



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)

## **THIRD QUARTERLY REPORT**

### **FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

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

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

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*This report, for which the directors (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 Growth Enterprise Market of The Stock Exchange for the purpose of giving information with regard to 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 2014 (“Nine Months Period”) together with comparative unaudited figures for the corresponding periods in 2013 are as follows:

### CONSOLIDATED INCOME STATEMENT

Item	Note	For the three months ended		For the nine months ended	
		30 September 2014 RMB (Unaudited)	2013 RMB (Unaudited) (Restated)	30 September 2014 RMB (Unaudited)	2013 RMB (Unaudited) (Restated)
<b>I. Total operating revenue</b>		<b>451,687,396.86</b>	411,444,801.90	<b>1,191,926,595.08</b>	1,174,229,937.04
Including: operating revenue	3	<b>451,687,396.86</b>	411,444,801.90	<b>1,191,926,595.08</b>	1,174,229,937.04
<b>II. Total operating cost</b>		<b>443,936,426.22</b>	399,875,740.05	<b>1,157,445,523.68</b>	1,129,689,269.50
Including: Cost of operation		<b>401,058,724.71</b>	362,565,174.40	<b>1,039,518,729.93</b>	1,024,629,016.67
Sales tax and levies		<b>535,667.25</b>	412,990.89	<b>1,396,529.68</b>	1,686,805.71
Selling expenses		<b>11,762,975.26</b>	10,415,716.09	<b>30,864,894.71</b>	29,804,364.14
Administrative expenses		<b>18,231,677.57</b>	13,161,349.32	<b>47,980,925.46</b>	39,925,559.25
Finance costs		<b>12,347,381.43</b>	13,320,509.35	<b>37,684,443.90</b>	33,643,523.73
Impairment loss of assets		—	—	—	—
Add: Gain on fair value changes (loss is denoted as “()”)		—	—	—	—
Investment income (loss is denoted as “()”)		<b>1,912,650.65</b>	1,580,734.62	<b>4,615,745.44</b>	6,230,149.55
Including: Share of profit of associates and jointly controlled entity		<b>1,749,985.10</b>	1,494,228.92	<b>4,270,801.08</b>	4,173,710.91
<b>III. Operating profit (loss is denoted as “()”)</b>		<b>9,663,621.29</b>	13,149,796.47	<b>39,096,816.84</b>	50,770,817.09
Add: Non-operating income	4	<b>4,738,557.95</b>	4,463,083.54	<b>15,758,790.34</b>	13,137,723.10
Including: Gain on disposal of non-current assets		—	—	—	—
Less: Non-operating expenses		<b>11,374.17</b>	41.43	<b>31,060.24</b>	68,008.08
Including: Loss on disposal of non-current assets		—	—	—	—
<b>IV. Total Profit (Total loss is denoted as “()”)</b>		<b>14,390,805.07</b>	17,612,838.58	<b>54,824,546.94</b>	63,840,532.11
Less: Income tax expenses	5	<b>726,312.46</b>	(625,443.50)	<b>5,182,674.28</b>	6,002,377.65
<b>V. Net profit (Net loss is denoted as “()”)</b>		<b>13,664,492.61</b>	18,238,282.08	<b>49,641,872.66</b>	57,838,154.46
Attributable to shareholders of the Company		<b>13,673,680.81</b>	18,238,073.25	<b>49,489,699.02</b>	57,870,565.06
Minority interests		<b>(9,188.20)</b>	208.83	<b>152,173.64</b>	(32,410.60)
<b>VI. Earnings per share:</b>					
(1) Basic earnings per share	7	<b>0.056</b>	0.075	<b>0.204</b>	0.238
(2) Diluted earnings per share		<b>0.056</b>	0.075	<b>0.204</b>	0.238
<b>VII. Other comprehensive income</b>		—	—	—	—
Other comprehensive income which cannot be recycled to profit or loss in subsequent accounting periods		—	—	—	—
Other comprehensive income which can be recycled to profit or loss in subsequent accounting periods if conditions are satisfied		—	—	—	—
<b>VIII. Total comprehensive income (Net loss is denoted as “()”)</b>		<b>13,664,492.61</b>	18,238,282.08	<b>49,641,872.66</b>	57,837,954.46
Total comprehensive income attributed to shareholders of the Company		<b>13,673,680.81</b>	18,238,073.25	<b>49,489,699.02</b>	57,870,365.06
Total comprehensive income attributed to minority interests		<b>(9,188.20)</b>	208.83	<b>152,173.64</b>	(32,410.60)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2014

## 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 became a joint stock limited company on 31 July 2001. The Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 12 December 2002 by way of placement.

The Group is a cloud computing solutions supplier in the PRC with self-innovation capability; it operates in the PRC and Hong Kong, and is mainly engaged in (i) Cloud Infrastructure as a Service (IaaS) — Provision of equipment such as cloud servers and cloud storage and their related solutions; (ii) Cloud Module as a Service (MaaS) — Research and development, design and manufacturing of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services; and (iii) Software and Platform as a Service (SaaS & PaaS) — Development of cloud computing software and platforms and provision of related services.

## 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 Standards issued by the Ministry of Finance (MOF) of the PRC (Including 5 new or revised standards issued 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 "Accounting Standards for Business Enterprises" or "CAS") and also comply with the applicable disclosure requirements of "Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (2010 revised)" issued by China Securities Regulatory Commission, Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

## 3. OPERATING INCOME

Operating income represents the amounts received and receivables for services provided and goods sold to customers, net of returns and allowances. Operating income recognised for the nine months ended 30 September 2014 together with comparative unaudited figures for the corresponding period in 2013 are as follows:

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Income from the principal business				
Including: Cloud Infrastructure as a Service	130,760,539.86	91,545,221.82	335,891,402.31	300,618,076.89
Cloud Module as a Service	317,038,474.18	319,734,006.14	842,780,453.28	868,549,870.31
Software and Platform as a Service	2,498,224.19	156,176.67	8,056,690.88	1,027,286.01
Income from other business	1,390,158.63	9,397.27	5,198,048.61	4,034,703.83
<b>Total</b>	<b>451,687,396.86</b>	<b>411,444,801.90</b>	<b>1,191,926,595.08</b>	<b>1,174,229,937.04</b>

#### 4. NON-OPERATING INCOME

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Government subsidies	<b>1,300,000.00</b>	3,800,000.00	<b>10,437,000.00</b>	9,716,350.00
Others	<b>3,438,557.95</b>	663,083.54	<b>5,321,790.34</b>	3,421,373.10
<b>Total</b>	<b><u>4,738,557.95</u></b>	<u>4,463,083.54</u>	<b><u>15,758,790.34</u></b>	<u>13,137,723.10</u>

#### 5. INCOME TAX EXPENSE

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Current income tax (credit)/charge				
PRC	<b>516,590.43</b>	(625,443.50)	<b>1,078,201.35</b>	3,993,419.04
Hong Kong	<b>209,722.03</b>	—	<b>4,104,472.93</b>	2,008,958.61
<b>Total</b>	<b><u>726,312.46</u></b>	<u>(625,443.50)</u>	<b><u>5,182,674.28</u></b>	<u>6,002,377.65</u>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau in 2009, and was subject to EIT at a rate of 15% from the year 2009. 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. (深圳市宝德計算機系統有限公司) (“Powerleader Computing”) as well as Shenzhen Powerleader Software Development Limited (深圳市宝德軟件開發有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 30 September 2014 (during the period ended 30 September 2013: 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 2014 (during the period ended 30 September 2013: 15%).

Pursuant to an approval document (Shen Guo Shui Bao Guan Jian Mian Bei An 2009 no. 4) (《深國稅寶觀減免備案2009第4號》) dated 11 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, Powerleader Software is qualified as a software enterprise and entitled to an exemption from EIT for the years 2009 and 2010 and a 50% reduction in EIT from 2011 to 2013. Powerleader Software was subject to EIT at a rate of 15% during the period ended 30 September 2014 (during the period ended 30 September 2013: 12.5%).

Hong Kong Profits tax is calculated at 16.5% (for the nine months ended 30 September 2013: 16.5%) of the estimated assessable profit for the Nine Months Period.

## 6. DIVIDEND

At the meeting held on 24 October 2014, the Directors resolved not to recommend the payment of any dividend for the nine months ended 30 September 2014 (for the nine months ended 30 September 2013: 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	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Earnings				
Net profit attributable to shareholders of the Company	<b>13,673,680.81</b>	18,238,073.25	<b>49,489,699.02</b>	57,870,565.06
Number of share				
Weighted average number of issued shares for the purpose of basic earnings per share	<b><u>243,000,000</u></b>	<u>243,000,000</u>	<b><u>243,000,000</u></b>	<u>243,000,000</u>

The calculation of the basic and diluted earnings per share is based on the net profit attributable to the shareholders of the Company of RMB49,489,699.02 (for the nine months ended 30 September 2013: RMB57,870,565.06) and the weighted average number of 243,000,000 shares in issue (2013: 2,430,000,000 shares; after the share consolidation on the basis of every ten shares of RMB0.10 each consolidated into one Consolidated Share of RMB1.00 each was implemented by the Company on 27 December 2013, the corresponding earnings per share for 2013 was calculated on the basis of 243,000,000 shares) during 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 2013: nil).

## 8. SHARE CAPITAL

Name of shareholder/category	As at 31 December 2013		Movements for the period				As at 30 September 2014		
	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 persons shares	150,000,000.00	61.73	—	—	—	—	—	150,000,000.00	61.73
Domestic limited partnership shares	32,250,000.00	13.27	—	—	—	—	—	32,250,000.00	13.27
Foreign investors shares	—	—	—	—	—	—	—	—	—
Including: Overseas legal persons shares	—	—	—	—	—	—	—	—	—
Overseas natural persons 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 share capital	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.

## 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 2013	243,000,000.00	28,729,862.88	34,601,238.65	399,561,058.90	158,070.60	706,050,231.03
Net profit for the period	—	—	—	57,870,565.06	(32,410.60)	57,838,154.46
As at 30 September 2013	243,000,000.00	28,729,862.88	34,601,238.65	457,431,623.96	325,660.00	764,088,385.49
(Unaudited)						
As at 1 January 2014	243,000,000.00	31,987,251.85	34,601,238.65	437,634,780.76	464,718.54	747,687,989.80
Net profit for the period	—	—	—	49,489,699.02	152,173.64	49,641,872.66
<b>As at 30 September 2014</b>	<b>243,000,000.00</b>	<b>31,987,251.85</b>	<b>34,601,238.65</b>	<b>487,124,479.78</b>	<b>616,892.18</b>	<b>797,329,862.46</b>

10. RECONCILIATION OF PROFIT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 UNDER HK GAAP AND PRC GAAP

Item	Financial statements under HK GAAP	Reclassification	Financial statements under PRC GAAP (Restated)	Explanation of reclassification
<b>Total operating revenue</b>	<b>1,168,762,950.46</b>	<b>5,466,986.58</b>	<b>1,174,229,937.04</b>	Reclassified from other income and profit; reclassified to sales tax and levies
<b>Total operating costs</b>	<b>1,132,067,015.29</b>	—	<b>1,129,689,269.50</b>	
Cost of operation	1,024,629,016.67	—	1,024,629,016.67	
Sales tax and levies	—	1,686,805.71	1,686,805.71	Reclassified from total operating revenue
Selling expenses	29,804,364.14	—	29,804,364.14	
Administrative and other expenses	43,478,067.42	(43,478,067.42)	—	Reclassified to administrative expenses, finance costs, non-operating expenses
Administrative expenses	—	39,925,559.25	39,925,559.25	
Finance costs	34,155,567.06	512,043.33	33,643,523.73	Reclassified with other income and profit, administrative
Other income and profit	20,914,447.39	(20,914,447.39)	—	Reclassified to total operating revenue, non-operating revenue
Gain on fair value changes	56,538.64	(56,538.64)	—	Reclassified to investment income
Share of profit in joint ventures and associates	4,173,610.91	(4,173,610.91)	—	Reclassified to investment income
Other investment income	2,000,000.00	(2,000,000.00)	—	Reclassified to investment income
Investment income	—	6,230,149.55	6,230,149.55	
<b>Operating profit</b>	<b>63,840,532.11</b>	<b>(13,069,715.02)</b>	<b>50,770,817.09</b>	
Add: Non-operating income	—	13,137,723.10	13,137,723.10	Reclassified with other income and profit
Less: Non-operating expenses	—	68,008.08	68,008.08	Reclassified with administrative and other expenses
<b>Total profit</b>	<b>63,840,532.11</b>	—	<b>63,840,532.11</b>	
Less: Income tax expenses	6,002,377.65	—	6,002,377.65	
<b>Net profit</b>	<b>57,838,154.46</b>	—	<b>57,838,154.46</b>	
<b>Net profit attributable to:</b>				
Shareholders of the Company	<b>57,870,565.06</b>	—	<b>57,870,565.06</b>	
Minority interests	<b>(32,410.60)</b>	—	<b>(32,410.60)</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

In the third quarter of 2014, the Company continued its operation with a clear strategic positioning as a “leading cloud computing solutions provider with the capability of autonomous innovation in China”. Based on the leading technology developed over the years, a competent research and development (“R&D”) team, a strict management system, extensive sales channels and quality customer services, the Group provides comprehensive cloud computing solutions and related services by focusing on the five key business sectors underpinned by cloud computing solutions and services providers, namely, Cloud Infrastructure as a Service (IaaS), Cloud Module as a Service (MaaS), Software as a Service (SaaS), Platform as a Service (PaaS), Client as a Service (CaaS).

Firstly, we vigorously developed our IaaS segment through enhancing our autonomous innovation capacity, continuing the optimization of products and solutions for mid-to-high-end cloud servers, cloud storage, HPC and all-in-one big data machine, and strengthening our overall capacity for solutions related to enterprises’ private clouds and public clouds, with a view to providing customers with pay-per-use cloud services that are simple, effective, flexible in expansion, and safe and stable. We also proactively participated in construction projects of cloud computing infrastructure, such as Intelligent City, E-Government Affairs, Secure City, Intelligent Transportation, Broadband China and 4G.

Secondly, we continued to expand our MaaS segment through consolidating our core competitiveness with self-owned brands, reinforcing the development of our sales system, raising the standard for sales management, expanding the room of cooperation with suppliers, diversifying the portfolio of products distributed by agents, actively seeking cooperative channel partners and providing them and industry customers with timely and sufficient supply of components and professional technical support, so as to solidify our position as a leading supplier of components related to cloud computing in the PRC.

Thirdly, we accelerated our SaaS and PaaS segments through focusing on demands for the applications associated with cloud computing and big data by providing quality, diversified and tailor-made software and services to our customers.

Riding on the global trend of cloud computing development, the Company will capitalize on the opportunities of growth arising from cloud computing, big data and mobile Internet, as well as consolidating our core competitive strengths in the fields of IaaS, MaaS, SaaS and PaaS. Looking forward, the Company will fully utilize its advantages in technology, resources and markets attributed to its facilities of cloud infrastructure through autonomous innovation, cooperation with external parties and strategic investments. Also, the Company will continually exploit the market potentials of cloud module and speed up the development of relevant software and platform, aiming at driving the integration of prime resources in both the up-stream and down-stream of the industry chain. As such, the Company will develop an all-round capacity for solutions that covers the industry chain of cloud computing with features in comprehensiveness and professionalism, and with which the Company shall maintain our leading position in the cloud computing industry in the PRC.



## **FINANCIAL REVIEW**

Operating income of the Group for the Nine Months Period amounted to RMB1,191,926,595.08, representing a increase of 1.51% compared to RMB1,174,229,937.04 for the same period of 2013. Gross profit of the Group was 12.79%, representing an increase of 12.74% compared to the same period of 2013.

Selling expenses and management fee of the Group increased by 13.07% from RMB 69,729,923.39 for the same period last year to RMB 78,845,820.17, mainly attributed to the increase in the number of staff.

Finance costs of the Group rose by 12.01% from RMB33,643,523.73 for the same period last year to RMB37,684,443.90, mainly due to increased interest rate of bank loans.

## **BUSINESS REVIEW AND PROSPECT**

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

In the third quarter of 2014, fuelled by rapid development of a new generation of information technology featuring big data, cloud computing, mobile Internet and Internet of Things, domestic cloud computing market maintained a steady growth and our IaaS segment recorded an increase in operating income compared to the same period last year. The Company continued to enhance its sales system based on interconnection between regions and industry with emphasis on the expansion of industrial marketing, and as a result, it successfully enhanced its corporate operation and management capability to a great extent.

In the fourth quarter of 2014, the Company will capture the opportunities from development of information technology in the PRC by leveraging on the advantages in leading cloud computing solutions. The Company will also devote more resources in innovation and research and development to ensure the sustainable development of the Company with a view to “leading the wave of information technology and support the progress of the society and civilization”.

### **Marketing and Promotion**

In the third quarter of 2014, the Group continued its extensive promotion campaign with the successful cases of its core products, new products and solutions with respect to cloud servers through media promotion, marketing activities and We-Media and targeted at the fields of cloud computing, Intelligent City and HPC, so as to keep boosting the popularity and influence of the Powerleader’s brand.

With respect to cloud computing, the Company marked the development of cloud computing as the core of strategies that widely cover the key sectors including military industry, energy, telecommunication and finance and was underpinned by its self-developed cloud servers. With its solutions for cloud computing and big data as competitive edges, the Company further promoted the brand and technology capacity of the Powerleader Server.

With respect to Intelligent City, through autonomous innovation, the Company launched a number of cloud servers, cloud storage products and related solutions with self-developed intellectual property rights and strong competitiveness, the applications of which were extended to basic public services systems, such as intelligent household, intelligent transportation, public security, intelligent education, intelligent healthcare, intelligent retirement and intelligent community by participation in the trade fairs of the industry, such that the Company took an active part in the construction of Intelligent City.

With respect to the HPC sector, the Company organized HPC technology seminars in Shenzhen, Changsha and Shenyang with its cooperative partner, Intel and participated in the Intel Annual Corporate Computing Forum 2014 and the 18th National Academic Seminar on Condensed Matter Theory and Statistical Physics, with a view to promoting the Company's solutions and technology capacity in the fields of HPC and providing diversified tailor-made solutions for clients, so as to attract more attention from clients.

In the fourth quarter of 2014, the Company will promote the Powerleader's brand through marketing activities, advertisements and WeChat. In the meantime, it will continue to organize and actively participate in trade fairs of the cloud computing industry and summit forums in response to the government's appeal of developing cloud computing and demonstrate the Company's capability and flexibility in formulating solutions.

#### **Honours:**

In July 2014, the Powerleader Group was recognized as a "Vice President Unit of the First Session of the Council of the Shenzhen Intelligent City Industry Association";

In August 2014, the Powerleader Group was granted the title of "Key Supplier for Domestic Products for Information Network Application and Security Solutions in Jilin Province 2014-2015".

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

In the third quarter of 2014, the MaaS business segment recorded a slight decrease in operating income compared to the same period last year due to increasing competition in the sector of agency distribution for related components of cloud computing equipment in the PRC. Through optimizing product portfolio and diversifying product categories, the Company provided one-stop shopping experience for its customers. At the same time, the Company kept striving for progress and actively cooperated with the business strategies and business mode of suppliers. By integrating its wide range of products and resources, the Company successfully improved the relevant value-added cloud computing services and provided customers with a more comprehensive range of solutions.

In the fourth quarter of 2014, the Company will consolidate its sales system and enhance its internal management capacity as well as external support of the Company. It will strengthen its cooperative relationship with suppliers and explore areas for collaboration. By further improving the product system of agency distribution for key components of cloud computing equipment, it endeavors to provide timely and sufficient component support and professional technical support to channel partners and industry customers.

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

In the third quarter of 2014, Powerleader cloud platform, independently developed and designed by the Company, has commenced commercial operation and its system functions and capability are highly recognized by clients and the revenue of SaaS and PaaS grew significantly compared to the same period last year. In the fourth quarter, the Company will devote more resources to the development of software and platform, aiming to provide its clients with cloud services that are simple yet highly efficient, safe and reliable, flexible in configuration and distinctive in functionality. The Company made every effort in raising the clients' satisfaction by focusing on both quality and services and achieving the integration of marketing and services.

### **Data Centre**

With the rapid growth of new technologies such as mobile Internet, cloud computing, big data and Internet of Things and their applications, together with the popularity of 3G/4G network, the market demand for data centre has seen explosive surge. In the third quarter of 2014, the overall operating revenue of this business segment recorded a significant growth compared to the same period last year. In the fourth quarter of 2014, the Group will continue to make the most out of the development of market and leverage on the strengths of integrated software and hardware to further improve its human resources system, reinforce the strategic cooperation with operators, agents, major clients in the industry. At the same time, the Company will introduce even better network resources to increase the capacity for expansion of network, thereby providing its users with non-stop top-notch comprehensive applications and services.

### **Capital Management**

In the third quarter of 2014, the Group tightened control of finance costs and made full use of the government's supporting policy for high-tech enterprises by applying for and having obtained loans with low costs and government subsidized interests from banks. Such loans provided the Company with stable funding support and enabled it to seek higher profit.

In the fourth quarter of 2014, the Group will carefully deal with the changes in financing environment, formulate special financing schemes in accordance with business needs and further optimize its debt structure. Meanwhile, the Company will continue to strengthen its internal capital management by implementing stricter cost audit over each business segment, so as to foster a strong finance cost control awareness and achieve higher capital utilization rate.

## **MAJOR ASSOCIATE OF THE GROUP**

In the third quarter of 2014, 深圳中青寶互動網絡股份有限公司 (Shenzhen ZQ Game Co., Ltd) (“ZQ Game”), a major associate of the Group, posted an operating income of RMB329,713,410.93 and a net profit attributable to holders of ordinary shares of the listed company of RMB27,913,732.52, representing an increase of 2.33% over the corresponding period in last year. It was mainly driven by the significant progress of ZQ Game in both organic and inorganic aspects. In an overall business structure that incorporates one vertical direction and four horizontal directions, user-end games and mobile games have both become the major income sources of the Company. In addition to integration on business level, ZQ Game also initiated resource consolidation to boost capital efficiency and expanded the room for comprehensive strategic development for the Company through enhancement of capital operating capability. During the reporting period, ZQ Game completed a divestment from its existing investment projects to record an investment return.

### **Government Affairs**

In the first three quarters of 2014, the Group continued to apply for projects with cloud computing as core content and applied for a number of qualification accreditations and project funding, and certain number of its research projects have passed the inspection and acceptance procedures. Meanwhile, the Company continued to keep close working relationship with institutes and R&D institutions, to establish a platform for cooperation, with a view to absorbing skilled professionals and advanced technologies.

In January 2014, Powerleader Computing was granted the funding (subsidies of loan interest) for Industrial Development Projects in Futian District;

In February 2014, Powerleader Software was one of the companies to receive the first batch of funding under the Subsidy Scheme for Intellectual Property of Shenzhen in 2014;

In March 2014, Powerleader Computing’s “Research on the Key Technology for Platform Handling Big Data On the Basis of Cloud Computing” was admitted as an approved R&D project under the Science and Technology Scheme of Shenzhen 2014;

In April 2014, Powerleader Technology’s “Demonstration for Industrial Application of Powerleader Desktop Cloud System” was admitted as an approved project under the Development Project Funding Scheme of Shenzhen 2014 on the Next Generation Information of Technology Industry;

In April 2014, Powerleader Technology's "Safe and Controllable Dual Server" and "Powerleader Efficient Quad-route Server" were accredited as High-New Technology Products in Guangdong Province;

In May 2014, Powerleader was recognized as a Demonstration Base of Innovative Industrialization for SME in Guangdong Province;

In July 2014, Powerleader Group's "R&D of cloud-based Powerleader security data storage services platform" project passed the concluding inspection for the Technological development projects with special funding for industrial development in Futian District;

In August 2014, Powerleader Software's "Speed travel accelerators" project passed the concluding inspection for the Internet industrial development projects with special funding in Shenzhen;

In September 2014, Powerleader Software's "R&D of cloud server virtual management platform" project was included in the 2014 innovation technology project for small and medium enterprises in Longhua New District;

In September 2014, Powerleader Computer was re-accredited as a national high-tech enterprise of 2014;

In September 2014, Powerleader Software passed the national high-tech enterprise re-examination of 2014.

In the fourth quarter of 2014, the Group will continue to keep in line with the relevant policy direction of the State and local government, evaluate the strengths and weakness of the works in the last three quarters while conducting project application in a timely manner with quality up to par. We will also establish stronger cooperation with universities and research institutes, strengthen the cooperation in the fields of production and research between research personnel and the corporation, and eventually to build up our autonomous innovation capacity.

#### **Directors', Supervisors' and Chief Executive's Interests in Shares and Debt Securities**

As at 30 September 2014, the interests or short positions of the directors, supervisors, 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 were required to be notified 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 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 as otherwise notified the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules notified the Company and the Stock Exchange relating to securities transactions and 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
Li Ruijie ( <i>Note</i> )	102,184,500	42.05%	56.07%
Zhang Yunxia ( <i>Note</i> )	102,184,500	42.05%	56.07%

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

Save as disclosed above, as at 30 September 2014, none of the directors, supervisors, chief executive and their associates had any interests or short positions in any shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have to be notified 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 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 as otherwise notified the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities and debt securities transactions.

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

As at 30 September 2014, the Company or any of the 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 corporates. Also, 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

As at 30 September 2014, the Company has not adopted any share option schemes and did not grant any options.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2014, the Directors are not aware of any other interests or short positions in any shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which were required to be notified the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were 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

			Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Powerleader Investment Holding Company ( <i>Note</i> )	102,184,500	Beneficial Owner	42.05%	56.07%
深圳市恆通達遠電子有限公司	23,958,000	Beneficial Owner	9.86%	13.15%
哈爾濱世紀龍翔科技開發有限公司	15,963,750	Beneficial Owner	6.57%	8.76%
天津誠柏股權投資合夥企業 (Limited Partnership)	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 by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively and holds in aggregate 102,184,500 Domestic Shares.

## COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 September 2014, none of the Directors, original 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.

## THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") contained 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 2014.

### 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 enquiries 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 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 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 Group's financial statements for the Nine 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, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Nine Months Period.

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

Shenzhen, the PRC, 24 October 2014

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

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