



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)

**FIRST QUARTERLY RESULTS REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**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.

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

*This report, for which the directors 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

\* For Identification only

## FIRST QUARTERLY RESULTS

The board of Directors is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2017 (“Three Months Period”) together with comparative unaudited figures for the corresponding periods in 2016 are as follows:

### CONSOLIDATED INCOME STATEMENT

Item	Note	2017 <b>RMB</b> (Unaudited)	2016 <b>RMB</b> (Unaudited)
<b>I. Total operating revenue</b>		<b>731,962,495.84</b>	603,046,437.72
Including: operating revenue	3	<b>731,962,495.84</b>	603,046,437.72
<b>II. Total operating cost</b>		<b>718,588,348.56</b>	594,501,680.42
Including: Operating costs		<b>659,761,108.91</b>	541,474,514.22
Business taxes and surcharges		<b>718,660.41</b>	556,257.18
Sales expenses		<b>18,262,198.70</b>	17,109,055.77
Administrative expenses		<b>26,704,765.21</b>	17,078,896.30
Finance costs		<b>13,525,955.46</b>	20,957,640.31
Impairment loss of assets		—	(2,674,683.36)
Add: Gain on fair value changes		—	—
Gain on investment		<b>384,340.13</b>	176,108.03
Including: Gain on investment to associates and joint ventures		<b>384,340.13</b>	176,108.03
<b>III. Operating profit</b>		<b>13,374,147.28</b>	8,720,865.33
Add: Non-operating income	4	<b>2,401,865.70</b>	3,041,800.69
Including: Gain on disposal of non-current assets		—	—
Less: Non-operating expenses		<b>17,836.06</b>	17,486.86
Including: Loss on disposal of non-current assets		—	—
<b>IV. Total Profit</b>		<b>15,758,176.92</b>	11,745,179.16
Less: Income tax expenses	5	<b>1,868,656.06</b>	955,230.74
<b>V. Net profit</b>		<b>13,889,520.86</b>	10,789,948.42
Net profit attributable to shareholders of the Company		<b>13,889,813.34</b>	10,790,067.00
Profit or loss attributable to minority interest		<b>(292.48)</b>	(118.58)
<b>VI. Earnings per share:</b>			
(I) Basic earnings per share	7	<b>0.0572</b>	0.0444
(II) Diluted earnings per share	7	<b>0.0572</b>	0.0444
<b>VII. Other comprehensive income</b>			
Other comprehensive income items which will not be reclassified to profit or loss in subsequent accounting period		—	—
Other comprehensive income items which will be reclassified to profit or loss in subsequent accounting period subject to satisfaction of required conditions		—	—
<b>VIII. Total comprehensive income</b>		<b>13,889,520.86</b>	10,789,948.42
Total comprehensive income attributable to shareholders of the Company		<b>13,889,813.34</b>	10,790,067.00
Total comprehensive income attributable to minority interests		<b>(292.48)</b>	(118.58)

## NOTE:

### 1. GENERAL

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

The Group is a cloud computing solutions provider in the PRC with proprietary innovation capability, it operates in the PRC and Hong Kong, and is mainly engaged in (i) Cloud Infrastructure as a Service (IaaS) — provision of cloud server and cloud storage related equipment as well as related solutions; (ii) Cloud Module as a Service (MaaS) — provision of R&D, design, manufacturing and sale of cloud computing equipment related components, as well as cloud computing equipment key components agency distribution and related value added services; (iii) Software and Platform as a Service (SaaS & PaaS) — provision of development and services of cloud computing related software and platform.

### 2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

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

### 3. REVENUE

Revenue represents the amounts received and accounts receivable for services provided and goods sold to customers, net of returns and discounts. Revenue recognized for the three months ended 31 March 2017 together with comparative unaudited figures for the corresponding period in 2016 are as follows:

	For the three months ended	
	31 March	
	2017	2016
	RMB	RMB
	(Unaudited)	(Unaudited)
Revenue from the principal businesses	730,714,211.63	602,285,428.31
Including: Cloud Infrastructure as a Service	202,178,128.49	166,439,281.68
Cloud Module as a Service	504,670,471.06	422,927,082.08
Software and Platform as a Service	23,865,612.08	12,919,064.55
Revenue from other businesses	1,248,284.21	761,009.41
<b>Total</b>	<b>731,962,495.84</b>	<b>603,046,437.72</b>

#### 4. NON-OPERATING INCOME

	For the three months ended	
	31 March	
	2017	2016
	RMB	RMB
	(Unaudited)	(Unaudited)
Government grants	2,355,974.37	2,867,801.70
Others	45,891.33	173,998.99
<b>Total</b>	<b>2,401,865.70</b>	<b>3,041,800.69</b>

#### 5. INCOME TAX EXPENSE

	For the three months ended	
	31 March	
	2017	2016
	RMB	RMB
	(Unaudited)	(Unaudited)
Current income tax (written back)/charge		
PRC	994,639.01	874,017.05
Hong Kong	874,017.05	81,213.69
<b>Total</b>	<b>1,868,656.06</b>	<b>955,230.74</b>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Bureau of Science and Technology of Shenzhen Municipality, Bureau of Finance of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Administration of Local Taxation of Shenzhen Municipality in 2009, and was subject to an EIT rate of 15% from 2009 onwards. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computing System Co., Ltd. (深圳市宝德计算机系统有限公司) (“Powerleader Computing”) as well as Shenzhen Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 31 March 2017 (during the period ended 31 March 2016: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Bureau of Science and Technology of Shenzhen Municipality, Bureau of Finance of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Administration of Local Taxation of Shenzhen Municipality. Powerleader Computing was subject to EIT at a rate of 15% during the period ended 31 March 2017 (during the period ended 31 March 2016: 15%).

Pursuant to an approval document (Shen Guo Shui Bao Guan Jian Mian Bei An 2009 no. 4) (《深国税宝观减免备案2009第4号》) dated 11 May 2009 issued by the Baoan District Office of SAT, Shenzhen, Powerleader Software is qualified as a software enterprise and entitled to an exemption from income tax for the years 2009 and 2010 and a 50% reduction in income tax from 2011 to 2013. Powerleader Software has been regarded as a national high-tech enterprise since 2011 by Bureau of Science and Technology of Shenzhen Municipality, Bureau of Finance of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Administration of Local Taxation of Shenzhen Municipality. Powerleader Software was subject to EIT at a rate of 15% during the period ended 31 March 2017 (during the period ended 31 March 2016: 15%).

Hong Kong profits tax is calculated at 16.5% (for the three months ended 31 March 2016: 16.5%) of the estimated assessable profit for the Three Months Period.

#### 6. DIVIDEND

The Directors recommend no interim dividend in respect of the Three Months Period should be distributed.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the net profit attributable to the shareholders of the Company of RMB13,889,813.34 (for the three months ended 31 March 2016: RMB10,790,067.00) and the weighted average number of 243,000,000 shares in issue (2016: 243,000,000 shares) during the Three Months Period.

Diluted earnings per share are the same as basic earnings per share because the Company had no dilutive potential shares for the Three Months Period (for the three months ended 31 March 2016: nil).

## 8. SHARE CAPITAL

	<b>31 March 2017</b>	31December 2016	<b>31 March 2017</b>	31December 2016
	<i>No. of Shares</i>	<i>No. of Shares</i>	<i>RMB</i>	<i>RMB</i>
Authorized, issued and paid-up share capital				
domestic shares of RMB1.00 each	<b>182,250,000</b>	182,250,000	<b>182,250,000</b>	182,250,000
H shares of RMB1.00 each	<b>60,750,000</b>	60,750,000	<b>60,750,000</b>	60,750,000
	<b><u>243,000,000</u></b>	<u>243,000,000</u>	<b><u>243,000,000</u></b>	<u>243,000,000</u>

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

## 9. SHAREHOLDERS' EQUITY

	Attributable to shareholders of the Company					Total shareholders' equity
	Share Capital <i>RMB</i>	Capital Reserves <i>RMB</i>	Surplus reserves <i>RMB</i>	Undistributed Profits <i>RMB</i>	Minority interests <i>RMB</i>	
(Unaudited)						
As at 1 January 2016	243,000,000	35,235,382.74	37,626,042.30	509,876,824.43	(2,481.56)	825,735,767.91
Net profit for the period	—	—	—	10,790,067.00	(118.58)	<u>10,789,948.42</u>
As at 31 March 2016	243,000,000	35,235,382.74	37,626,042.30	520,666,891.43	(2,600.14)	836,525,716.33
(Unaudited)						
As at 1 January 2017	<b>243,000,000</b>	<b>35,653,983.50</b>	<b>37,626,042.30</b>	<b>543,232,475.02</b>	<b>(3,323.28)</b>	<b>859,509,177.54</b>
Net profit for the period	—	—	—	13,889,813.34	(292.48)	<u>13,889,520.86</u>
As at 31 March 2017	<b><u>243,000,000</u></b>	<b><u>35,653,983.50</u></b>	<b><u>37,626,042.30</u></b>	<b><u>557,122,288.36</u></b>	<b><u>(3,615.76)</u></b>	<b><u>873,398,698.40</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

In June 2016, the Company proposed to dispose Shenzhen IDC business and value-added cloud services business of Shenzhen Baoteng Internet Technology Limited (the “Baoteng Internet”) to Shenzhen ZQGAME Co. Ltd. (the “Zqgame”), an associate of the Company; on 1 September 2016, the Company and Zqgame entered into the Agreement, pursuant to which the Company conditionally agreed to sell, and Zqgame conditionally agreed to purchase, the entire equity interests in Baoteng Internet; on 1 March 2017, the Company, Zqgame, Mr. Li Ruijie and Ms. Zhang Yunxia entered into the Supplemental Agreement to the Profit Guarantee Compensation Agreement, pursuant to which the parties agreed the maximum amount of the Profit Guarantee Compensation and the Asset Impairment Compensation to be paid by the Company will not be more than RMB110,361,605.80, and the portion of the Profit Guarantee Compensation and the Asset Impairment Compensation in excess of such limit will be borne by Mr. Li Ruijie and Ms. Zhang Yunxia; as at 31 March 2017, trading matters relating to the disposal have not completed yet (for further details, please refer to the major transaction announcement of the Company disclosed on 1 September 2016 and the announcement on supplemental agreement to the profit guarantee compensation agreement on major and connected transaction of the Company disclosed on 1 March 2017).

In May 2015, the Company had cooperated with Taiji Computer Corporation Limited\* (太極計算機股份有限公司) (the “Taiji Computer”), in which the Company intend to sold its 100% equity interests in Shenzhen Powerleader Computing System Limited\* (深圳市宝德計算機系統有限公司) (the “Powerleader Computing”), a subsidiary of the Company, to Taiji Computer. On 4 January 2016, the Company entered into an agreement with Taiji Computer, pursuant to which the Company conditionally sold, and Taiji Computer conditionally purchased the entire equity interests of Powerleader Computing. On 4 January 2017, certain conditions precedent for the original agreement have not been satisfied yet and become invalid, the Company re-entered into the agreement of intent with Taiji Computer in relation to the disposal of 100% equity interest in Powerleader Computing. The Agreement of Intent in relation to the possible disposal of 100% equity interest in Powerleader Computing entered by the Company with Taiji Computer on 7 April 2017 lapsed (refer to Inside Information -Lapse of the Agreement of Intent in relation to the Possible Disposal of 100% Equity Interest in Powerleader Computing published by the Company on 7 April 2017 for details). After the lapse of the Agreement of Intent, the Company and Taiji Computer terminated the cooperation matters above. In future, the Company will not rule out the possibility of conducting other capital operations.

The Company continued to operate the Shenzhen IDC Business and the Value-added Cloud Services Business, and the cloud server business operated by Powerleader Computing. In the first quarter of 2017, focusing on cloud server, cloud distribution, cloud software and cloud data center, the Company cooperated with its partners for sales and marketing, and integrated its customer resources to strengthen the marketing management level. Meanwhile, the Company will continue to deepen and implement cloud computing strategies so as to achieve the strategic goal of becoming internet comprehensive cloud service provider that has independent innovation ability.

Firstly, the Company will strengthen its user base operational capabilities relying on its MaaS business. By leveraging the open, information-sharing features of the Internet and through Big Data and cloud computing technologies, the Company is committed to building different web-based applications and service platforms for its terminal customers and suppliers, targeting more external users to establish a sizeable internet user platform and strengthen competitiveness. In addition to strengthening our own product service capabilities, we also expect to establish a new business model ecosystem through the cooperation with more suppliers.

Secondly, we will enhance the core competitiveness of the enterprise. We will focus on enhancing four core competencies of product technology capabilities, solution capabilities, brand and marketization capabilities and internet application services capabilities, to maintain the sustainable development of the Company.

**Product technology capabilities:** under a backdrop of oversupply in the market, we must capitalize on our product technology innovation capabilities to move to the forefront. We will continue to increase R&D investment, strengthen product application technology and R&D of public cloud and private cloud products, improve product design capabilities, and embed more innovative internet application technologies into products.

**Solution capabilities:** pursuant to Made in China 2025 and the “13th Five-year Plan”, the Company will focus on the implementation of the strategy of “becoming a world manufacturing power”, in which intelligent manufacturing is the priority among priorities. Being an important task proposed by the Ministry of Industry and Information Technology to implement the “Guiding Opinions of the State Council on Promoting ‘Internet+’ Action” action plan (2015–2018), enhancement of system solution capabilities is the critical infrastructure to support the development of intelligent manufacturing and the core to drive the industry to promote intelligent manufacturing level. In this sense, we will continuously enhance our solution capabilities.

**Brand and marketization capabilities:** we will greatly increase the brand power of Powerleader, enhance market visibility, and ensure to reach a leading position in key cities, and gradually infiltrate into the cloud computer markets nationwide.

## **FINANCIAL REVIEW**

Operating revenue of the Group for the Three Months Period amounted to RMB731,962,495.84, representing an increase of 21.38% in revenue compared to RMB603,046,437.72 for the corresponding period in 2016. Gross profit margin of the Group was 9.86%, representing a decrease compared to a gross profit margin of 10.21% for the corresponding period in 2016.

Cost of sale and administrative fee of the Group increased by 31.53% from RMB34,187,952.07 for the same period last year to RMB44,966,963.91, mainly attributed to the increase in staff expenses and the significant increase in depreciation led by the investment and operation of Phase II IDC machine room of Shenzhen and IDC machine room of Guangzhou.

Finance costs of the Group decrease by 35.46% from RMB20,957,640.31 for the same period last year to RMB13,525,955.46, mainly due to decreased interest rates of bank loans.

## **BUSINESS REVIEW AND PROSPECT**

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

In the first quarter of 2017, demands in domestic server market witnessed a rapid increase. Under such circumstance, the Company gave full play to its advantages and placed cloud server business as our strategic development focus for its cloud computing infrastructure and services. The Company has deepened the layout of 9 districts and 7 industries business divisions, deploying a breakthrough policy of key cities with one vertical and one horizontal layout (one vertical means Guangzhou-Changsha-Zhengzhou-Shijiazhuang and one horizontal means Shanghai-Nanjing-Wuhan-Chengdu). Meanwhile, the Company continued to increase R&D investment, continuously and independently

make innovations and had developed a safe and controllable cloud server which was successfully applied in various sectors and highly recognized in the market. The overall operating income of this business sector of the Company increased by 21.47% as compared to the same period of last year.

In the second quarter of 2017, the Company will continue to dedicate itself to providing more customized products to better satisfy clients' needs. The Company will, based on clients' needs, deeply penetrate in server industry and provide more and more safe and reliable solutions to the clients.

### **Marketing**

In the first quarter of 2017, with the slogan of “accumulating power to sped up” and the professional orientation of “Powerleader server — footstone of the cloud computing and smart city”, the Company conducted comprehensive promotion by way of marketing events, public relations promotion and advertising, so as to consolidate the professional image of Powerleader servers and expand the brand influence of the Company.

In the second quarter of 2017, the Company focused on and actively participated in the marketing activities related to investment in superior resources, and increased advertising investment on professional IT media, so as to intuitively show professionals the product technology and advantages of Powerleader servers in a timely manner and strengthen its brand awareness and influence in professional fields.

### **Honors:**

In January 2017: the safe and controllable eight-quad PR8800G of Powerleader Science & Technology Group won “2016 ZD Net Lingyun Award”(2016年度至頂網凌雲獎);

In January 2017: the safe and controllable eight-quad PR8800G of Powerleader Science & Technology Group was awarded as the “Shenzhen Good Product”;

In January 2017: the safe and controllable four-quad PR4880G of Powerleader Science & Technology Group was awarded as the “Shenzhen Good Product”;

In January 2017: Powerleader Science & Technology Group won the “Innovation Enterprise Award”;

In January 2017: Powerleader Science & Technology Group was rated as the “2016 Outstanding Unit for Contribution to Civil-Military Integration (2016年度軍民融合突出貢獻單位)”.



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

In the first quarter of 2017, due to more mature of the market in the sector of agency distribution for related components of cloud computing equipment in the PRC, MaaS business of the Company increased stably, recording an increase of 19.33% in operating revenue as compared to the same period of last year. The Company leveraged years of experience in independently development and design of relevant components of cloud computing equipment, combined with big data service technology to conduct analysis on market demand for products, decision-making on products and system solutions so as to establish a corporate data chain and deploy the layout of industry internet comprehensively.

In the second quarter of 2017, the Company will set up an e-commerce center based on the original business of agency distribution of relevant components of cloud computing equipment to develop online business and cross-border e-commerce business, expand the agent products distribution system. Meanwhile, it proactively increase business channel partners and improve the Company's business model for distribution finance, distribution logistics and distribution supply chain.

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

In the first quarter of 2017, the Company continued our ambitious expansion, and recorded sharp growth in the installed capacity based on its independently development cloud computing platform and distributed storage products, which were successfully applied in various large projects. The cloud products of which the independent intellectual property rights were owned by the Company gradually opened the market in education, security monitoring and other industries.

In the second quarter of 2017, the Company will further increase investment in marketing and research & development of cloud computing platform and distributed storage systems, with an effort to continuously provide advanced cloud computing platform which is safe and stable.

### **Data Centers**

In the first quarter of 2017, along with the rapid development of data center industry in China, the Company, adhering to the “whole-hearted service, rest assured entrusted” concept, gave full play to the resource and platform advantages to focus on facilitating IDC business. In light of strong brand influence and quality services, machine room of Shenzhen Guanlan data center was rated as “Excellent Data Center in 2016–2017 (Large-Scale)”, making it an industry leader. Phase III of Shenzhen Guanlan data center is under planning for construction. Meanwhile, the Company placed more importance to expand DCOO business and won several biddings for large scale operation and maintenance outsourcing services projects and got recognized by clients with its excellent operation and maintenance services.

In the second quarter of 2017, the Company will continue to focus on subdividing market requirements and integrate our unique network resources with our advantages rendered by Powerleader Science & Technology's software and hardware and consequently seek more DCOO business opportunities based on the original business base and by drawing upon experience gained on key points. The Company will also focus on implementing existing IDC project and establish profound cooperation with various industries in light with the leading role of Powerleader data center. In addition, the Company will accelerate the construction of Phase III machine room of Shenzhen Guanlan.

## **Capital Management**

In the first quarter of 2017, the global economy will face several uncertainties, and the domestic real economy also tends to be unfavorable. The government is expected to implement strong and steady monetary and credit policies. In terms of bank financing, the Company will continue to deepen cooperation with banks and enterprises to create new financing modes. In terms of capital management, the Company will continue to perfect the fund utilization system of each subsidiary and enhance its management on receivables so as to rationally and efficiently utilize assets.

In the second quarter of 2017, The Company will further optimize capital structure and control financing costs by strict compliance with risk control system in order to strengthen its management on internal capital and guarantee secure capital flow of the Company.

## **MAJOR ASSOCIATE OF THE GROUP**

Zqgame, the 15.24% holding associate of the Company, is mainly engaged in development of and operating network games. Operating revenue of Zqgame for the first quarter of 2017 amounted to RMB69,621,200, representing an increase of 11.59% compared to the same period last year, which is mainly due to the larger revenue generated from new game being put online by the end of 2016. Net profit attributable to shareholders of common A shares of the Company amounted to RMB3,309,900, representing a decrease of 4.34% compared to the same period of last year.

Beijing Haiyun Jiexun Technology Limited (the “Beijing Haiyun Jiexun”), the 11.55% holding associate of the Company, is mainly engaged in OpenStack operation and maintenance services. Beijing Haiyun Jiexun owned a professional team in R&D, operation and services, and established close strategic cooperation relations with domestic and foreign hardware/software companies, such as Intel, Oracle, Tencent and Lenovo, and IT service providers, building a set of complete OpenStack service ecosystem and providing solutions, such as private cloud, hybrid cloud and hyper convergence, for companies.

Sichuan Baoteng Internet Technology Limited (the “Sichuan Baoteng”), the 49% holding associate of the Company, is mainly engaged in community broadband services. Under the effects of industrial competition, costs and other factors, the operations of Sichuan Baoteng were still sluggish despite of a number of rectification opinions as proposed by the Company as the shareholder. In the future, Sichuan Baoteng will seek for feasible plans to improve its conditions and reduce losses.

## **Government Affairs**

In the first quarter of 2017, the Company continued to keep abreast of the cloud computing industrial policies unveiled by the 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, the Group applied for projects with cloud server hardware and software and cloud management platform as the key content to apply for a number of qualification accreditations and project approval, and certain number of its research projects have passed the inspection, which obtained highly recognition and support from government. In connection with the cooperation with external parties, the Company strengthen cooperation with R&D institutions and universities in the industry, to jointly foster high-tech personnel and to ensure the better development in the cloud computing.

In January 2017: Powerleader Science & Technology was awarded 2016 Special Funds for Industrial Development in Futian District — Subsidies for Scientific and Technological Finance Loan (2016年福田區產業發展專項資金 — 科技金融信貸貼息支援獎勵);

In January 2017: Powerleader Science & Technology was recognized as “Shenzhen Top 100 Industrial Enterprises”(深圳市工業百強企業);

In February 2017: Powerleader Science & Technology was recognized as Longhua District Top 100 Industrial Enterprises (龍華區工業百強企業);

In February 2017: Powerleader Software was recognized as Longhua District Top 100 Micro, Small and Medium Innovative Enterprises (龍華區中小微創新百強企業認定);

In February 2017: Baotong Zhiyuan was recognized as Longhua District Top 100 Tertiary Enterprises (龍華區服務業百強企業認定);

In February 2017: Powerleader Science & Technology’s “New Server Key Technology R&D Project” (新型服務器關鍵技術研發) was accepted by scientific experts in Shenzhen;

In February 2017: Powerleader Science & Technology was supported by “2016 Futian District House Distribution for Enterprise Talents ”(2016年度福田區企業人才住房配租);

In February 2017: Powerleader Computing was supported by “2016 Futian District House Distribution for Enterprise Talents ”(2016年度福田區企業人才住房配租);

In March 2017: Powerleader Science & Technology’s “Desktop Cloud System Industrial Application Demonstration Project” (桌面雲系統產業應用示範) was accepted by review and assessment experts in Shenzhen;

In March 2017: Powerleader Science & Technology was supported by “Motor Efficiency Improvement Project” in Shenzhen (電機能效提升扶持項目).

In the second quarter of 2017, the Group will keep abreast of the relevant national and local governments’ industrial policy direction. We will restructure and integrate the internal resources of the Company and take the initiative to apply for project subsidies as well as honors and awards, while enhancing the recognition and brand image at the government level. We will enhance our cooperation with Universities and science research institutions to improve cooperation between science and research personnel and the Company by conducting cooperation among industrial players, academic institutions and research institutions, with a view to create a good cooperation environment for the technology innovation of Powerleader.

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

As at 31 March 2017, interests or short positions of the Directors, supervisors and chief executive of the Company and their associates in any of the shares and debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)), 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 circumstance of interests or short positions deemed or taken to have under such provisions of the SFO), or interests or short positions in the underlying shares and debt securities recorded in the register required to be kept pursuant to Section 352 of the SFO or share transaction as 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 were as follows:

### SHARES OF THE COMPANY

Name of Director	Number of the Controlled Corporations' Domestic Shares held	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li Ruijie	102,184,500	42.05%	56.07%
Ms. Zhang Yunxia	102,184,500	42.05%	56.07%
Mr. Sun Wei	15,963,750	6.57%	8.76%
Mr. Ma Zhumao	7,250,000	2.98%	3.98%

*Note 1:* Mr. Li Ruijie is the husband of Ms. Zhang Yunxia. They held 102,184,500 Domestic Shares in aggregate through Shenzhen Powerleader Investment Holdings Company Limited, which is held (indirect held including) by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

*Note 2:* Mr. Sun Wei is interested in 15,963,750 Domestic Shares through Harbin Century Longxiang Science & Technology Development Limited. Since he holds 71% of the issued share capital of Harbin Century Longxiang Science & Technology Development Limited as at the Latest Practicable Date, he is deemed to be interested in Domestic Shares held by Harbin Century Longxiang Science & Technology Development Limited.

*Note 3:* Mr. Ma Zhumao is interested in 7,250,000 Domestic Shares through Shenzhen Jinbolitong Investment Partnership (limited partnership)\* (深圳市金博利通投資合夥企業(有限合夥)). Since he holds 60% of the limited partnership of Shenzhen Jinbolitong Investment Partnership (limited partnership) as at the Latest Practicable Date, he is deemed to be interested in Domestic Shares held by Shenzhen Jinbolitong Investment Partnership (limited partnership).

Save as disclosed above, as at 31 March 2017, none of the Directors, supervisors and chief executive nor their associates had any interests or short positions in any of the shares or underlying shares 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 deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities 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.

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

As at 31 March 2017, neither the Company nor any subsidiary was a party to any arrangements to enable 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. Moreover, none of the Directors or the supervisors of the Company or their spouses or children under the age of 18 had or exercise any right to subscribe for the securities of the Company.

## SHARE OPTION SCHEME

As of 31 March 2017, the Company has neither adopted any share option scheme nor granted any option.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2017, so far as known to the Directors, no interests or short positions of substantial shareholders of the Company and other persons in any shares and debentures or underlying shares were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

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

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

## BUSINESS COMPETITION AND CONFLICT OF INTEREST

None of the Directors, former management shareholders of the Company and their respective associates (as defined in GEM Listing Rules) held interest in business which competes or may compete with the business of the Group or had any other interest conflicted with the Group as at 31 March 2017.

## THE CORPORATE GOVERNANCE CODE

The Company has complied with the requirements of the Corporate Governance Code (the "Code") set out in Appendix 15 to the GEM Listing Rules ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited throughout the three months ended 31 March 2017.

## **Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules**

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

## **AUDIT COMMITTEE**

The Company established an audit committee (the "Committee") on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to 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 Group. At present, the Committee comprises three independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda, and Mr. Jiang Baijun. The Committee had reviewed the Group's financial statements for the Three Months Period and was of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company and its subsidiaries did not purchase, sale or redeem any shares of the Company during the Three Months Period.

By order of the Board  
**Zhang Yunxia**  
Chairman

Shenzhen, the PRC, 26 April 2017

*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 report will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) and published at the Company's website at [www.powerleader.com.cn](http://www.powerleader.com.cn) for at least 7 days from its date of publication.*