



宝德科技集團股份有限公司

**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 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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 the Company (the “Directors”) of Powerleader Science & Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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 2018 (“Six Months Period”) together with comparative unaudited figures for the same period in 2017 as follows:

### CONSOLIDATED INCOME STATEMENT

Items	Note	Three months ended 30 June		Six months ended 30 June	
		2018 RMB (Unaudited)	2017 RMB (Unaudited)	2018 RMB (Unaudited)	2017 RMB (Unaudited)
<b>I. Total operating income</b>		<b>901,492,905.82</b>	905,147,359.57	<b>1,538,518,982.09</b>	1,637,109,855.41
Including: operating revenue		901,492,905.82	905,147,359.57	1,538,518,982.09	1,637,109,855.41
<b>II. Total operating cost</b>	3	<b>889,880,444.33</b>	908,527,149.37	<b>1,483,037,279.35</b>	1,627,499,838.06
Including: Cost of operation		790,996,538.11	825,603,506.91	1,356,536,176.70	1,485,364,615.82
Business taxes and surcharges		1,040,736.51	951,140.10	1,065,639.82	1,669,800.51
Selling expenses		19,020,893.26	20,642,514.41	35,763,345.79	38,904,713.11
Administration expenses		26,135,322.57	33,659,128.67	43,936,288.85	60,363,893.88
Finance costs	5	52,686,953.88	27,670,859.28	45,735,828.19	41,196,814.74
Impairment loss of assets		—	—	—	—
Add: Gain on fair value changes (loss is denoted as “( )”)		—	—	—	—
Investment income (loss is denoted as “( )”)		737,621.95	313,137,703.15	2,603,190.75	313,522,043.28
Including: Gain on investment in associates and joint ventures		748,789.85	(61,660.37)	2,462,098.19	322,679.76
<b>III. Operating profit (loss is denoted as “( )”)</b>		<b>12,350,083.44</b>	309,757,913.35	<b>58,084,893.49</b>	323,132,060.63
Add: Non-operating income	4	2,556,320.17	2,317,819.54	7,402,350.92	4,719,685.24
Including: Gain on disposal of non-current assets		—	—	—	—
Less: Non-operating expenses		6,172.23	40,429.80	10,539.55	58,265.86
Including: Loss on disposal of non-current assets		—	—	—	—
<b>IV. Total Profit (total loss is denoted as “( )”)</b>		<b>14,900,231.38</b>	312,035,303.09	<b>65,476,704.86</b>	327,793,480.01
Less: Income tax expenses	6	3,682,468.70	3,431,484.37	5,806,153.25	5,300,140.43
<b>V. Net profit (net loss is denoted as “( )”)</b>		<b>11,217,762.68</b>	308,603,818.72	<b>59,670,551.61</b>	322,493,339.58
Net profit attributable to shareholders of the parent company		2,355,935.29	308,604,238.45	50,808,873.22	322,494,051.79
Profit or loss of minority interests		8,861,827.39	(419.73)	8,861,678.39	(712.21)
<b>VI. Earnings per share:</b>					
(1) Basic earnings per share	8	0.010	1.270	0.209	1.327
(2) Diluted earnings per share	8	0.010	1.270	0.209	1.327
<b>VII. Other comprehensive income</b>					
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					
<b>VIII. Total comprehensive income (net loss is denoted as “( )”)</b>		<b>11,217,762.68</b>	308,603,818.72	<b>59,670,551.61</b>	322,493,339.58
Total comprehensive income attributable to shareholders of the parent company		2,355,935.29	308,604,238.45	50,808,873.22	322,494,051.79
Total comprehensive income attributable to minority interests		8,861,827.39	(419.73)	8,861,678.39	(712.21)

## CONSOLIDATED BALANCE SHEET

Items	Note	30 June 2018 RMB (Unaudited)	31 December 2017 RMB (Audited)
<b>Current assets:</b>			
Monetary Capital		480,654,991.00	327,110,899.44
Financial assets at fair value through the current profit or loss		73,404.67	44,935.41
Notes receivable		24,927,007.93	19,317,780.05
Accounts receivable	12	1,013,483,398.85	871,785,171.07
Prepayments		12,897,274.60	10,569,389.53
Interest receivables		—	—
Dividend receivables		795,645.65	795,645.65
Other receivables	13	531,387,642.87	667,685,452.22
Inventories		445,468,722.51	483,969,808.40
Non-current assets classified as held for disposal and assets in an asset group classified as held for disposal		—	—
Non-current assets due within 1 year		—	—
Other current assets		25,927,542.24	25,789,993.13
<b>Total current assets</b>		<b><u>2,535,615,630.32</u></b>	<b><u>2,407,069,074.90</u></b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		18,704,904.00	15,204,904.00
Held-to-maturity investment		—	—
Long-term accounts receivable		—	—
Long-term equity investment	11	134,386,726.04	131,924,627.85
Investment Properties	10	206,419,306.97	206,419,308.01
Fixed assets	9	284,363,523.31	299,487,005.22
Construction in progress	9	178,956,440.51	174,997,923.50
Construction material		—	—
Fixed assets pending for disposal		—	—
Intangible assets		5,881,896.40	6,061,274.97
Development expenditure		—	—
Goodwill		—	—
Long-term prepayments		1,211,622.84	1,707,743.48
Deferred income tax assets		8,564,513.39	8,564,513.39
Other non-current assets		—	—
<b>Total non-current assets</b>		<b><u>838,488,933.46</u></b>	<b><u>844,367,300.42</u></b>
<b>Total assets</b>		<b><u>3,374,104,563.78</u></b>	<b><u>3,251,436,375.32</u></b>

Items	Note	30 June 2018 RMB (Unaudited)	31 December 2017 RMB (Audited)
<b>Current liabilities:</b>			
Short-term loans	15	1,112,328,468.55	1,170,519,452.62
Financial liabilities at fair value through the current profit or loss		—	—
Notes payable		92,941,302.00	131,000,000.00
Accounts payable	14	363,622,246.47	378,278,483.13
Receipts in advance		86,986,425.33	68,051,656.32
Employee emolument payables		92,836.29	7,993,073.80
Tax payables		56,034,301.21	65,086,910.13
Interest payables		—	1,146,558.33
Dividend payables		—	—
Other payables		39,922,801.99	39,357,411.90
Liabilities classified as held for disposal		—	—
Non-current liabilities repayable within one year		74,000,000.00	47,626,399.63
Other current liabilities		4,432,684.37	6,403,932.87
<b>Total current liabilities</b>		<b><u>1,830,361,066.21</u></b>	<b><u>1,915,463,878.73</u></b>
<b>Non-current liabilities:</b>			
Long-term loans		25,000,000.00	43,000,000.00
Long-term payables		32,000,000.12	
Payables for special project		—	—
Estimated liabilities		—	—
Deferred income		30,468,125.00	31,008,125.00
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
<b>Total non-current liabilities</b>		<b><u>87,468,125.12</u></b>	<b><u>74,008,125.00</u></b>
<b>Total liabilities</b>		<b><u>1,917,829,191.33</u></b>	<b><u>1,989,472,003.73</u></b>

Items	<i>Note</i>	30 June 2018 <i>RMB</i> (Unaudited)	31 December 2017 <i>RMB</i> (Audited)
<b>Shareholders' equity:</b>			
Capital	16	243,000,000.00	243,000,000.00
Other equity instruments		—	—
Including: Preference share		—	—
Perpetual bond		—	—
Capital reserves		57,958,529.72	57,958,529.72
Less: Treasury shares			
Other comprehensive equity		130,795,486.64	130,795,486.64
Special reserves		—	—
Surplus reserves		35,125,156.64	35,125,156.64
General risk reserves		—	—
Undistributed profits		<u>810,282,907.94</u>	<u>760,428,585.47</u>
<b>Total equity attributable to shareholders of the parent company</b>		<u><b>1,277,162,080.94</b></u>	<u><b>1,227,307,758.47</b></u>
Minority interests		<u>179,113,291.51</u>	<u>34,656,613.12</u>
<b>Total shareholders' equity</b>		<u><b>1,456,275,372.45</b></u>	<u><b>1,261,964,371.59</b></u>
<b>Total liabilities and shareholders' equity</b>		<u><b>3,374,104,563.78</b></u>	<u><b>3,251,436,375.32</b></u>

## CONSOLIDATED CASH FLOW STATEMENT

Items	<i>Note</i>	As of 30 June 2018 <i>RMB</i> (Unaudited)	As of 30 June 2017 <i>RMB</i> (Unaudited)
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		1,708,161,507.33	1,832,011,066.35
Refund of taxes and levies		—	3,062,051.31
Other cash receipts relating to operating activities		26,110,738.13	16,783,628.48
<b>Sub-total of cash inflows from operating activities</b>		<b>1,734,272,245.46</b>	1,851,856,746.14
Cash paid for goods and services		1,631,505,035.50	1,706,762,856.07
Cash paid to and on behalf of employees		38,363,099.16	33,587,815.40
Payments of taxes and levies		40,048,405.45	31,822,074.10
Other cash payments relating to operating activities		20,613,592.75	97,386,268.28
<b>Sub-total of cash outflows from operating activities</b>		<b>1,730,530,132.86</b>	1,869,559,013.85
<b>Net cash flows from operating activities</b>		<b>3,742,112.60</b>	(17,702,267.71)
<b>II. Cash flows from investing activities:</b>			
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		—	—
<b>Sub-total of cash inflows from investing activities</b>		<b>—</b>	—
Cash paid to acquire fixed assets, intangible assets and other long-term assets		14,483,376.25	16,836,792.56
Cash paid on investments		3,660,373.17	3,000,000.00
Net cash paid on acquisition of subsidiaries and other operating units		—	—
Other cash payments relating to investing activities		—	—
<b>Sub-total of cash outflows from investing activities</b>		<b>18,143,749.42</b>	19,836,792.56
<b>Net cash flows from investing activities</b>		<b>(18,143,749.42)</b>	(19,836,792.56)

Items	Note	As of 30 June 2018 RMB (Unaudited)	As of 30 June 2017 RMB (Unaudited)
<b>III. Cash flows from financing activities:</b>			
Cash received from investment		136,780,000.00	—
Including: Cash received by subsidiaries from absorbing investment from minority shareholders		—	—
Cash received from loans		502,814,795.24	1,639,735,695.09
Cash received from issuing bonds		—	—
Cash received from other financing activities		—	—
<b>Sub-total of cash inflows from     financing activities</b>		<b>639,594,795.24</b>	1,639,735,695.09
Cash payments for settlement of loans		549,983,019.17	1,506,144,488.86
Cash payments for distribution of dividends, profit or interest expenses		22,116,131.88	37,952,721.06
Including: Cash payments for distribution of dividends and profit to minority shareholders		—	—
Cash payment for other financing activities		—	—
<b>Sub-total of cash outflows from     financing activities</b>		<b>572,099,151.05</b>	1,544,097,209.92
<b>Net cash flows from financing     activities</b>		<b>67,495,644.19</b>	95,638,485.17
<b>IV. Effect of foreign exchange rate     changes to cash and cash equivalents</b>		<b>450,084.18</b>	—
<b>V. Net increase in cash and cash equivalents</b>		<b>53,544,091.55</b>	58,099,424.90
Add: Balance of cash and cash equivalents at the beginning of the period		217,125,028.20	239,589,331.96
<b>VI. Balance of cash and cash equivalents at     the end of the period</b>		<b>270,669,119.75</b>	297,688,756.86

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF SHAREHOLDER

Items (Unaudited)	Amount for the period									
	Attributable to shareholders of the parent company									
	Share Capital	Capital Reserves	Less: Treasury shares	Other Comprehensive Revenue	Surplus reserves	General risk reserves	Undistributed Profits	Others	Minority Interests	Total Shareholders' Equity
	<i>RMB</i>	<i>RMB</i>		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>		<i>RMB</i>	<i>RMB</i>	
I. Balance at the end of last year	243,000,000.00	57,958,529.72	—	130,795,486.64	35,125,156.64	—	760,428,585.47	—	34,656,613.12	1,261,964,371.59
Add: Correction of errors in previous period due to changes in accounting policy	—	—	—	—	—	—	(954,550.75)	—	—	(954,550.75)
II. Balance at the beginning of the year	243,000,000.00	57,958,529.72	—	130,795,486.64	35,125,156.64	—	759,474,034.72	—	34,656,613.12	1,261,009,820.84
III. Changes (increase/decrease) for the period (decrease is denoted in “(”)	—	—	—	—	—	—	50,808,873.22	—	144,456,678.39	195,265,551.61
(1) Net profit	—	—	—	—	—	—	50,808,873.22	—	—	—
(2) Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Sub-total of (1) and (2)	—	—	—	—	—	—	50,808,873.22	—	8,861,678.39	59,670,551.61
(3) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	—	—
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	6,432,800.00	59,670,551.61
2. Share-based payment included in the amount of shareholders' equity	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	135,595,000.00	—	135,595,000.00
(4) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(5) Internal transfer 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	<u>243,000,000.00</u>	<u>57,958,529.72</u>	<u>—</u>	<u>130,795,486.64</u>	<u>35,125,156.64</u>	<u>—</u>	<u>810,282,907.94</u>	<u>—</u>	<u>179,113,291.51</u>	<u>1,456,275,372.45</u>



Items (Unaudited)	Amount for last period									
	Attributable to shareholders of the parent company									Total Shareholders' Equity RMB
	Share Capital RMB	Capital Reserves RMB	Less: Treasury shares	Other Comprehensive Revenue RMB	Surplus reserves RMB	General risk reserves	Undistributed Profits RMB	Others	Minority Interests RMB	
<b>I. Balance at the end of last year</b>	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	—	—	—	—	—	—	—	—	—	—
<b>II. Balance at the beginning of the year</b>	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
<b>III. Changes (increase/decrease) for the period (decrease is denoted in “-”)</b>	—	—	—	—	—	—	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 shareholders' 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 transfer 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	—	—	—	—	—	—	—	—	—	—
<b>IV. Balance at the end of period</b>	<u>243,000,000.00</u>	<u>36,229,302.37</u>	<u>—</u>	<u>(575,318.87)</u>	<u>37,626,042.30</u>	<u>—</u>	<u>865,726,526.81</u>	<u>—</u>	<u>(4,035.49)</u>	<u>1,182,002,517.12</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2018*

### **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 GEM 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) server, storage and solution provider; (ii) electronic equipment and accessories (non-server and storage) distribution business; (iii) Guangzhou Internet Data Center business; (iv) industrial park development, operation and property management business; and (v) industrial investment business (non-server and storage).

### **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 2018 together with comparative unaudited figures for the corresponding period in 2017 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	
	2018 RMB (Unaudited)	2017 RMB (Unaudited)	2018 RMB (Unaudited)	2017 RMB (Unaudited)
Revenue from the principal businesses				
Including: Server, storage and solution	<b>804,462,105.26</b>	573,389,499.39	<b>1,370,411,792.46</b>	1,247,811,108.40
Electronic equipment and accessories (non-server and storage) distribution business	<b>74,173,505.83</b>	322,452,776.38	<b>129,823,544.43</b>	370,336,524.90
Guangzhou Internet Data Center business	<b>15,331,060.13</b>	6,493,112.94	<b>27,107,988.32</b>	14,248,843.20
Industrial park development, operation and property management business	<b>1,068,915.72</b>	710,638.49	<b>2,106,287.12</b>	1,363,762.33
Other operating revenue	<b>6,457,319.06</b>	2,101,332.37	<b>9,069,369.76</b>	3,349,616.58
<b>Total</b>	<b>901,492,905.82</b>	905,147,359.57	<b>1,538,518,982.09</b>	1,637,109,855.41
Results from principal businesses				
Including: Server, storage and solution	<b>55,160,268.27</b>	22,436,164.32	<b>87,494,450.80</b>	47,193,326.46
Electronic equipment and accessories (non-server and storage) distribution business	<b>1,159,251.82</b>	3,187,647.29	<b>2,805,694.63</b>	6,147,261.84
Guangzhou Internet Data Center business	<b>1,185,561.02</b>	(3,606,195.32)	<b>1,467,539.93</b>	(6,188,113.07)
Industrial park development, operation and property management business	<b>347,939.66</b>	208,786.35	<b>664,238.09</b>	397,411.25
Other operating results	<b>6,446,394.60</b>	2,064,666.84	<b>8,785,607.48</b>	3,256,945.61
<b>Total</b>	<b>62,433,846.57</b>	24,291,069.48	<b>101,217,530.93</b>	50,806,832.09
Finance costs	<b>52,686,953.88</b>	27,670,859.28	<b>45,735,828.19</b>	41,196,814.74
Share of profit from associates	<b>748,789.85</b>	(61,660.37)	<b>2,462,098.19</b>	322,679.76
Profit before tax	<b>14,900,231.38</b>	312,035,303.09	<b>65,476,704.86</b>	327,793,480.01
Income tax expenses	<b>3,682,468.70</b>	3,431,484.37	<b>5,806,153.25</b>	5,300,140.43
Net profit for the period	<b>11,217,762.68</b>	308,603,818.72	<b>59,670,551.61</b>	322,493,339.58

#### 4. NON-OPERATING INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government Subsidies	<b>2,464,542.82</b>	1,840,876.94	<b>7,194,001.58</b>	4,196,851.31
Others	<b>91,777.35</b>	476,942.60	<b>208,349.34</b>	522,833.93
<b>Total</b>	<b><u>2,556,320.17</u></b>	<u>2,317,819.54</u>	<b><u>7,402,350.92</u></b>	<u>4,719,685.24</u>

#### 5. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses	<b>19,288,470.21</b>	24,389,712.16	<b>31,524,342.57</b>	37,952,721.06
Less: Interest income	<b>1,145,810.99</b>	71,722.04	<b>1,194,154.72</b>	106,912.00
Add: Loss on exchange	<b>29,225,647.50</b>	302,381.37	<b>9,156,564.44</b>	—
Less: Gain on exchange	—	—	—	909,057.81
Handling charges	<b>5,318,647.16</b>	3,050,487.79	<b>6,249,075.90</b>	4,260,063.49
<b>Total</b>	<b><u>52,686,953.88</u></b>	<u>27,670,859.28</u>	<b><u>45,735,828.19</u></b>	<u>41,196,814.74</u>

#### 6. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax (written back)/charge PRC	<b>2,761,658.19</b>	3,303,702.34	<b>4,117,754.54</b>	4,298,341.35
Hong Kong	<b>920,810.51</b>	127,782.03	<b>1,688,398.71</b>	1,001,799.08
<b>Total</b>	<b><u>3,682,468.70</u></b>	<u>3,431,484.37</u>	<b><u>5,806,153.25</u></b>	<u>5,300,140.43</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”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 30 June 2018 (during the period ended 30 June 2017: 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 2018 (during the period ended 30 June 2017: 15%).

Powerleader Software was subject to EIT at a rate of 15% during the period ended 30 June 2018 (during the period ended 30 June 2017: 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 2018.

Hong Kong Profits tax is calculated at 16.5% (for the six months ended 30 June 2017: 16.5%) of the estimated assessable profit for the Six Months Period.

## 7. INTERIM DIVIDENDS

At a meeting held on 14 August 2018, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018.

## 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	
	2018	2017	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
Net profit attributable to shareholders of the parent company	<b>2,355,935.29</b>	308,604,238.45	<b>50,808,873.22</b>	322,494,051.79
<b>Number of shares</b>				
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 RMB50,808,873.22 (for the six months ended 30 June 2017: RMB322,494,051.79) and the weighted average number of 243,000,000 shares in issue (2017: 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 2017: nil).

## 9. FIXED ASSETS AND CONSTRUCTION IN PROGRESS

During the period, the Group spent RMB14,483,376.25 (the same period of 2017: RMB6,293,628.62) on acquisition of property, plant and equipment.

## 10. INVESTMENT PROPERTIES

During the period, the balance of the Group's investment properties was RMB206,419,306.97 (the same period of 2017: RMB23,782,340.5).

## 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 (RMB)	Beginning balance (RMB) (Audited)	Increase for the period (RMB) (Unaudited)	Decrease for the period (RMB) (Unaudited)	Ending balance for the period (RMB) (Unaudited)	Cash dividend received for the period (RMB)
Accounted for using equity method								
Shenzhen Zqgame Interactive Network Co., Limited <sup>Note 1</sup>								
	15.24	15.24	3,000,000.00	114,572,111.29	4,192,091.76	—	118,764,203.05	—
Beijing Haiyun Jiexun Technology Limited <sup>Note 2</sup>								
	10.135	10.135	15,000,000.00	17,352,516.56	—	1,729,993.57	15,622,522.99	—
<b>Total</b>			<u>60,000,000.00</u>	<u>131,924,627.85</u>	<u>4,192,091.76</u>	<u>1,729,993.57</u>	<u>134,386,726.04</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.

## 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:

	<b>30 June 2018 RMB (Unaudited)</b>	31 December 2017 RMB (Audited)
Within 1 month	<b>448,010,817.06</b>	343,382,159.90
1–3 months	<b>160,349,070.11</b>	156,032,654.32
4–6 months	<b>211,703,411.14</b>	207,513,423.56
Over 6 months	<b>242,670,051.67</b>	214,106,884.42
	<b>49,249,951.13</b>	49,249,951.13
Less: allowance for bad debts		
Accounts receivable, net	<b><u>1,013,483,398.85</u></b>	<b><u>871,785,171.07</u></b>

## 13. OTHER RECEIVABLES

	<b>30 June 2018 RMB (Unaudited)</b>	31 December 2017 RMB (Audited)
Other receivables	<b>555,226,199.13</b>	691,863,395.53
Less: allowance for bad debts	<b>23,838,556.26</b>	24,177,943.31
Other receivables, net	<b><u>531,387,642.87</u></b>	<b><u>667,685,452.22</u></b>

#### 14. ACCOUNTS PAYABLE

The age analysis of accounts payable is as follows:

	<b>30 June 2018 RMB (Unaudited)</b>	31 December 2017 RMB (Audited)
Within 1 month	93,650,106.36	110,122,416.56
1–3 months	125,674,537.32	136,756,001.21
4–6 months	86,285,258.53	80,425,783.23
Over 6 months	58,012,344.26	50,974,282.13
<b>Total</b>	<b><u>363,622,246.47</u></b>	<b><u>378,278,483.13</u></b>

#### 15. SHORT-TERM LOANS

Category	Currency	As of 30 June 2018 (Unaudited)		
		Amount in original	Exchange rate	Amount in RMB
Guaranteed loans	RMB	564,600,000.00	1	564,600,000.00
Guaranteed loans	US\$	82,129,994.00	6.67	<u>547,728,468.55</u>
<b>Total</b>				<b><u>1,112,328,468.55</u></b>

Category	Currency	As of 31 December 2017 (Audited)		
		Amount in original	Exchange rate	Amount in RMB
Guaranteed loans	RMB	695,000,000.00	1	695,000,000.00
Guaranteed loans	US\$	72,773,936.00	6.53	<u>475,519,452.62</u>
<b>Total</b>				<b><u>1,170,519,452.62</u></b>



**Details of guarantee:**

<b>Lender</b>	<b>Currency</b>	<b>Loan principal (in original currency)</b>	<b>Guarantor</b>
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	34,649,655.00	Powerleader Holdings, Ex-channel, Li Ruijie, Zhang Yunxia
China Construction Bank (Shenzhen Housing and Urban Construction branch) (credit letter)	USD	18,952,574.00	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, Zhang Yunxia
Industrial and Commercial Bank of China (Shenzhen Bantian branch)	RMB	25,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Industrial and Commercial Bank of China (Shenzhen Bantian branch)	USD	8,349,965.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Huaxing Bank, Shenzhen Branch	RMB	20,000,000.00	Medium and Small Enterprise Guaranty Company, 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	9,600,000.00	Zhang Yunxia, Li Ruijie, Powerleader Holdings
China Construction Bank (Shangbu Branch)	RMB	10,000,000.00	
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	6,000,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Hongkong and Shanghai Banking Corporation Limited (Telford Garden branch)	USD	7,640,000.00	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

## 16. SHARE CAPITAL

Name of shareholder/ category	As of 31 December 2017 (RMB) (Audited)		Movements during the period					As of 30 June 2018 (RMB) (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	165,000,000.00	67.90	—	—	—	—	—	165,000,000.00	67.90
Domestic limited partnership shares	17,250,000.00	7.10	—	—	—	—	—	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
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 2018, the Company as lessee had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	<b>30 June 2018 RMB (Unaudited)</b>	31 December 2017 RMB (Audited)
Within one year	<b>2,891,960.11</b>	15,751,905.41
In the second to fifth year (both years inclusive)	<b>38,846,899.10</b>	175,588,238.11
<b>Total</b>	<b><u>41,738,859.21</u></b>	<b><u>191,340,143.52</u></b>

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

	<b>30 June 2018 RMB (Unaudited)</b>	31 December 2017 RMB (Audited)
Construction-in-progress	<b>39,750,813.00</b>	21,779,805.23

## 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 4 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 of the Group are server, storage and solution; electronic equipment and accessories (non-server and storage) distribution; Guangzhou Internet Data Center business; industrial park development, operation and property management business.

The segment information of the Group is as follows:

<b>Operating segment</b>	<b>Principal operations</b>
Server, storage and solution	— Provision of server, storage and other equipment and related solutions
Electronic equipment and accessories (non-server and storage) distribution business	— Provision of agency distribution and value-added services for non-server and storage related parts
Guangzhou Internet Data Center business	— Provision of data center supporting facilities and space solutions
Industrial park development, operation and property management business	— Provision of full service of industrial parks and related property management

## 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 2018 (Unaudited)

Items	Server, storage and solution provider	Electronic equipment and accessories (non- server and storage) distribution business	Guangzhou Internet Data Center business	Industrial park development, operation and property management business	Unallocated (RMB)	Elimination (RMB)	Total (RMB)
	(RMB)	(RMB)	(RMB)	(RMB)			
Operating revenue	1,639,096,676.22	185,957,114.23	27,144,694.82	2,106,287.12	—	(315,785,790.30)	1,538,518,982.09
Including: Revenue from external transactions	1,371,056,869.35	138,211,130.80	27,144,694.82	2,106,287.12	—	—	1,538,518,982.09
Revenue from intra- segment transactions	268,039,806.87	47,745,983.43	—	—	—	(315,785,790.30)	—
Operating costs	1,493,518,086.13	164,304,694.60	14,499,186.27	—	—	(315,785,790.30)	1,356,536,176.70
Expenses for the period	55,089,392.24	16,898,371.68	11,185,968.62	1,442,049.03	41,885,321.08	—	126,501,102.65
Total segment operating profit (total loss)	90,489,197.85	4,754,047.95	1,459,539.93	664,238.09	(31,890,318.96)	—	65,476,704.86
Total assets	1,457,119,632.75	1,348,428,339.91	246,057,816.13	—	1,701,846,876.13	(1,379,348,101.14)	3,374,104,563.78
Including: Significant impairment loss of individual assets	—	—	—	—	—	—	—
Total liabilities	895,799,577.07	517,989,004.50	103,229,462.02	—	1,664,083,453.72	(1,263,272,305.98)	1,917,829,191.33
Supplementary information	—	—	—	—	—	—	—
Capital expenditure	444,007.00	13,208.55	14,026,160.70	—	—	—	14,483,376.25
Impairment loss recognized in the period	—	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—	—
Depreciation and amortization expenses	1,302,858.77	1,767,288.10	10,041,692.43	—	3,470,323.72	—	16,524,684.18
Non-cash expenses other than impairment loss, depreciation and amortization	—	—	—	—	—	—	—

**For the six months ended 30 June 2017 (Unaudited)**

Items	Server, storage and solution provider (RMB)	Electronic equipment and accessories (non-server and storage) distribution business (RMB)	Guangzhou Internet Data Center business (RMB)	Industrial park development, operation and property management business (RMB)	Unallocated (RMB)	Elimination (RMB)	Total (RMB)
Operating revenue	1,546,438,409.14	389,990,713.75	14,248,843.20	1,363,762.33	—	(314,931,873.01)	1,637,109,855.41
Including: Revenue from external transactions	1,247,818,031.04	373,679,218.84	14,248,843.20	1,363,762.33	—	—	1,637,109,855.41
Revenue from intra- segment transactions	298,620,378.10	16,311,494.91	—	—	—	(314,931,873.01)	—
Operating costs	1,439,590,898.04	349,763,758.52	10,941,832.27	—	—	(314,931,873.01)	1,485,364,615.82
Expenses for the period	56,514,463.47	46,794,255.11	9,455,528.50	966,351.08	28,404,624.08	—	142,135,222.24
Total segment operating profit (total loss)	50,333,047.63	2,086,882.02	(6,148,517.57)	397,411.25	281,124,656.68	—	327,793,480.01
Total assets	1,617,267,782.30	1,648,603,537.38	48,577,788.31	—	1,537,209,484.79	(1,685,174,370.15)	3,166,484,222.63
Including: Significant impairment loss of individual assets	—	—	—	—	—	—	—
Total liabilities	820,723,687.35	734,681,219.37	20,492,256.88	—	1,890,633,571.16	(1,482,049,029.25)	1,984,481,705.51
Supplementary information	—	—	—	—	—	—	—
Capital expenditure	4,975,276.42	80,487.98	11,319,621.84	—	—	—	16,375,386.24
Impairment loss recognized in the period	—	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—	—
Depreciation and amortization expenses	10,426,321.89	1,579,045.06	7,946,092.50	—	7,674,281.16	—	27,625,740.61
Non-cash expenses other than impairment loss, depreciation and amortization	—	—	—	—	—	—	—

## MANAGEMENT DISCUSSION AND ANALYSIS

On 1 November 2017, the Company was successful in the bidding of the Property at the Judicial Auction. The land use rights of the land located on the east side of Longda Expressway\* (龍大高速) and the south side of No. 5 Road\* (五號路) in the Guangming High-Tech Industrial Development Zone\* (光明高新區), land no. A621-0042, with land use area of 13,184.20 square meters (specific figures subject to final approval by the relevant competent authorities) (the “Land Use Rights”). The land use is designated as general industrial use, with a lease of 50 years, from 24 August 2010 to 23 August 2060. On 10 November 2017, the Company, the Shenzhen Enterprise Insolvency Association and the Bankruptcy and Liquidation Administrator entered into the Auction Completion Confirmation. Pursuant to the Auction Completion Confirmation, the parties confirmed that the Company is the successful bidder in respect of the acquisition of the Property at the Consideration of RMB194,608,288.84 at the Judicial Auction. The Judicial Auction which was bid in the name of the Company was jointly participated by the Company and Shenzhen Shenshang in the proportion of 60% and 40% respectively. The Consideration paid was contributed by the Company and Shenzhen Shenshang as to approximately 60% and 40% respectively. The Company expects that the profit before tax and profit after tax derived from the sales of the Property will be approximately RMB151 million and RMB76 million respectively. Therefore, the Company’s return on its investment will be 22%. The transaction is currently progressing smoothly.

On 11 May 2018, The Shenzhen Shangbu subbranch of Hua Xia Bank Co., Limited\* (華夏銀行股份有限公司深圳上步支行) (the “Pledgee”) is reluctant to assist in the release of the pledge on the Land Use Rights of the Property (the “Pledge”) under the circumstances that the share of the Judicial Auction proceeds allocated by the Bankruptcy and Liquidation Administrator has not yet been received, the Acquisition is thus unable to be completed on time. The Company has expedited and conducted the registration of change of Land Use Rights of the Property with the Bankruptcy and Liquidation Administrator and the Shenzhen Intermediate People’s Court as soon as possible. Taking into consideration factors such as (i) expediting work relating to the release of the Pledge takes time (ii) the expected time required for the transfer procedure with the Shenzhen Real Estate Registration Center; and (iii) the time for online publication with the Shenzhen Real Estate Registration Center, the Company anticipates that the completion of registration of change of Land Use Rights of the Property will be delayed to a time on or before 30 September 2018. The project is progressing in an orderly way. Details can be found in the announcements on 6 November 2017 and 11 May 2018.

On 24 May 2018, the Company, Powerleader VC (a wholly owned subsidiary of the Company), the First Round Investors and the Second Round Investors have entered into the Second Round Capital Contribution Agreement with Powerleader Computing, pursuant to which the Second Round Investors agreed to make capital contributions of RMB135,595,000 to Powerleader Computing, of which RMB6,432,800 will be applied to the registered capital of Powerleader Computing, while the remainder of RMB129,162,200 will be applied to the capital reserve of Powerleader Computing. The aggregate capital contributions made by the First Round Investors and the Second Round Investors to Powerleader Computing amount to RMB172,045,000, in exchange for approximately 20.01% of the enlarged equity interest in Powerleader Computing in aggregate. At the same time, The Company owns as to 27.75% interest in Powerleader Computing, Powerleader VC owns as to 64.76% of the equity interest in Powerleader Computing, and the First Round Investors own as to 7.49% of the equity interest in Powerleader Computing. Upon the completion of the Second Round Capital Contribution, the Company, Powerleader VC, the First Round Investors and the Second Round Investors will own as to approximately 24.00%, 55.99%, 6.47%, and 13.54% of the equity interest in Powerleader Computing respectively. The registered capital of Powerleader Computing will increase from RMB41,076,600 to RMB47,509,400. As the Company and Powerleader VC own as to approximately 79.99% interest in Powerleader Computing in aggregate, Powerleader Computing will continue to be an indirect non-wholly owned subsidiary of the Company. Details can be found in the announcements by the Company.

In the first half of 2018, 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 2018, 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 RMB1,538,518,982.09, representing a decrease of 6.02% compared to RMB1,637,109,855.41 in the same period of 2017, which was attributable to the pro-active termination of individual operating projects with poor profitability as a result of the strategic planning adjustment, so as to concentrate our efforts in fostering and promoting those business segments, including server business, with promising market prospect in building our core competitiveness.

Consolidated gross profit margin of the Group for the Six Months Period was 11.83%, representing an increase of 2.56% compared to that of 9.27% in the same period of 2017, mainly as a result of the server business exhibiting continuous 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 dropped by approximately 19.71% to RMB79,699,634.64 from RMB99,268,606.99 for the same period of last year, mainly due to the relatively larger amount of research and development expenditure of the Company for the same period of last year that had accounted for on a one-time basis.

## **BUSINESS REVIEW AND PROSPECT**

### **Server, storage and solution provider**

In the first half of 2018, in light of the rapid growth in the domestic server market, Powerleader servers business recorded a higher growth above industry average. Powerleader's server business team continued to explore the seven traditional industries, namely public security, tertiary institutions, government, smart city, energy, transportation and healthcare, thus enlarging its market share. In view of the continuous robust Internet demand, the Company's share among Internet clients increased significantly. Along with the application of artificial intelligence technology in the segmented market, Powerleader's server team maintained close cooperation with artificial intelligence startup enterprises, explore specific application demand of clients in the four market segments, namely healthcare, finance, intelligent manufacturing and education, and deeply explored the four vertical industries of computer visual, voice recognition, natural language understanding, and machine learning/knowledge mapping. The Group also developed customized differentiated products for its clients, optimized the integrated functions of software and hardware and promoted the computational power and utilization efficiency, and achieved good results. Looking forward into the second half of 2018, the Company will keep up with the development pace in the business exploration of relevant sectors and endeavor to achieve a win-win situation between enterprise and client.

In the first half of 2018, along with the vibrant development in the information computing, Internet, artificial intelligence, block chains industries in the PRC, for the value-added distribution business of server accessories, the Company kept a closer cooperation with upstream suppliers through adjustment and layout in the first half year, whilst expanding its spectrum. In the frontline market, the Company propelled dual layout in channels and industries and achieved sound returns. The Company over-achieved its original target in terms of revenue and profit (achieving rate of 120%). In order to precise and strengthen the value-added agency distribution business and improve industry competitiveness, the Company will continue to escalate its operation and management capabilities, overall operation capabilities and comprehensive quality of all staff and achieve the target for the second half of year and thereafter. In the second half of 2018, the Company will continue to implement the two-prong plan in channels and industries, continue to explore the information computing, Internet, artificial intelligence, block chains industries in the PRC. The Company will intensify its efforts in keeping an in-depth cooperation with upstream manufacturers to co-develop new industry solutions, realize its own distinguished features with comprehensive,

convenient and efficient offerings in procurement plans to clients, maintain strong client tenacity, whereby achieving the target of improving value-added distribution and future sustainable growth. As such, this will over-achieve the original target in the second half year and also lay a good foundation for 2019.

## **Market Promotion**

In the first half of 2018, the market promotion of Powerleader servers business continued to mainly target at improving brand reputation and promoting sales orders, adhered to its positioning in “Powerleader servers — cloud computing, big data and artificial intelligence bedrock”, along with the slogan of “Intelligence integration, creating glory together”, which was fully spread widely and promoted through advertisement placement, marketing activities and self-media.

With regard to advertisement placement, Powerleader servers placed basic advertisement for cloud computing, big data and artificial intelligence in airline magazines of Hongqiao High-speed Railway Station, Shenzhen Airlines, Shanghai airlines, Xiamen Airlines, NewAir (Shandong), as well as traditional networking media such as “China Internet Weekly”, ZDNet and 51CTO, enhanced the image of Powerleader as the product solutions and professional server solutions supplier which advanced along with time in the new IT era, and expanded the brand influence of Powerleader servers.

With regard to marketing activities, by insisting on starting from the demand in business development, Powerleader organized a number of seminars on various topics such as education, channel, and AI in different regions according to local conditions, fortified the promotion of various industry solutions and application cases founded on Powerleader servers in those provincial cities and key cities such as Shenzhen, Xi’an, Tianjin, Guiyang, Shanghai, Beijing and Guangzhou, and radiated to neighbouring cities and districts. At the same time, Powerleader continued to actively participate in major industry conferences held by third parties, leveraging the opportunities to connect Powerleader product solutions with the application demand of target customers, so as to offer more business networks and opportunities to its sales teams. For example, at the GTC2018 of NVIDIA in San Jose, USA, Chengdu Intelligent Expo, International Summit on DCCB Safety Industry, WOT2018 (World of Tech) (global software and operation technology summit) and Xi’an Safety Expo, full exhibition and promotion were conducted in GPU products and application cases of Powerleader servers in the AI sector, product application solutions in security surveillance monitoring and Skynet project, as well as the craftsmanship products in Internet and operation sectors, attracting more attentions and interests from a wide range of target customers

With respect to self-media promotion, Powerleader servers insisted on using public number, official Weibo, official websites, and other channels, using the first-time publicized news events approach in publishing Powerleader new products, new technologies, new directions and tender-winning information, aiming at maintaining its vibrancy in the public and Moments. At the same time, the successful application of

Powerleader servers solutions continued to be publicized and promoted, which enabled clients and cooperating partners in the same industry to grasp and understand the solutions and strengths of Powerleader, so as to improve the trustworthiness of product solutions and pave the way for more sales and cooperation.

In the second half of 2018, focusing on the theme of “Intelligence integration, creating glory together”, we will continue to strengthen the professional image of Powerleader servers — bedrock positioning of cloud computing, big data and artificial intelligence and server total solutions through marketing activities promotion, self-media broadcast and advertising. Using cloud computing as a base, we will continue to focus on the marketing activities, cases promotion and new product activities in artificial intelligence and big data sectors, and delivered the information of Powerleader in a timely manner, influencing widely clients and target clients in the fields of artificial intelligence, government agencies, Internet, education, finance, operators, and smart city. We will also promote the sales of Powerleader servers and solutions and join hands with our sales team to endeavor to achieve the 2018 sales target.

**Honours:**

In January 2018: Powerleader Computing was awarded the “Top 10 Influential Brands in China’s Security and Defence Data Transmission and Storage Category”;

In January 2018: Powerleader Computing was awarded the “Top 10 Influential Brands in China’s Security and Defence (Civilian Consumer Camera)”;

In January 2018: Powerleader Science & Technology was awarded the “3rd Shenzhen Industrial Prize”;

In January 2018: Ms. Zhang Yunxia, Chairman of Powerleader Science & Technology, was awarded the “3rd Shenzhen Industrial Prize”;

In January 2018: Powerleader Science & Technology was awarded the “Shenzhen Computer Industry Association Rapid Growth Prize”;

In January 2018: Powerleader’s Four-star server was awarded the “Shenzhen Computer Industry Association Shenzhen Excellent Product”;

In January 2018: Powerleader Science & Technology was awarded the “Top 10 Contributors to the China Digital Information Industry Ecology”;

In January 2018: Powerleader Science & Technology was awarded the “China Smart City Construction New Dynamic Industries Association — Association Partner”;

In January 2018: Powerleader Science & Technology’s Four-star server PR2765TG was awarded the “Zhiding Lingyun Prize Annual Pedestal Server Prize”;

In April 2018: Shenzhen Powerleader Computing System Limited was admitted as the “Member of Chinese Institute of Electronics”;

In June 2018, Powerleader Computing System Limited was awarded the “Guangdong Province Enterprise of Observing Contract and Value Credit in 2017”.

### **Electronic equipment and accessories (non-server and storage) distribution business**

In the first half of 2018, with the imminent era of Full Connect and Things of Artificial Intelligence as well as facing the challenges of big data, high traffic and huge energy consumption, the Internet energy of Powerleader focused on areas such as data center energy and intelligent building. By leveraging on its preponderant brands in the industry, it assisted clients in rendering energy solutions to fully satisfy industrial ICT application scenarios. It helped clients to achieve easy deployment, secured and reliable, green efficient and intelligent operation maintenance and supported the smooth evolution from ICT internet to 5G and full Cloud. The Company’s Internet energy products maintained a stable development during the period despite encountering increasingly fierce market competition, and its relevant businesses were able to remain par with the Corresponding Period of last year. The Company strengthened the construction of its marketing management system, improved their capability in sales management and fortified the cooperation relationship with suppliers and customers, for the purpose of providing customers with high-quality and comprehensive personalised services, and thereby widened the cooperation relationships with up-and-down stream partners.

In the second half of 2018, the Company will continue its endeavor in exploring marketing channels. By resting on its original marketing channels, the Company will set up a sales department for major clients and focus on the development and maintenance of the businesses with major clients, so as to offer them more efficient, convenient and comprehensive services. Meanwhile, by combining with the national strategy of “Cyber Power Construction Action in Three Years” and under the premise of enhancing the internet infrastructure construction of accelerating broadband speed in cities and villages, deployment of 5G network, next generation internet deployment, it will improve its product system, enrich its commercial pattern and improve its industry competitiveness

The “Internet of Things” is a major trend of future development. The purpose of which is to connect all things with internet for convenient identification and management. Any equipment accessible to electrical power can be an integral part of IoT, including consumer products, namely refrigerators, security camera and cabled STB (set-top box), and industrial system, namely conveyor belt and manufacturing equipment, as well as commercial equipment, namely traffic lights and smart electric meters. According to the Ministry of Industry and Information Technology of the PRC, it is expected that the overall size of China’s Internet of Things will exceed RMB1.8 trillion by 2020.

To capture the trend, the Company integrated its relevant resources and set up IC&IoT department in the first half of 2018 to carry out guidance and layout of the relevant businesses, including agency, R&D and sales of intelligent equipment. Customer products including intelligence community, intelligence equipment and intelligence furniture covered all kinds of industries and terminal consumption products. In the second half of 2018, by integrating the intellectual products' demand from all buildings and offices of the Group, our revenue will have a significant increase. At the same time, in complementing to the rapid development of domestic IC industry and also to IoT, the Company has started to deploy the domestic IC agency business in the first half of 2018, and will not preclude the possibility of developing its own research technology of chips in the future. With its own industrial advantages, it will integrate the upstream and downstream resources to propel the relevant agency businesses in the R&D cooperation and sales of electric power IC, intelligence management IC and block chain IC segments. It is expected that such business will have a significant growth in the second half year.

### **Guangzhou Internet Data Centre Business**

In 2018, Guangzhou IDC continues its sound cooperation with China Telecom focusing on the development of equipment cabinet and bandwidth businesses. Benefit by the increase in equipment cabinets and bandwidth from customers like Huawei and Ucloud, our income showed an obvious increase. Meanwhile, we continued to work very closely with different levels of China Telecom to add new administrative cloud project in certain regions of Guangzhou and resource pool projects in certain cities.

Secondly, Guangzhou IDC is striving to construct the phase two project and is expected to complete and put into production in August. Active measures have been made to pursue local clients. It is expected that phase two production will significantly increase the business income of Guangzhou IDC upon commencement of production.

Meanwhile, based on its cooperation with various operators, Guangzhou IDC expands its in-depth cooperation including its cloud cooperation of the segmented market in vertical industry as well as the maintenance of data centre. This move will also drive a continuous growth of the business income of Guangzhou IDC.

In the first half of 2018, the growth rate of Guangzhou IDC business is a bit higher than industry average. Looking forward to the second half year, we will continue to endeavour in gaining more development opportunities.

### **Industrial park development, operations and property management**

In May 2018, Powerleader • AI Valley project, established by Powerleader Science & Technology, obtained the startup approval in Guangming High-Tech Industrial Development Zone in Shenzhen. The Project will involve the construction of a “Five bases, One platform + integrated support” industrial function system. “Five bases” refer

to artificial intelligence innovation base, futuristic technology intelligence innovation base, future industry scientific innovation base, digital cultural research innovation base, and science and technology finance innovation base, while “One platform” refers to science and technology services mass innovation platform. By constructing “Five bases and One platform”, the project will introduce and nurture a new wave of emerging industries enterprises and science and technology services enterprises, expanding industrial richness, optimising industrial structure, raising industrial quality and efficiency, and accelerating the formation of modernised industrial systems of Guangming with artificial intelligence as foundation, modern service industry as support, emerging industries as leaders, and competitive traditional industries as characteristics.

### **Industrial investment business (non-server and storage)**

Industrial investment refers to an investment approach in sharing interests and assuming risks together in making equity investment and providing operation and management services for an enterprise. Its specific characteristics include long investment term, low capital costs, and business or resource coordination.

In the first half of 2018, the Company’s industrial investment mainly consisted of industrial fund management companies and companies that could coordinate with the Company’s industrial chain business or resources.

In the second half of 2018, the Company will enhance its management capabilities and synergies for its industrial investment projects and improve the Company’s competitiveness in the industry.

### **Employee Information**

As at 30 June 2018, employees of the Company were 845 (30 June 2017: 931). The total staff costs amounted to RMB31,629,954.00 for the Six Months Period compared to RMB32,271,124.64 for that of the same period in 2017.

### **Capital Management**

In the first half of 2018, with different uncertainties exposing to global economy as well as unoptimistic domestic real economy, the government implemented sound monetary policy and credit policy. For financing, the Company deepened its cooperation relationship with financial institutions with innovative financing models. For capital management, the Company continued to improve the capital utilization system of its subsidiaries, and strengthened the management of account receivables in the Company so as to deploy capital fund reasonably and efficiently.

In the second half of 2018, the Company will strictly implement its risk control system, enhance its internal capital management and protect secured corporate capital turnover. Meanwhile, it will continue to adjust its financing structure, expand financing channel and include Powerleader Computing as its financing subject to further optimize financing costs

### **Major Associate of the Group**

The major associate of the Group, Zqgame, is expected to record a net profit attributable to shareholders of common shares of Zqgame of RMB27,508,742.19 million, representing a year-on-year increase of 128%. During the reporting period, net profit attributable to shareholders of listed companies increased synchronously with that of Corresponding Period in last year. This is attributable to the followings: firstly, during the reporting period, Shenzhen Baoteng Internet, our wholly-owned subsidiary, achieved preliminary success, adding new profit point to listed companies. Secondly, during the reporting period, the Company was at its key stage of internal business optimization and conducted the distribution and investment in new business segment, therefore, initial result was seen in the cultural innovative technology project. Thirdly, during the reporting period, dividends from corporate investment generated larger income.

In the first half of 2018, Beijing Haiyun Jiexun, whose principal activities are OpenStack operations and maintenance, recorded a net loss attributable to shareholders of the Company of RMB17,069,497.50, representing a year-on-year increase of 28.45%. This was mainly attributable to the reasons such as large investment of human resources and material resources in R&D. The products researched by Beijing Haiyun Jiexun include two parts, firstly, relying mainly on Openstack, developed its private cloud management platform with independently intelligent intellectual right and built partnerships with multiple major domestic and international software and hardware producers for enterprises and governments such as Intel, Hewlett-Packard, and Neusoft, providing them with Openstack-based private cloud, hybrid cloud, and integrated cloud computing solutions. Secondly, relying on K8S, an artificial intelligent operational management platform and provided universities, scientific research institutes and enterprises the development, layout, test as well as application environment of artificial intelligence. Beijing Haiyun Jiexun will make strong efforts in focused R&D of cloud computing products and solutions in areas such as governments, petroleum and petrochemical, media, manufacturing industry, finance, universities, scientific research institutes, healthcare, and IDC, striving to become the leading private cloud services provider in China.

### **Government Affairs**

In the first half of 2018, the Company stepped up its effort in applying for government project funding and awards in respect of government affair. With cloud computing, server, big data 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 2018, Powerleader Software's "R&D of High Density Cloud Server Key Technology Based on Domestic ARM Processor" passed the Shenzhen New Generation Information Technology Information Security Special Project;

In January 2018, Powerleader Computing was awarded the Shenzhen Enterprise Research & Development Funding Plan with grant support;

In January 2018, Powerleader Science & Technology Group was awarded the "2018 Top 10 Contributors to the China Digital Information Industry Ecology";

In February 2018, Powerleader Science & Technology Group was awarded Shenzhen Productivity Expansion and Efficiency Improvement Project support grant;

In February 2018, Powerleader Science & Technology Group's "Shenzhen Longhua International (Super High) Science and Technology Innovation Centre Project" was enlisted as the 2018 Major Projects of Shenzhen municipality and Longhua District respectively;

In February 2018, Powerleader Software's "R&D of Trusted Multi Process High End Computing System Based on OpenStack" passed the approval of the Shenzhen Strategic Emerging Industry Special Project;

In March 2018, Powerleader Software's "Powerleader Kaikai Gaming Cloud Platform" project successfully passed the Shenzhen Assessment Committee expert acceptance;

In April 2018, Powerleader Software's "Powerleader Integration Cloud System Research" project successfully passed the Longhua District Assessment Committee expert acceptance;

In April 2018, Powerleader Software's "Key Technology Research of Video Cloud Monitoring Platform" project successfully passed the Longhua District Assessment Committee expert acceptance;

In April 2018, Powerleader Software was awarded the State High Identified Enterprises in Shenzhen;

In May 2018, Baoteng Internet was awarded the State High Identified Enterprises in Shenzhen;



In May 2018, Powerleader Soft's "R&D of Trusted Multi Process High End Computing System Based on OpenStack According to 20170320" passed the Shenzhen Technology Planning-Technology Breakthrough Special Project;

In June 2018, Powerleader Software's "R&D of Distributive High-performance Cloud Storage System" project successfully passed the application of Shenzhen Technology Planning-Technology Breakthrough Special Project acceptance.

In the second half of 2018, 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 2018, current assets of the Group amounted to RMB2,535,615,630.32 (31 December 2017: RMB2,407,069,074.90), which mainly comprised of monetary capital of RMB480,654,991.00 (31 December 2017: RMB327,110,899.44), trade and bills receivables of RMB1,038,410,406.78 (31 December 2017: RMB891,102,951.12), inventories of RMB445,468,722.51 (31 December 2017: RMB483,969,808.40). Non-current assets amounted to RMB838,488,933.46 (31 December 2017: RMB844,367,300.42), which mainly comprised of long-term equity investment of RMB134,386,726.04 (31 December 2017: RMB131,924,627.85), fixed assets of RMB284,363,523.31 (31 December 2017: RMB299,487,055.22), intangible assets and development costs of RMB5,881,896.40 (31 December 2017: RMB6,061,274.97). Total assets were RMB3,374,104,563.78 (31 December 2017: RMB3,251,436,375.32).

As at 30 June 2018, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,112,328,468.55 (31 December 2017: RMB1,170,519,452.62) and accounts payable of RMB363,622,246.47 (31 December 2017: RMB378,278,483.13). Non-current liabilities mainly included long-term borrowings of RMB25,000,000.00 (31 December 2017: RMB43,000,000). Total liabilities were RMB1,917,829,191.33 (31 December 2017: RMB1,989,472,003.73).

As at 30 June 2018, the Group's equity attributable to the shareholders of the parent company was RMB1,277,162,080.94 (31 December 2017: RMB1,227,307,758.47).

### **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 2018, 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 2018, 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 2018, 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 2018, the Company has not adopted any share option scheme nor granted any option.

#### **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, as at 30 June 2018, 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 (Note)	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 2018.

## THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the six months ended 30 June 2018, 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 GEM 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 2018

*As at the date of this report, the Board comprises 6 directors, including executive directors Ms. Zhang Yunxia and Mr. Dong Weiping; non-executive director Mr. Li Ruijie and independent non-executive directors Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun.*