



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)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 investors should be aware of the potential risks 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 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 purposes only

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to report the unaudited results of the Company for the three months and six months ended 30 June 2017 (“Six Months Period”) together with comparative unaudited figures for the same period in 2016 as follows:

CONSOLIDATED INCOME STATEMENT

Items	Note	Three months ended 30 June		Six months ended 30 June	
		2017 RMB (Unaudited)	2016 RMB (Unaudited)	2017 RMB (Unaudited)	2016 RMB (Unaudited)
I. Total operating income		905,147,359.57	766,967,895.32	1,637,109,855.41	1,370,014,333.04
Including: operating revenue		905,147,359.57	766,967,895.32	1,637,109,855.41	1,370,014,333.04
II. Total operating cost	3	908,527,149.37	770,392,539.39	1,627,499,838.06	1,364,894,219.81
Including: Cost of operation		825,603,506.91	705,184,773.48	1,485,364,615.82	1,246,659,287.70
Business taxes and surcharges		951,140.10	784,070.43	1,669,800.51	1,340,327.61
Selling expenses		20,642,514.41	20,373,035.65	38,904,713.11	37,482,091.42
Administration expenses		33,659,128.67	28,185,179.96	60,363,893.88	45,264,076.26
Finance costs	5	27,670,859.28	13,190,796.51	41,196,814.74	34,148,436.82
Impairment loss of assets		—	2,674,683.36	—	—
Add: Gain on fair value changes (loss is denoted as “()”)		—	(1,175,706.41)	—	(1,175,706.41)
Investment income (loss is denoted as “()”)		313,137,703.15	(123,558.63)	313,522,043.28	52,549.40
Including: Gain on investment in associates and joint ventures		(61,660.37)	(123,558.63)	322,679.76	52,549.40
III. Operating profit (loss is denoted as “()”)		309,757,913.35	(4,723,909.11)	323,132,060.63	3,996,956.22
Add: Non-operating income	4	2,317,819.54	9,097,358.17	4,719,685.24	12,139,158.86
Including: Gain on disposal of non-current assets		—	—	—	—
Less: Non-operating expenses		40,429.80	29,645.24	58,265.86	47,132.10
Including: Loss on disposal of non-current assets		—	—	—	—
IV. Total Profit (total loss is denoted as “()”)		312,035,303.09	4,343,803.82	327,793,480.01	16,088,982.98
Less: Income tax expenses	6	3,431,484.37	329,096.84	5,300,140.43	1,284,327.58
V. Net profit (net loss is denoted as “()”)		308,603,818.72	4,014,706.98	322,493,339.58	14,804,655.40
Net profit attributable to shareholders of the parent company		308,604,238.45	4,014,840.05	322,494,051.79	14,804,907.05
		(419.73)	(133.07)	(712.21)	(251.65)
VI. Earnings per share:					
(1) Basic earnings per share	8	1.270	0.017	1.327	0.061
(2) Diluted earnings per share	8	1.270	0.017	1.327	0.061
VII. Other comprehensive income		—	—	—	—
Other comprehensive income which cannot be reclassified to profit or loss in subsequent accounting periods		—	—	—	—
Other comprehensive income which will be reclassified to profit or loss in subsequent accounting periods subject to satisfaction of required conditions		—	—	—	—
VIII. Total comprehensive income (net loss is denoted as “()”)		308,603,818.72	4,014,706.98	322,493,339.58	14,804,655.40
Total comprehensive income attributable to shareholders of the parent company		308,604,238.45	4,014,840.05	322,494,051.79	14,804,907.05
Total comprehensive income attributable to minority interests		(419.73)	(133.07)	(712.21)	(251.65)

CONSOLIDATED BALANCE SHEET

Items	Note	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Current assets:			
Monetary Capital		356,687,871.04	349,605,797.56
Financial assets at fair value through the current profit or loss		30,660.98	—
Notes receivable		9,414,641.46	6,208,051.00
Accounts receivable	12	892,040,241.94	917,692,362.82
Prepayments		55,769,158.61	18,513,077.28
Interest receivables Dividend receivables		—	—
Other receivables		795,645.65	795,645.65
Inventories	13	767,894,882.10	356,540,618.02
Non-current assets classified as held for disposal and assets in an asset group classified as held for disposal		428,109,958.48	351,976,260.12
Non-current assets due within 1 year		—	—
Other current assets		21,023,847.94	22,322,469.37
Total current assets		<u>2,531,766,908.20</u>	<u>2,023,654,281.82</u>
Non-current assets:			
Available-for-sale financial assets		20,600,000.00	17,600,000.00
Held-to-maturity investment		—	—
Long-term accounts receivable		—	—
Long-term equity investment	11	162,840,362.79	162,517,683.03
Investment Properties		23,782,340.56	23,939,793.12
Fixed assets	9	299,825,543.60	431,096,862.98
Construction in progress	9	15,100,381.78	11,863,516.35
Construction material		—	—
Fixed assets pending for disposal		—	—
Intangible assets		79,881,688.37	92,892,997.09
Development expenditure	10	26,843,629.47	21,214,870.13
Goodwill		—	—
Long-term prepayments		1,532,990.22	1,719,416.63
Deferred income tax assets		4,310,377.64	4,310,377.64
Other non-current assets		—	—
Total non-current assets		<u>634,717,314.43</u>	<u>767,155,516.97</u>
Total assets		<u>3,166,484,222.63</u>	<u>2,790,809,798.79</u>

Items	Note	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Current liabilities:			
Short-term loans	15	1,379,025,483.40	1,171,951,441.31
Financial liabilities at fair value through the current profit or loss		—	—
Notes payable		125,656,747.00	130,000,000.00
Accounts payable	14	182,904,621.92	180,757,074.34
Receipts in advance		47,148,900.07	44,725,023.84
Employee emolument payables		745,219.56	8,569,436.72
Tax payables		82,723,936.83	70,573,407.42
Interest payables		—	202,048.61
Dividend payables		—	—
Other payables		12,530,348.41	140,114,892.22
Liabilities classified as held for disposal		—	—
Non-current liabilities repayable within one year		55,494,449.13	55,494,449.13
Other current liabilities		4,432,684.37	7,506,448.12
		<u>1,890,662,390.69</u>	<u>1,809,894,221.71</u>
Total current liabilities			
Non-current liabilities:			
Long-term loans		61,000,000.00	79,000,000.00
Long-term payables		2,039,314.82	11,626,399.54
Payables for special project		—	—
Estimated liabilities		—	—
Deferred income tax liabilities		—	—
Other non-current liabilities		30,780,000.00	—
		<u>93,819,314.82</u>	<u>121,406,399.54</u>
Total non-current liabilities			
		<u>1,984,481,705.51</u>	<u>1,931,300,621.25</u>
Total liabilities			

Items	<i>Note</i>	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Shareholders' equity:			
Capital	16	243,000,000.00	243,000,000.00
Other equity instruments		—	—
Including: Preference share		—	—
Perpetual bond		—	—
Capital reserves		36,229,302.37	36,229,302.37
Less: Treasury shares			
Other comprehensive equity		(575,318.87)	(575,318.87)
Special reserves		—	—
Surplus reserves		37,626,042.30	37,626,042.30
General risk reserves		—	—
Undistributed profits		865,726,526.81	543,232,475.02
Total equity attributable to shareholders of the parent company		<u>1,182,006,552.61</u>	<u>859,512,500.82</u>
Minority interests		<u>(4,035.49)</u>	<u>(3,323.28)</u>
Total shareholders' equity		<u>1,182,002,517.12</u>	<u>859,509,177.54</u>
Total liabilities and shareholders' equity		<u>3,166,484,222.63</u>	<u>2,790,809,798.79</u>

CONSOLIDATED CASH FLOW STATEMENT

Items	<i>Note</i>	As of 30 June 2017 RMB (Unaudited)	As of 30 June 2016 RMB (Unaudited)
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		1,832,011,066.35	1,448,078,354.73
Refund of taxes and levies		3,062,051.31	657,638.50
Other cash receipts relating to operating activities		16,783,628.48	66,254,374.37
Sub-total of cash inflows from operating activities		1,851,856,746.14	1,514,990,367.60
Cash paid for goods and services		1,706,762,856.07	1,391,841,752.54
Cash paid to and on behalf of employees		33,587,815.40	31,739,037.83
Payments of taxes and levies		31,822,074.10	15,506,259.20
Other cash payments relating to operating activities		97,386,268.28	86,265,646.29
Sub-total of cash outflows from operating activities		1,869,559,013.85	1,525,352,695.86
Net cash flows from operating activities		(17,702,267.71)	(10,362,328.26)
II. Cash flows from investing activities:			
Cash received from investments		—	—
Cash received from returns on investments		—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		—	—
Net cash received from disposal of subsidiaries and other operating units		—	—
Other cash receipts relating to investing activities		—	—
Sub-total of cash inflows from investing activities		—	—
Cash paid to acquire fixed assets, intangible assets and other long-term assets		16,836,792.56	69,958,222.69
Cash paid on investments		3,000,000.00	6,250,000.00
Net cash paid on acquisition of subsidiaries and other operating units		—	—
Other cash payments relating to investing activities		—	—
Sub-total of cash outflows from investing activities		19,836,792.56	76,208,222.69
Net cash flows from investing activities		(19,836,792.56)	(76,208,222.69)

Items	<i>Note</i>	As of 30 June 2017 <i>RMB</i> (Unaudited)	As of 30 June 2016 <i>RMB</i> (Unaudited)
III. Cash flows from financing activities:			
Cash received from investment		—	—
Including: Cash received by subsidiaries from absorbing investment from minority shareholders		—	—
Cash received from loans		1,639,735,695.09	1,530,289,139.43
Cash received from insuring bonds		—	—
Cash received from other financing activities		—	—
Sub-total of cash inflows from financing activities		1,639,735,695.09	1,530,289,139.43
Cash payments for settlement of loans		1,506,144,488.86	1,503,421,670.03
Cash payments for distribution of dividend, profit or interest expenses		37,952,721.06	34,148,436.82
Including: Cash payments for distribution of dividends and profit to minority shareholders		—	—
Cash payment for other financing activities		—	—
Sub-total of cash outflows from financing activities		1,544,097,209.92	1,537,570,106.85
Net cash flows from financing activities		95,638,485.17	(7,280,967.42)
IV. Effect of foreign exchange rate changes to cash and cash equivalents			
		—	—
V. Net increase in cash and cash equivalents		58,099,424.90	(93,851,518.37)
Add: Balance of cash and cash equivalents at the beginning of the period		239,589,331.96	252,209,127.44
VI. Balance of cash and cash equivalents at the end of the period		<u>297,688,756.86</u>	<u>158,357,609.07</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF SHAREHOLDER

Items <i>(Unaudited)</i>	Amount for the period									
	Attributable to shareholders of the parent company									
	Share Capital <i>RMB</i>	Capital Reserves <i>RMB</i>	Less: Treasury shares	Other Comprehensive Revenue <i>RMB</i>	Surplus reserves <i>RMB</i>	General risk reserves	Undistributed Profits <i>RMB</i>	Other	Minority Interests <i>RMB</i>	Total Shareholders' Equity <i>RMB</i>
I. Balance at the end of last year	243,000,000.00	36,229,302.37	—	(575,318.87)	37,626,042.30	—	543,232,475.02	—	(3,323.28)	859,509,177.54
Add: Correction of errors in previous period due to changes in accounting policy	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning of the year	243,000,000.00	36,229,302.37	—	(575,318.87)	37,626,042.30	—	543,232,475.02	—	(3,323.28)	859,509,177.54
III. Changes (increase/decrease) for the period (decrease is denoted in “0”)	—	—	—	—	—	—	322,494,051.79	—	(712.21)	322,493,339.58
(1) Net profit	—	—	—	—	—	—	322,494,051.79	—	(712.21)	322,493,339.58
(2) Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Sub-total of (1) and (2)	—	—	—	—	—	—	322,494,051.79	—	(712.21)	322,493,339.58
(3) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	—	—
2. Share-based payment included in the amount of Stockholders' equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
(4) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Internal structure of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recover losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(6) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Appropriation for the period	—	—	—	—	—	—	—	—	—	—
2. Utilisation of the period	—	—	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of period	243,000,000.00	36,229,302.37	—	(575,318.87)	37,626,042.30	—	865,726,526.81	—	(4,035.49)	1,182,002,517.12

Amount for last period

Items (Unaudited)	Attributable to shareholders of the parent company									
	Share	Capital	Less:	Other	Surplus	General	Undistributed	Other	Minority	Total
	Capital	Reserves	Treasury	Comprehensive	reserves	risk	Profits		Interests	Shareholders'
	RMB	RMB	shares	Revenue	reserves	reserves	RMB		RMB	Equity
				RMB	RMB				RMB	RMB
I. Balance at the end of last 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
Add: Correction of errors in previous period due to changes in accounting policy	—	—	—	—	—	—	—	—	—	—
II. Balance at the beginning 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
III. Changes (increase/decrease) for the period (decrease is denoted in “0”)	—	—	—	—	—	—	14,804,907.05	—	(251.65)	14,804,655.40
(1) Net profit	—	—	—	—	—	—	14,804,907.05	—	(251.65)	14,804,655.40
(2) Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Sub-total of (1) and (2)	—	—	—	—	—	—	14,804,907.05	—	(251.65)	14,804,655.40
(3) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	—	—
2. Share-based payment included in the amount of Stockholders' equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—
(4) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Internal structure of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recover losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(6) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Appropriation for the period	—	—	—	—	—	—	—	—	—	—
2. Utilisation of the period	—	—	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of period	243,000,000.00	35,384,836.46	—	(149,453.72)	37,626,042.30	—	524,681,731.48	—	(2,733.21)	840,540,423.31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 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 Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

3. OPERATING INCOME

Operating income represents the received and accounts receivables for services provided and goods sold to customers, net of returns and discounts. Operating income recognized for the six months ended 30 June 2017 together with comparative unaudited figures for the corresponding period in 2016 are as follows:

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017 RMB (Unaudited)	2016 RMB (Unaudited)	2017 RMB (Unaudited)	2016 RMB (Unaudited)
Revenue from the principal businesses				
Including: Cloud Infrastructure as a Service	368,710,208.54	272,600,446.78	570,888,337.03	439,039,728.46
Cloud Module as a Service	495,898,348.12	469,079,254.09	1,000,568,819.18	892,006,336.17
Software and Platform as a Service	38,437,470.54	23,426,651.85	62,303,082.62	36,345,716.40
Other operating revenue	2,101,332.37	1,861,542.60	3,349,616.58	2,622,552.01
Total	905,147,359.57	766,967,895.32	1,637,109,855.41	1,370,014,333.04
Revenue from principal businesses				
Including: Cloud Infrastructure as a Service	28,563,805.83	26,405,119.98	40,518,685.94	41,997,116.01
Cloud Module as a Service	(3,769,029.83)	4,550,007.14	11,613,127.36	23,072,118.96
Software and Platform as a Service	(1,568,373.36)	(6,298,772.72)	(4,581,926.82)	(13,766,396.74)
Revenue from other businesses	1,064,666.84	784,481.39	3,256,945.61	965,711.81
Total	24,291,069.48	25,440,835.79	50,806,832.09	52,268,550.04
Finance costs	27,670,859.28	20,957,640.31	41,196,814.74	34,148,436.82
Share of profit from associates	(61,660.37)	(123,558.63)	322,679.76	52,549.40
Profit before tax	312,035,303.09	4,343,803.82	327,793,480.01	16,088,982.98
Income tax expenses	3,431,484.37	329,096.84	5,300,140.43	1,284,327.58
Net profit for the period	308,603,818.72	4,014,706.98	322,493,339.58	14,804,655.40

4. NON-OPERATING INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2017 RMB (Unaudited)	2016 RMB (Unaudited)	2017 RMB (Unaudited)	2016 RMB (Unaudited)
Government Subsidies	1,840,876.94	9,079,225.37	4,196,851.31	11,947,027.07
Others	476,942.60	18,132.80	522,833.93	192,131.79
Total	2,317,819.54	9,097,358.17	4,719,685.24	12,139,158.86

5. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2017 RMB (Unaudited)	2016 RMB (Unaudited)	2017 RMB (Unaudited)	2016 RMB (Unaudited)
Interest expenses	24,389,712.16	16,524,831.42	37,952,721.06	30,120,323.88
Less: Interest income	71,722.04	1,103,275.04	106,912.00	2,432,177.62
Add: Loss on exchange	302,381.37	—	—	1,870,203.93
Less: Gain on exchange	—	5,242,836.23	909,057.81	—
Handling charges	3,050,487.79	3,012,076.36	4,260,063.49	4,590,086.63
Total	27,670,859.28	13,190,796.51	41,196,814.74	34,148,436.82

6. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2017 RMB (Unaudited)	2016 RMB (Unaudited)	2017 RMB (Unaudited)	2016 RMB (Unaudited)
Current income tax (written back)/ charge				
PRC	3,303,702.34	326,293.48	4,298,341.35	1,200,310.53
Hong Kong	127,782.03	2,803.36	1,001,799.08	84,017.05
Total	3,431,484.37	329,096.84	5,300,140.43	1,284,327.58

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, Finance Bureau of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Shenzhen Local Taxation Bureau in 2009, and was subject to an EIT rate of 15% from 2009 onwards; The Company passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau on 12 September 2012, and continued to be regarded as a national high-tech enterprise, and was subject to EIT at a rate of 15%. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computing System Co., Ltd. (深圳市宝德计算机系统有限公司) (“Powerleader Computing”), Shenzhen Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (“Powerleader Software”), as well as Xizang Baoteng Information Technology Partnership (limited partnership) (西藏宝腾信息科技合夥企业 (有限合伙)) (“Xizang Baoteng”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 30 June 2017 (during the period ended 30 June 2016: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau; On 31 October 2011, Powerleader Computing passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau, and continued to be regarded as a national high-tech enterprise. Powerleader Computing was subject to EIT at a rate of 15% during the period ended 30 June 2017 (during the period ended 30 June 2016: 15%).

Powerleader Software was subject to EIT at a rate of 15% during the period ended 30 June 2017 (during the period ended 30 June 2016: 15%).

Pursuant to No. 51 [2014] of the People’s Government of Tibet Autonomous Region which stipulates a preferential EIT rate of 15% within the Economic Development Zone as part of the United Enterprise Execution of the Great Western Development Strategy, Xizang Baoteng was subject to EIT at a rate of 15% during the period ended 30 June 2017.

Hong Kong Profits tax is calculated at 16.5% (for the six months ended 30 June 2016: 16.5%) of the estimated assessable profit for the Six Months Period.

7. INTERIM DIVIDENDS

At a meeting held on 14 August 2017, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2017.

8. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Net profit attributable to shareholders of the parent company	308,604,238.45	4,014,840.05	322,494,051.79	14,804,907.05
Number of shares				
Weighted average number of issued shares for the purpose of basic earnings per share	<u>243,000,000</u>	<u>243,000,000</u>	<u>243,000,000</u>	<u>243,000,000</u>

The calculation of the basic and diluted earnings per share is based on the net profit attributable to the shareholders of the parent company of RMB322,494,051.79 (for the six months ended 30 June 2016: RMB14,804,907.05) and the weighted average number of 243,000,000 shares in issue (2016: 243,000,000 shares) for the Six Months Period.

Diluted earnings per share is the same as basic earnings per share because the Company had no dilutive potential shares for the Six Months Period (for the six months ended 30 June 2016: nil).

9. FIXED ASSETS AND CONSTRUCTION IN PROGRESS

During the period, the Group spent RMB6,293,628.62 (the same period of 2016: RMB69,958,222.69) on acquisition of property, plant and equipment.

10. DEVELOPMENT EXPENDITURE

During the period, the Group spent RMB5,943,753.31 (the same period of 2016: RMB5,632,648.29) on development costs.

11. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments accounted for using equity method

Name of investee	Proportion of shareholdings (%)	Proportion of voting rights (%)	Investment cost	Beginning balance (Audited)	Increase for the period (Unaudited)	Decrease for the period (Unaudited)	Ending balance for the period (Unaudited)	Cash dividend received for the period
Accounted for using equity method								
Shenzhen Zqgame Interactive Network Co., Limited ^{Note 1}	15.24	15.24	3,000,000.00	144,748,771.68	1,834,982.79	—	146,583,754.47	—
Beijing Haiyun Jiexun Technology Limited ^{Note 2}	10.135	10.135	15,000,000.00	11,636,600.15	—	1,346,835.66	10,289,764.49	—
Sichuan Baoteng Internet Technology Limited ^{Note 3}	49	66.67	42,000,000.00	6,132,311.20	—	165,467.37	5,966,843.83	—
Total			<u>60,000,000.00</u>	<u>162,517,683.03</u>	<u>1,834,982.79</u>	<u>1,512,303.03</u>	<u>162,840,362.79</u>	—

Note 1: Shenzhen Zqgame Co., Ltd. (referred to as “Zqgame”) was formerly known as “Shenzhen Powerleader Network Technology Limited”. Its principal business is the development and operation of network games. It was established jointly by the Company and its controlling shareholder, Powerleader Holdings in 2000, in which the Company held 99% of its equity interest and Powerleader Holdings held 1% of its equity interest. After a number of shareholding changes from 2007 to 2010 and the listing of Zqgame in A shares GEM Board in 2010, the shareholding of the Company in Zqgame was diluted from 20.40% to 15.30%. In 2015, a total of 1,038,600 stock options were exercised by the share incentive targets of Zqgame, and the shareholdings of the Company was diluted from 15.30% to 15.24%. As the Company takes up 3 seats out of the 7 directors in the board of Zqgame, the Company exercises significant influence over Zqgame, accordingly, Zqgame is accounted for using equity method.

Note 2: Beijing Haiyun Jiexun Technology Limited (referred to as “Beijing Haiyun Jiexun”) was established on 25 May 2010 in Beijing by Lin Zhiguo through RMB5 million of capital contribution. According to the capital increment agreement entered into on 18 October 2013, the Company contributed a total of RMB15 million in 3 tranches. As of 30 June 2016, the capital contribution by the Company amounted to RMB15 million. On 11 August 2015, Intel Semiconductor (Da Lian) Co., Ltd (英特爾半導體 (大連) 有限公司) subscribed the newly registered capital of RMB1.6 million in Beijing Haiyun Jiexun with a consideration of RMB24.83 million. After such capital increase, the shareholding of Zhang Zhengyu, Li Hua, employees’ shareholding, the Company and Intel were 34.06%, 21.98%, 8.62%, 21.55% and 13.79% respectively. Its legal representative is Li Hua. On 31 August 2016, the Company transferred 10% equity (corresponding to registered capital of RMB1.16 million) in Beijing Haiyun Jiexun for a consideration of RMB25 million to Linzhi Tencent Investment Management Co., Ltd. On 23 June 2017, four companies including Zhongcai Quanxing (Quzhou) Equity Investment Fund Partnership (limited partnership) acquired newly registered capital as to RMB1,621,505 in Beijing Haiyun Jiexun with RMB65 million, and after this capital injection the Company’s shareholding percentage is 10.135%. The Company takes up 1 seat out of 5 directors in the Board and it is accounted for using equity method.

Note 3: Sichuan Baoteng Internet Technology Limited (referred to as “Sichuan Baoteng”) is a limited liability company established by the capital contribution of Sichuan Mingguan Network Technology Limited (referred to as “Sichuan Mingguan”). It obtained its business licence on 30 September 2013. The registered capital (paid-in-capital) at the time of establishment was RMB1 million. On 30 October 2013, the Company entered into a capital increment agreement with Sichuan Mingguan, agreeing that the Company would subscribe for RMB0.9608 million of the new additional registered capital in Sichuan Baoteng at a consideration of RMB42 million, obtaining 49% of shareholding in Sichuan Baoteng. Of the 3 seats on the board of directors of Sichuan Baoteng, the Company has appointed 2 directors, holding voting rights of 66.67%, but all major business decisions require approval from the entire board and its shareholders, thus it is accounted for using equity method.

Long-term equity investments accounted for using cost method

Name of investee	Proportion of shareholdings (%)	Proportion of voting rights (%)	Investment cost	Beginning balance (Audited)	Increase for the period (Unaudited)	Decrease for the period (Unaudited)	Ending balance for the period (Unaudited)	Cash dividend received for the period
SurDoc Corp. ^{Note 4}	2.86	2.86	6,100,000.00	6,100,000.00	—	—	6,100,000.00	—
Shenzhen Qianhai Pengde Mobile Internet Venture Capital Fund ^{Note 5}	4.00	4.00	4,000,000.00	4,000,000.00	3,000,000.00	—	7,000,000.00	—
Angruo Capital — Angruo No. One Investment Fund ^{Note 6}	—	—	5,000,000.00	5,000,000.00	—	—	5,000,000.00	—
Extreme Vision ^{Note 7}	1.98	1.98	1,000,000.00	1,000,000.00	—	—	1,000,000.00	—
Shenzhen Newsion Venture Capital Management Co., Ltd. ^{Note 8}	8.93	8.93	1,500,000.00	1,500,000.00	—	—	1,500,000.00	—
Total			<u>17,600,000.00</u>	<u>17,600,000.00</u>	<u>3,000,000.00</u>	<u>—</u>	<u>20,600,000.00</u>	—

Note 4: SurDoc Corp. (referred to as “SurDoc”) was established in the United States by Mr. Wang Donglin, and is primarily engaged in providing safe and reliable cloud storage service to customers. As at 26 December 2014, the wholly-owned subsidiary of the Company, Powerleader Science & Technology (HK) Limited entered into an investment agreement with SurDoc, with a total contribution of US\$1 million holding 2.86% of the equity interest in SurDoc. As of 30 June 2017, the actual investment payment by the Company was US\$1,000,000.00 (equivalent to RMB6,100,000.00). Pursuant to the equity transfer agreement entered into on 25 November 2016 by the Company’s subsidiary Shenzhen Powerleader Computing Research Institute (“PC Research Institute”) and SurDoc Corp., it is agreed that SurDoc Corp. will transfer to 6 investors namely PC Research Institute, Tianjin SurSen Investment Co., Ltd., Tianjin Qirui Tiancheng Equity Investment Center (limited partnership), Ms. Zhang Jingjun, Mr. Wang Donglin, and Ms. Shi Xiangxin at nil consideration its holding as to 100% equity interests in Tianjin SurDoc Corp. After the completion of the transfer, PC Research Institute held as to 2.86% equity interests in Tianjin SurDoc Corp. On 25 November 2016, Beijing Chengchuxin Investment Management Co., Ltd. entered into an investment agreement with the 6 original shareholders, namely PC Research Institute, Tianjin SurSen Investment Co., Ltd. (“Tianjin SurSen”), Tianjin Qirui Tiancheng Equity Investment Center (limited partnership), Ms. Zhang Jingjun, Mr. Wang Donglin, and Ms. Shi Xiangxin, agreeing that Beijing Chengchuxin Investment Management Co., Ltd. will subscribe as to additional registered capital of RMB832,632 at a consideration of RMB15 million, of which RMB832,632 was included in the registered capital, and RMB14,167,368 was included in the capital reserves. After this capital increase, PC Research Institute holds as to 2.717% equity interests in Tianjin SurDoc Corp.

Note 5: Shenzhen Qianhai Pengde Mobile Internet Venture Capital Fund (Limited Partnership) (深圳市前海鵬德移動互聯網創業投資基金(有限合夥)) was jointly established by the Company and 11 companies and individuals including Yingfu Taiké Venture Co., Ltd. (盈富泰克創業投資有限公司), Office of Shenzhen VC Fund of Funds Management Committee and Powerleader Holdings. The Company’s total contribution was RMB10 million, representing 4.00%, by three tranches. As of 30 June 2017, the Company actually contributed RMB7 million.

Note 6: The Fund Manager of Angruo Capital- Angruo No. One Investment Fund (昂若資本 — 昂若壹號投資基金) is Angruo (Shenzhen) Capital Management Co., Ltd. (昂若(深圳)資本管理有限公司), as of 30 June 2017, the Company subscribed funds units of Angruo Capital- Angruo No. One Investment Fund (昂若資本 — 昂若壹號投資基金) by RMB5 million.

Note 7: Extreme Vision (referred as “Vision”) was established by Liang Lizhen (梁麗珍) and registered in Shenzhen. On 21 April 2016, the Company entered into an agreement with Vision, whereby the company subscribed as to 2% equity interest in Vision with a contribution of RMB1 million. On 9 January 2017, Jingjungaofei

(Shenzhen) Business Management Co., Ltd. (競駿高飛(深圳)企業管理有限公司) subscribed as to RMB16,424 of additional registered capital at a consideration of RMB1 million. After this capital increase, the Company holds as to 1.98% equity interests in Vision. As of 30 June 2017, the actual investment amount paid by the Company was RMB1 million.

Note 8: On 30 June 2016, the Company entered into a partnership agreement with Shenzhen Newsion Venture Capital Management Co., Ltd., Shenzhen Qianhai Xinchengyuanfeng Investment Management Co., Ltd., Shenzhen ZQGAME Co., Ltd., Shenzhen Powerleader Investment Holding Co., Ltd., and Shenzhen Heyou Fund Co., Ltd., to jointly set up Shenzhen Newsion Hengzhi Investment Center (limited partnership). The Company contributed a total of RMB5 million in capital, representing 8.93%, by two tranches. As of 30 June 2017, the Company actually contributed RMB1.5 million.

12. ACCOUNTS PAYABLE

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

	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Within 1 month	423,982,462.33	454,977,790.01
1–3 months	289,462,728.25	276,635,349.39
4–6 months	81,525,972.13	79,935,939.97
Over 6 months	118,378,281.94	127,452,486.16
	21,309,202.71	21,309,202.71
Less: allowance for bad debts		
Accounts receivable, net	892,040,241.94	917,692,362.82

13. OTHER RECEIVABLES

	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Other receivables	768,376,243.58	357,021,979.50
Less: allowance for bad debts	481,361.48	481,361.48
Other receivables, net	767,894,882.10	356,540,618.02

14. ACCOUNTS PAYABLE

The age analysis of accounts payable is as follows:

	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Within 1 month	83,505,666.73	87,575,041.98
1–3 months	56,276,284.62	49,367,285.15
4–6 months	25,376,296.32	24,486,284.21
Over 6 months	17,746,374.25	19,328,462.96
Total	<u>182,904,621.92</u>	<u>180,757,074.34</u>

15. SHORT-TERM LOANS

Category	Currency	As of 30 June 2017 (Unaudited)		
		Amount in original	Exchange rate	Amount in RMB
Guaranteed loans	RMB	820,000,000.00	1	820,000,000.00
Guaranteed loans	US\$	81,018,186.00	6.90	559,025,483.40
Total				<u>1,379,025,483.40</u>

Category	Currency	As of 31 December 2016 (Audited)		
		Amount in original	Exchange rate	Amount in RMB
Guaranteed loans	RMB	698,000,000.00	1	698,000,000.00
Guaranteed loans	US\$	68,322,249.00	6.94	473,951,441.31
Total				<u>1,171,951,441.31</u>

Details of guarantee:

Lender	Currency	Loan principal (in original currency)	Guarantor
China Construction Bank (Shenzhen Housing and Urban Construction branch) (Current loan)	RMB	200,000,000.00	Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia
China Construction Bank (Shenzhen Housing and Urban Construction branch) (documentary credit)	USD	6,637,040.00	Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia
China Construction Bank (Shenzhen Housing and Urban Construction branch) (credit letter)	USD	51,163,346.00	Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia
Industrial Bank Co. Ltd. (Shenzhen Wen Jin sub-branch)	RMB	200,000,000.00	Powerleader Holdings, Li Ruijie
China Merchants Bank (Shenzhen Zhongdian sub-branch)	RMB	30,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Industrial and Commercial Bank of China (Shenzhen Bantian branch)	RMB	50,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
China Citic Bank (Xiangmihu branch)	RMB	70,000,000.00	Li Ruijie, Zhang Yunxia, Nanjing Powerleader
China Bohai Bank (Shenzhen branch)	RMB	100,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
China Resources Bank of Zhuhai (Shenzhen Futian branch)	RMB	40,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Bank of Beijing (Shenzhen branch)	RMB	20,000,000.00	HTI Finance Security, Zhang Yunxia, Li Ruijie
Agricultural Bank of China (University Town of Shenzhen branch)	RMB	100,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia, Binhai Powerleader
Hua Xia Bank(Yitian branch)	RMB	10,000,000.00	Zhang Yunxia, Li Ruijie, Powerleader Holdings
Shanghai Commercial Bank (Hong Kong Sham Shui Po branch)	USD	2,540,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Bank of China (Hong Kong) Limited (Telford House, Kowloon Bay branch)	USD	4,000,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Hongkong and Shanghai Banking Corporation Limited (Telford Garden branch)	USD	7,680,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Citibank	USD	5,000,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Chong Hing Bank	USD	3,997,800.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping

Details of interest rates:

The annual interest rates for the short-term loans was 4.3506% to 6.0900%, the weighted average annual interest rate was 3.8105% (2016: annual interest rate for the short-term loans was 1.8610% to 7.8000%, weighted average interest rate was 4.7806%).

16. SHARE CAPITAL

Name of shareholder/category	As of 31 December 2016 (Audited)		Movements during the period					As of 30 June 2017 (Unaudited)	
	Amount	Proportion (%)	Issue of new shares	Bonus issue	Transfer from capital reserves	Others	Subtotal	Amount	Proportion (%)
Shares with restrictions on trading State shares	—	—	—	—	—	—	—	—	—
National legal persons shares	—	—	—	—	—	—	—	—	—
Other domestic shares	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Including: Domestic legal person shares	150,000,000.00	61.73	—	—	—	—	—	150,000,000.00	61.73
Domestic limited partnership shares	32,250,000.00	13.27	—	—	—	—	—	32,250,000.00	13.27
Foreign investors shares	—	—	—	—	—	—	—	—	—
Including: Overseas legal person shares	—	—	—	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—	—	—	—
Total of shares with restrictions on trading	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Shares without restrictions on trading RMB ordinary shares	—	—	—	—	—	—	—	—	—
Domestic listed foreign investors shares	—	—	—	—	—	—	—	—	—
Overseas listed foreign investors shares	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
Others	—	—	—	—	—	—	—	—	—
Total of shares without restrictions on trading	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
Total Shares	243,000,000.00	100	—	—	—	—	—	243,000,000.00	100

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

17. CAPITAL COMMITMENTS

(a) Commitments under operating leases

At 30 June 2017, the Company as lessee had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Within one year	14,673,682.28	14,741,570.90
In the second to fifth year (both years inclusive)	180,009,140.11	181,429,862.37
Total	194,682,822.39	196,171,433.27

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

	30 June 2017 RMB (Unaudited)	31 December 2016 RMB (Audited)
Construction-in-progress	<u>6,164,496.27</u>	<u>8,674,086.05</u>

18. SEGMENT INFORMATION

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

The segment information of the Group is as follows:

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

Profit or loss, assets and liabilities of reportable segments

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

For the six months ended 30 June 2017 (Unaudited)

Items	Cloud Infrastructure as a Service (IaaS)	Cloud Module as a Service (MaaS)	Software and Platform as a Service (SaaS and PaaS)	Unallocated	Elimination	Total
Operating revenue	608,890,140.05	1,260,813,594.76	82,337,993.61	—	(314,931,873.01)	1,637,109,855.41
Including: Revenue from external transactions	573,312,859.75	1,001,493,913.04	62,303,082.62	—	—	1,637,109,855.41
Revenue from intra-segment transactions	35,577,280.30	259,319,681.72	20,034,910.99	—	(314,931,873.01)	—
Operating costs	522,052,701.24	1,228,648,153.88	49,595,633.71	—	(314,931,873.01)	1,485,364,615.82
Expenses for the period	45,949,538.55	30,344,460.71	37,436,598.90	28,404,624.08	—	142,135,222.24
Total segment operating profit (total loss)	43,738,194.95	10,303,111.20	(7,372,482.82)	281,124,656.68	—	327,793,480.01
Total assets	1,334,489,422.48	1,543,691,390.29	436,268,295.22	1,537,209,484.79	(1,685,174,370.15)	3,166,484,222.63
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	573,656,798.66	800,946,491.14	201,293,873.80	1,890,633,571.16	(1,482,049,029.25)	1,984,481,705.51
Supplementary information	—	—	—	—	—	—
Capital expenditure	4,975,276.42	—	11,400,109.82	—	—	16,375,386.24
Impairment loss recognized in the period	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—
Depreciation and amortization expenses	13,584,412.01	1,264,865.03	5,102,182.41	7,674,281.16	—	27,625,740.61
Non-cash expenses other than impairment loss, depreciation and amortization	—	—	—	—	—	—

For the six months ended 30 June 2016 (Unaudited)

Items	Cloud Infrastructure as a Service (IaaS)	Cloud Module as a Service (MaaS)	Software and Platform as a Service (SaaS and PaaS)	Unallocated	Elimination	Total
Operating revenue	543,099,952.89	1,042,024,561.30	46,722,931.72	—	(261,833,112.87)	1,370,014,333.04
Including: Revenue from external transactions	439,039,728.46	894,628,888.18	36,345,716.40	—	—	1,370,014,333.04
Revenue from intra-segment transactions	104,060,224.43	147,395,673.12	10,377,215.32	—	(261,833,112.87)	—
Operating costs	473,916,612.39	1,000,933,186.99	33,642,601.19	—	(261,833,112.87)	1,246,659,287.70
Expenses for the period	34,475,659.27	25,474,483.34	26,473,593.91	30,470,867.98	—	116,894,604.50
Total segment operating profit (total loss)	34,707,681.23	15,616,890.97	(13,393,263.38)	(20,842,325.84)	—	16,088,982.98
Total assets	1,626,472,281.05	1,627,382,284.23	362,462,036.52	604,235,173.87	(1,427,295,205.21)	2,793,256,570.46
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	1,053,185,801.50	926,280,219.04	283,317,038.29	863,217,625.58	(1,173,284,537.26)	1,952,716,147.15
Supplementary information	—	—	—	—	—	—
Capital expenditure	3,472,382.29	—	67,473,498.22	—	—	70,945,880.51
Impairment loss recognized in the period	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—
Depreciation and amortization expenses	6,147,932.28	2,047,253.92	14,072,084.28	1,836,874.26	—	24,104,144.74
Non-cash expenses other than impairment loss, depreciation and amortization	—	—	—	—	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

In June 2016, the company intended to sell the Group's Shenzhen IDC and value-added cloud business through the transfer of Shenzhen Baoteng Internet Technology Limited ("Baoteng Internet") to Shenzhen ZQGAME Co. Ltd. ("Zqgame"); on 1 September 2016, the Company entered into an agreement with Zqgame, pursuant to which the Company conditionally agreed to sell, and Zqgame conditionally agreed to acquire, all shares in Baoteng Internet; at a consideration of RMB500 million, and at the same time, the Company guaranteed to Zqgame that the audited net profit of Baoteng Internet for the years 2017, 2018 and 2019 in aggregate will not be lower than RMB110,361,605.80 (that is, the basis of the consideration of the transaction determined with reference to the valuation conducted using the income approach) and provide asset impairment compensation for Baoteng Internet during the aforementioned period. On 1 March 2017, the Company, Zqgame, Mr. Li Ruijie, and Ms. Zhang Yunxia, entered into a supplementary agreement on the profit guarantee compensation agreement, pursuant to which the parties agreed the Profit Guarantee Compensation and the Asset Impairment Compensation to be paid by the Company will be capped at 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; on 26 June 2017, this transaction was approved in a vote during the Company's extraordinary general meeting; on 29 June 2017, the assets in the transaction has been fully transferred, and the Company will no longer operate the Shenzhen IDC and value-added cloud services businesses. (Details can be found in the disclosure circular dated 9 June 2017.)

In May 2015, the Company commenced a partnership with Taiji Computer Corporation Limited. The Company intended to sell its 100% equity interest in the Company's subsidiary, Shenzhen Powerleader Computing System Limited ("Powerleader Computing") to Taiji Computer. On 4 January 2016, the Computer entered into an agreement with Taiji Computer (the "original agreement"), whereby the Computer conditionally agreed to sell, and Taiji Computer conditionally agreed to acquire, all interests in Powerleader Computing; on 4 January 2017, the original agreement lapsed as certain predetermined conditions were not met, and the Company re-entered into an agreement of intent with Taiji Computer regarding the disposal of full equity interests in Powerleader Computing; on 7 April 2017, the agreement of intent between the Company and Taiji Computer regarding the potential disposal of Powerleader Computing lapsed (details can be found in the Company's notice of Lapse of the Agreement of Intention in Relation to the Possible Disposal of 100% Equity Interest In Powerleader Computing published on 7 April 2017.) Since the lapse of the agreement of intent, the Company has terminated the abovementioned partnership with Taiji Computer. The Company does not rule out the possibility of conducting other capital operations in future.

In the first half of 2017, Powerleader Science & Technology Group continued its operation with a clear strategic positioning as a leading cloud computing solutions provider with the capability of autonomous innovation in China, taking cloud servers, cloud distribution, and cloud software as its main business direction, and relying on solid technological experience accumulated over the years, quality product services, and an expansive sales channel to maintain the robust development of the Company.

First, the Company planted itself in the MaaS business, striving through big data and cloud computing technology, to both provide quality services to end users and to build good partnerships with suppliers upstream in the supply chain, in order to construct a comprehensive internet application and services network platform.

Second, the Company will strive to raise its core competitiveness, including product technical capability, problem-solving capability, brand and marketisation capability, and internet application services capability, in order to maintain the healthy sustainable development of the enterprise.

Product technical capability: Under the limitations of market capacity, only innovative products can secure a sure-win position for the Company. The Company will maintain its investment in R&D, strengthening R&D in product application technology and public and private cloud products, raising the designed capabilities of its products, and integrating innovative internet application technology into its products.

Problem-solving capability: “Made in China 2025” and the “13th Five-year Plan” target the implementation of the strategy to create a strong nation, with intelligence production being the core of the focus. The operation to raise systematic solutions capability is an important mission raised in the Ministry of Industry and Information Technology’s Operation Plan (2015–2018) for the implementation of the “State Council’s Guidance Views on Actively Promoting the ‘Internet+’ Operation”, and is the key base facility for supporting intelligent production development and the core of promoting industrial elevation of intelligent production. We will continue to raise our problem-solving capability.

Brand and marketisation capability: We will increase the product promotion intensity of the marketing and sales departments, strengthening the vibrancy of industry activities, shaping the influence of the Powerleader brand, and securing the Company’s market reputation.

Internet application capability: Fully unleash the optimization and integration functions of the internet in social resource allocation, applying the innovative technology applications of the internet to solutions in various industrial sectors, adapting to the needs of society, expanding our market share.

In the second half of 2017, the Company will continue to strengthen its core competitiveness, and through independent innovation, external partnerships, and strategic investment, fully unleash the Company’s technological, resource, and market advantages, continuously expanding the market share of our MaaS business, accelerating the development of cloud services and cloud software, making strong efforts in integrating quality resources upstream and downstream of the industry chain, maintaining our position as industry leader of integrated cloud services enterprises.

FINANCIAL REVIEW

Turnover of the Group for the Six Months Period amounted to RMB1,637,109,855.41, representing an increase of 19.50% compared to RMB1,370,014,333.04 in the same period of 2016, which was attributable to an increase in turnover from the Group’s principal activities, being Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment and their related solutions, and Cloud Module as a Service (MaaS) — providing R&D, design, manufacturing and sales of cloud computing equipment related components, as well as agency distribution for key components of cloud computing equipment and related value-added services.

Consolidated gross profit margin of the Group for the Six Months Period was 9.27%, representing an increase of 0.27% compared to that of 9.00% in the same period of 2016, mainly as a result of the server business exhibiting a trend of rapid growth in the first half of the year, pulling the Group’s overall gross profit margin upwards by a small extent.

The Group's distribution costs and administrative and other expenses for the Six Months Period rose by approximately 19.97% to RMB99,268,606.99 from RMB82,746,167.68 for the same period of last year, mainly due to the significant increase in depreciation amount and personnel cost from the commencement of operation and utilisation of two IDC plants in Shenzhen and Guangzhou and the increase in personnel costs and marketing expenses during the process of further implementation of the cloud strategy by the Company. In addition, greater R&D efforts in products and technology of cloud computing also drove up the R&D cost and other related expenses of the Company.

BUSINESS REVIEW AND PROSPECT

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

In the first half of 2017, under the wave of domestic informatisation, demand in the domestic server market increased rapidly. The company has continuously optimised its strategic regional distribution of the cloud server market, increasing resource investment in focus cities such as Guangzhou, Changsha, Wuhan, Zhengzhou, Nanjing, Hangzhou, and Chengdu, cultivating customer demand in sectors such as government, education, and enterprises, customising individualised products for clients, cooperating with industrial application solutions providers to provide holistic solutions based on hardware, software, cloud management, and big data for clients, and has received a high degree of recognition from industrial clients. In the first half of the year, the cloud infrastructure as a service (IaaS) market recorded increase of 30.03% at the same pace.

In the second half of 2017, the Company will continue to maintain high speed, high quality growth levels, increase R&D investment, strengthening resource investment in the seven major industries of internet, public safety, healthcare, energy transportation, finance and taxation, intelligent cities, and the defense industry, expanding its market share. Meanwhile, the Company will grasp the opportunity of growth in server demand brought about by the explosion in the field of artificial intelligence, increasing efforts in strategising its presence in the artificial intelligence industry, raising its market share.

Market Promotion

In the first half of 2017, the Company maintained its foundational business positioning in cloud computing and intelligent cities, took healthy, benign and rapid development as its goal, and gathered the wisdom and strength of our ecological partners, to conduct widespread promotion in market activities and our own media, accelerating the realisation of our business targets.

In the first half of 2017, with a theme of “Gathering strength, accelerating advances”, the Company hosted over 20 server product application exchange seminars in major cities of the country, including Beijing, Shenzhen, Guangzhou, Shanghai, Chongqing, Chengdu, and Guiyang, partnering with clients and partners in areas including education (including universities), scientific research, public safety, healthcare, government, and artificial intelligence, providing IT intelligence application strategies to clients of various industries. At the same time, the Company has strengthened its investment and exposure in third-party industry/large-scale exhibitions, showcasing customised product solutions for the corresponding industries or fields and the Company's past successful application cases, exhibiting more intuitively the strength of Powerleader to clients and partners in various industries, strengthening the Company's brand reputation.

In the second half of 2017, the Company will take its latest new range of servers based on Intel® Xeon® Scalable processors and industrial application cases of Powerleader servers as our focus, and through roadshow activities and advertisements, promotions in our own media, conduct widespread promotions on our product characteristics, advantages, applications and cases, maintaining the reputation and activity levels of the Powerleader brand, in order to create better business results.

Honours:

In January 2017: the 8 quad secured and controllable server PR8800G of Powerleader Science & Technology Group was recognised as “2016 Best Cloud Server”;

In January 2017: the 8 quad secured and controllable server PR8800G of Powerleader Computing was recognised as “Good Product in Shenzhen”;

In January 2017: the 4 quad secured and controllable server PR4880G of Powerleader Computing was recognised as “Good Product in Shenzhen”;

In January 2017: Powerleader Computing was awarded the “Innovative Enterprise in 2016”;

In January 2017: Powerleader Computing was named the “Unit with Outstanding Contribution for Military-Civilian Integration in 2016”;

In March 2017: Powerleader Science & Technology Group was named the “Top 100 Enterprises in Longhua District of Shenzhen Municipality in 2016”;

In April 2017: Powerleader Computing was named “Excellent Service Provider of New Intelligent City Model Construction of Jilin Province in 2017”;

In May 2017: Powerleader Science & Technology Group was named “Top 10 Internet Brands of Shenzhen” in 2016;

In May 2017: Powerleader Computing was awarded the “Cloud China 2017 Cloud Sail Award”.

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 the first half of 2017, as the distribution market of associated peripherals of cloud computing of China trends towards maturity, the Company, based on its years of solid work in the distribution sector, opened up expansive and stable procurement and sales channels. The Company’s MaaS and its value-added services are developing steadily, recording an increase of 12.17% YoY of its operating income. Through strengthening its construction of the sales management system, the Company has raised its sales management capability, cementing partnerships between ourselves and suppliers and clients, providing quality and comprehensive individualised services for clients, expanding our cooperation with partners upstream and downstream.

In the second half of 2017, the Company will continue to increase its efforts in expanding its sales channels, establishing based on current offline cloud computing equipment agency services an e-commerce center to open an online sales channel, realising online and offline coordinated development, providing for clients more complete, convenient, and efficient procurement plans. At the same time, by cooperating with channel partners, we will improve our business models in the areas of retail finance, retail logistics, and retail supply chain, raising our industry competitiveness.

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

In the first half of 2017, the Company continued our ambitious expansion by relying on years of software development technology and experience. Based on the Company's independently developed cloud computing platform and steady growth of capacity of distributed file system products, the cloud software products to which the Company holds its own intellectual property rights to is gradually opening the market. The Company has grasped the opportunities in the high speed development of the internet area, intensely digging for potential market demand, in order to satisfy clients and provide demands of differentiated and diversified cloud application.

In the second half of 2017, the Company will continue to strengthen its R&D investment in SaaS and PaaS, strategising predictively and innovating daringly, in order to provide clients with secure, convenient, uniquely functional and systematically comprehensive cloud services.

Capital Management

In the first half of 2017, under the macro environment of stable currency policy and tightening credit policy, the Company, consolidating the state of its business segments, has deepened cooperation with financial institutions, optimizing the Company's current financing structure and financing capital; at the same time, we have strengthened the Company's internal capital management and reasonably deployed capital, in order to secure the robust development of the Company.

In the second half of 2017, the Company will continue to regulate its financing structure, expand its financing channels, and strengthen the interactive cooperation with Shenzhen and Hong Kong financial institutions, further optimising financing costs.

Principal Associated Company of the Group

In the first half of 2017, Zqgame, a principal associated company of the Group, recorded a turnover of RMB166,528,965.99, representing an increase of 19.67% over the same period last year, which is mainly attributable to Zqgame's launch of new products producing initial positive results as well as the acquisition of Baoteng Internet, a company which was also controlled by the Group, providing added revenue. Net profit attributable to ordinary shareholders of Zqgame was RMB12,040,569.52, representing an increase of 54.03% over the same period last year, which is mainly attributable to income generated from new game products launched by Zqgame and which received market recognition. The principal business of Zqgame continues to be improved and optimised. Facing intensified competition in the gaming industry, Zqgame has been seeking innovative breakthroughs in its own business, continuously strengthening research in new games and development in new technologies, focusing its efforts on creating quality games that will satisfy market demand. In future, Zqgame will, on the basis of past explorations in strategic transformation, continue to improve the spartan formation of Zqgame's strategy, and relying on Zqgame's years of accumulated experience and technical knowledge, develop and strengthen its cloud services and cultural tourism technology businesses, continue to strengthen the profitability of Zqgame, actively open up new income sources, and raise the competitiveness of Zqgame.

In the first half of 2017, Beijing Haiyun Jiexun, whose principal activities are OpenStack operations and maintenance, recorded a turnover of RMB10,382,948.24, representing an increase of 15% as compared to the same period of last year. Net loss attributable to shareholders of the Company amounted to RMB13,288,955.65, representing a decrease of 400% as compared to that of the same period of last year, mainly attributable reasons such as large investment of human resources in R&D and increase in rental expenses. In the first half of the year, Beijing Haiyun Jiexun, relying mainly on Openstack, built partnerships with multiple major domestic and international software and hardware producers for enterprises such as Intel, Hewlett-Packard, and Neusoft, providing them with Openstack-based private cloud, hybrid cloud, and integrated cloud computing solutions. In future, Beijing Haiyun Jiexun will make strong efforts in focused R&D in areas such as universities, scientific research institutes, healthcare, and IDC, striving to become the leading Openstack cloud services provider in China.

Government Affairs

In the first half of 2017, the Company stepped up its effort in applying for government project funding and awards in respect of government affair. With cloud computing as its core content, the Company applied for a number of qualification accreditations and project funding, and certain number of its research projects have passed the inspection and acceptance procedures. In connection with the cooperation with external parties, the Company has been conducting R&D cooperation with institutes and R&D institutions with a view to absorbing skilled professionals and advanced technologies.

In January 2017, Powerleader Science & Technology Group received industry development special funds and discount loans subsidies from Fu Tian district in 2016;

In January 2017, Powerleader Science & Technology Group received recognition as the “Top 100 Industrial Enterprises of Shenzhen Municipality”;

In February 2017, Powerleader Science & Technology Group received recognition as the “Top 100 Industrial Enterprises of Longhua District”;

In February 2017, Powerleader Software received recognition as the “Top 100 Innovative Small and Medium Enterprises of Longhua District”;

In February 2017, Baotong Zhiyuan received recognition as the “Top 100 Service Enterprises of Longhua District”;

In February 2017, Powerleader Science & Technology Group’s “Key Technology R&D of New Server Prototype” Project successfully passed the closing and acceptance tests of Shenzhen Municipality’s technological experts;

In February 2017, Powerleader Science & Technology Group received support from “2016 Futian District Industrial Talents Housing Grant”;

In February 2017, Powerleader Computing received support from “2016 Futian District Industrial Talents Housing Grant”;

In March 2017, Powerleader Science & Technology Group’s “Desktop Cloud System Industrial Application Showcase” Project successfully passed the closing and acceptance tests of Shenzhen Municipality’s Review Committee experts;

In March 2017, Powerleader Science & Technology Group obtained support from the Shenzhen Municipality's "Electronics Efficiency Upgrade Support Project";

In April 2017, Powerleader Science & Technology Group's "Key Technology R&D of New Server Prototype" Project successfully passed the closing and acceptance tests of Shenzhen Municipality's technological experts.

In the second half of 2017, we will keep applying for new funding and awards to increase the passing rate of the project declaration. We will identify our merits and weaknesses; collect information from governments; complete the project declaration in time and with high quality; improve the brand image of Powerleader; and enhance our cooperation with the higher education institutions and science research institutions, with a view to create a good cooperation environment for the technology innovation of Powerleader.

Assets, Liabilities and Shareholders' Equity

As at 30 June 2017, current assets of the Group amounted to RMB2,531,766,908.20 (31 December 2016: RMB2,023,654,281.82), which mainly comprised of monetary capital of RMB356,687,871.04 (31 December 2016: RMB349,605,797.56), trade and bills receivables of RMB901,454,883.40 (31 December 2016: RMB923,900,413.82), inventories of RMB428,109,958.48 (31 December 2016: RMB351,976,260.12). Non-current assets amounted to RMB634,717,314.43 (31 December 2016: RMB767,155,516.97), which mainly comprised of long-term equity investment of RMB162,840,362.79 (31 December 2016: RMB162,517,683.03), fixed assets of RMB299,825,543.60 (31 December 2016: RMB431,096,862.98), intangible assets and development costs of RMB106,725,317.84 (31 December 2016: RMB114,107,867.22). Total assets were RMB3,166,484,222.63 (31 December 2016: RMB2,790,809,798.79).

As at 30 June 2017, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,379,025,483.40 (31 December 2016: RMB1,171,951,441.31) and accounts payable of RMB182,904,621.92 (31 December 2016: RMB180,757,074.34). Non-current liabilities mainly included long-term borrowings of RMB61,000,000.00 (31 December 2016: RMB79,000,000.00). Total liabilities were RMB1,984,481,705.51 (31 December 2016: RMB1,931,300,621.25).

As at 30 June 2016, the Group's equity attributable to the shareholders of the parent company was RMB1,182,006,552.61 (31 December 2016: RMB859,512,500.82).

Employee Information

As at 30 June 2017, employees of the Company were 931 (30 June 2016: 937). The total staff costs amounted to RMB32,271,124.64 for the Six Months Period compared to RMB30,639,165.81 for that of the same period in 2016.

Foreign Exchange Risk

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

Contingent Liabilities

As aforementioned in the “Management Discussion and Analysis” section, on 1 September 2016, the Company has entered into a profit guarantee compensation agreement with Zqgame, and on 1 March 2017 entered into a supplementary profit guarantee compensation agreement with Zqgame, Mr. Li Ruijie, and Ms. Zhang Yunxia. Pursuant to said agreements, the parties to the agreements agree that the profit guarantee compensation and asset impairment compensation paid by the Company will be capped at RMB110,361,605.80, and that any excess thereof will be borne by Mr. Li Ruijie and Ms. Zhang Yunxia.

In view of the profit guarantee and the potential implications for the Company’s contingent liabilities, the Company has considered the following scenarios:

1. Assuming that by the end of the compensation period, Baoteng Internet records actual net profit of or exceeding RMB110,361,605.80, the Company shall not be liable for payment of compensation to Zqgame.
2. Assuming that by the end of the compensation period, Baoteng Internet records actual net profit of or exceeding RMB86,002,237.73 but not exceeding RMB110,361,605.80, the Company shall be liable for payment of compensation not exceeding RMB110,361,605.80. The Company’s contingent liabilities will increase by an amount not exceeding RMB110,361,605.80.
3. Assuming that by the end of the compensation period, Baoteng Internet records actual net profit not exceeding RMB86,002,237.73, the Company will make the maximum compensation to Zqgame of RMB110,361,605.80. The Company’s contingent liability will increase by RMB110,361,605.80.

In summary of the above, in this transaction, if Baoteng Internet fails to record actual net profits of the agreed levels, the Company will record contingent liabilities not exceeding RMB110,361,605.80.

Save as disclosed above, the Directors were not aware of any significant contingent liabilities.

Interim Dividend

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

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

At as 30 June 2017, the interests or short positions of the directors, supervisors and the chief executive of the Company and their associates in the shares and debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions, underlying shares and debt securities were as follows:

Shares of the Company

Name of director	Number of the Company's Domestic Shares held	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li (<i>Note 1</i>)	102,184,500	42.05%	56.07%
Ms. Zhang (<i>Note 1</i>)	102,184,500	42.05%	56.07%
Mr. Sun Wei (<i>Note 2</i>)	15,963,750	6.57%	8.76%
Mr. Ma Zhumao (<i>Note 3</i>)	7,250,000	2.98%	3.98%

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

Note 2: Mr Sun Wei holds interests of 15,963,750 domestic Shares through Harbin Shijilongxiang Technology Development Co., Ltd, as Mr. Sun Wei holds as to 71% of Harbin Shijilongxiang Technology Development Co., Ltd's issued capital at the last practicable date, he is deemed to be interested in all the domestic Shares held by Harbin Shijilongxiang Technology Development Co., Ltd.

Note 3: Mr. Ma Zhumao holds interests of 7,250,000 domestic Shares through Shenzhen Jinbolitong Investment Partnership (limited partnership), as Mr. Ma Zhumao holds as to 60% of limited partnership interests of Shenzhen Jinbolitong Investment Partnership (limited partnership) at the last practicable dates, he is deemed to be interested in all the domestic Shares held by Shenzhen Jinbolitong Investment Partnership (limited partnership).

Save as disclosed above, as at 30 June 2017, none of the directors, supervisors and chief executive of the Company and their associates had any interests or short positions in any shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or the transactions of the securities and debt securities which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 30 June 2017, the Company or any of its subsidiaries was not a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

Up to 30 June 2017, the Company has not adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2017, the Directors are not aware of any other interests and short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

LONG POSITIONS IN DOMESTIC SHARES

	Number of Shares	Capacity	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Share
Powerleader Investment (<i>Note</i>)	102,184,500	Beneficial owner	42.05%	56.07%

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, initial management shareholders or any of their respective associates (as defined in GEM Listing Rules) of the Company had any interests in any businesses which compete or may compete with the businesses of the Group or any other conflicts of interest which any such person may have with the Group as at 30 June 2017.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the six months ended 30 June 2017, with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

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

PURCHASE OR REDEMPTION OF SECURITIES

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

By order of the board
Zhang Yunxia
Chairman

Shenzhen, the PRC, 14 August 2017

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

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