



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)**

**THIRD QUARTERLY RESULTS REPORT  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 investors should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This 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 purpose only

## THIRD QUARTERLY RESULTS

The board of Directors is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2017 (“Nine Months Period”) together with comparative unaudited figures for the corresponding periods in 2016 are as follows:

### CONSOLIDATED INCOME STATEMENT

Item	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2017 RMB (Unaudited)	2016 RMB (Unaudited)	2017 RMB (Unaudited)	2016 RMB (Unaudited)
<b>I. Total operating revenue</b>		<b>1,084,099,798.98</b>	928,804,854.83	<b>2,721,209,654.39</b>	2,298,819,187.87
Including: operating revenue	3	<b>1,084,099,798.98</b>	928,804,854.83	<b>2,721,209,654.39</b>	2,298,819,187.87
<b>II. Total Operation cost</b>		<b>1,049,369,409.10</b>	930,801,187.64	<b>2,676,869,247.16</b>	2,295,695,407.45
Including: Operation costs		<b>988,994,047.63</b>	855,571,808.34	<b>2,474,358,663.45</b>	2,102,231,096.04
Business taxes and surcharges		<b>1,051,884.14</b>	972,355.84	<b>2,721,684.65</b>	2,312,683.45
Sales expenses		<b>23,070,488.00</b>	18,376,549.92	<b>61,975,201.11</b>	55,858,641.34
Administrative expenses		<b>21,641,137.91</b>	28,142,174.20	<b>82,005,031.79</b>	73,406,250.46
Finance costs		<b>14,611,851.42</b>	27,738,299.34	<b>55,808,666.16</b>	61,886,736.16
Impairment loss of assets		—	—	—	—
Add: Gain on fair value changes (loss is denoted as “()”)		—	—	—	(1,175,706.41)
Gain on investment (loss is denoted as “()”)		<b>(615,187.21)</b>	15,277,892.56	<b>312,968,516.44</b>	15,330,441.96
Including: Gain on investment to associate and joint ventures		<b>(1,170,876.62)</b>	19,968.39	<b>(786,536.49)</b>	72,517.79
<b>III. Operating profit (loss is denoted as “()”)</b>		<b>34,115,202.67</b>	13,281,559.75	<b>357,308,923.67</b>	17,278,515.97
Add: Non-operating income	4	<b>909,671.62</b>	245,315.21	<b>5,629,356.86</b>	12,384,474.07
Including: Gain on disposal of non-current assets		—	—	—	—
Less: Non-operating expenses		<b>320,547.95</b>	183.37	<b>378,813.81</b>	47,315.47
Including: Loss on disposal of non-current assets		—	—	—	—
<b>IV. Total Profit (loss is denoted as “()”)</b>		<b>34,704,326.34</b>	13,526,691.59	<b>362,559,466.72</b>	29,615,674.57
Less: Income tax expenses	5	<b>913,604.40</b>	10,348.48	<b>6,213,744.83</b>	1,294,676.06
<b>V. Net profit (net loss is denoted as “()”)</b>		<b>33,790,721.94</b>	13,516,343.11	<b>356,345,721.89</b>	28,320,998.51
Net profit attributable to shareholders of the Company		<b>33,788,410.95</b>	13,514,596.94	<b>356,344,123.11</b>	28,319,503.99
Profit or loss attributable to minority interest		<b>2,310.99</b>	1,746.17	<b>1,598.78</b>	1,494.52
<b>VI. Earnings per share:</b>					
(I) Basic earnings per share	7	<b>0.139</b>	0.056	<b>1.466</b>	0.117
(II) Diluted earnings per share		<b>0.139</b>	0.056	<b>1.466</b>	0.117
<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 (net loss is denoted as “()”)</b>		<b>33,790,721.94</b>	13,516,343.11	<b>356,345,721.89</b>	28,320,998.51
Total comprehensive income attributable to shareholders of the Company		<b>33,788,410.95</b>	13,514,596.94	<b>356,344,123.11</b>	28,319,503.99
Total comprehensive income attributable to minority interests		<b>2,310.99</b>	1,746.17	<b>1,598.78</b>	1,494.52

## Notes to Consolidated Financial Statement:

For the nine months ended 30 September 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 ("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 nine months ended 30 September 2017 together with comparative unaudited figures for the corresponding period in 2016 are as follows:

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from the principal businesses:				
Including: Cloud Infrastructure as a Service	<b>416,797,311.14</b>	273,200,793.31	<b>987,685,648.17</b>	712,240,521.77
Cloud Module as a Service	<b>657,660,529.95</b>	630,587,422.67	<b>1,658,229,349.13</b>	1,522,593,758.84
Software and Platform as a Service	<b>7,237,791.25</b>	21,983,545.46	<b>69,540,873.87</b>	58,329,261.86
Revenue from other business	<b>2,404,166.64</b>	3,033,093.39	<b>5,753,783.22</b>	5,655,645.40
Total	<b><u>1,084,099,798.98</u></b>	<u>928,804,854.83</u>	<b><u>2,721,209,654.39</u></b>	<u>2,298,819,187.87</u>

#### 4. NON-OPERATING INCOME

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	1,007,940.07	245,315.21	5,204,791.38	12,192,342.28
Others	(98,268.45)	—	424,565.48	192,131.79
Total	<u>909,671.62</u>	<u>245,315.21</u>	<u>5,629,356.86</u>	<u>12,384,474.07</u>

#### 5. INCOME TAX EXPENSE

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax				
PRC	913,604.40	10,348.48	5,098,995.19	1,210,659.01
Hong Kong	—	—	1,114,749.64	84,017.05
Total	<u>913,604.40</u>	<u>10,348.48</u>	<u>6,213,744.83</u>	<u>1,294,676.06</u>

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業 (有限合夥)) (“Xizang Baoteng”), Horgos Powerleader Venture Capital Co., Ltd (霍爾果斯宝德創業投資有限公司), Horgos Baoyun Software Development Co., Ltd (霍爾果斯宝雲软件开发有限公司), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 30 September 2017 (during the period ended 30 September 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 September 2017 (during the period ended 30 September 2016: 15%).

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

Pursuant to Zang Zheng Fa[2014] No. 51 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 September 2017 (during the period ended 30 September 2016: 15%).

Pursuant to *Reviews of State Council on the Support of the Kashi Horgos Economic Development Zone* (《國務院關於支持喀什霍爾果斯經濟開發區的若干意見》) of Guo Fa [2011] No. 33 and Cai Shui [2016] No. 85 on encouraging the development of industrial enterprises income tax preferential directory (trial) in 2016 in difficult areas of Xinjiang, which stipulates that new enterprises within the scope of the catalogue of key incentivised-to-develop industries located in the Economic Development Zone are exempt from corporate income tax, Horgos Powerleader Venture Capital Co., Ltd (霍爾果斯寶德創業投資有限公司) and Horgos Baoyun Software Development Co., Ltd (霍爾果斯寶雲軟件開發有限公司) paid corporate income tax at the rate of 0% during the period ended 30 September 2017.

Hong Kong profits tax is calculated at 16.5% (for the nine months ended 30 September 2016: 16.5%) of the estimated assessable profit for the Nine Months Period.

## 6. DIVIDEND

At the meeting held on 31 October 2017, the Directors resolved not to recommend the payment of any dividend for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: nil).

## 7. EARNINGS PER SHARE

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

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Net profit attributable to shareholders of the company	<b>33,788,410.95</b>	13,514,596.94	<b>356,344,123.11</b>	28,319,503.99
Number of shares				
Weighted average number of issued shares for the purpose of basic earnings per share	<b>243,000,000</b>	243,000,000	<b>243,000,000</b>	243,000,000

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 RMB356,344,123.11 (for the nine months ended 30 September 2016: RMB28,319,503.99) and the weighted average number of 243,000,000 shares in issue for the Nine Months Period.

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

## 8. SHARE CAPITAL

Name of shareholder/ category	As of 31 December 2016		Movements during the period					As of 30 September 2017	
	Amount	Proportion (%)	Issue of new shares	Bonus issue	Transfer from capital reserves	Others	Sub-total	Amount	Proportion (%)
Shares with restrictions on trading									
State shares	—	—	—	—	—	—	—	—	—
National legal persons shares	—	—	—	—	—	—	—	—	—
Other domestic shares	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Including: Domestic legal person shares	150,000,000.00	61.73	—	—	—	—	—	165,000,000.00	67.90
Domestic limited partnership shares	32,250,000.00	13.27	—	—	—	—	—	17,250,000.00	7.10
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
<b>Total Shares</b>	<b>243,000,000.00</b>	<b>100</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>243,000,000.00</b>	<b>100</b>

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

	Share capital	Capital reserves	Surplus reserves	Undistributed Profits	Minority interests	Total shareholders' equity
	RMB	RMB	RMB	RMB	RMB	RMB
(Unaudited)						
As at 1 January 2016	243,000,000.00	35,235,382.74	37,626,042.30	509,876,824.43	(2,481.56)	825,735,767.91
Net profit for the period	—	—	—	28,319,503.99	1,494.52	28,320,998.51
As at 30 September 2016	243,000,000.00	35,235,382.74	37,626,042.30	538,196,328.42	(987.04)	854,056,766.42
(Unaudited)						
As at 1 January 2017	243,000,000.00	35,653,983.50	37,626,042.30	543,232,475.02	(3,323.28)	859,509,177.54
Net profit for the period	—	—	—	356,344,123.11	1,598.78	356,345,721.89
As at 30 September 2017	243,000,000.00	35,653,983.50	37,626,042.30	899,576,598.13	(1,724.50)	1,215,854,899.43

## MANAGEMENT DISCUSSION AND ANALYSIS

In June 2016, the Company intended to sell the Group's Shenzhen IDC and value-added cloud services businesses through the transfer of Shenzhen Baoteng Internet Technology Limited ("Baoteng Internet") to Shenzhen ZQGAME Co. Ltd. ("Zqgame"); the Company entered into an agreement with Zqgame on 1 September 2016, pursuant to which the Company conditionally agreed to sell, and Zqgame conditionally agreed to acquire all share equity in Baoteng Internet, at a consideration of RMB500 million. 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 would 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 provided 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 would be borne by Mr. Li Ruijie and Ms. Zhang Yunxia. This transaction was approved in a vote during the Company's extraordinary general meeting on 26 June 2017. The target asset in the transaction has been fully transferred on 29 June 2017, and the Company would 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 the third quarter of 2017, Powerleader Science & Technology Group will continue to take being China's leading cloud solutions provider with proprietary innovation capabilities as its clear strategic positioning, with cloud servers, cloud distribution, and cloud software as its main business direction, and rely on its years of solid accumulated technology, quality products and services and wide distribution channels, so as to maintain 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 fourth quarter of 2017, the Company will continue to strengthen the Company's core competitiveness, and through proprietary innovation, external collaboration and strategic investments, fully exploit the Company's technological, resource and market advantages, continuously expand the market size of the cloud module business, accelerate development of cloud servers and cloud software, strongly consolidate quality resources upstream and downstream of the industrial chain, and maintain its industry position as the leading internet cloud services conglomerate.

## **FINANCIAL REVIEW**

Turnover of the Group for the Nine Months Period amounted to RMB2,721,209,654.39, representing an increase of 18.37% as compared to RMB2,298,819,187.87 in the same period of 2016, the gross profit margin of the Group is 8.99%, representing an increase of 0.44% as compared to 8.55% in the same period of 2016.

The Group's sales expenses and administrative expenses rose by 11.38% to RMB143,980,232.90 from RMB129,264,891.80 for the same period of last year, mainly due to the expansion of the Group's business operation scope of MaaS business, the increase of additional staff and related expenses.

The Group's financial expenses decreased by 9.82% to RMB55,808,666.16 from RMB61,886,736.16 for the same period of last year, mainly due to the decrease of the interest rate of bank loan.

## **BUSINESS REVIEW AND PROSPECT**

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

In the third quarter of 2017, under the backdrop of the state promoting autonomy and controllability and the localization of IT, the market of the Company's IaaS business continued to increase, as the operating revenue of IaaS increased by 52.56% as compared to the same period of last year. In this quarter, the Company focused on the development of the industries of Internet, education, intelligent cities, energy transportation, healthcare and security monitoring and so on, strengthened the Independent research and developed the core competitive advantage of on-demand customization, taking the customers' needs as our mission and persisting in starting from the customers individual needs in providing solutions that adapt to different vertical industries and different customer groups and providing strong computing infrastructure to customers, in order to help clients realise business transformation and upgrade.

In the fourth quarter of 2017, the Company will continue to enhance its independent R&D capabilities and on-demand core competitive advantage, relying on the Company's accumulative experience in products, technology, services, and continue to explore enterprises with advantages in Internet, artificial intelligence, big data, security monitoring, healthcare, etc. In addition, the Company will continue to take customer needs as its orientation, relying on its self- innovative and technology-driven advantages to push forward the marketing application of Powerleader's server products and



high performance solutions in all sectors, providing users including computer engineering and process with a computing environment that is flexible and high efficient as well as highly cost effective, to help users achieve innovation and breakthroughs in scientific research and business applications and to broaden brand influence in the industry.

## **Market Promotion**

In the third quarter of 2017, the Company maintained its foundation in cloud computing and intelligent cities, collaborating with partners in different industries to promote the newest products of the Company and industry resolutions for paving the way promptly for the better development of the business.

For new products, the Company continued to strengthen offline activities by organising exhibitions of new servers based on Intel® Xeon® Scalable processors and sponsoring/participating in benchmark conferences of different industries, exhibiting to collaboration partners, users and target customers the Company's latest product technologies, solutions, application cases, service advantages and so on in a intuitive experience, raising the Company's professional image and enticed clients to collaborate with us. Through exhibitions of new products in places such as Shenzhen, Shanghai, Nanjing, Hangzhou, Jinan and Taiyuan, the Company's latest Purley servers, artificial intelligence servers and one-way storage servers were directly shown to clients and collaboration partners of various places, and through live guides of technical staff, clients were allowed to intuitively experience and perceive the features and application advantages of the Company's server products, facilitating the customer's selection of application model and strengthening their intent of cooperation.

In various areas like HPC, intelligent transport, security surveillance, education and civil-military integration, the Company customized the product results and application resolutions by engaging in significant meetings of different fields and displaying the industry knowledge of those fields, and supported them with successful cases and influenced more potential customers which may lead to the increasing of the business opportunities of Powerleader.

For self-media promotion, on the one hand, we used the official WeChat account of Powerleader Science & Technology to promote and emphasized on the successful cases of various industries to verify our expertise with our capabilities; on the other hand, we maintained the richness and steady intensity of the content as well as added genres, forms, readability and interesting applications to the articles to retain and steadily increase the followers, showing to the masses a vivid image of Powerleader Server.

In the fourth quarter of 2017, the emphasis of business market promotion will continue to focus on areas including products, solutions, successful cases, and spread widely through market activities and self-media. Our Company will continue to hold exhibitions of new products and industry seminars in regard of Business of IaaS, comprehensively displaying the features of the products, resolutions, application cases, R&D advantages and professional services of the Company. In the meantime, we will engage in the influential meetings actively, and emphasize on the two big exhibitions of the 19th Hi-Tech Fair and the 15th China International Social Public Security Expo to comprehensively display the Company's strengths of product results, resolutions and application cases in areas of cloud computing, big data, artificial intelligence and security monitoring (intelligent city), and improve the influence of the brand of Powerleader in order to obtain more business opportunities.

## **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”;

In August 2017: Powerleader Science & Technology Group was named “Excellent Product Supplier in 2017”;

In September 2017: Powerleader Computing “Big Data Analysis Platform in Shuanglong Linkong Economic Zone, Guizhou” was named “Excellent Case of Big Data Application of China in 2017”.

**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 third quarter of 2017, the Company organized the adjustment of the value-added distribution business in accordance with the business department system for the better promotion of the growth of agency distribution and the continued growth in the future. It is divided into three product business divisions (data center product business division, consumption and end-product business division, system and solution business department) and divided into big customer business department of South China and big customer business department of North China according to region. In the third quarter of 2017, the operating revenue of the MaaS business increased by 4.29% as compared to the same period of last year. In addition, the Company strengthened the ability of the integration of the value of the Cloud Module industry chain, including the following aspects (i) professional agency capabilities: professional agent server accessories with a group of professional and technical personnel and market support, and to build Server Distribution Platform by professional and dedicated service; (ii) the ability of information management: highly effective operation management system for handling plenty of product items, stock, customer and market information in time; (iii) the ability of capital liquidity: sufficient capital and perfect financial management skill to ensure adequate inventory and supply from time to time; (iv) the ability of technical support: being the approach of offering professional technical support, product training and skill training for the customer; and (v) the ability of providing effective after-sales service: unique operation procedure, professional technical team and immediate equipment support to ensure the quality and rapid after-sales service. Meanwhile, the Company steadily transferred into a mega IT group with Cloud Module service, IT system integration and IT operation and maintenance service to provide better and more efficient solutions for customers.

In the fourth quarter of 2017, the market demand for large data, artificial intelligence and high-performance calculations will continue to grow, which will bring the significant room for growth and opportunities to the company's value-added distribution business. The Company will strengthen its cooperative relationship with suppliers to provide personalized service for channel customers, so as to explore areas for collaboration; and further improve the backend management system to increase the Company's support in terms of warehouse, logistics, technology and service, so as to seek growth both in sales income and margins.

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

The Company's self-developed and designed Powerleader cloud platform provided customers with safe and stable cloud computing services in the third quarter of 2017. Powerleader Private Cloud Solutions built software-defined data centers for a wide range of customers in such industries as operators, government, education, public security, healthcare and enterprise industries in a rapid response to the requirements of new business and meet the expectations of the customers and create more value. Based on the core infrastructure of enterprise IT carried by Powerleader Private Cloud Solutions, a more agile cloud structure was built for data centers of government and enterprises, providing IT delivery that is on-time, real-time, resilient and automated. In addition to mature computing virtualization, Powerleader Private Cloud Solutions realised IT management which based on cloud computing through the software definition of storage, networking, security, and PaaS platforms so as to protect data sharing, improve the utilization of sources and decrease operating costs while achieving automation, compliance of management and guaranteed continuity of IT tasks, transforming enterprise data centers of various sizes into more efficient business application platforms.

In the fourth quarter of 2017, the Company's self-developed super integrated all-in-one product will be updated to a new version, and will be combined with Powerleader's self-developed server to form a holistic software-hardware solution, providing clients with a complete computing, networking and storage integrated structure service. Currently, the entire system has been acknowledged by numerous governments and enterprise customers.

### **Capital Management**

In the third quarter of 2017, the Company continued to adjust its financing structure, strengthened the interactive cooperation between financial institutions in Shenzhen and Hong Kong, made full use of the government's policy on supporting high-tech enterprises, applied for and approved low-cost and government subsidized loans to banks. The Company further reduced the cost of financing while strengthening the management of accounts receivable to raise capital turnover rate.

In the fourth quarter of 2017, the Company will further align its financing environment changes, develop specific financing plans for business needs, and further optimize its debt structure. At the same time, it will continue to strengthen the internal capital management by upholding strict cost accounting, steer up the consciousness of financial costs, and improve the efficiency of capital use.

### **MAJOR ASSOCIATE OF THE GROUP**

In the third quarter of 2017, Zqgame, a major associate of the Group, recorded a turnover of RMB229,797,850.61, representing an increase of 0.99% over the corresponding period of last year and a net profit attributable to holders of ordinary shares of the Company of RMB18,874,269.10, representing an increase of 30.36% over the corresponding period of last year. This is mainly attributable to fluctuations in income from Zqgame's products and retrospective adjustments of Zqgame's past annual accounting data; in the past three quarters, Zqgame has continuously improved

and optimised its principal business, seeking innovative breakthrough of its business in the face of intensified competition in the gaming industry, continuously strengthening research in new games and development of new technology, focusing its efforts on building boutique games that meet market demands. In future, Zqgame will based on its past strategic transformation explorations continue to improve on Zqgame's Spartan phalanx strategy, relying on Zqgame's veteran experience and technology, to develop and strengthen its cloud service business and science and technology cultural tourism business, continuously strengthening the profitability of Zqgame, actively expanding new income sources, raising the competitiveness of Zqgame.

The Group's associate Beijing Haiyun Jiexun Technology Limited ("Haiyun Jiexun") is principally engaged in OpenStack operation and maintenance services, recording in the third quarter of 2017 a turnover of approximately RMB22,736,600, a growth of 27% over the same period last year, and a net loss attributable to ordinary shareholders of Haiyun Jiexun of approximately RMB13,330,000, a drop of 11% over the same period last year. This is mainly attributable to Haiyun Jiexun increasing investment in research and development. In the first three quarters, Haiyun Jiexun had continued increasing investment in research and development, mainly centering on research and development of products related to private cloud, public cloud, hybrid cloud, etc. In future, Haiyun Jiexun will rely on OpenStack to devote to the research and development of key areas including tertiary institutions, scientific research institutes, healthcare, and IDC.

### **Government Affairs**

In the third quarter of 2017, the Group continued to strengthen its effects in applying for government project funding and honours. It has secured a number of qualification accreditations and project funding, and successfully passed the inspection and acceptance procedures of various research projects, with cloud computing, servers and large data as the core content. For external cooperation, the Company continued to enter into scientific and technology cooperation with institutes and R&D institutions, and introduce high-tech talents and advanced technology.

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 August 2017, Powerleader Science & Technology Group received industry development specific funds — headquarters operations, management personnel from Fu Tian district in 2017;

In August 2017, Powerleader Science & Technology Group received industry development specific funds and discount loans from Fu Tian district in 2017;

In September 2017, Powerleader Software received support funds from the first batch of computer software copyright registration in 2017;

In September 2017, Powerleader Science & Technology Group received support funds from key enterprises in key industries to expand production efficiency project.

In the fourth quarter of 2017, the Group will continue to apply for new funding and honors and further raise the rate of successful applications. The Group will conduct an overall review of the strengths and weaknesses on the tasks, collect government information and complete all the project applications on time and with quality in order to lift up the brand reputation of Powerleader. The Group will strive to add new impetus to Powerleader’s technology innovation by further cooperation with institutes and R&D institutions.

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

As at 30 September 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 ( <i>Note 1</i> )	102,184,500	42.05%	56.07%
Ms. Zhang Yunxia ( <i>Note 1</i> )	102,184,500	42.05%	56.07%
Mr. Ma Zhumao ( <i>Note 2</i> )	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. 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 interests 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 30 September 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 30 September 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 30 September 2017, the Company has neither adopted any share option scheme nor granted any option.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 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		Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
	Shares	Capacity		
Powerleader Investment Holding Company ( <i>Note</i> )	102,184,500	Beneficial Owner	42.05%	56.07%
Shenzhen City Hengtong Dayuan Electronics Co., Ltd (深圳市恒通達遠電子有限公司)	23,958,000	Beneficial Owner	9.86%	13.15%
Harbin Century Longxiang Technology Development Co., Ltd (哈爾濱世紀龍翔科技開發有限公司)	15,963,750	Beneficial Owner	6.57%	8.76%
Urumqi Yali Anda Investment Co., Ltd (烏魯木齊雅利安達股權投資有限公司)	15,000,000	Beneficial Owner	6.17%	8.23%

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

## 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 30 September 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 nine months ended 30 September 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 Nine 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 Nine Months Period.

## AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to 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 Nine 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 Nine Months Period.

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

Shenzhen, the PRC, 31 October 2017

*As at the date hereof, the Board comprises a total of 8 Directors, including Ms. Zhang Yunxia, Mr. Dong Weiping and Mr. Ma Zhumao as executive Directors, Mr. Li Ruijie, 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) for at least 7 days from its date of publication and the Company's website at [www.powerleader.com.cn](http://www.powerleader.com.cn).*