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**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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**CHARACTERISTICS OF THE GEM (THE “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 announcement, 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 announcement 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 announcement misleading.*

\* For identification purposes only

## AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016.

### CONSOLIDATED INCOME STATEMENT 2017

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Amount for this year	Amount for last year
<b>I. Total revenue</b>	4	<b>3,818,881,906.09</b>	3,434,030,211.28
Including: revenue	4	<b>3,818,881,906.09</b>	3,434,030,211.28
Earned premium			
<b>II. Total operating cost</b>		<b>3,925,825,052.03</b>	3,398,128,759.69
Including: Operating cost	4	<b>3,500,190,592.33</b>	3,118,928,803.32
Interest expenses			
Business taxes and surcharges		<b>8,248,962.02</b>	3,676,526.16
Sales expenses		<b>88,501,312.71</b>	81,041,851.62
Administrative expenses		<b>180,071,006.05</b>	89,628,802.62
Finance costs	7	<b>62,417,218.57</b>	72,430,089.80
Impairment loss of assets		<b>86,395,960.35</b>	32,422,686.17
Add: Gain on changes in fair value (loss is denoted by “()”)		<b>5,713,805.00</b>	1,575,855.00
Gain on investment (loss is denoted by “()”)		<b>315,372,507.68</b>	3,103,981.67
Including: Gain on investment to associates and joint ventures		<b>6,602,992.04</b>	3,103,981.67
Gain on foreign currency exchange (loss is denoted by “()”)		—	—
Gain on disposal of assets (loss is denoted by “()”)		<b>26,391.12</b>	(27,514.23)
Other gains		<b>5,440,447.67</b>	4,642,851.31
<b>III. Operating profit (loss is denoted by “()”)</b>		<b>219,610,005.53</b>	45,196,625.34
Add: Non-operating income		<b>12,575,070.75</b>	9,143,786.68
Less: Non-operating expenses		<b>767,308.25</b>	1,006,307.37
<b>IV. Total Profit (total loss is denoted by “()”)</b>		<b>231,417,768.03</b>	53,334,104.65
Less: Income tax expenses	8	<b>12,159,740.05</b>	18,403,440.78

Item	Note	Amount for this year	Amount for last year
<b>V. Net profit (net loss is denoted by “()”)</b>		<b>219,258,027.98</b>	34,930,663.87
Net profit attributable to shareholders of the Company		<b>218,933,834.57</b>	34,931,505.59
Profit or loss attributable to minority interests		<b>324,193.41</b>	(841.72)
(1) Net profit from continuing operations (net loss is denoted by “()”)			
(2) Net profit from discontinued operations (Net loss is denoted by “()”)			
<b>VI. Other comprehensive income net of tax</b>		<b>94,316,344.32</b>	36,628,596.04
Other comprehensive income net of tax attributable to owners of the company		<b>94,316,344.32</b>	36,628,596.04
(I) Other comprehensive income which will not be reclassified to profit or loss		—	—
1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes			
2. Share of other comprehensive income of investee that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income which will be reclassified to profit or loss		<b>94,316,344.32</b>	36,628,596.04
1. Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method		<b>463,216.50</b>	(425,865.15)
2. Gain or loss on changes in fair value of available-for-sale financial assets			
3. Gain or loss on reclassification of held-to-maturity investment to available-for-sale financial assets			
4. Effective portion in gain or loss on cash flow hedging			
5. Exchange difference arising from translation of foreign currency denominated financial statements			
6. Others		<b>93,853,127.82</b>	37,054,461.19
Other comprehensive income attributable to minority interests net of tax			

<b>Item</b>	<i>Note</i>	<b>Amount for this year</b>	<b>Amount for last year</b>
<b>VII. Total comprehensive income</b>		<b>313,574,372.30</b>	71,559,259.91
Total comprehensive income attributable to shareholders of the Company		<b>313,250,178.89</b>	71,560,101.63
Total comprehensive income attributable to minority interests		<b>324,193.41</b>	(841.72)
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share		<b>0,9010</b>	0.1438
(II) Diluted earnings per share		<b>(0.2647)</b>	0.0988

## CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Closing balance	Opening balance
<b>Current Assets:</b>			
Cash and cash equivalents		327,110,899.44	349,605,797.56
Settlement provision			
Funds lent			
Financial assets at fair value through profit or loss for the current period		44,935.41	
Derivative financial assets (if significant)			
Notes receivable		19,317,780.05	6,208,051.00
Accounts receivable	12	871,785,171.07	917,692,362.82
Prepayments	12	10,569,389.53	18,513,077.28
Premiums receivable			
Reinsurance account receivable			
Reinsurance contract reserves receivable			
Interest receivables		—	
Dividend receivables		795,645.65	795,645.65
Other receivables	12	667,685,452.22	356,540,618.02
Redemptory monetary capital for sale			
Inventories		483,969,808.40	351,976,260.12
Assets classified as held for sale		—	
Non-current assets due within 1 year		—	
Other current assets		25,789,993.13	22,322,469.37
<b>Total current assets</b>		<b>2,407,069,074.90</b>	<b>2,023,654,281.82</b>
<b>Non-current assets:</b>			
Loans and advances			
Available-for-sale financial assets		15,204,904.00	17,600,000.00
Held-to-maturity investment		—	
Long-term accounts receivable		—	
Long-term equity investment		131,924,627.85	162,517,683.03
Investment real estates		206,419,308.01	81,784,094.01
Fixed assets		299,487,005.22	431,096,862.98
Construction in progress		174,997,923.50	11,863,516.35
Construction material		—	
Fixed assets disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		6,061,274.97	92,892,997.09
Development expenditure		—	21,214,870.13
Goodwill		—	
Long-term prepayments		1,707,743.48	1,719,416.63
Deferred income tax assets		8,564,513.39	4,310,377.64
Other non-current assets		—	
<b>Total non-current assets</b>		<b>844,367,300.42</b>	<b>824,999,817.86</b>
<b>Total assets</b>		<b>3,251,436,375.32</b>	<b>2,848,654,099.68</b>

Item	Closing balance	Opening balance
<b>Current liabilities:</b>		
Short-term loans	1,170,519,452.62	1,171,951,441.31
Borrowings from the Central Bank		
Deposits and interbank deposits		
Funds borrowed		
Financial liabilities at fair value through profit or loss for the current period	—	
Derivative financial liabilities (if significant)		
Notes payable	131,000,000.00	130,000,000.00
Accounts payable	378,278,483.13	180,757,074.34
Receipts in advance	68,051,656.32	44,725,023.84
Financial assets sold for repurchase		
Fees and commissions payable		
Employee remuneration payables	7,993,073.80	8,569,436.72
Tax and levy payables	65,086,910.13	70,573,407.42
Interest payables	1,146,558.33	202,048.61
Dividend payables	—	
Other payables	39,357,411.90	140,114,892.22
Reinsurance account payable		
Insurance contract reserves		
Securities dealing brokerage fees		
Securities underwriting brokerage fees		
Liabilities classified as held for sale	—	
Non-current liabilities repayable within one year	47,626,399.63	55,494,449.13
Other current liabilities	6,403,932.87	7,506,448.12
	<u>1,915,463,878.73</u>	<u>1,809,894,221.71</u>
<b>Total current liabilities</b>		

Item	Closing balance	Opening balance
<b>Non-current liabilities:</b>		
Long-term loans	43,000,000.00	79,000,000.00
Bond payables	—	
Including: Preference shares		
Perpetual bonds		
Long-term payables	—	11,626,399.54
Long-term employee remuneration payables		
Special payables	—	
Provisions	—	
Deferred income	31,008,125.00	30,780,000.00
Deferred income tax liabilities	—	
Other non-current liabilities	—	
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<b>Total non-current liabilities</b>	<b>74,008,125.00</b>	<b>121,406,399.54</b>
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<b>Total Liabilities</b>	<b>1,989,472,003.73</b>	<b>1,931,300,621.25</b>
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<b>Owners' equity:</b>		
Capital	243,000,000.00	243,000,000.00
Other equity instrument		
Including: Preference share		
Perpetual bonds		
Capital reserves	57,958,529.72	36,229,302.37
Less: Treasury shares	—	
Other comprehensive income	130,795,486.64	36,479,142.32
Special reserves		
Surplus reserves	35,125,156.64	37,626,042.30
General Risk Reserves		
Undistributed profits	760,428,585.47	564,022,314.72
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<b>Total equity attributable to shareholders of the Company</b>	<b>1,227,307,758.47</b>	<b>917,356,801.71</b>
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Minority interests	34,656,613.12	(3,323.28)
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<b>Total shareholders' equity</b>	<b>1,261,964,371.59</b>	<b>917,353,478.43</b>
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<b>Total liabilities and shareholders' equity</b>	<b>3,251,436,375.32</b>	<b>2,848,654,099.68</b>
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# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2017

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Share capital	Other equity instrument			This year Attributable to shareholders of the Company					General risk Item reserves	Undistributed profits	Minority interest	Total Shareholders' equity
		Preference share	Perpetual bonds	Others	Capital reserves	Less:		Special reserves	Surplus reserves				
						Treasury shares	Other comprehensive income						
I. Balance at the end of last year	243,000,000.00	—	—	—	36,229,302.37	—	36,479,142.32	—	37,626,042.30	—	564,022,314.72	(3,323.28)	917,353,478.43
Add: Changes in accounting policies													
Correction of errors in previous periods													—
Business combination under common control													—
Others													—
II. Balance at beginning of year	243,000,000.00	—	—	—	36,229,302.37	—	36,479,142.32	—	37,626,042.30	—	564,022,314.72	(3,323.28)	917,353,478.43
III. Changes (increase/decrease) for the year (decrease is denoted in "-")	—	—	—	—	21,729,227.35	—	94,316,344.32	—	(2,500,885.66)	—	196,406,270.75	34,659,936.40	344,610,893.16
(I) Total comprehensive income											218,933,834.57	324,193.41	219,258,027.98
(II) Contribution from shareholders and reduction of capital	—	—	—	—	—	—	—	—	—	—	—	36,450,000.00	36,450,000.00
1. Ordinary share contributed by shareholders												36,450,000.00	36,450,000.00
2. Capital contribution by holders of other equity instrument													—
3. Amount of share-based payment included under shareholders' equity													—
4. Others													—
(III) Profit appropriation	—	—	—	—	—	—	—	—	22,527,563.82	—	(22,527,563.82)	—	—
1. Transfer to surplus reserves									22,527,563.82		(22,527,563.82)		—
2. Transfer to general risk reserves													—
3. Distribution to shareholders													—
4. Others													—
(IV) Internal transfer of shareholders' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Capitalization of capital reserves													—
2. Capitalization of surplus reserves													—
3. Surplus reserves for making up losses													—
4. Others													—
(V) Special reserves	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Transfer during the year													—
2. Utilised during the year													—
(VI) Others	—	—	—	—	21,729,227.35	—	94,316,344.32	—	(25,028,449.48)	—	—	(2,114,257.01)	88,902,865.18
IV. Balance at the end of the 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



Item	Share capital	Other equity instrument			Attributable to shareholders of the Company				Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interest	Total Shareholders' equity
		Preference share	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: Other comprehensive income							
<b>I. Balance at the end of last year</b>	243,000,000.00				35,384,836.46		(149,453.72)		37,626,042.30			509,876,824.43	(2,481.56)	825,735,767.91
Add: Changes in accounting policies												19,213,984.70		19,213,984.70
Correction of errors in previous periods														—
Business combination under common control														—
Others														—
<b>II. Balance at beginning of year</b>	243,000,000.00	—	—	—	35,384,836.46	—	(149,453.72)	—	37,626,042.30	—	529,090,809.13		(2,481.56)	844,949,752.61
<b>III. Changes (increase/decrease) for the year</b>														
<b>(decrease is denoted in “-”)</b>					844,465.91		36,628,596.04					34,931,505.59	(841.72)	72,403,725.82
(I) Total comprehensive income												34,931,505.59	(841.72)	34,930,663.87
(II) Contribution from shareholders and reduction of capital														
1. Ordinary share contributed by shareholders														
2. Capital contribution by holders of other equity instrument														
3. Amount of share-based payment included under shareholders' equity														
4. Others														
(III) Profit appropriation														
1. Transfer to surplus reserves														
2. Transfer to general risk reserves														
3. Distribution to shareholders														
4. Others														
(IV) Internal transfer of shareholders' equity														
1. Capitalisation of capital reserves														
2. Capitalisation of surplus reserves														
3. Surplus reserves for making up losses														
4. Others														
(V) Special reserves														
1. Transfer during the year														
2. Utilised during the year														
(VI) Others					844,465.91		36,628,596.04							37,473,061.95
<b>IV. Balance at the end of the year</b>	<u>243,000,000.00</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,229,302.37</u>	<u>—</u>	<u>36,479,142.32</u>	<u>—</u>	<u>37,626,042.30</u>	<u>—</u>	<u>564,022,314.72</u>	<u>(3,323.28)</u>	<u>917,353,478.43</u>	

## NOTES TO THE FINANCIAL STATEMENTS

1 January 2017 to 31 December 2017

(these notes to financial statements are presented in RMB unless otherwise specified)

### I. BASIC INFORMATION OF THE COMPANY

Powerleader Science & Technology Group Limited (hereinafter referred to as the “Company”, referred to as the “Group” together with its subsidiaries), formerly known as Shenzhen Powerleader Science & Technology Limited. It was established in 1997 in Shenzhen as a limited liability company and listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 08236) in December 2002.

As of 31 December 2017, the total share capital of the Company was 243 million shares of RMB1.00 each, comprising 182.25 million restricted shares, accounted for 75% of the total capital, and 60.75 million non-restricted shares, accounted for 25% of the total capital. The capital structure was as follows:

Company Name	Expressed in: RMB0'000	
	Amount	Shareholding Percentage (%)
Powerleader Investment Holdings Limited* (深圳市宝德投资控股有限公司)	10,218.45	42.05
Shenzhen Hengtongdayuan Electronics Co., Ltd* (深圳市恒通達遠電子有限公司)	2,395.80	9.86
Harbin Shijilongxiang Technology Development Co., Ltd* (哈爾濱世紀龍翔科技開發有限公司)	1,596.375	6.57
Urumqi Yali Anda Investment Co., Ltd* (烏魯木齊雅利安達股權投資有限公司)	1,500.00	6.17
Shenzhen Eternal Green Technology Co., Ltd* (深圳市綠恒科技有限公司)	789.375	3.25
Shenzhen Jinbolitong Investment Partnership* (深圳市金博利通投資合夥企業) (Limited Partnership)	725.00	2.98
Shenzhen Jiachuang Joint Investment Partnership* (深圳市嘉創聯合投資合夥企業) (Limited Partnership)	500.00	2.06
Shenzhen Zhizheng Lida Investment Partnership* (深圳市志正立達投資合夥企業) (Limited Partnership)	500.00	2.06
Overseas listed foreign shares	6,075.00	25.00
<b>Total</b>	<b>24,300.00</b>	<b>100.00</b>

The Company is a player in the computer industry, its principal business scope covers: computer software, hardware and interface equipment, development, production, and sales of self-made computer accessories; import and export services; lease of property and property services; energy savings technology development services; energy savings technology consulting and exchange services; energy savings technology transfer services; energy technology consulting services; energy technology research and technology development services; energy management services; and power distribution services; metal structure manufacturing, mobile telecommunications and terminal equipment manufacturing, manufacturing of other electronic equipment, and provision of technical services for the production of semiconductors, flat-screen displays, and PV cells in other professional technological service industries (the above items do not involve special management measures for foreign investment access.)

The controlling shareholder of the Company is Shenzhen Powerleader Investment Holdings Limited (hereinafter referred to as “Powerleader Holdings”). The ultimate controllers of the Group are Li Ruijie and Zhang Yunxia. The General Meeting is the sovereign body of the Company. It exercises its rights of resolution in respect of significant events such as operating directions, fund raising, investment and profit appropriations of the company in accordance with the laws. The Board is responsible to the General Meeting. It exercises its rights of making operation decisions in accordance with the laws. Managers are responsible for organizing and implementing the resolutions passed by the General Meeting and Board Meeting and are in charge of the management of production and operations.

The Group has set up 14 functional departments, namely, the President Office, the General Management Center, the Procurement Center, the Production Center, the R&D Center, the Marketing Center, the Products Center, the Branding Center, the Cloud Computing Software Application Center, the Finance Center, the Quality Management Department, the Enterprise Development Department, the Securities Investment Department and the Internal Audit Department.

## **2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

### **(1) Basis for preparation**

These financial statements have been prepared on a going concern basis based on transactions and events effectively incurred and in accordance with the “Accounting Standards for Business Enterprises” and relevant requirements (hereinafter collectively referred to as “ASBE”) issued by the Ministry of Finance and the disclosure requirements of the “Regulation of the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (revised 2014)” of the China Securities Regulatory Commission, the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited, and on the basis of accounting policies and accounting estimates referred to in “IV. Principle accounting policies and accounting estimates” in these notes.

## (2) On-going concern

The Group evaluated the ability of the Group to continue as a going concern for the 12 months commencing from 31 December 2017, and no events or circumstances which may cast significant doubt about the Group's ability to continue as a going concern were found. As a result, this financial statement was prepared based on the going-concern assumption.

## 3. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (1) Changes in critical accounting policies

Details and reasons for change in accounting policy	Review process	Notes
On 10 May 2017, the Ministry of Finance issued ASBE 16 — Government subsidies, which was implemented by the Company from 12 June 2017. This change in accounting policy is managed using the future application method.	The relevant changes in accounting policy has been approved by the Board of the Company.	
On 28 April 2017, the Ministry of Finance issued ASBE 42 — Non-current assets, disposal groups and discontinued operations held as available-for sale, which was implemented by the Company from 28 May 2017. This change in accounting policy is managed using the future application method.	The relevant changes in accounting policy has been approved by the Board of the Company.	
On 25 December 2017, the Ministry of Finance issued the Ministry of Finance Notice on Revisions to Format of Issuing General Financial Statements of Enterprises (Caihui (2017) No. 30. In preparing the 2017 statements, the Company reported gains and losses on disposal of non-current assets and gains and losses on exchange of non-monetary assets in “Gain on disposal of assets” instead of “Non-operating income” and “Non-operating expenses”. This change in accounting policy is applied using the retrospective adjustment method.	The relevant changes in accounting policy has been approved by the Board of the Company.	This change in accounting policy is applied using the retrospective adjustment method. Non-operating expenditure in 2016 is adjusted by a decrease of RMB27,514.23 and gain on disposal of assets is adjusted by an increase of RMB27,514.23.
In order to objectively and fairly reflect the value of investment real estate held by the Company, measurement of the Company's investment real estate has been changed from the cost model to the fair value model since 20 October 2017.	The relevant changes in accounting policy has been approved by an extraordinary meeting of the Board of the Company.	This change in accounting policy is applied using the retrospective adjustment method.

*Note:* The Group applied the retrospective method for the change in measurement of investment real estate. The comparative statements for 2017 has been restated, adjusting the 2016 balance sheet by an increase of RMB57,844,300.89 in investment real estate, increase of RMB37,054,461.19 in other comprehensive income, increase of RMB19,213,984.70 in opening balance of undistributed profits, and RMB1,575,855.00 in the 2016 income statement.

Item impacted	31 December 2016 (January — December 2016)			1 January 2016		
	Before adjustment	Adjustment amount	After adjustment	Before adjustment	Adjustment amount	After adjustment
Total assets	23,939,793.12	57,844,300.89	81,784,094.01	9,036,206.94	19,213,984.70	28,250,191.64
Including: Investment real estate	23,939,793.12	57,844,300.89	81,784,094.01	9,036,206.94	19,213,984.70	28,250,191.64
Total shareholders' equity	542,657,156.15	57,844,300.89	600,501,457.04	509,727,370.71	19,213,984.70	528,941,355.41
Including: Undistributed profits	543,232,475.02	20,789,839.70	564,022,314.72	509,876,824.43	19,213,984.70	529,090,809.13
Other comprehensive income	(575,318.87)	37,054,461.19	36,479,142.32	(149,453.72)	—	(149,453.72)
Net profit	33,354,808.87	1,575,855.00	34,930,663.87	21,269,574.81	—	21,269,574.81
Net comprehensive income after tax	(425,865.15)	37,054,461.19	36,628,596.04			

**(2) Changes in critical accounting estimates**

Nil.

#### 4. REVENUE AND OPERATING COSTS

Item	Amount of this year		Amount of last year	
	Revenue	Costs	Revenue	Costs
Principle businesses	3,803,993,688.61	3,499,336,757.68	3,426,770,205.39	3,118,480,250.62
Other businesses	14,888,217.48	853,834.65	7,260,005.89	448,552.70
<b>Total</b>	<b><u>3,818,881,906.09</u></b>	<b><u>3,500,190,592.33</u></b>	<b><u>3,434,030,211.28</u></b>	<b><u>3,118,928,803.32</u></b>

##### (1) Principal businesses — classified by sectors

Name of sector	Amount for this year	
	Revenue from principal businesses	Cost of principal businesses
Cloud infrastructure as a service	1,719,837,752.06	1,489,514,728.07
Cloud module as a service	2,012,043,594.70	1,940,153,759.08
Software and platform as a service	72,112,341.85	69,668,270.53
<b>Total</b>	<b><u>3,803,993,688.61</u></b>	<b><u>3,499,336,757.68</u></b>

Name of sector	Amount for last year	
	Revenue from principal businesses	Cost of principal businesses
Cloud infrastructure as a service	1,030,655,214.52	829,876,412.98
Cloud module as a service	2,311,179,735.58	2,222,762,285.22
Software and platform as a service	84,935,255.29	65,841,552.42
<b>Total</b>	<b><u>3,426,770,205.39</u></b>	<b><u>3,118,480,250.62</u></b>

(2) Principal businesses — classified by geographical regions

Name of geographical region	Amount for this year		Amount for last year	
	Revenue from principal businesses	Cost of principal businesses	Revenue from principal businesses	Cost of principal businesses
Mainland China	2,587,600,419.75	2,442,050,884.90	2,503,506,258.64	2,206,145,361.14
Hong Kong	1,100,412,355.98	916,785,449.33	856,560,036.72	848,317,397.53
Others	115,980,912.88	140,500,423.45	66,703,910.03	64,017,491.95
<b>Total</b>	<b>3,803,993,688.61</b>	<b>3,499,336,757.68</b>	<b>3,426,770,205.39</b>	<b>3,118,480,250.62</b>

(3) Revenue from other businesses and costs of other businesses

Name of business	Amount for this year		Amount for last year	
	Revenue from other businesses	Costs of other businesses	Revenue from other businesses	Costs of other businesses
Service fee revenue	3,676,642.90	853,834.65	2,760,126.10	—
Lease revenue	4,623,288.97	—	1,481,298.51	379,945.81
Others	6,588,285.61	—	3,018,581.28	68,606.89
<b>Total</b>	<b>14,888,217.48</b>	<b>853,834.65</b>	<b>7,260,005.89</b>	<b>448,552.70</b>

(4) The sales to the largest customer during the year amounted to RMB388,848,105.97, accounted for 10.18% of the total sales value (2016: RMB205,275,123.00, 5.98%), the sales to the 5 largest customers amounted to RMB1,111,866,880.67 in aggregate, accounted for 29.11% of the total sales value (2016: RMB701,437,559.01, 20.43%).

(5) The purchases from the largest supplier during the year amounted to RMB1,842,011,193.49, accounted for 45.58% of the total purchase value (2016: RMB1,663,225,983.20, 54.96%), the purchases from the 5 largest suppliers amounted to RMB2,634,307,059.26, accounted for 65.18% of the total purchase value (2016: RMB2,250,220,445.56, 74.36%).

## 5. TOTAL PROFITS

Total profits had been arrived at after charging (crediting):

Item	Amount for this year	Amount for last year
Staff costs (including directors' remuneration)		
— Wages, salaries and other benefits	64,885,054.80	60,029,647.07
— Retirement scheme contribution	6,787,178.85	6,211,432.54
Total staff costs	—	66,241,079.61
Cost of inventories recognized as expenses	3,439,106,423.36	3,036,393,170.23
Auditors remuneration	1,188,520.67	783,509.62
Depreciation	38,411,567.60	39,157,933.02
Amortisation	29,431,842.93	27,522,963.89
Research and development expenses	49,026,859.19	1,607,773.03
Marketing expenses	8,118,434.72	9,672,752.95
Provision for (reversal of) bad debts of receivables	52,981,236.41	9,753,864.73
Impairment loss of long-term equity investments	—	20,231,507.72
Impairment loss of inventories	1,360,950.13	2,437,313.72
Impairment loss of intangible assets	32,053,773.81	—
Share-based payment expenses	28,227,730.39	—
Taxation	3,464,250.99	3,028,823.75
Entertainment expenditures	5,794,439.19	5,728,013.59
Government grants	17,798,448.37	11,435,811.08
Gain on investment on disposal of long-term equity investments	313,003,257.50	15,473,929.46
Gain on investment to associates and joint ventures	6,602,992.04	11,194,241.38

## 6. SEGMENT INFORMATION

The operations of the Group are divided into 3 reportable segments based on the structure of its internal organization, management requirements and internal reporting system. The management of the Group regularly assess the operating results of these reportable segments to make decisions about their resources allocation and to assess their performance. The main products and services rendered by each reportable segment are servers, parts, software and others respectively.

The reportable segments of the Group are as follows:

Business segment	Principal operations
Cloud infrastructure as a service (IaaS)	Provision of relevant equipment such as cloud servers and cloud storage and their related solutions
Cloud module as a service (MaaS)	Provision of development, design, manufacturing and sale of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and related value added services
Software and platform as a service (SaaS and PaaS)	Provision of development and servicing of cloud computing related software and platforms



Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted in reporting to the management by each segment, these measurement basis are consistent with the accounting and measurement basis for the preparation of financial statements.

Transfer price between each segment is measured at the price in third party sales, and indirect expenses attributable to each segment are allocated to each segment in proportion to revenue.

### Profit or loss and assets and liabilities of reporting segment

Except for the Company's cash and cash equivalents, buildings and structures, transportation equipment, and office appliances under fixed assets, investment properties, dividends receivable, long-term equity investments, investment income, loans and interest, owners' equity of the Company and administrative expenses, all assets, liabilities and profit or loss are allocated to each operating segment.

Operating results of each segment represent total revenue generated by each segment (including revenue from transactions with external parties and intra-segment transactions) less 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 to the segment; net amount after deduction of non-operating income and expenses.

#### Reportable segment 2017

Item	Cloud infrastructure as a service	Cloud module as a service	Software and platform as a service	Unallocated	Elimination	Total
Revenue	1,735,542,408.78	2,300,802,011.06	98,824,504.43	—	(316,287,018.18)	3,818,881,906.09
Including: Revenue from transactions with external parties	1,731,787,805.89	2,014,264,777.22	72,829,322.98	—	—	3,818,881,906.09
Revenue from intra-segment transactions	3,754,602.89	286,537,233.84	25,995,181.45	—	(316,287,018.18)	—
Operating costs	1,529,006,611.36	2,229,610,677.08	57,860,322.08	—	(316,287,018.18)	3,500,190,592.33
Expenses for the period	137,360,357.04	77,480,714.13	33,109,911.08	91,858,689.84	(571,172.74)	339,238,499.34
Total segment profit (total loss)	29,896,942.81	(41,396,000.62)	(4,237,823.75)	228,708,913.84	15,951,172.74	228,923,205.02
Total assets	3,365,120,323.10	1,508,024,940.78	943,826,978.86	708,326,575.99	(3,268,901,312.28)	3,256,397,506.45
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	1,568,563,100.76	1,008,047,160.25	785,980,343.59	1,120,315,945.82	(2,493,032,342.25)	1,989,874,208.17
Supplementary information	—	—	—	—	—	—
Capital expenditure	4,109,604.23	56,868.79	47,862,938.52	134,003,610.15	—	186,033,021.69
Impairment loss recognised for the period	54,729,471.64	15,199,053.15	16,467,435.55	—	—	86,395,960.34
Including: Share of impairment of goodwill	—	—	—	—	—	—
Depreciation and amortisation	58,764,863.05	4,200,288.54	20,685,904.76	18,043,684.88	—	101,694,741.23
Non-cash expenses other than impairment loss, depreciation and amortisation	12,822,291.57	3,895,275.70	66,616.44	—	—	16,784,183.71

*Reportable segment 2016*

Item	Cloud infrastructure as a service	Cloud module as a service	Software and platform as a service	Unallocated	Elimination	Total
Revenue	1,072,579,373.95	2,485,631,217.25	106,616,213.21	—	(230,796,593.13)	3,434,030,211.28
Including: Revenue from transactions with external parties	1,035,417,761.33	2,315,573,080.37	83,039,369.58	—	—	3,434,030,211.28
Revenue from intra-segment transactions	37,161,612.62	170,058,136.88	23,576,843.63	—	(230,796,593.13)	—
Operating costs	881,379,761.19	2,392,404,230.13	75,366,071.19	—	(230,221,259.19)	3,118,928,803.32
Expenses for the period	82,665,262.85	73,427,072.07	15,751,105.52	75,509,163.70	(575,333.94)	246,777,270.20
Total segment profit (total loss)	99,413,803.83	6,342,755.00	16,412,558.92	(71,229,475.62)	818,607.52	51,758,249.65
Total assets	1,036,164,108.97	1,886,542,835.75	429,826,781.78	509,481,943.34	(1,071,205,871.05)	2,790,809,798.79
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	319,069,680.10	1,154,101,047.80	187,479,877.54	1,131,910,428.57	(861,260,412.76)	1,931,300,621.25
Supplementary information	—	—	—	—	—	—
Capital expenditure	32,116,846.62	321,925.67	56,299,151.78	19,353,455.83	—	108,091,379.90
Impairment loss recognised for the period	16,194,942.34	13,134,237.17	3,912,114.17	—	(818,607.52)	32,422,686.17
Including: Share of impairment of goodwill	—	—	—	—	—	—
Depreciation and amortisation	26,143,432.80	4,269,982.16	10,274,573.18	26,151,263.94	—	66,839,252.08
Non-cash expenses other than impairment loss, depreciation and amortisation	8,465,062.75	1,919,635.57	386,752.89	—	—	10,771,451.21

The Group's total revenue from transactions with external parties domestically and in other overseas countries and regions, and the total non-current assets other than financial assets and deferred income tax assets located domestically and in other overseas countries and regions are as follows:

	Amount for this year	Amount for last year
<b>Revenue from transactions with external parties</b>		
PRC (excluding Hong Kong)	<b>2,602,488,637.23</b>	2,510,766,264.53
Hong Kong	<b>1,100,412,355.98</b>	856,560,036.72
Other overseas regions	<b>115,980,912.88</b>	66,703,910.03
<b>Total</b>	<b>3,818,881,906.09</b>	<b>3,434,030,211.28</b>
<b>Total non-current assets</b>	<b>Closing balance</b>	<b>Opening balance</b>
PRC (excluding Hong Kong)	<b>493,198,472.38</b>	745,180,095.10
Hong Kong	<b>332,360,541.78</b>	65,044.23
Other overseas regions	—	—
<b>Total</b>	<b>825,559,014.16</b>	<b>745,245,139.33</b>

## 7. FINANCE COSTS

<b>Item</b>	<b>Amount for this year</b>	<b>Amount for last year</b>
Interest expenses	<b>74,686,206.26</b>	62,247,769.16
Less: Interest income	<b>919,828.40</b>	30,729,808.95
Add: Gain or loss on exchange	<b>(19,058,684.03)</b>	33,167,893.00
Add: Other expenses	<b>7,709,524.74</b>	7,744,236.59
<b>Total</b>	<b><u>62,417,218.57</u></b>	<b><u>72,430,089.80</u></b>

## 8. INCOME TAX EXPENSES

### (1) Income tax expenses

<b>Item</b>	<b>Amount for this year</b>	<b>Amount for last year</b>
Current income tax — PRC EIT	<b>19,318,886.49</b>	20,466,104.62
PRC	<b>19,135,326.47</b>	20,010,536.23
Hong Kong	<b>183,560.02</b>	455,568.39
Over provision for prior years (under provision is denoted as “+”)	<b>(2,905,010.69)</b>	485,163.36
Deferred income tax	<b>(4,254,135.75)</b>	(2,547,827.20)
<b>Total</b>	<b><u>12,159,740.05</u></b>	<b><u>18,403,440.78</u></b>

(2) Adjustment process of accounting for profit and income tax expenses

Item	Amount for this year	Amount for last year
Total consolidated profits for the year	231,417,768.03	51,758,249.65
Income tax charges calculated at applicable tax rates of 15% (2016: 15%)	34,712,665.20	7,763,737.45
Effect of different applicable tax rate among subsidiaries	(612,063.96)	(1,175,859.60)
Adjustment to the income tax over provided for the prior period	(2,744,499.29)	485,163.36
Effect of non-taxable income	—	—
Tax effect of special tax exemption	—	—
Effect of non-deductible costs, expenses and losses	(6,157,661.55)	(7,068,278.01)
Effect of utilisation of deductible losses for which no deferred income tax assets is recognised in prior periods	(26,382,264.62)	(1,197,349.91)
Effect of deductible temporary differences or deductible losses for which no deferred income tax assets is recognised for the year	13,504,075.67	19,596,027.49
Others	(160,511.40)	—
<b>Income tax expenses</b>	<b>12,159,740.05</b>	<b>18,403,440.78</b>

9. EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the parent by the outstanding weighted average number of ordinary shares of the parent.

Item	Amount for this year	Amount for last year
Consolidated net profit attributable to ordinary shareholders of the parent	218,933,834.57	34,931,505.59
Consolidated net profit (after non-recurring profit or loss) attributable to the ordinary shareholders of the parent	(64,322,647.42)	24,005,733.65
Weighted average number of outstanding ordinary shares of the parent	243,000,000.00	243,000,000.00
Basic earnings per share (RMB/share)	0.9010	0.1438
Basic earnings per share (RMB/share) (after non-recurring profit or loss)	(0.2647)	0.0988

The calculation outstanding of the weighted average number of ordinary shares:

<b>Item</b>	<b>Amount for this year</b>	Amount for last year
Number of outstanding ordinary shares at the beginning of year	<b>243,000,000.00</b>	243,000,000.00
Number of shares increased by capitalization of capital reserves or distribution of dividends (I)	—	—
Number of shares increased by issuance of new shares or conversion of debts to capital (II)	—	—
Number of months accumulated from the month following the month of share increase (II) to year end	—	—
Decrease in number of shares pursuant to re-purchase	—	—
Number of months accumulated from the month following the month of share decrease to year end	—	—
Reduction in number of shares due to consolidation	—	—
Number of months in the reporting period	<b>12.00</b>	12.00
Weighted average number of outstanding ordinary shares	<b><u>243,000,000.00</u></b>	<b><u>243,000,000.00</u></b>

**(2) Diluted earnings per share**

As the Company has no potential dilutive shares in both years, the diluted earnings per share was the same as the basic earnings per share.

**10. DIVIDENDS**

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement. The Directors do not recommend the payment of final dividend for the year ended 31 December 2017 (no final dividend had been paid for the year ended 31 December 2016).

**11. TRADE AND OTHER RECEIVABLES**

<b>Item</b>	<b>Closing balance</b>	Opening balance
Accounts receivable	<b>921,035,122.20</b>	939,001,565.53
Less: Provision for doubtful debts of accounts receivable	<b><u>49,249,951.13</u></b>	<u>21,309,202.71</u>
	<b><u>871,785,171.07</u></b>	<u>917,692,362.82</u>
Notes receivable	<b>19,317,780.05</b>	6,208,051.00
Prepayments	<b>10,569,389.53</b>	18,513,077.28
Other receivables	<b>691,863,395.53</b>	357,021,979.50
Less: Provision for bad and doubtful debts of other receivables	<b><u>27,777,943.31</u></b>	<u>481,361.48</u>
	<b><u>667,685,452.22</u></b>	<u>356,540,618.02</u>
<b>Total</b>	<b><u>1,569,357,792.87</u></b>	<b><u>1,298,954,109.12</u></b>

## 12. TRADE AND OTHER PAYABLES

The age analysis of accounts payable by invoice date as at 31 December 2017 is as follows:

Age	Closing balance	Opening balance
Within 1 year	369,944,502.55	167,209,659.73
1 to 2 years	5,379,851.14	10,717,211.91
2 to 3 years	275,807.50	894,312.06
3 to 4 years	891,793.62	1,172,829.98
4 to 5 years	1,024,014.89	—
Over 5 years	762,513.43	763,060.66
Accounts payable	378,278,483.13	180,757,074.34
Receipts in advance	68,051,656.32	44,725,023.84
Other payables	39,357,411.90	140,114,892.22
<b>Total</b>	<b>485,687,551.35</b>	<b>365,596,990.40</b>

## 13. NET CURRENT ASSETS

Item	Closing balance	Opening balance
Current assets	2,407,069,074.90	2,023,654,281.82
Less: Current liabilities	1,915,463,878.73	1,809,894,221.71
<b>Net current assets</b>	<b>491,605,196.17</b>	<b>213,760,060.11</b>

## 14. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	Closing balance	Opening balance
Total assets	3,251,436,375.32	2,848,654,099.68
Less: Current liabilities	1,915,463,878.73	1,809,894,221.71
<b>Total assets less current liabilities</b>	<b>1,335,972,496.59</b>	<b>1,038,759,877.97</b>

## 15. COMMITMENTS

### (1) Significant commitments

#### 1) *The capital expenditure commitments of the Group as at the end of the year*

##### *Material external investment expenses contract*

Item	Closing amount	Opening amount
Construction in progress	21,779,805.23	8,674,086.05
External Investment	—	—
<b>Total</b>	<b>21,779,805.23</b>	<b>8,674,086.05</b>

#### 2) *Lease contracts contracted for and which is or going to be effective*

As at 31 December 2017 (T), the Group, as the lessee, had the following total future minimum lease payables commitments during the following periods under the requirements of non-cancellable operating leases in respect of (among others) plants:

Period	Amount for this year	Amount for last year
Within one year (T+1 year)	15,751,905.41	14,741,570.90
One to two years (T+2 years)	12,539,754.69	11,286,311.41
Two to three years (T+3 years)	12,532,014.74	10,126,175.25
Over three years (T+3 years)	150,516,468.68	160,017,375.71
<b>Total</b>	<b>191,340,143.52</b>	<b>196,171,433.27</b>

As at 31 December 2017 (T), the Group, as a lessor, had the following total future minimum lease receivables during the following periods under non-cancellable operating leases in respect of buildings and structures:

Period	Amount for this year	Amount for last year
Within one year (T+1 year)	4,272,738.60	5,185,239.60
One to two years (T+2 years)	4,046,086.20	5,074,722.00
Two to three years (T+3 years)	—	5,061,522.00
Over three years (T+3 years)	—	7,274,592.75
<b>Total</b>	<b>8,318,824.80</b>	<b>22,596,076.35</b>

As at 31 December 2017 (T), the Group, as the lessee, had the following total future minimum lease payables during the following periods under the non-cancellable financial leases in respect of machinery and equipment:

<b>Period</b>	<b>Amount for current year</b>	Amount for last year
Within one year (T+1 year)	<b>11,882,595.56</b>	20,965,671.72
One to two years (T+2 years)	—	12,040,876.11
Two to three years (T+3 years)	—	—
<b>Total</b>	<b><u>11,882,595.56</u></b>	<b><u>33,006,547.83</u></b>

**3) *Acquisition and merger agreements contracted for and which is or going to be effective***

No acquisition and merger agreement contracted for and which is or going to be effective during the year.

**(2) Fulfilment of commitments of prior periods**

There were no irregularity found in fulfilment of commitments of prior periods.

**(3) Other than the above mentioned commitments, the Group had no other significant commitments as of 31 December 2017.**



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the financial year ended 31 December 2017, the Group recorded revenue of RMB3,818,881,906 and profit attributable to equity owners of the Company of RMB218,933,835 as compared to revenue and profit attributable to equity owners of RMB3,434,030,211 and RMB34,931,506 for the year ended 31 December 2016, representing an increase of 11.21% and 526.75% respectively. Earnings per share was RMB0.9010 (2016: RMB0.1438) and net assets per share of the Company was RMB5.05 (2016: RMB3.78).

#### Revenue

The revenue of the Group for the year ended 31 December 2017 and the comparative figures of 2016 as classified by businesses were as follows:

	2017		2016		Change
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>%</i>
Income from the principal business					
Cloud Infrastructure as a Service (IaaS)	1,719,837,752	45.03	1,030,655,215	30.01	66.87
Cloud Module as a Service (MaaS)	2,012,043,595	52.69	2,311,179,735	67.30	(12.94)
Software and Platform as a Service (SaaS & PaaS)	72,112,342	1.89	84,935,255	2.48	(15.10)
Income from other business	14,888,217	0.39	7,260,006	0.21	105.07
Total	<u>3,818,881,906</u>	<u>100</u>	<u>3,434,030,211</u>	<u>100</u>	<u>11.21</u>

The Group's revenue was mainly derived from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS). With reference to the table above, for the year ended 31 December 2017, prime operating revenue from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS) amounted to RMB1,719,837,752 and RMB2,012,043,595 respectively (2016: RMB1,030,655,215 and RMB2,311,179,735), accounted for 45.03% and 52.69% (2016: 30.01% and 67.30%) of total revenue respectively. Revenue from Cloud Infrastructure as a Service (IaaS) increased by 66.87%, which was mainly attributable to the Group's significant increase in revenue from major customers and industry customers during the year. Revenue from Cloud Module as a Service (MaaS) decreased by 12.94%, mainly due to increasing market competition in the IT industry during the year. Further details of business analyses are set out in the paragraph "Business Review" below.

## Gross Profit

	Revenue		Gross Profit		Gross Profit Margin	
	2017 RMB	2016 RMB	2017 RMB	2016 RMB	2017 %	2016 %
Income from the principal business						
Cloud Infrastructure as a Service (IaaS)	1,719,837,752	1,030,655,215	230,323,024	200,778,802	13.39	19.48
Cloud Module as a Service (Maas)	2,012,043,595	2,311,179,735	71,889,836	88,417,450	3.57	3.83
Software and Platform as a Service (SaaS & PaaS)	72,112,342	84,935,255	2,444,071	19,093,703	3.39	22.48
Income from other business	14,888,217	7,260,006	14,034,383	6,811,453	94.27	93.82
Total	<u>3,818,881,906</u>	<u>3,434,030,211</u>	<u>318,691,314</u>	<u>315,101,408</u>	<u>8.35</u>	<u>9.18</u>

The Group's gross profit increased from RMB315,101,408 for the year ended 31 December 2016 to RMB318,691,314 for the year ended 31 December 2017, representing an increase of 1.14%.

The Group's overall gross profit margin decreased from 9.18% for the year ended 31 December 2016 to 8.35% for the year ended 31 December 2017. Gross profit margin of Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (Maas) decreased from that of 2016, mainly attributable to the Company's promotion strategy of lowering price for the purpose of increasing sales volume and the increasing market competition in the Cloud Module as a Service (Maas) business. Further details of business analyses are set out in the paragraph "Business Review" below.

### Sales expenses

Sales expenses mainly comprised of, amongst others, salaries of sales personnel, marketing expenses, rents and transportation cost. For the year ended 31 December 2017, sales expenses in total were RMB88,501,313, compared to the total sales expenses of RMB81,041,852 for the year ended 31 December 2016, representing an increase of 9.20% from last year. This was mainly due to the increase in employees and salary and the increase in reimbursement of expenses accompanying growth in sales.

### Administrative expenses

Administrative expenses mainly comprised of, amongst others, amortisation of intangible assets, salaries of management personnel, depreciation, R&D cost. For the year ended 31 December 2017, total administrative expenses were RMB180,071,006, compared to the total administrative expenses of RMB89,628,803 for the year ended 31 December 2016, representing an increase of 100.91% from last year. This was mainly due to R&D expenditure capitalised and expensed of RMB49,026,859.19 and development expenditure being treated as expenses, and share-based payment expenses incurred of RMB28,227,730.39.

## **Finance costs**

Finance costs mainly comprised of, amongst others, interest expenses, exchange gain or loss, and handling fees. For the year ended 31 December 2017, total finance costs were RMB62,417,219, compared to the total finance costs of RMB72,430,090 for the year ended 31 December 2016, representing a decrease of 13.82% from last year. This was mainly due to the rapid appreciation of the RMB, leading to substantial gains from exchange of foreign currency.

## **Assets, liabilities and shareholders' equity**

As at 31 December 2017, current assets of the Group amounted to RMB2,407,069,075 (2016: RMB2,023,654,282), which mainly comprised of cash and cash equivalents of RMB327,110,899 (2016: RMB349,605,798), trade and bills receivables of RMB891,102,951 (2016: RMB923,900,414), inventories of RMB483,969,808 (2016: RMB351,976,260). Non-current assets amounted to RMB844,367,300 (2016: RMB824,999,818), which mainly comprised of long-term equity investment of RMB131,924,628 (2016: RMB162,517,683), fixed assets of RMB299,487,005 (2016: RMB431,096,863), intangible assets and development costs of RMB6,061,275 (2016: RMB114,107,867). Total assets were RMB3,251,436,375 (2016: RMB2,848,654,100).

As at 31 December 2017, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,170,519,453 (2016: RMB1,171,951,441) and accounts payable of RMB378,278,483 (2016: RMB180,757,074). Non-current liabilities mainly include long-term borrowings of RMB43,000,000 (2016: RMB79,000,000). Total liabilities were RMB1,989,472,004 (2016: RMB1,931,300,621).

As at 31 December 2017, the Group's equity attributable to the shareholders of the Company was RMB1,227,307,758 (2016: RMB917,356,802).

## **Significant investment, acquisition and disposal of subsidiaries and associates**

In June 2016, the Company contemplated to dispose the Group's Shenzhen internet data centre business and value-added cloud services business through a transfer of Shenzhen Baoteng Internet Technology Limited\* (深圳市宝腾互联科技有限公司) ("Baoteng Internet") to Shenzhen ZQGAME Co. Ltd.\* (深圳中青宝互动网络股份有限公司) ("Zqgame"), an associated company of the Company; on 1 September 2016, the Company and Zqgame entered into an agreement, pursuant to which the Company conditionally agreed to sell, and Zqgame conditionally agreed to purchase the entire equity interest in Baoteng Internet for a consideration of RMB500 million. At the same time, the Company guaranteed to Zqgame that the audited net profit of Baoteng Internet for the years 2017, 2018 and 2019 will in aggregate be not lower than RMB110,361,605.80 (that is, the valuation using the income approach forming the basis of the consideration of the disposal), and provide asset impairment compensation for the aforementioned period for Baoteng Internet; on 1 March 2017, the Company,

Zqgame, Mr. Li Ruijie and Ms. Zhang Yunxia entered into the supplementary agreement to the profit guarantee compensation agreement, pursuant to which the parties to the agreement agreed that the maximum amount of the profit guarantee compensation and the asset impairment compensation will not exceed RMB110,361,605.80, and that any part of the profit guarantee compensation and asset impairment compensation in excess of such an amount will be borne by Mr. Li Ruijie and Ms. Zhang Yunxia; on 26 June 2017, the transaction was approved by a vote at the Company's extraordinary general meeting; on 29 June 2017, the subject matter of the transaction has been fully delivered, with the Company no longer operating the Shenzhen internet data centre business and value-added cloud services business. For details, please refer to the Company's disclosure circular dated 9 June 2017).

On 10 May 2017, the Company held a meeting of the Board to review the Resolution on Disposal of Interest in Sichuan Baoteng Internet Technology Limited and signed an equity transfer agreement. The Company transferred its holding of 49% equity in Sichuan Baoteng (corresponding to registered capital of RMB960,800) to Mr Chen Zewei at a consideration of approximately RMB6,132,311.20 (net book value of long term equity investment). As at 31 December 2017, the Company no long holds any interest in Sichuan Baoteng.

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 the judicial auction in respect of the acquisition of the land use rights of land no. A621-0042, 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) with land use area of approximately 13,184 square meters, as well as the construction in progress on the abovementioned land, at the consideration of RMB194,608,288.84. The judicial auction which was bidden in the name of the Company was jointly participated by the Company and Shenzhen Shenshang Holding Group Co., Ltd. (深圳市深商控股集團股份有限公司) ("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. (Please refer to the Company's disclosure announcement dated 10 November 2017 for details.)

On 27 December 2017, the Company, Khorgas Powerleader Venture Capital Limited\* (霍爾果斯宝德創業投資有限公司) ("Powerleader VC", a wholly-owned subsidiary of the Company), Tianjin Baojie Hechuang Business Management Partners\* (LP) (天津宝傑合創企業管理合夥企業 (有限合夥)) ("Baojie Hechuang"), Tianjin Baoyun Gongchuang Business Management Partners\* (LP) (天津宝雲共創企業管理合夥企業 (有限合夥)) ("Baoyun Gongchuang"), Tianjin Baolun Jiechuang Business Management Partners\* (LP) (天津宝倫捷創企業管理合夥企業 (有限合夥)) ("Baolun Jiechuang") and Tianjin Baolong Huichuang Business Management Partners\* (LP) (天津宝龍慧創企業管理合夥企業 (有限合夥)) ("Baolong Huichuang") entered into the capital

contribution agreement with Shenzhen Powerleader Computing System Limited (深圳市宝德计算机系统有限公司) (“Powerleader Computing”), pursuant to which Baojie Hechuang, Baoyun Gongchuang, Baolun Jiechuang and Baolong Huichuang agreed to make capital contributions of RMB11,145,000, RMB10,170,000, RMB8,355,000 and RMB6,780,000 respectively to Powerleader Computing. The total capital contribution amounts to RMB36,450,000, of which RMB3,076,600 will be applied to the registered capital of Powerleader Computing, while the remainder of RMB33,373,400 will be applied to the capital reserve of Powerleader Computing. The capital contribution will result in the Group’s interest in Powerleader Computing being diluted from 100% to approximately 92.51%. Pursuant to Rule 19.29 of the GEM Listing Rules, the relevant dilution will be a deemed disposal of the Company’s interest in a subsidiary. (Please refer to the Company’s disclosure announcement dated 27 December 2017 for details.)

### **Currency Risk**

The Company and some of its subsidiaries conduct sales and procurement settlement in foreign currencies, which expose the Group to foreign currency risks. In 2017, approximately 69% (2016: 63%) of the Group’s sales were denominated in currencies other than the functional currency of the Group’s entities for the sales, and approximately 23% (2016: 29%) of the costs were denominated in the Group entities’ functional currencies.

### **Gearing Ratio**

As at 31 December 2017, the gearing ratio of the Group was approximately 61.19% (2016: 67.80%), which is determined by the Group as the percentage of total liabilities to total assets. The gearing ratio decreased by 6.61 percentage points compared to last year.

## **BUSINESS REVIEW**

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

Information security remained the vital development strategy for China’s electronic information industry in 2017. Under the impact of this strategy, domestically produced servers will continue to sustain a rather high speed of development. As IT industries such as cloud computing and big data that were unfamiliar in the past have gradually progressed to maturity, moving from the “construction” phase to the “prevalent” phase, servers, as the pillar product/technology of the internet industry, is actively redefining its position, with standardisation being more visible than innovation, but as the industry experiences drastic transformations, market demand continues to change and market segments gradually becomes distinct, the importance of innovation is starting to become prominent.



As the leading server provider and cloud infrastructure provider in the China market, the Company's non-wholly owned subsidiary Powerleader Computing, positioning itself as a "bedrock of cloud computing", enjoys a relatively high industry position in areas such as technology, product, and sales, reflected mainly in the following three areas: (1) Powerleader Computing possesses leading independent R&D capability in China; (2) Powerleader Computing possesses a comprehensive product line and a rich variety of products; (3) Powerleader Computing possesses many years of sales and services experience. The Company is strongly focused on innovation and adapting to the contemporary demands of cloud computing and big data industries, and making strong efforts in R&D investment in the field of smart technology. During the year, the prime operating revenue from IaaS increased by 66.87% over the same period of last year.

IT technology advances rapidly. In 2017, supported by cloud infrastructure application, usage of big data and artificial intelligence exploded in popularity, while infrastructure in fields relating to IoT and Smartcity has gradually been established. Relying on deep technology accumulation and agile market response, Powerleader servers have rapidly completed a computing foundational layout of cloud computing, big data and artificial intelligence. In 2017, market promotion for Powerleader servers adhered to the positioning as "bedrock of cloud computing and Smartcity, carrier of big data and artificial intelligence", along with the slogan of "Stronger and faster with tech unity", and through marketing activities, self-media broadcast, and infiltration marketing, conduct all-round market promotion of the Powerleader brand, further enhancing the professional image of Powerleader servers.

For R&D, the birth of Powerleader's self-developed 4-GPU server PR4860G-24 provided an impeccable solution to hardware limitations. Powerleader's 4-GPU server PR4860G-24 supports 4 M60 cards for virtualisation, and is the world's first 4-GPU server that can support installation of 4 M60 cards. Such design and configuration enables not only smooth rendering of images in the virtualisation process, but also ensure the security and stability of corporate or project data, while greatly raising corporate or project resource utility, saving on total cost of ownership. In addition, Powerleader launched a blockchain server, which utilises an Intel B250 motherboard paired with an Intel Celeron G3900 processor (dual core with 2 threads, 2.8GHz processor base frequency and 2MB cache) for great cost performance, 8 AMD RX 570 4G display cards (Samsung memory module) for extremely high computational power, as well as a 1,600W uninterrupted power supply unit for lower power consumption.

With regard to marketing activities, in 2017 Powerleader persisted in a dual approach of self-organisation and active participation. Gathering Powerleader's own advantages and strengths, it convened focus seminars targeting clients from industries such as education, internet, AI, security surveillance, internet security, as well as channel partners. In 2017, Powerleader hosted a total of 31 activities relating to the theme of "Stronger and faster with tech unity — Powerleader-Intel server technology exchange forum" in cities such as Shenzhen, Beijing, Shanghai, Nanjing, Hangzhou, Jinan, Changsha, Wuhan, Taiyuan, Nanning and Harbin, conducting an intuitive demonstration and in-depth presentation

of products such as the new server product based on the latest Intel® Xeon® Scalable processors, GPU servers suited for artificial intelligence and deep learning, storage servers suited for security surveillance and Smartcity, and surveillance cloud storage and hyperconverged cloud integrated machines, allowing clients and target clients of various fields in-depth appreciation of Powerleader's product and technology capabilities, providing supportive guidance in product selection, and building a good foundation for promoting sales and securing orders. Meanwhile, displaying new products and new solutions kept up the professional image and vibrancy of Powerleader's servers, strengthening confidence for partnering clients. Further, Powerleader actively sponsored and participated in conferences or forums for the IT industry or professional fields organised by third parties, and through forms such as booth display and talks, publicise the Powerleader brand and product technology, providing for its sales team a good platform for tapping business opportunities, promoting greater understanding of Powerleader and products and solutions for target clients. Particularly, it focused resources and heavily prepared for its participation in the Intel-hosted solution summit, energy and manufacturing summit and vertical industry summit, as well as multiple conferences on artificial intelligence, a conference on innovative internet development, a conference on cloud computing and big data, and a software expo where we strengthened partnerships with those deeply cultivating in the industry, displaying Powerleader's products and solutions and capabilities, learning on the fly and, together with clients and partners, provide comprehensive solutions for industrial applications/client transformations. Additionally, in 2017 the Powerleader Group made a high profile participation in the 19th China Hi-Tech Fair, showcasing its comprehensive business layout with an integrated display of Powerleader servers, the Powerleader IDC, Powerleader cloud, and IT distribution as well as its brand image as a provider of comprehensive IT solutions.

On self-media, Powerleader insisted on the timeliness and intelligibility of its publications on self-media with sustained frequency, increasing fan stickiness and client interest, letting readers follow closely the developments in Powerleader, its strategy, the market, and products, displaying the vibrancy of Powerleader, and attracting more interest from target clients in choosing Powerleading as a partner; and at the same time publish instantaneously reports of successful tenders and cases of Powerleader's business, such as the Jinri Toutiao deal, worth several hundred million, the successful tender for iFlytek, the Meitu case study, the SenseTime case, the BRICS summit security application, the successful tender for the Skynet project, and the Face++ and IntelliFusion case studies, using orders and client cases to validate the product and solution capabilities of Powerleader, providing demonstration for more industry clients, strengthening Powerleader's credentials, promoting higher order volume from clients.

As for advertising, Powerleader's commercials in 2017 has been flattened to placing advertisements in traditional classic web media Zhiding, CCIDnet, 51CTO as well as China Public Safety, which promotes the application of AI servers in security and Smartcity business, on brand new products and their applications, enhancing Powerleader's professional image, exhibiting its professional capability and active and trendy innovative developments.

Honours:

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

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

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

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

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

In March 2017: Powerleader Science & Technology Group was named the "Top 10 Enterprises in Longhua District of Shenzhen Municipality in 2016";

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

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

In May 2017: Powerleader Computing was awarded the "Cloud China 2017 Cloud Sail Award";

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

In September 2017: Powerleader Computing's "Guizhou Shuanglong Airport Economic Zone Big Data Analysis Platform" was named "Model Case for Big Data Application in China 2017";

In October 2017: Powerleader Science & Technology Group was awarded the "Recommended Brand in Building China's Smartcity 2017"



In November 2017: Powerleader Science & Technology Group was awarded the “Excellent Dealer in 2018” by the data centre channel business department of Intel (China) Co., Ltd.;

In November 2017: Powerleader Science & Technology Group was awarded the “Tengfei Award in 2017” by the data centre channel business department of Intel (China) Co., Ltd.;

In November 2017: Powerleader Science & Technology Group was awarded the “Strategic Partner in 2017” by the data centre channel business department of Intel (China) Co., Ltd.;

In November 2017: Powerleader Science & Technology Group was awarded the “Excellent Product Award” for its original 8 quad server PR8800G;

In November 2017: Powerleader Science & Technology Group was named in the “5th Top 100 Innovative SME in Shenzhen”;

In November 2017: Powerleader Science & Technology Group was ranked 107th in the “Top 500 Manufacturers in Guangdong”;

In December 2017: Powerleader Science & Technology Group qualified as a postgraduate training base of the Shenzhen Institute of Advanced Technology of the Chinese Academy of Sciences;

In December 2017: Powerleader Computing was awarded the “Excellent Cloud Server Provider in 2017 (Business Partnership Advisor)”;

In December 2017: Powerleader Computing was awarded the “Cloud Server Provider in 2017 (Business Partnership Advisor)”;

In December 2017: Powerleader Computing was awarded the “Toshiba Best Partner Award”;

In December 2017: Powerleader Science & Technology Group was named “Top 100 Shenzhen Enterprises in 2017”;

In December 2017: Powerleader Science & Technology Group’s chairman Zhang Yunxia was named “100 Industry Leaders of Shenzhen in 2017”.

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

As information technology develops, new technologies such as cloud computing, big data, virtual reality and artificial intelligence have sprung up successively. Among these, cloud computing will become the mainstream mode of IT operations in future, while big data will be the most vital core resource. As mobile internet spreads from retail consumption to other industries, our lifestyles, industrial mode of operations and corporate development paths have experienced revolutionary changes; every field will be a brand-new market. We aim to be an innovative internet enterprise, led by the concept of the smart city, grounded in cloud computing and big data technologies, and through an innovative business model, realise the Company's transformation from an industrial IT service provider to an industrial operator. In 2017, the Company has continuously strengthened its core technical support capabilities, maintaining a comprehensive and diverse product distribution. However, with ever-increasing market competition, prime operating revenue from MaaS decreased by 12.94% over last year.

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

In 2017, relying on years of technology and experience in software development, the Company has continued its ambitious expansion, with order volume for our cloud computing platform and distributive storage products based on the Company's own research more than doubling that of 2016, gradually becoming a stable income source. Meanwhile, part of our cloud computing platform and distributive storage products performed ahead of other products of the same category in benchmarking tests of national key projects, receiving user recognition, integrating with the current wave of cloud computing development, optimising the business model of cloud computing to better accommodate demands of potential markets of future trends, providing users with further individualised and diversified cloud application requirements, continuing to maintain our position as China's leading integrated cloud services provider.

***Guangzhou internet data centre***

The principal business direction of the Company's self-built internet data centre in Guangzhou is professional internet data centre business, providing clients with a range of customised services including data centre server rooms, modularisation, servers and storage systems, as well as server rack and server rental and server deposit services.

As to the Guangzhou internet data centre business, the Company has committed that, upon completion and fulfilment of conditions for selling the Guangzhou internet data centre business to Zqgame and such a sale has no substantial obstacles, the Company may negotiate with Zqgame and upon reaching and entering into an agreement to sell the Guangzhou internet data centre business to Zqgame. The Company will continue to

develop the Guangzhou internet data centre business, and with the Company having several years of experience in the internet data centre industry, it is expected that the Guangzhou internet data centre business will continue to grow in future. When the Guangzhou internet data centre business realises certain profits, the Company will consider disposing of the Guangzhou internet data centre business.

### **Bank financing and capital management**

In 2017, the central bank implemented a stable currency policy, with a gradual tightening of credit volume. Based on its strategic planning, the Company grasped opportunities in credit investment in the real economy, maintaining good partnership relations with financial institutions, sustaining a stable financing volume and effectively reduced financing costs.

### **GOVERNMENT SUPPORT**

In 2017, the Company continued to double its efforts in applying for government project funding and awards. With cloud computing, servers, big data and artificial intelligence as its core content, the Company applied for a number of qualification accreditations and project funding, and several of its research projects have passed the inspection and acceptance procedures. In connection with partnerships with external parties, the Company has been conducting R&D partnerships with universities and R&D institutions with a view to absorbing skilled professionals and advanced technologies.

In 2017, the Group received a number of highly influential government subsidies, which are detailed as follows:

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

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

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

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

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

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

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

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

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

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

In September 2017: Powerleader Computing’s “Guizhou Shuanglong Airport Economic Zone Big Data Analysis Platform” was named “Excellent Case of Big Data Application in China 2017”;

In October 2017: Powerleader Science & Technology Group was recognised as a “Top 500 Manufacturer in Guangdong” by the Guangdong Manufacturers Association;

In October 2017: Powerleader Science & Technology Group and Powerleader Computing received subsidies in the form of Innovation Vouchers from Shenzhen Science and Technology Innovation Council;

In October 2017: Powerleader Science & Technology Group was recognised as a “Top 100 Innovative SME in Shenzhen”;

In October 2017: Powerleader Computing and Powerleader software successfully received accreditation as national level high tech enterprises;

In November 2017: Powerleader Science & Technology Group and Powerleader Computing received subsidies from the Futian District Industrial Development Programme — Technological Breakthrough Projects package funding;

In November 2017: Powerleader Science & Technology Group received subsidies from the 2017 Commission of Economy and Informatisation Integrated Military-Civilian Self-financed Scientific Research Projects R&D funding;

In November 2017: Powerleader Software received subsidies from the Shenzhen Strategic Emerging Industries New IT Generation Information Security Programme 2017 support funding;

In December 2017: Powerleader Science & Technology Group partnered with the Chinese Academy of Sciences Shenzhen Institute of Advanced Technology in organising a postgraduate training base;

In December 2017: Powerleader Science & Technology Group was awarded the “Shenzhen Industry Grand Prize” and chairman Ms. Zhang Yunxia the “Industrialist Grand Prize” by the Federation of Shenzhen Industries.

#### **ASSOCIATED COMPANY**

Zqgame, an associate which is held as to 15.24% interest by the Company, is principally engaged in internet gaming business, cloud service business, and technological and cultural tourism business. Zqgame’s revenue in 2017 was RMB313,223,143.38, a decrease of 17.09% over 2016. Zqgame’s net profit attributable to shareholders in 2017 was RMB50,296,660.75, a growth of 238.30% over 2016. This is mainly attributable to (i) Zqgame is currently in a key phase of internal business optimisation, conducting strategic positioning and investments in its new businesses, and it has achieved intermediate success in offline entertainment with initial effectiveness in cultural and technological creative projects; (ii) dividends from investments in companies and disposal of part equity interest gave rise to higher income; (iii) the occurrence of merger of companies under common control during the period, which had a positive impact on the profits of Zqgame as it expanded its business development direction. In the future, Zqgame will strengthen R&D in its own gaming business, actively using advanced technology in its focus on building excellent games that meet market demand, in order to raise industrial competitiveness.

Beijing Haiyun Jiexun Technology Limited (“Haiyun Jiexun”), an associate which is held as to 10.135% interest by the Company, is principally engaged in OpenStack operation and maintenance services, recording in 2017 a turnover of approximately RMB53,098,293.00, a growth of 29.91% over the same period last year, and a net loss attributable to ordinary shareholders of Haiyun Jiexun of approximately RMB10,954,629.94, a drop of 300.91% over the same period last year. This is mainly attributable to Haiyun Jiexun increasing investment in research and development. In 2017, Haiyun Jiexun had continued increasing investment in research and development, mainly centering on research and development of products related to private cloud, public cloud, hybrid cloud, etc. In future, Haiyun Jiexun will rely on OpenStack to devote to the research and development of key areas including tertiary institutions, scientific research institutes, healthcare, and IDC.

## **HUMAN RESOURCES**

### **Human resources planning, recruitment and performance appraisal**

In 2017, the Company sustained good management of human resources, accomplished human resource planning with a scientific approach and improved organisational structure, forming an organisational structure model with performance directives for its business segments, raising efficiency per capita. Meanwhile, the Company established a competitive compensation system and a generous welfare system, building a profit-sharing performance distribution system, in order to motivate its staff, laying a solid foundation for the sustainable and healthy development of the Company and providing strong security for the Company to remain invincible in the face of fierce competition.

### **Building and training of talent pool**

To meet the Group's development and strategic demand, discover and train good talents timely and carry out the backup talent pool building systematically to provide the powerful talent support for the Company's sustainable development, the Company carried out skill training courses for the staff regularly to reserve and train talents for the long-term development of each post. In addition, the Company better improved the staff's enthusiasm and initiative by introducing the online training and improving the individual training through a variety of training methods.

### **Corporate culture and staff relationships**

The Company paid attention to the management of staff relationships, and strived to create a good working environment and interpersonal environment for employees. Meanwhile, the Company organized employee activities on a regular basis to promote the communication between employees, cultivate their sense of belonging and strengthen team cohesion.

## **PROSPECT**

Policies relating to support for the cloud computing industry issued by various levels of the PRC government during 2017 is summarised as follows:

### **State council policies**

The rapid development of artificial intelligence will deeply alter human society and lifestyle and change the world. In order to grasp the vital strategic opportunity of artificial intelligence development, build a leading edge in China's artificial intelligence development, accelerate the construction of an innovative nation and a global technology powerhouse, the Company has formulated the plan based on the positioning directions of the Politburo and the State Council. On 8 July 2017, the State Council issued a notice concerning the development plans of a new generation of artificial intelligence. The priority mission is to, based on China's overall development,

accurately grasp the development trends in worldwide artificial intelligence development, find the breakthrough point and main direction of attack, strengthen all-round technology innovation foundational capability, extensively expanding application depth and breadth of focus fields, and broadly raise the standards of economic and social development and smart technology application in national security.

Looking ahead, in 2018, the Company will continue to strengthen its capacity in serving its users and drive the upgrading of traditional industries. Meanwhile, 2018 will be a significant year for investment in China's information technology sector, with artificial intelligence, deep learning, smart manufacturing set to experience rapid development. The Company will center on the key strategy of becoming a manufacturing powerhouse, and relying on its years of experience in cloud computing, will promote the integrated application of systems such as smart manufacturing of vital technological equipment, core supporting software and industrial internet, and conduct R&D of smart products and smart connected products, smart manufacturing of enabling tools and systems and smart manufacturing of cloud platforms.

### **Bank financing and capital management**

Looking ahead in 2018, the Central Bank will continue to implement a stable currency policy. With the deepening of deleveraging and bubble-bursting, credit policies will further lean towards the real economy. The Company will continue to strengthen relations with financial institutions, trying out new forms of financial instruments, in order to protect its business development. Meanwhile, it will strengthen management of the Company's internal resources, in order to secure the security and effectiveness of its resources.

### **Human resources**

Looking forward to 2018, the Group will optimize human resources management system, complete talent management system and strengthen multi-channel, multi-level manpower input duct construction. According to the requirements of enterprise development strategy, the Group will systematically have rational allocation of human resources. For talent management, the Company will make use of employees appraisal and incentive measures to fully mobilize positivity of its employees to develop their potentiality, and create a passionate and creative excellent team, thus providing protection for its long-term continuous development.



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

As at 31 December 2017, interests or short positions of the Directors, supervisors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or the interests or short positions required to be entered into the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the requirements in Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by the Directors were as follows:

### Shares of the Company

Name of Director	Number of Domestic Shares held by a controlled corporation	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li Ruijie	102,184,500	42.05%	56.07%
Ms. Zhang Yunxia	102,184,500	42.05%	56.07%
Mr. Sun Wei (Departed)	15,963,750	6.57%	8.76%
Mr. Ma Zhumao (Departed)	<u>7,250,000</u>	<u>2.98%</u>	<u>3.98%</u>

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

*Note 2:* Mr Sun Wei (departed on 29 August 2017) 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 (departed on 6 December 2017) 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 31 December 2017, none of the Directors, supervisors and chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions taken or deemed to have under such provisions of the SFO), or any interest or short positions required to be entered into the register required to be kept pursuant to section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

### **SHARE OPTION SCHEME**

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

### **DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES**

During the year, neither the Company nor any of its subsidiaries was a party to any arrangements to allow the Directors or the supervisors of the Company to acquire benefits by the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the Directors and 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.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Pursuant to the agency framework agreement referred in the section of “Continuing Connected Transactions of the Group” in the Annual Report, Ms. Zhang Yunxia and Mr. Li Ruijie have a material interest in the contract.

Save as the matters above, no contracts of significance, to which the Company or its subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **SUBSTANTIAL SHAREHOLDERS**

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

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

*Note:* Powerleader Investment Holdings Company Limited, 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, held 102,184,500 Domestic Shares in aggregate.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

### Sales

— the largest customer	5.98%
— five largest customers in aggregate	20.43%

### Purchases

— the largest supplier	54.96%
— five largest suppliers in aggregate	74.36%

None of the Directors, supervisors, their associates or any shareholder of the Company (which to the knowledge of the Directors and the supervisors owns more than five per cent interest in the issued share capital) had an interest in any of the five largest suppliers or customers of the Group.

## COMPETING BUSINESS AND CONFLICT OF INTEREST

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

## CODE OF CORPORATE GOVERNANCE PRACTICE

The Board believes that the Company had complied with the Code of Corporate Governance Practice (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM during the year.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Committee”) on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to act as an important link between the Board and the Group’s auditor for issues falling under the scope of audit of the Group and (ii) to review the effectiveness of the external audit and of the internal control and risk evaluation of the Company. At present, the Committee comprises three independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda, and Mr. Jiang Baijun. During the year, the Committee held four meetings for the purpose of reviewing the annual report of 2016, the quarterly reports of the first and third quarters of 2017 as well as the interim report of 2017. The Committee has also reviewed the annual results for the year ended 31 December 2017 and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements of the Stock Exchange and other legal requirements.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings and there is no restriction upon such rights under the laws of the PRC.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year.

## **AUDITOR**

ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) was approved to act as the auditor of the Company at the annual general meeting convened on 31 May 2017, such appointment was effective from 31 May 2017 and it will hold the office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board  
**Zhang Yunxia**  
*Chairman*

Shenzhen, the PRC  
29 March 2018

*As at the date hereof, the Board comprises a total of six Directors, including Ms. Zhang Yunxia, and Mr. Dong Weiping as executive Directors, Mr. Li Ruijie as non-executive Director and Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun as independent non-executive Directors.*

*This announcement, for which the directors of Powerleader Science & Technology Group Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 announcement 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 announcement misleading.*

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