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宝德科技集团股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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This announcement, for which the directors of Powerleader Science & Technology Group Limited (the “Company”) (the “Directors”) 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 announcement 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 announcement misleading.

* For identification purpose only

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014.

CONSOLIDATED INCOME STATEMENT

2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Amount for this year	Amount for last year
I. Total revenue	4	2,686,354,110.38	1,852,839,420.50
Including: revenue	4	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	4	2,433,032,788.56	1,625,683,987.49
Business taxes and surcharges		2,056,983.42	1,924,483.09
Sales expenses		59,544,519.53	45,674,560.79
Administrative expenses		75,623,844.23	63,769,919.26
Finance costs	7	89,749,447.32	60,769,922.35
Impairment loss of assets		11,490,523.97	2,740,776.05
Add: Gain on changes in fair value (loss is denoted as “()”)		(4,228,219.07)	(362,198.90)
Gain on investment (loss is denoted as “()”)		7,329,851.91	(7,017,232.86)
Including: Gain on investment to associates and joint ventures		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		13,324,570.47	7,206,490.31
Including: Gain on disposal of non- current assets		143.00	1,074,754.56
Less: Non-operating expenses		1,549,841.80	258,666.88
Including: Loss on disposal of non-current assets		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	8	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

Item	<i>Note</i>	Amount for this year	Amount for last year
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		(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			
Other comprehensive income attributable to minority interest net of tax			
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	9	0.0875	0.2222
(II) Diluted earnings per share	9	0.0875	0.2222

CONSOLIDATED BALANCE SHEET*As at 31 December 2015**Prepared by: Powerleader Science & Technology Group Limited**Expressed in: RMB*

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

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans		1,091,452,256.44	976,112,408.03
Financial liabilities at fair value through profit or loss for the current period		4,228,219.07	—
Notes payable		220,000,000.00	—
Accounts payable	12	286,158,968.96	259,973,782.34
Receipts in advance	12	40,935,292.29	14,699,090.26
Employee remuneration payables		7,181,758.69	6,892,898.10
Tax and levy payables		54,291,104.82	19,129,411.79
Interest payables		470,903.47	363,125.00
Dividend payables		—	—
Other payables	12	49,958,803.54	59,152,722.63
Liabilities classified as held for sale		—	—
Non-current liabilities repayable within one year		54,174,596.81	140,000,000.00
Other current liabilities		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		115,000,000.00	—
Bond payables		—	—
Including: Preference shares		—	—
Perpetual bonds		—	—
Long-term payables		31,142,682.49	—
Long-term employee remuneration payables		—	—
Special payables		—	—
Provisions		—	—
Deferred income		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

Item	Note	Closing balance	Opening balance
Owners' equity:			
Capital		243,000,000.00	243,000,000.00
Other equity instrument		—	—
Including: Preference share		—	—
Perpetual bonds		—	—
Capital reserves		35,384,836.46	34,042,006.02
Less: Treasury shares		—	—
Other comprehensive income		(149,453.72)	23,771.40
Special reserves		—	—
Surplus reserves		37,626,042.30	34,601,238.65
General Risk Reserves		—	—
Undistributed profits		509,876,824.43	491,631,832.64
		<u>825,738,249.47</u>	<u>803,298,848.71</u>
Total equity attributable to shareholders of the Company		825,738,249.47	803,298,848.71
Minority interests		(2,481.56)	(2,260.93)
		<u>825,735,767.91</u>	<u>803,296,587.78</u>
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
Net current asset	13	237,192,828.18	115,808,157.70
Total assets less current liabilities	14	992,538,450.40	807,883,587.78

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2015

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	This year														Total Shareholders' equity
	Attributable to shareholders of the Company													Minority interest	
	Share capital	Preference share	Other equity instrument		Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits				
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 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		
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		

Item	Last year													Total Shareholders' equity
	Attributable to shareholders of the Company													
	Share capital	Other equity instrument			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interest		
Preference share'		Perpetual bonds	Others											
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 the 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 “0”)	—	—	—	—	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	<u>243,000,000.00</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,042,006.02</u>	<u>—</u>	<u>23,771.40</u>	<u>—</u>	<u>34,601,238.65</u>	<u>—</u>	<u>491,631,832.64</u>	<u>(2,260.93)</u>	<u>803,296,587.78</u>	

NOTES TO THE FINANCIAL STATEMENTS

1 January 2015 to 31 December 2015

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

1. 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 Shenpengsuoyanzi [2005] No.073 dated 30 May 2005.

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

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

Upon approval (document 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.

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

Expressed in: RMB0'000

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.

2. 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.

3. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in critical accounting policies

The Group had no changes in critical accounting policies during the year.

(2) Changes in critical accounting estimates

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

4. 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

(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%).

5. TOTAL PROFITS

Total profits had been arrived at after charging (crediting):

Item	Amount for this year	Amount for last year
Staff costs (including directors' remuneration)		
— Wages, salaries and other benefits	47,378,175.07	40,209,758.09
— Retirement scheme contribution	5,621,369.43	4,437,070.86
Total staff costs	52,999,544.50	44,646,828.95
Cost of inventories recognized as expenses	2,423,334,025.48	1,613,201,943.18
Auditors remuneration	834,044.80	718,330.50
Depreciation	23,872,188.51	12,621,028.94
Amortisation	18,863,410.85	17,209,031.57
Research and development expenses	1,714,252.37	3,471,845.79
Marketing expenses	3,454,621.52	3,489,710.64
Provision for (reversal of) bad debts of receivables	5,811,288.13	(3,107,824.77)
Impairment loss of inventories	5,679,235.84	5,848,600.82
Taxation	4,602,392.29	4,379,438.61
Entertainment expenditures	3,577,600.54	2,952,048.97
Government grants	(13,205,055.10)	(5,975,146.97)
Gain on investment on disposal of long-term equity investments	—	(2,664,347.47)
Gain on investment to associates and joint ventures	(7,132,805.96)	10,172,065.04

6. 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.

(1) 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

(2) 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

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:

	Amount for this year	Amount for last year
Revenue from transactions with external parties		
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
	Closing balance	Opening balance
Total non-current assets		
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

7. 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: 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

8. 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 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	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 rates 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)
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	<u>8,462,790.05</u>	<u>(2,187,521.84)</u>

9. 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)	<u>0.0485</u>	<u>0.2015</u>

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	<u>243,000,000.00</u>	<u>243,000,000.00</u>

(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.

10. DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement. The Directors do not recommend the payment of final dividend for the year ended 31 December 2015 (no final dividend had been paid for the year ended 31 December 2014).

11. TRADE AND OTHER RECEIVABLES

Item	Closing balance	Opening balance
Accounts receivable	802,385,413.17	507,262,160.35
Less: Provision for doubtful debts of accounts receivable	<u>16,733,695.95</u>	<u>10,719,534.22</u>
	785,651,717.22	496,542,626.13
Notes receivable	6,314,185.02	27,772,871.40
Prepayments	37,937,239.65	32,922,620.33
Other receivables	318,720,966.84	234,457,407.37
Less: Provision for bad and doubtful debts of other receivables	<u>786,553.74</u>	<u>989,427.34</u>
	317,934,413.10	233,467,980.03
Total	<u>1,147,837,554.99</u>	<u>790,706,097.89</u>

12. TRADE AND OTHER PAYABLES

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

Age	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
Accounts payable	286,158,968.96	259,973,782.34
Receipts in advance	40,935,292.29	14,699,090.26
Other payables	49,958,803.54	59,152,722.63
Total	377,053,064.79	333,825,595.23

13. 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

14. 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

15. COMMITMENTS

(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 years)	11,128,175.48	10,778,367.88
Two to three years (T+3 years)	11,444,020.02	10,457,559.82
Over three years (T+3 years)	166,492,316.57	180,527,021.17
Total	<u>202,996,994.99</u>	<u>214,318,014.19</u>

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 years)	—	302,544.00
Total	<u>1,062,144.00</u>	<u>1,149,224.00</u>

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 years)	21,047,616.00	—
Two to three years (T+3 years)	11,926,982.00	—
Total	<u>54,022,214.00</u>	<u>—</u>

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.

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
	<i>RMB</i>	%	<i>RMB</i>	%	%
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	<u>2,686,354,110</u>	<u>100</u>	<u>1,852,839,421</u>	<u>100</u>	<u>44.99</u>

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 of IT industry and the rapid increase of new businesses 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	2014	2015	2014	2015	2014
	RMB	RMB	RMB	RMB	%	%
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	<u>2,686,354,110</u>	<u>1,852,839,421</u>	<u>253,321,322</u>	<u>227,155,433</u>	<u>9.43</u>	<u>12.26</u>

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%.

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, with a shareholding of 25%. Up to 31 December 2015, the Company had contributed RMB15 million. On 11 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.

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;

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.

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.

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;

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.

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.

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.

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.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' 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 (<i>Note</i>)	102,184,500	42.05%	56.07%
Ms. Zhang (<i>Note</i>)	102,184,500	42.05%	56.07%

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

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)	<u>102,184,500</u>	Beneficial owner	<u>42.05%</u>	<u>56.07%</u>

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

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.

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(特殊普通合夥)) acted as the auditors 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

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

This announcement, for which the directors of Powerleader Science & Technology Group Limited (the “Company”) (the “Directors”) 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and the Company’s website at www.powerleader.com.cn.