,767,988.13		11.54	—
Tianjin Binhai	Open credit of subsidiary	561,724.00	Within three months	0.07	—
		1,491,186.68	Three months to one year	0.18	—
		90,097,126.95	One to two years	10.74	—
Sub-total of Tianjin Binhai		92,150,037.63		10.99	—
Total		716,886,988.85		85.48	—

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

7. Inventories

(1) Categories of inventories

Item	Closing balance		Carrying amount
	Book balance	Provision for impairment	
Materials in transits	—	—	—
Raw materials	30,087,050.09	1,424,992.06	28,662,058.03
Construction in progress	162,691.67	—	162,691.67
Finished goods	278,457.49	—	278,457.49
Goods in transits	3,305,486.35	—	3,305,486.35
Sub-contracting material	19,575.73	—	19,575.73
Total	33,853,261.33	1,424,992.06	32,428,269.27

Item	Opening balance		Carrying amount
	Book balance	Provision for impairment	
Materials in transits	4,659,374.96	—	4,659,374.96
Raw materials	76,694,715.68	789,527.83	75,905,187.85
Construction in progress	11,714,397.69	—	11,714,397.69
Finished goods	9,343,148.52	—	9,343,148.52
Goods in transits	7,338,691.85	—	7,338,691.85
Sub-contracting material	134,701.38	—	134,701.38
Total	109,885,030.08	789,527.83	109,095,502.25

(2) Provision for impairment of inventories

Item	Opening balance	Increase during the year		Decrease during the year		Closing balance
		Provision	Others	Write-back or write-off	Transfer to others	
Raw materials	789,527.83	635,464.23	—	—	—	1,424,992.06
Total	789,527.83	635,464.23	—	—	—	1,424,992.06

(3) Provision for impairment of inventories made

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

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

8. Other current assets

Item	Closing balance	Opening balance	Nature
Prepaid expenditure	—	215,152.39	Rent
Total	—	215,152.39	—

9. Available-for-sale financial assets

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

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

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

Investee	Book balance				Provision for impairment				Percentage of shareholdings in investee (%)	Cash dividend for the year
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance		
Shenzhen Qianhai Pengde Mobile Internet Venture Capital Fund (Limited Partnership) (前海騰德移動互聯網創業投資基金)	—	4,000,000.00	—	4,000,000.00	—	—	—	—	4.00	—
Total	—	4,000,000.00	—	4,000,000.00	—	—	—	—	4.00	—

As agreed in the partnership agreement entered into on 11 June 2014, the total capital contribution by the Company was RMB10 million, accounted for 4.00% of the capital contribution, which will be contributed in three tranches. As of 31 December 2015, the Company had contributed RMB4 million, accounted for 4.0% of the first tranche of the capital contribution. It is accounted for by cost method.

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

10. Long-term equity investments

(1) Category of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiary	110,903,750.00	—	110,903,750.00	122,178,750.00	—	122,178,750.00
Investment in associated company and joint venture	203,846,547.56	—	203,846,547.56	195,544,136.28	—	195,544,136.28
Total	314,750,297.56	—	314,750,297.56	317,722,886.28	—	317,722,886.28

(2) Investment in subsidiary

Investee	Opening balance	Increase during the year	Decrease during the year	Closing balance	Provision for impairment during the year	Closing balance for impairment provision
Shenzhen Powerleader Computing System Limited	12,750,000.00	—	1,275,000.00	11,475,000.00	—	—
Shenzhen Baoteng Internet Technology Limited	9,500,000.00	—	—	9,500,000.00	—	—
Shenzhen Powerleader Software Development Limited	10,200,000.00	—	10,200,000.00	—	—	—
Shenzhen Powerleader Property Development Limited	495,000.00	—	—	495,000.00	—	—
Shenzhen Baotong Zhiyuan Technology Limited	10,080,000.00	—	—	10,080,000.00	—	—
Shenzhen Powerleader Cloud Computing Research Institute Limited	1,800,000.00	200,000.00	—	2,000,000.00	—	—
Guangzhou Baoyun Information Technology Co., Ltd. (廣州寶雲信息科技有限公司)	10,000,000.00	—	—	10,000,000.00	—	—
Powerleader Science & Technology (HK) Limited	67,353,750.00	—	—	67,353,750.00	—	—
Total	122,178,750.00	200,000.00	11,475,000.00	110,903,750.00	—	—

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

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

10. Long-term equity investments (continued)

(3) Investment in associated company and joint venture

Investee	Opening balance	Additional investment	Reduction in investment	Increase/decrease during the year				Distributable cash dividend or profit declared	Impairment Provision	Others	Closing balance	Closing balance for impairment provision
				Investment gains or losses recognized by equity method	Adjustment in other comprehensive income	Other Changes in equity						
I. Associated company												
Zqgame	141,116,282.28	—	—	10,418,672.74	(173,225.12)	1,342,830.44	—	—	—	152,704,560.34	—	
Beijing Haiyun Jiexun	18,091,449.55	—	—	2,902,723.86	—	—	—	—	—	20,994,173.41	—	
Sichuan Baoteng	36,336,404.45	—	—	(6,188,590.64)	—	—	—	—	—	30,147,813.81	—	
Total	195,544,136.28	—	—	7,132,805.96	(173,225.12)	1,342,830.44	—	—	—	203,846,547.56	—	

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

(4) Analysis on long-term equity investments is set out as below:

Item	Closing balance	Opening balance
Listed		
PRC (Other than Hong Kong)	152,704,560.34	141,116,282.28
Sub-total	152,704,560.34	141,116,282.28
Unlisted	162,045,737.22	176,606,604.00
Total	314,750,297.56	317,722,886.28

As at end of the year, the market value of listed investments was RMB1,153,288,373.73.

As at 31 December 2015, the fair value of listed companies long-term equity investments were RMB1,153,288,373.73.

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

11. Investment properties

(1) Investment properties measured at cost

Item	Building and structures	Total
I. Initial carrying amount		
1. Opening balance	15,949,150.41	15,949,150.41
2. Amount of increase during the year	4,380,000.00	4,380,000.00
3. Amount of decrease during the year	8,505,759.91	8,505,759.91
(1) Transfer to others	8,505,759.91	8,505,759.91
4. Closing balance	11,823,390.50	11,823,390.50
II. Accumulated depreciation		
1. Opening balance	2,065,573.29	2,065,573.29
2. Amount of increase during the year	1,823,190.60	1,823,190.60
(1) Depreciation	248,033.10	248,033.10
(2) Transfer from fixed assets	1,575,157.50	1,575,157.50
3. Amount of decrease during the year	1,101,580.33	1,101,580.33
(1) Transfer to others	1,101,580.33	1,101,580.33
4. Closing balance	2,787,183.56	2,787,183.56
III. Provision for impairment		
1. Opening balance	—	—
2. Amount of increase during the year	—	—
3. Amount of decrease during the year	—	—
4. Closing balance	—	—
IV. Carrying amount		
1. Carrying amount at the end of the year	9,036,206.94	9,036,206.94
2. Carrying amount at the beginning of year	13,883,577.12	13,883,577.12

Amount of depreciation and amortization of investment properties recognised in profit or loss during the year was RMB248,033.10 (last year: RMB306,223.70).

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

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

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

12. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Plants and machinery	Transportation equipment	Office appliances	Other equipment	Total
I. Initial carrying amount						
1. Opening balance	148,623,549.04	10,139,927.12	8,307,126.82	15,228,371.55	456,399.01	182,755,373.54
2. Amount of increase during the year	11,207,164.61	168,184,731.93	—	2,375,946.56	—	181,767,843.10
(1) Addition	2,701,404.70	8,443,945.20	—	2,375,946.56	—	13,521,296.46
(2) Transfer from construction in progress	—	159,740,786.73	—	—	—	159,740,786.73
(3) Transfer from others	8,505,759.91	—	—	—	—	8,505,759.91
3. Amount of decrease during the year	4,380,000.00	3,994,924.73	852,340.00	5,783,208.86	11,003.32	15,021,476.91
(1) Disposal or retirement	—	3,994,924.73	852,340.00	5,783,208.86	11,003.32	10,641,476.91
(2) Transfer to others	4,380,000.00	—	—	—	—	4,380,000.00
4. Closing balance	155,450,713.65	174,329,734.32	7,454,786.82	11,821,109.25	445,395.69	349,501,739.73
II. Accumulated depreciation						
1. Opening balance	17,263,620.56	6,848,336.38	4,984,202.88	10,174,306.21	301,467.29	39,571,933.32
2. Amount of increase during the year	10,735,085.70	7,659,030.47	565,172.70	1,595,334.08	60,733.48	20,615,356.43
(1) Depreciation	9,633,505.37	7,659,030.47	565,172.70	1,595,334.08	60,733.48	19,513,776.10
(2) Transfer from others	1,101,580.33	—	—	—	—	1,101,580.33
3. Amount of decrease during the year	1,575,157.50	3,731,376.52	579,212.78	5,444,966.82	9,425.54	11,340,139.16
(1) Disposal or retirement	—	3,731,376.52	579,212.78	5,444,966.82	9,425.54	9,764,981.66
(2) Transfer from others	1,575,157.50	—	—	—	—	1,575,157.50
4. Closing balance	26,423,548.76	10,775,990.33	4,970,162.80	6,324,673.47	352,775.23	48,847,150.59
III. Provision for impairment						
1. Opening balance	—	—	—	—	—	—
2. Amount of increase during the year	—	—	—	—	—	—
3. Amount of decrease during the year	—	—	—	—	—	—
4. Closing balance	—	—	—	—	—	—
IV. Carrying amount						
1. Carrying amount at the end of the year	129,027,164.89	163,553,743.99	2,484,624.02	5,496,435.78	92,620.46	300,654,589.14
2. Carrying amount at the beginning of year	131,359,928.48	3,291,590.74	3,322,923.94	5,054,065.34	154,931.72	143,183,440.22

Depreciation and amortization of fixed assets recognized in profit or loss during the year was RMB19,077,794.61 (last year: RMB7,849,229.41).

For the increase in the fixed assets during the year, an amount of RMB159,740,786.73 was transferred from construction in progress.

Loss from disposal of fixed assets during the year amounted to RMB596,872.11.

- (2) Buildings and structures are located in PRC and held under mid-term lease (under 50 years but no less than 10 years).
- (3) As at the end of the year, the company had no temporarily idle fixed assets.

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

12. Fixed assets (continued)

(4) Fixed assets leased in by financial leasing

are the same as the consolidated statements, please refer to note VI.11 for details.

(5) Fixed assets leased out by operating lease

There was no fixed asset leased under the operating lease at the end of the year (at the beginning of the year: nil).

(6) Fixed assets in lack of title certificates

As the staff quarters of the Company located in Futian District (initial value: RMB1,869,900; carrying amount at the end of the year: RMB1,645,500 (carrying amount at beginning of the year: RMB1,692,300)) are government affordable housing, the title certificate is held by the Government of Futian District, and therefore, title certificate of the house cannot be obtained.

As the property developer of the residential housing of the Company located in Xian of Shanxi (initial value: RMB736,500; carrying amount at the end of the year: RMB599,200 (carrying amount at beginning of the year: RMB617,000)) could not pass the acceptance test due to substandard fire prevention facilities, therefore, the property certificate of the house has not been obtained.

As the staff quarters of the Company located in Meilin Songde Garden (initial value: RMB906,300; carrying amount at the end of the year: RMB886,400 (carrying amount at beginning of the year: RMB0)) are government affordable housing, the title certificate is held by the Government of Futian District, and therefore, title certificate of the house cannot be obtained.

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

13. Construction in progress

(1) Breakdown of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Guangzhou (IDC) Center for Cloud Computing and Data	—	—	—	109,369,691.77	—	109,369,691.77
Total	—	—	—	109,369,691.77	—	109,369,691.77

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

13. Construction in progress (continued)

(2) Movements of material construction in progress items

Name of project	Opening balance	Increase during the year	Decrease during the year		Closing balance
			Transfer to fixed assets	Other decrease	
Guangzhou (IDC) Center for Cloud Computing and Data	109,369,691.77	50,371,094.96	159,740,786.73	—	—
Total	109,369,691.77	50,371,094.96	159,740,786.73	—	—

Name of project	Budget (RMB'000)	Percentage of expenditure injected to budget (%)	Progress (%)	Accumulated capitalised interest	Including: Interest capitalised for the year	Interest capitalisation rate for the year (%)	Source of funds
Guangzhou (IDC) Center for Cloud Computing and Data	16,669.46	95.83	100.00	5,648,725.00	5,648,725.00	6.4575	Bank loans
Total	16,669.46			5,648,725.00	5,648,725.00		

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

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

14. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Computer software	R&D software	Total
I. Initial carrying amount				
1. Opening balance	7,070,345.00	2,267,500.95	73,994,231.88	83,332,077.83
2. Amount of increase during the year	—	542,735.06	10,255,921.01	10,798,656.07
(1) Addition	—	542,735.06	—	542,735.06
(2) Internal R&D	—	—	10,255,921.01	10,255,921.01
3. Amount of decrease during the year	—	981,132.15	—	981,132.15
(1) Transfer to others	—	981,132.15	—	981,132.15
4. Closing balance	7,070,345.00	1,829,103.86	84,250,152.89	93,149,601.75
II. Accumulated amortization				
1. Opening balance	869,393.20	924,206.73	64,591,604.85	66,385,204.78
2. Amount of increase during the year	159,261.93	319,884.97	5,468,428.84	5,947,575.74
(1) Amortization	159,261.93	319,884.97	5,468,428.84	5,947,575.74
3. Amount of decrease during the year	—	—	—	—
4. Closing balance	1,028,655.13	1,244,091.70	70,060,033.69	72,332,780.52
III. Provision for impairment				
1. Opening balance	—	—	—	—
2. Amount of increase during the year	—	—	—	—
3. Amount of decrease during the year	—	—	—	—
4. Closing balance	—	—	—	—
IV. Carrying amount				
1. Carrying amount at the end of the year	6,041,689.87	585,012.16	14,190,119.20	20,816,821.23
2. Carrying amount at the beginning of year	6,200,951.80	1,343,294.22	9,402,627.03	16,946,873.05

(2) The intangible assets derived from the Company's internal R&D accounted for 90.45% of the closing balance of intangible assets.

(3) Land use rights are lands located in PRC and held under mid-term lease (under 50 years but not less than 10 years).

(4) Depreciation and amortization of intangible assets recognized in profit or loss during the year was RMB5,947,575.74 (last year: RMB4,984,638.33).

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

15. Development expenditures

(1) Breakdown of development expenditures

Item	Opening balance	Increase during the year Internal development expenditures	Decrease during the year Recognized as intangible assets	Transferred to profit or loss for the current period	Closing balance
Strengthened customized 4 quad service for military use (6U-400 projects)	7,313,199.44	2,942,721.57	10,255,921.01	—	—
8 quad server	—	3,373,218.45	—	—	3,373,218.45
Total	7,313,199.44	6,315,940.02	10,255,921.01	—	3,373,218.45

(2) The intangible assets derived from the Company's internal R&D accounted for 68.17% of the closing balance of carrying amount of intangible assets.

(3) The Group's development expenditures incurred during the year is expected to finish testing and completion in 2017.

16. Long-term prepayment

Item	Opening balance	Increase during the year	Amortized during the year	Other decrease during the year	Closing balance
Decoration fee	1,221,294.44	385,545.39	429,719.18	—	1,177,120.65
Total	1,221,294.44	385,545.39	429,719.18	—	1,177,120.65

17. Deferred income tax assets and deferred income tax liabilities

(1) Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary differences	7,985,739.55	5,209,102.52
Deductible losses	16,781,847.74	38,507,305.87
Total	24,767,587.29	43,716,408.39

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

17. Deferred income tax assets and deferred income tax liabilities (continued)

(2) *Deductible losses of unrecognised deferred income tax assets will be expired by the periods as specified below*

Item	Closing balance	Opening balance	Note
To be expired in 2015 (2010)	—	2,671,028.36	Deductible losses to be determined by Tax Bureau
To be expired in 2016 (2011)	—	4,214,784.16	Deductible losses to be determined by Tax Bureau
To be expired in 2017 (2012)	—	12,345,458.97	Deductible losses to be determined by Tax Bureau
To be expired in 2018 (2013)	5,144,052.30	19,276,034.38	Deductible losses to be determined by Tax Bureau
To be expired in 2019 (2014)	11,637,795.44	—	Deductible losses to be determined by Tax Bureau
Total	16,781,847.74	38,507,305.87	

18. Short-term loans

(1) *Category of Short-term loans*

Category of loans	Closing balance	Opening balance
Guaranteed loans	672,132,476.32	679,728,724.38
Pledged loans	192,780,570.70	—
Total	864,913,047.02	679,728,724.38

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

18. Short-term loans (continued)

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

Details of guarantee:

Lending bank	Currency	Loan principal in original currency	Guarantor
Industrial Bank Co. Ltd. (Shenzhen Huang Gang sub-branch)	RMB	70,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie
Ping An Bank (Shenzhen Changcheng sub-branch)	RMB	70,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie
China Construction Bank (Shenzhen housing urban construction sub-branch)	RMB	20,000,000.00	Shenzhen HTI Finance Security Co., Ltd. (深圳市高新投融資擔保有限公司), Zhang Yunxia, Li Ruijie
China Construction Bank (Shenzhen housing urban construction sub-branch)	RMB	200,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Hong Kong Baotong
China Construction Bank (Shenzhen housing urban construction sub-branch)	US\$	4,985,190.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Hong Kong Baotong
China Merchants Bank (Shenzhen Zhongdian sub-branch)	RMB	40,000,000.00	Zhang Yunxia, Li Ruijie, Powerleader Holdings
China Resources Bank of Zhuhai (Shenzhen Futian sub-branch)	RMB	40,000,000.00	Powerleader Holdings, Li Ruijie
China Citic Bank (Xiangmihu sub-branch)	RMB	100,000,000.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Nanjing Powerleader Cloud Computing Technology Limited
Agricultural Bank of China (University Town of Shenzhen sub-branch)	RMB	84,000,000.00	Zhang Yunxia, Li Ruijie, Powerleader Holdings, Binhai Powerleader
Bank SinoPac in Macau	US\$	4,355,000.00	Zhang Yunxia
China Construction Bank (Shenzhen housing urban construction sub-branch)	US\$	27,759,885.00	Powerleader Holdings, Zhang Yunxia, Li Ruijie, Hong Kong Baotong

Particulars of security are the same as the consolidated statements, please refer to note VI.18 for details.

Details of interest rates:

As at 31 December 2015, the interest rates for short-term loans were 2.1760%–7.8000% per annum, the weighted average interest rate was 5.1677% per annum (31 December 2014: interest rate for short-term loans were 3.8900%–7.8000% per annum, weighted average interest rate was 6.5604% per annum).

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

19. Notes payable

(1) Categories of notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	220,000,000.00	—
Total	220,000,000.00	—

Particulars of credit are the same as the consolidated statements, please refer to note VI.19 for details.

(2) The amount due in the next accounting year will be RMB220,000,000.00.

20. Accounts payable

(1) Category of accounts payable by nature

Item	Closing balance	Opening balance
Payables for purchase of raw materials	426,553,750.93	382,537,711.82
Payables for construction	26,841,069.83	4,313,814.77
Total	453,394,820.76	386,851,526.59

(2) Age analysis of accounts payable

The age analysis of accounts payable by invoice date as at 31 December 2015 is as follows:

Item	Closing balance	Opening balance
Within 1 year	313,503,581.32	312,247,118.17
1 to 2 years	114,252,994.47	69,241,260.01
2 to 3 years	25,312,213.85	674,231.80
3 to 4 years	54,083.80	4,485,817.48
4 to 5 years	69,448.19	203,099.13
Over 5 years	202,499.13	—
Total	453,394,820.76	386,851,526.59

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

20. Accounts payable (continued)

(3) Material accounts payable aged over one year

Name of entity	Closing balance	Reason for outstanding or carrying forward
Guangzhou Zhonglian Tongshun Computer Technology Services Co., Ltd. (廣州市中聯通順電腦技術服務有限公司)	600,906.00	No payment is made since no invoice is issued. Invoice will be issued upon up negotiation
Guangzhou Shanglian Software Technology Co., Ltd. (廣州尚聯軟體技術有限公司)	581,584.32	No payment is made since no invoice is issued. Invoice will be issued upon up negotiation
Pan Asia Power Technology Co., Ltd	202,023.00	No payment is made since no invoice is issued. Invoice will be issued upon up negotiation
Total	1,384,513.32	—

21. Receipts in advance

(1) Receipts in advance

Item	Closing balance	Opening balance
Total	21,843,903.62	7,180,480.47
Including: over 1 year	1,237,273.90	879,122.27

(2) Material receipts in advance aged over one year

Name of entity	Closing balance	Reason for overdue or carrying forward
Beijing CA-Jinchen Software Co., Ltd. (北京冠群金辰軟件有限公司)	400,000.00	Continued to supply goods after negotiation with customers
Hunan Zhongxinan Technology Co., Ltd. (湖南中信安科技有限責任公司)	130,950.00	Consult with the customer about subsequent supply of goods
Wuxi Xiangrun-Shiji Science and Technical Development Co., Ltd.* (無錫祥潤世紀科技開發有限公司)	120,000.00	Continued to supply goods after negotiation with customers
Nanjing Zhongxing Software Company Limited* (南京中興軟創科技有限責任公司)	106,267.00	Continued to supply goods after negotiation with customers
Total	757,217.00	—

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

22. Employee remuneration payables

(1) Category of employee remuneration payables

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term remuneration	3,523,010.32	7,885,757.56	10,390,523.13	1,018,244.75
Post-employment benefits — defined contribution plans	—	329,041.58	329,041.58	—
Termination benefits	—	—	—	—
Other benefit matured within one year	—	—	—	—
Total	3,523,010.32	8,214,799.14	10,719,564.71	1,018,244.75

(2) Short-term remuneration

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonus, allowance and subsidies	3,523,010.32	6,260,636.89	8,765,402.46	1,018,244.75
Staff benefits	—	1,415,161.42	1,415,161.42	—
Social security insurance	—	117,759.45	117,759.45	—
Including: Medical insurance	—	91,796.14	91,796.14	—
Work-related injury insurance	—	8,355.03	8,355.03	—
Maternity insurance	—	17,608.28	17,608.28	—
Housing provident fund	—	92,199.80	92,199.80	—
Union operation cost and staff education cost	—	—	—	—
Short-term compensated leaves	—	—	—	—
Short-term profit share scheme	—	—	—	—
Total	3,523,010.32	7,885,757.56	10,390,523.13	1,018,244.75

(3) Defined contribution plans

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic Pension insurance	—	301,196.64	301,196.64	—
Unemployment insurance	—	27,844.94	27,844.94	—
Enterprise annuity	—	—	—	—
Total	—	329,041.58	329,041.58	—

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

23. Tax payables

Item	Closing balance	Opening balance
VAT	24,910,679.02	12,705,325.62
Business tax	41,671.60	64,856.20
EIT	—	—
Individual income tax	33,206.32	75,987.80
Urban maintenance and construction tax	50,583.54	54,679.32
Education surcharge	34,688.10	39,056.66
Total	25,070,828.58	12,939,905.60

24. Interest payables

Item	Closing balance	Opening balance
Interest on long-term loan which requires to pay interest by instalments and repay principal at maturity	291,828.47	251,125.00
Short-term loans interest payables	179,075.00	112,000.00
Total	470,903.47	363,125.00

25. Other payables

(1) Category of other payables by nature

Nature of amount	Closing balance	Opening balance
Investment costs payable	2,150,000.00	10,000,000.00
Open credit with business units	30,055,769.69	75,962,428.16
Security for tendering	910,000.00	1,300,000.00
Current account with individuals	522,745.21	242,921.57
Total	33,638,514.90	87,505,349.73

(2) Material other payables aged over one year

Name of entity	Closing balance	Reason for outstanding or carrying forward
Sichuan Baoteng	2,132,980.61	Investment cost and small amounts of open credit
Powerleader Computing	6,790,855.14	Open credit of subsidiary
Powerleader Communications	3,348,014.12	Connected open credit
Total	12,271,849.87	

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

26. Non-current liabilities due within one year

(1) Non-current liabilities repayable within one year

Item	Closing balance	Opening balance
Long-term loans due within 1 year	36,000,000.00	140,000,000.00
Long-term payables due within one year	18,174,596.81	—
Total	54,174,596.81	140,000,000.00

27. Other current liabilities

(1) Category of other current liabilities

Item	Closing balance	Opening balance
Accrued transportation fee	172,684.37	1,187,429.45
Accrued customs declaration fee	70,049.92	450,110.20
Deferred Income within 1 year	—	1,700,000.00
Accrued rents	—	399,014.63
Total	242,734.29	3,736,554.28

(2) Government grants

Government grants item	Opening balance	Amount of additional grants for the year	Amount include in non-operating income for the year	Other changes	Closing balance	Asset-related/income related
R&D and industrialization of Powerleader's wholly localized high-performance server	900,000.00	—	900,000.00	—	—	Income-related
R&D of Powerleader desk top computer based on safe and reliable CPU	800,000.00	—	800,000.00	—	—	Income-related
Total	1,700,000.00	—	1,700,000.00	—	—	

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

28. Long-term loans

(1) Category of loans

Category of loans	Closing balance	Opening balance
Guaranteed loans	117,749,657.89	140,000,000.00
Pledged loan	33,250,342.11	—
Sub-total	151,000,000.00	140,000,000.00
Less: portion repayable within 1 year	36,000,000.00	140,000,000.00
Total	115,000,000.00	—

Particulars of guarantee and security, interest rate and analysis by maturity are the same as the consolidated statements, please refer to note VI.28 for details.

29. Long-term payables

Item	Closing balance	Opening balance
Financial leasing payables	49,317,279.30	—
Less: the part due within one year	18,174,596.81	—
The part due after one year	31,142,682.49	—
Total	31,142,682.49	—

(1) Details of financial leasing payables

Financial leasing payables are the net of minimum lease payment for financial leasing deducting unconfirmed financing costs. The details are as follows:

Item	Closing balance	Opening balance
Far Eastern International Leasing Co., Ltd.	49,317,279.30	—
Total	49,317,279.30	—

(2) The Group carried out subsequent measurement for such long-term payables by adopting the effective interest rate method and amortized cost.

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

29. Long-term payables (continued)

(3) As at the end of the year, the term of the minimum lease payments for the financial leasing was as follows:

Item	Closing balance	Opening balance
Within 1 year	21,047,616.00	—
1 to 2 years	21,047,616.00	—
2 to 3 years	11,926,982.00	—
Sub-total	54,022,214.00	—
Less: unrecognized financing expenses	4,704,934.70	—
Total	49,317,279.30	—

Unconfirmed financing costs are allocated by using the effective interest rate method in the respective period of the lease term, and dealt with in accordance with the principle of borrowing costs.

30. Deferred Income

(1) Category of deferred Income

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason
Government grants	2,587,000.00	16,960,000.00	2,587,000.00	16,960,000.00	Government subsidy for projects subject to acceptance test
Total	2,587,000.00	16,960,000.00	2,587,000.00	16,960,000.00	—

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

30. Deferred Income (continued)

(2) Government grants items

Government grants item	Opening balance	Amount of additional grants for the year	Amount include in non-operating income for the year	Other changes	Closing balance	Asset-related/income related
Industrial application demonstration project for Powerleader desk top cloud system	1,300,000.00	—	1,300,000.00	—	—	Income-related
Industrial application demonstration project for Powerleader's center for cloud computation and data	1,200,000.00	—	1,200,000.00	—	—	Income-related
Development of intelligent logistics technology and its application system based on UHF RFID	87,000.00	—	87,000.00	—	—	Income-related
Electronic information industry revitalization and base transformation project	—	10,000,000.00	—	—	10,000,000.00	Asset-related
Research on the key technologies for new server system	—	2,700,000.00	—	—	2,700,000.00	Asset-related
Industrial application demonstration project for Powerleader IAAS cloud service platform	—	4,260,000.00	—	—	4,260,000.00	Income-related
Total	2,587,000.00	16,960,000.00	2,587,000.00	—	16,960,000.00	

No government grants had been refunded in 2015 and 2014.

31. Share Capital

Same as the consolidated statements, please refer to note VI.31 for details.

32. Surplus reserves

This year

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	25,875,000.00	—	—	25,875,000.00
Other capital reserves	5,354,290.96	1,342,830.44	—	6,697,121.40
Total	31,229,290.96	1,342,830.44	—	32,572,121.40

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

32. Surplus reserves (continued)

Last year

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	25,875,000.00	—	—	25,875,000.00
Other capital reserves	3,297,189.03	2,057,101.93	—	5,354,290.96
Total	29,172,189.03	2,057,101.93	—	31,229,290.96

33. Other comprehensive income

Same as the consolidated statements, please refer to note VI.33 for details.

34. Surplus reserves

Same as the consolidated statements, please refer to note VI.34 for details.

35. Undistributed profits

Item	Balance for this year	Balance for last year
At the end of last year	114,802,697.41	124,792,231.08
Add: Adjustments to beginning balance of undistributed profits	—	—
Including: Retrospective adjustment according to new requirements of ASBE	—	—
Including: Changes in accounting policies	—	—
Correction of material mistakes in the prior periods	—	—
Changes in scope of business combination under common control	—	—
Other adjustment factors	—	—
At the beginning of this year	114,802,697.41	124,792,231.08
Add: Net profit attributable to shareholders of the Company of the year	30,248,036.45	(9,989,533.67)
Less: Appropriation to statutory surplus reserves	3,024,803.65	—
Distribution of dividends on ordinary shares	—	—
At the end of this year	142,025,930.21	114,802,697.41

Distribution of dividends of ordinary shares for the year: the Directors of the Company do not recommend for the payment of dividend for the year ended 31 December 2014 (2014: the Directors of the Company do not recommend for the payment of the final dividends for the year ended 31 December 2013).

36. Net current assets

Item	Closing balance	Opening balance
Current assets	1,639,136,662.91	1,134,431,712.47
Less: Current liabilities	1,674,767,594.20	1,321,828,676.37
Net current assets	(35,630,931.29)	(187,396,963.90)

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

37. Total assets less current liabilities

Item	Closing balance	Opening balance
Current assets	2,292,944,916.88	1,748,072,674.79
Less: Current liabilities	1,674,767,594.20	1,321,828,676.37
Total assets less current liabilities	618,177,322.68	426,243,998.42

38. Borrowings

The borrowings of the Group are summarized as follows

Item	Closing balance	Opening balance
Short-term bank loans	864,913,047.02	679,728,724.38
Long-term loans	151,000,000.00	140,000,000.00
Total	1,015,913,047.02	819,728,724.38

(1) Analysis of borrowings:

Item	Closing balance	Opening balance
Bank loans		
— Repayable within one year	900,913,047.02	819,728,724.38
— Repayable after one year	115,000,000.00	—
Total	1,015,913,047.02	819,728,724.38

(2) Analysis of borrowings by maturity dates

Item	Closing balance	Opening balance
Repayable on demand or within one year	900,913,047.02	819,728,724.38
one to two years	36,000,000.00	—
two to five years	79,000,000.00	—
Total	1,015,913,047.02	819,728,724.38

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

39. Revenue and operating costs

Item	Amount of this year		Amount of last year	
	Revenue	Costs	Revenue	Costs
Principle businesses	585,312,061.38	527,542,971.11	589,365,839.33	487,248,596.85
Other businesses	4,979,620.62	2,296,438.62	4,300,280.85	306,223.70
Total	590,291,682.00	529,839,409.73	593,666,120.18	487,554,820.55

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

Gross profit

Item	Amount for this year	Amount for last year
Revenue from principal businesses	585,312,061.38	589,365,839.33
Costs of principal businesses	527,542,971.11	487,248,596.85
Gross profit	57,769,090.27	102,117,242.48

40. Business tax and surcharge

Item	Amount for this year	Amount for last year
Business tax	118,285.30	116,539.05
Urban maintenance and construction tax	301,826.43	430,501.58
Education surcharge	215,590.31	307,501.14
Total	635,702.04	854,541.77

41. Selling expenses

Item	Amount for this year	Amount for last year
Total	1,455,869.73	19,244,587.44
Including: Rents	551,240.48	1,114,412.16
Marketing expenses	354,742.21	560,716.45
Depreciation	321,994.53	297,585.78
Entertainment expenses	177,238.30	1,019,403.20
Salaries	35,129.32	11,333,082.61

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

42. Administrative expenses

Item	Amount for this year	Amount for last year
Total	35,957,625.55	36,660,181.78
Including:		
Depreciation	6,382,054.28	4,285,969.36
Amortization of intangible assets	5,983,699.74	4,984,638.33
Salaries	5,469,153.79	11,780,139.41
Listing expenses	2,887,023.55	725,672.73
Water and electricity	1,807,829.61	2,174,886.88
Transportation expenses	1,433,164.07	776,949.20
Staff incentives	1,375,399.19	851,325.26
Rents	1,368,756.76	4,888.88
Taxes	1,159,519.31	755,884.89
Service expenses	936,623.17	599,315.01

43. Finance costs

(1) Breakdown of finance cost

Item	Amount for this year	Amount for last year
Interest expenses	56,871,713.16	48,261,567.13
Less: Interest income	3,875,606.50	248,789.08
Add: Loss on exchange	16,220,823.92	1,793,668.67
Add: Other expenses	8,987,916.77	3,385,229.23
Total	78,204,847.35	53,191,675.95

(2) Breakdown of interest expenses

Item	Amount for this year	Amount for last year
Interest on bank loans	62,520,438.16	48,261,567.13
Sub-total	62,520,438.16	48,261,567.13
Less: Interest capitalised	5,648,725.00	—
Total	56,871,713.16	48,261,567.13

(3) Breakdown of interest income

Item	Amount for this year	Amount for last year
Interest income on bank deposits	3,875,606.50	248,789.08
Total	3,875,606.50	248,789.08

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

44. Impairment losses of assets

Item	Amount for this year	Amount for last year
Bad debts losses	2,141,172.80	1,414,903.97
Impairment loss of inventories	635,464.23	607,488.20
Total	2,776,637.03	2,022,392.17

45. Gain on investments

(1) Investment income

Item	Amount for this year	Amount for last year
Gain on long-term equity investments accounted for using equity method	7,132,805.96	(10,172,065.04)
Gain on investment on disposal of long-term equity investments	78,025,000.00	400,000.00
Total	85,157,805.96	(9,772,065.04)

Gain on investments derived from listed and unlisted investments for the year were RMB10,418,672.74 and RMB74,739,133.22, respectively. The remittance of the Company's gain on investments is not subject to material restrictions.

46. Non-operating income

(1) Breakdown of non-operating income

Item	Amount for this year	Amount for last year	Included in non-recurring profit or loss
Gain on disposal of non-current assets	143.00	1,073,452.96	143.00
Including: gain on disposal of fixed assets	143.00	1,073,452.96	143.00
Government grants	4,289,700.00	1,464,000.00	4,289,700.00
Fine income	—	4,000.00	—
Others	89,084.20	129,849.52	89,084.20
Total	4,378,927.20	2,671,302.48	4,378,927.20

The amount included in non-recurring profit or loss for this year was RMB4,378,927.20 (last year: RMB2,671,302.48).

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

46. Non-operating income (continued)

(2) Breakdown of government grants

Item	Amount for this year	Source and basis	Asset-related/ income-related
Industrial application demonstration project for Powerleader desk top cloud system	1,300,000.00	Economy, Trade and Information Commission of Shenzhen Municipality	Income-related
Industrial application demonstration project for Powerleader's center for cloud computation and data	1,200,000.00	Finance Commission of Shenzhen Municipality	Income-related
R&D and industrialization of Powerleader's wholly localized high-performance servers	900,000.00	Industry development funds of district	Income-related
R&D of Powerleader desk top computer project based on safe and reliable CPU	800,000.00	Finance Commission of Shenzhen Municipality	Income-related
Development of intelligent logistics technology and its application system based on UHF RFID	87,000.00	National and provincial supporting project funds for municipal science and technology R&D funds of Finance Commission of Shenzhen Municipality in 2012	Income-related
Computer software copyrights registration awards	2,700.00	Market Supervision Administration of Shenzhen Municipality	Income-related
Total	4,289,700.00		

Item	Amount for this year	Source and basis	Asset-related/ income-related
R&D and industrialization of Powercloud high-performance server applicable to cloud computer	800,000.00	Project contract under science and technology R&D funds of Shenzhen municipality	Income-related
R&D of Powerleader security data storage services platform based on cloud computing	450,000.00	Project funds utilization contract of special industries development fund (science and technology development sub-category) of Futian District	Income-related
Industrial special funds of Futian District	214,000.00	Finance Bureau of Futian District, Shenzhen Municipality (Treasury division)	Income-related
Total	1,464,000.00		

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XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

47. Non-operating costs

Item	Amount for this year	Amount for last year	Included in non-recurring profit or loss for the year
Loss on disposal of non-current assets	597,015.11	15,463.71	597,015.11
Including: Loss on disposal of fixed assets	597,015.11	15,463.71	597,015.11
Donation	—	30,000.00	—
Others	113,272.17	132,538.35	113,272.17
Total	710,287.28	178,002.06	710,287.28

Amount included in non-recurring profit or loss for this year was RMB710,287.28 (last year: RMB178,002.06).

48. Income tax expenses

(1) Income tax expenses

Item	Amount for this year	Amount for last year
Current income tax-PRC EIT	—	—
PRC	—	—
Hong Kong	—	—
Over provision for prior years (under provision is denoted as "+")	—	(3,151,310.43)
Deferred income tax	—	—
Total	—	(3,151,310.43)

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

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

Item	Amount for this year	Amount for last year
Profits for the year	30,248,036.45	(13,140,844.10)
Income tax charges calculated at applicable tax rates of 15% (2014: 15%)	4,537,205.47	(1,971,126.62)
Effect of different applicable tax rates among subsidiaries	—	—
Effect of adjustment to the income tax for the prior period	—	(3,151,310.43)
Effect of non-taxable income	—	—
Effect of Special tax exemption	—	—
Effect of non-deductible costs, expenses and losses	467,282.57	—
Effect of utilisation of deductible losses for which no deferred income tax assets is recognised in prior periods	(5,004,488.04)	—
Effect of deductible temporary differences or deductible losses for which no deferred income tax assets is recognised for the year	—	1,971,126.62
Income tax expenses	—	(3,151,310.43)

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

49. Depreciation and amortization

Depreciation recognised in the income statement for this year was RMB19,325,827.71 (last year: RMB8,157,671.19), amortisation recognised in come statement was RMB6,377,294.92 (last year: RMB4,988,243.89).

50. Operating lease expenses

Operating lease expenses for this year was RMB1,919,997.24 (last year: RMB1,119,301.04), there was no lease expenses in respect of plant and machinery.

51. Rental income

Rental income from lands and buildings (net of government rent, rates and other expenditure) was RMB1,446,480.00 (last year: RMB3,450,701.00).

52. Other comprehensive income

Same as the consolidated statements, please refer to note VI.56 for details.

53. Cash flow statement items

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

1) Other cash received relating to operating activities

Item	Amount for this year	Amount for last year
Open credit with entities and individuals	2,011,240.50	148,724,441.49
Government grants	16,962,700.00	1,728,000.00
Interests income	3,875,606.50	248,644.70
Deposits	279,823.64	242,921.57
Others	89,084.20	2,881,372.48
Total	23,218,454.84	153,825,380.24

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

53. Cash flow statement items (continued)

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

2) Other cash paid relating to operating activities

Item	Amount for this year	Amount for last year
Open credit with entities and individuals	289,899,127.63	38,238,656.46
Transportation expenses	738,019.31	2,391,101.02
Marketing expenses	401,478.93	1,352,789.16
Rents	1,919,997.24	1,119,301.04
Travelling expenses	594,070.10	1,615,637.27
Entertainment expenses	593,705.47	1,519,141.95
Water and electricity expenses	1,814,240.63	2,218,178.62
Telephone expenses	450,586.27	529,126.56
Audit fee	269,420.19	1,329,687.52
Vehicle expenses	661,578.42	1,009,715.08
Traffic expenses within the city	76,819.30	174,600.40
Office expenses	831,204.53	834,831.89
Property management fee	210,063.65	100,835.14
R&D expenses	5,582.36	75,083.14
Bank charges	8,987,916.77	3,385,229.23
Others	4,618,620.24	5,473,558.73
Total	312,072,431.04	61,367,473.21

3) Other cash paid relating to financing activities

Item	Amount for this year	Amount for last year
Deposit	131,832,893.60	19,512,036.60
Cash paid for renting back the financial leasing after sale	9,120,634.00	—
Total	140,953,527.60	19,512,036.60

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

53. Cash flow statement items (continued)

(2) Supplementary information for consolidated cash flow statement of the Company

Item	Amount for this year	Amount for last year
1. Reconciliation of net profits to cash flows from operating activities:		
Net profit	30,248,036.45	(9,989,533.67)
Add: Assets impairment losses	2,776,637.03	2,022,392.17
Depreciation of Investment Property	248,033.10	306,223.70
Depreciation of fixed assets	19,077,794.61	7,851,447.49
Amortization of intangible assets	5,947,575.74	4,984,638.33
Amortization of long-term prepayments	429,719.18	3,605.56
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain is denoted as "()")	596,872.11	(1,057,989.25)
Loss on retirement of fixed assets (Gain is denoted as "()")	—	—
Gain or loss on changes in fair value (Gain is denoted as "()")	—	—
Finance costs (Gain is denoted as "()")	56,871,713.16	48,261,567.13
Loss on investment (Gain is denoted as "()")	(85,157,805.96)	9,772,065.04
Decrease in deferred income tax assets (Increase is denoted as "()")	—	—
Increase in deferred income tax liabilities (Decrease is denoted as "()")	—	—
Decrease in inventories (Increase is denoted as "()")	76,031,768.75	(51,271,924.76)
Decrease in operating receivables (Increase is denoted as "()")	(390,028,896.71)	(82,701,533.81)
Increase in operating payables (Decrease is denoted as "()")	245,317,964.85	210,412,197.04
Others	—	—
Net cash flow from operating activities	(37,640,587.69)	138,593,154.97
2. Significant non-cash investing and financing activities:		
Conversion of debts to capital	—	—
Convertible corporate bonds due within 1 year	—	—
Acquisition of fixed assets under finance leases	—	—
3. Net changes in cash and cash equivalents:		
Closing balance of cash	185,214,219.00	281,487,756.73
Less: Beginning balance of cash	281,487,756.73	211,223,695.43
Add: Closing balance of cash equivalents	—	—
Less: Beginning balance of cash equivalents	—	—
Net increase in cash and cash equivalents	(96,273,537.73)	70,264,061.30

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1 January 2015 to 31 December 2015

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

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY (continued)

53. Cash flow statement items (continued)

(3) Information of acquisition of or disposal of subsidiaries and other business units

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

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE COMPANY

(continued)

53. Cash flow statement items (continued)

(4) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	185,214,219.00	281,487,756.73
Including: Cash in hand	417,096.58	368,534.22
Bank deposits readily available for payments	184,797,122.42	281,119,222.51
Other cash and cash equivalents readily available for payments	—	—
Cash equivalents	—	—
Including: Investments in bonds due within 3 months	—	—
Closing balance of cash and cash equivalents	185,214,219.00	281,487,756.73
Including: Restricted cash and cash equivalents of the Company or subsidiaries under the Group	—	—

54. Statement of changes in Shareholder's equity items

RMB1,342,830.44 included in the statement of changes in shareholder's equity under the item "Others" for this year is the capital reserves movement incurred by other equity movement in Zqgame. Under the item "Others" for last year is RMB2,057,101.93, in which: 1) capital reserves of RMB557,101.93 was incurred by other equity movement in Zqgame; 2) RMB1,500,000.00 was share premium of Beijing Haiyun Jiexun.

XVII. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved for publication by the Board of Directors of the Company on 29 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS

1. NON-RECURRING PROFIT (LOSS) FOR THE YEAR

In accordance with the requirements of "Interpretation on Information Disclosures by Listed Companies No. 1 [2008] — Non-recurring profit or loss" issued by the CSRC, the non-recurring profit or loss items of the Group are as follows:

Item	Amount for this year	Explanation
Gain on disposal of non-current assets	(1,227,211.44)	3,644,783.91
Ultra vires or no formal approval documents for approval or incidental tax refunds or relief	—	—
Government grants credited to profit for the period	10,239,700.00	2,175,200.00
Funds-use income received by non-financial enterprises and credited to the profit or loss for the year	—	—
Gains derived from excess of the attributable fair value of net identifiable assets of the investee over the cost of investment of acquisition of subsidiaries, associates and Joint venture	7,132,805.96	—
Gain or loss on exchange of non-cash or cash equivalents	—	—
Gain or loss on investment on trust or asset under management by third party	—	—
Assets impairment losses provided for due to force majeure such as nature disasters	—	—
Gain or loss on debts restructuring	—	—
Re-organisation expenses	—	—
Profit or loss in excess of attributable fair value arising from transactions with apparently unfair price	—	—
Profit or loss for the period of the subsidiary formed under business combination under common control from beginning of the period to date of combination	—	—
Profit or loss on contingencies outsider the normal course of business	—	—
Profit or loss arising from fair value change in financial assets held-for-trading and financial liabilities held-for-trading; and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available for sale financial assets, except for effective hedging operations related to the ordinary course of operations of the company	(4,031,173.12)	128,285.81
Reversal of provision for impairment for accounts receivables which was individually tested for impairment	—	—
Profit or loss on loans on trust	—	—
Profit or loss arising from changes in fair value of investment properties measured subsequently at fair value	—	—
Effect of one-off adjustments to profit or loss for the period made in accordance with the requirements of the tax and accounting laws and regulations	—	—
Custodian fee for entrusted operations	—	—
Non-operating income and expenses other than the above items	(203,114.99)	(7,759.98)
Other profit and loss items meet the definition of non-recurring	—	—
Sub-total	11,911,006.41	5,940,509.74
Effect on income tax	(2,432,268.31)	(906,280.29)
Effect on minority interest (after tax)	—	—
Total	9,478,738.10	5,034,229.45

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

2. RETURNS ON NET ASSETS AND EARNING PER SHARE

In accordance with the requirements of “Compilation Rules for Information Disclosures by Listed Companies No. 9 — Calculations and disclosures for the return on net assets and earnings per share” (as amended in 2010) issued by the CSRC, the weighted average returns on net assets, basic earnings per share and diluted earnings per share of the Company for the 2015 are as follows:

Profit for the reporting period	Weighted average returns on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2015	2014	2015	2014	2015	2014
Net profit attributable to the shareholders of the Company	2.61	6.97	0.0875	0.2222	0.0875	0.2222
Net profit attributable to shareholders of the Company (excluding non-recurring profit and loss)	1.45	6.32	0.0485	0.2015	0.0485	0.2015

Powerleader Science & Technology Group Limited

29 March 2016