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宝德科技集团股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 8236)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE") ("GEM")

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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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 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 GEM of the Stock Exchange (the "GEM Listing Rules") 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 purpose only*

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2018 (the “Three Months Period”), together with comparative unaudited figures for the corresponding periods in 2017, are as follows:

CONSOLIDATED INCOME STATEMENT

Item

	<i>Note</i>	2018 RMB (Unaudited)	2017 RMB (Unaudited)
I. Total revenue		637,026,076.27	731,962,495.84
Including: Operating revenue	3	637,026,076.27	731,962,495.84
II. Total operating cost		593,156,835.02	718,588,348.56
Including: Operating cost		565,539,638.59	659,761,108.91
Business taxes and surcharges		24,903.31	718,660.41
Sales expenses		16,742,452.53	18,262,198.70
Administrative expenses		17,800,966.28	26,704,765.21
Finance costs		(6,951,125.69)	13,525,955.46
Impairment loss of assets		—	—
Add: Gain on changes in fair value		—	—
Gain on investment		1,865,568.80	384,340.13
Including: Gain on investment to associates and joint ventures		1,713,308.34	384,340.13
III. Operating profit		45,734,810.05	13,374,147.28
Add: Non-operating income	4	4,846,030.75	2,401,865.70
Including: Gain on disposal of non-current assets		—	—
Less: Non-operating expenses		4,367.32	17,836.06
Including: Loss on disposal of non-current assets		—	—
IV. Total profit		50,576,473.48	15,758,176.92
Less: Income tax expenses	5	2,123,684.55	1,868,656.06
V. Net profit		48,452,788.93	13,889,520.86
Net profit attributable to shareholders of the Company		48,452,937.93	13,889,813.34
Profit or loss attributable to minority interests		(149.00)	(292.48)
VI. Earnings per share:			
(i) Basic earnings per share	7	0.1994	0.0572
(ii) Diluted earnings per share	7	0.1994	0.0572
VII. Other comprehensive income			
Other comprehensive income items which will not be reclassified to profit or loss in subsequent accounting period		—	—
Other comprehensive income items which will be reclassified to profit or loss in subsequent accounting period subject to satisfaction of required conditions		—	—
VIII. Total comprehensive income		48,452,788.93	13,889,520.86
Total comprehensive income attributable to shareholders of the Company		48,452,937.93	13,889,813.34
Total comprehensive income attributable to minority interests		(149.00)	(292.48)

NOTE:

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") on 20 August 1997, as a limited liability company and transformed to a joint stock limited company on 31 July 2001. The Company was listed on GEM of the Stock Exchange on 12 December 2002 by way of placing.

The Group is a cloud computing solutions provider in the PRC with proprietary innovation capability. It operates in the PRC and Hong Kong and is principally engaged in (i) Supply of servers, storage and solutions; (ii) Distribution of electronic equipment and accessories (non-server/storage); (iii) Guangzhou IDC business; (iv) Industrial park development, operations and property management; and (v) Industrial investment (non-server/storage).

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

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 of the PRC 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 GEM Listing Rules.

3. REVENUE

Revenue represents the amounts received and accounts receivable for services provided and goods sold to customers, net of returns and discounts. Revenue recognized for the three months ended 31 March 2018 together with comparative unaudited figures for the corresponding period in 2017 are as follows:

	For the three months ended	
	31 March	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Revenue from principal businesses	634,414,025.57	730,714,211.63
Others: (i) Supply of servers, storage and solutions	565,949,687.29	674,421,609.01
(ii) Distribution of electronic equipment and accessories (non-server/storage)	55,650,038.67	47,883,748.52
(iii) Guangzhou IDC business	11,776,928.19	7,755,730.26
(iv) Industrial park development, operations and property management	1,037,371.42	653,123.84
Revenue from other businesses	2,612,050.70	1,248,284.21
Total	637,026,076.27	731,962,495.84

4. NON-OPERATING INCOME

	For the three months ended 31 March	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Government grants	4,725,999.91	2,355,974.37
Others	120,030.84	45,891.33
Total	<u>4,846,030.75</u>	<u>2,401,865.70</u>

5. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Current income tax (written back)/charge		
PRC	1,356,096.35	994,639.01
Hong Kong	767,588.20	874,017.05
Total	<u>2,123,684.55</u>	<u>1,868,656.06</u>

The Company, being an enterprise established in Shenzhen in the PRC, was regarded as a national high-tech enterprise by Bureau of Science and Technology of Shenzhen Municipality, Bureau of Finance of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Administration of Local Taxation of Shenzhen Municipality in 2009, and was subject to an EIT rate of 15% from 2009 onwards. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computing System Co., Ltd. (深圳市宝德计算机系统有限公司) (“Powerleader Computing”), Shenzhen Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (“Powerleader Software”), Tibet Baoteng Information Technology Partnership (Limited Partnership)* (西藏宝腾信息科技合夥企业(有限合伙)) (“Tibet Baoteng”), Khorgas Powerleader Venture Capital Limited* (霍尔果斯宝德创业投资有限公司), as well as Khorgas Baoyun Software Development Limited* (霍尔果斯宝云软件开发有限公司) all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 31 March 2018 (during the period ended 31 March 2017: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Bureau of Science and Technology of Shenzhen Municipality, Bureau of Finance of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Administration of Local Taxation of Shenzhen Municipality. Powerleader Computing was subject to EIT at a rate of 15% during the period ended 31 March 2018 (during the period ended 31 March 2017: 15%).

Powerleader Software was subject to EIT at a rate of 15% during the period ended 31 March 2018 (during the period ended 31 March 2017: 15%).

Pursuant to Zang Zheng Fa [2014] No. 51 which stipulates a preferential EIT rate of 15% within the Economic Development Zone as part of the United Enterprise Execution of the Great Western Development Strategy, Xizang Baoteng was subject to EIT at a rate of 15% during the period ended 31 March 2018 (during the period ended 31 March 2017: 15%).

Pursuant to Reviews of State Council on the Support of the Kashi Horgos Economic Development Zone (《國務院關於支持喀什霍爾果斯經濟開發區的若干意見》) of Guo Fa [2011] No. 33 and Cai Shui [2016] No. 85 on encouraging the development of industrial enterprises income tax preferential directory (trial) in 2016 in difficult areas of Xinjiang, which stipulates that new enterprises within the scope of the catalogue of key incentivised-to-develop industries located in the Economic Development Zone are exempt from corporate income tax, Horgos Powerleader Venture Capital Co., Ltd (霍爾果斯寶德創業投資有限公司) and Horgos Baoyun Software Development Co., Ltd (霍爾果斯寶雲軟件開發有限公司) paid corporate income tax at the rate of 0% during the period ended 31 March 2018.

Hong Kong profits tax is calculated at 16.5% (for the three months ended 31 March 2017: 16.5%) of the estimated assessable profit for the Three Months Period.

6. DIVIDENDS

The Directors recommend no interim dividend in respect of the Three Months Period should be distributed.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the net profit attributable to the shareholders of the Company of RMB48,452,937.93 (for the three months ended 31 March 2017: RMB13,889,813.34) and the weighted average number of 243,000,000 shares in issue (2017: 243,000,000 shares) during the Three Months Period.

Diluted earnings per share are the same as basic earnings per share because the Company had no dilutive potential shares for the Three Months Period (for the three months ended 31 March 2017: nil).

8. SHARE CAPITAL

	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	<i>No. of Shares</i>	<i>No. of Shares</i>	<i>RMB</i>	<i>RMB</i>
Authorised, issued and paid-up share capital domestic shares of RMB1.00 each	182,250,000	182,250,000	182,250,000	182,250,000
H shares of RMB1.00 each	60,750,000	60,750,000	60,750,000	60,750,000
	243,000,000	243,000,000	243,000,000	243,000,000

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

9. SHAREHOLDERS' EQUITY

	Share capital <i>RMB</i>	Capital reserves <i>RMB</i>	Other comprehensive income <i>RMB</i>	Surplus reserves attributable to shareholders of the Company <i>RMB</i>	Undistributed profits <i>RMB</i>	Minority interests <i>RMB</i>	Total shareholders' equity <i>RMB</i>
(Unaudited)							
As at 1 January 2017	243,000,000	35,653,983.50	—	37,626,042.30	543,232,475.02	(3,323.28)	859,509,177.54
Net profit for the period	—	—	—	—	13,889,813.34	(292.48)	13,889,520.86
As at 31 March 2017 (Unaudited)	243,000,000	35,653,983.50	—	37,626,042.30	543,232,475.02	(3,615.76)	873,398,698.40
As at 1 January 2018	243,000,000	57,958,529.72	130,795,486.64	35,125,156.64	760,428,585.47	34,656,613.12	1,227,307,758.47
Net profit for the period	—	—	—	—	48,452,937.93	(149.00)	48,452,788.93
As at 31 March 2018	243,000,000	57,958,529.72	130,795,486.64	35,125,156.64	808,881,523.40	34,656,464.12	1,310,417,160.52

MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2018, the Company's businesses have been reclassified as follows upon the decision of the Group's management:

- (i) Supply of servers, storage and solutions;
- (ii) Distribution of electronic equipment and accessories (non-server/storage);
- (iii) Guangzhou IDC business;
- (iv) Industrial park development, operations and property management; and
- (v) Industrial investment (non-server/storage).

The reasons for this reclassification are (i) for a clearer server business line and (ii) for better resource allocation, and will be beneficial to the long term development of the Company's businesses.

FINANCIAL REVIEW

The Group's turnover for the Three Months Period amounted to RMB637,026,076.27, representing a decrease of 12.97% as compared to RMB731,962,495.84 in the same period of 2017. The Group's gross profit margin is 11.22%, representing an increase as compared to 9.86% in the same period of 2017.

The Group's sales expenses and administrative expenses dropped by 23.18% to RMB34,543,418.81 from RMB44,966,963.91 in the same period of last year, mainly due to the completion of amortisation of intangible assets and substantial decrease in expenses resulting from the disposal of Shenzhen Baoteng Internet Technology Limited* (深圳市宝腾互聯科技有限公司) to Shenzhen ZQGAME Co. Ltd.* (深圳中青宝互动网络股份有限公司).

The Group's financial expenses decreased by 151.39% to RMB(6,951,125.69) from RMB13,525,955.46 in the same period of last year, mainly due to the substantial strengthening of the RMB resulting in substantial increase in foreign exchange gains in the first quarter of 2018.

BUSINESS REVIEW AND PROSPECT

Supply of servers, storage and solutions

In the first quarter of 2018, the servers, storage and solutions supply (“server business”) team was active in market development, continuing to cultivate business and grow market share in the seven major traditional industries of public safety, universities, smart city, energy transportation, and healthcare. With artificial intelligence application in full bloom, there is increasing demand for GPU products. The server business has conducted in-depth research in the industry application characteristics of the field of artificial intelligence, matching to client application needs based on aspects such as solution, product, delivery, and optimisation; the results of development of this industry field has been excellent, with significant increase in clients, particularly large corporate clients, and more diverse types of clients. In-depth cooperation with software developers, making use of the Company’s specialised advantage in customisation, and providing overall solutions for clients deepened mutual cooperation. Due to the tight supply of CPU, a core server component, in the first quarter of 2018, sales from distribution of server accessories decreased substantially. Therefore, the Company’s overall turnover for this business experienced a decrease of 16.08% over the same period last year.

In the second quarter of 2018, the Company will continue to be dedicated in providing clients with personalised products that are closer to their needs, taking the needs of clients as its mission, deeply cultivating the market in the server industry, bringing more secure and reliable solutions to clients.

Market Promotion

In the first quarter of 2018, the Company’s completed groundwork for the first quarter with the theme of “Intelligence integration, creating glory together”. With “Powerleader servers — bedrock of cloud computing and smart city” as its market positioning, full-scale promotion was conducted on the marketing activities, publicity and advertising aspects, cementing the professional image of Powerleader servers, raising the Company’s brand influence.

In the second quarter of 2018, the Company will continuously strengthen the professional image of Powerleader servers — bedrock of cloud computing, big data and artificial intelligence, focusing promotional work on three major areas of advertising, marketing activities and self-media dissemination, executing plans formulated at the beginning of the year, frequently publicising the Company’s activities, influencing more widely clients and target clients in the fields of artificial intelligence, government agencies, internet, education, finance, operators, and smart city, boosting clients’ confidence in cooperation, driving the sales of Powerleader server products and solutions to new heights.

Honours:

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

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

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

In January 2018: Ms. Zhang Yunxia was awarded the “3rd Shenzhen Industrial Prize”

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

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

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

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

In January 2018: Powerleader’s Four-star server PR2765TG was awarded the “Zhiding Lingyun Prize”

Distribution of electronic equipment and accessories (non-server/storage)

In the first quarter of 2018, the electronic equipment and accessories (non-server/storage) distribution business maintained steady growth, with turnover increasing by 16.22% over the same period last year. Based on trends in the development of the distribution industry, the Company is comprehensively making strategic positioning in the fields of new energy, consumer electronics, electronic components, LCD, and IoT products, raising its own industrial competitiveness.

In the second quarter of 2018, on the basis of stabilising its existing business, the Company will expand the reach of its products to a wider partnership clientele, while also introducing agency products suitable for the Company’s business development. It will look to secure the Company’s market presence in industrial distribution.

GUANGZHOU IDC

In the first quarter of 2018, against the backdrop of high speed development of China's data centre industry, the Company upheld the philosophy of "Service with heart, giving peace of mind", leveraging its strengths in resources and platforms as it focused on promoting the IDC business. Owing to strong brand influence and excellent service quality, while simultaneously maintaining partnerships with long time clients, it has continued to increase its server racks and bandwidth businesses and develop new administrative cloud projects, actively expanding cloud business partnerships focused on vertical industry niche markets.

In the second quarter of 2018, the Company will continue to pay attention to niche market demands, integrating unique internet resources and consolidating the strengths of the Company's software and hardware, extrapolating from its foundation of existing businesses to seek more DCOO business opportunities.

In September 2016, as to the Guangzhou IDC business, the Company has committed that, upon completion and fulfilment of conditions for selling the Guangzhou IDC 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 IDC business to Zqgame. The Company will continue to develop the Guangzhou IDC business, and with the Company having several years of experience in the IDC industry, it is expected that the Guangzhou IDC business will continue to grow in future. When the Guangzhou IDC business realises certain profits, the Company will consider disposing of the Guangzhou IDC business.

INDUSTRIAL PARK DEVELOPMENT, OPERATIONS AND PROPERTY MANAGEMENT

In the first quarter of 2018, the Company's existing major relevant property projects include the following properties:

Address	Purpose
Guanlan High-Tech Industrial Park, Longhua New District, Shenzhen, the PRC	R&D production base
Block C, Electronics Science and Technology Building, Futian District, Shenzhen, the PRC	Lease
Block 1, No. 84, West 2nd Road, Airport Economic Zone, Tianjin	Lease
South side of No. 5 Road* (五號路) in the Guangming High-Tech Industrial Development Zone* (光明高新區), land no. A621-0042	New R&D production base
Others (small properties)	Lease

In the second quarter of 2018, the Company will build a Powerleader • AI Valley project at the South side of No. 5 Road in the Guangming High-Tech Industrial Development Zone. The Project will involve construction of a "Five bases, one platform + integrated support" industrial function system. "Five bases" refer to artificial intelligence

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

INDUSTRIAL INVESTMENT (NON-SERVER/STORAGE)

Industrial investment refers to a mode of investment by investing in the shares of an enterprise and providing shared interests and risks in operation and management services. It is characterised by long investment terms, low capital costs and coordination in business or resources.

In the first quarter of 2018, the Group’s industrial investment mainly included industrial fund management firms and companies which are able to coordinate with the Company’s industrial chain business or resources.

In the second quarter of 2018, the Company will strengthen management and coordination with its industrial investment projects, raising the Company’s industrial competitiveness.

Capital Management

In the first quarter of 2018, the central bank implemented a stable currency policy. With the deepening of deleveraging and bubble defusing, credit policy is moving further towards the real economy. The Company will strengthen cooperation with financial institutions, trying out new financial tools to protect its business development. Meanwhile, the Company is strengthening internal capital management to secure the safety and effectiveness of its capital.

In the second quarter of 2018, the Company will formulate dedicated financing plans that address business requirements with closer integration with changes in the financing environment, further optimising its debt structure. Meanwhile, it will continue to strengthen internal capital management, conducting stringent cost calculation for capital utilisation of each business segment, maintaining a strong awareness of financial costs, raising capital usage efficiency.

MAJOR ASSOCIATE OF THE GROUP

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. Operating revenue of Zqgame for the first quarter of 2018 amounted to RMB74,512,366.20, representing a decrease of 10.97% over the same period last year, mainly due to fluctuations in income from Zqgame products and initial

success of cultural technology innovation projects. Net profit attributable to shareholders of common “A” shares of Zqgame amounted to RMB14,360,569.52, representing an increase of 143.16% over the same period of last year.

Beijing Haiyun Jiexun Technology Limited* (北京海雲捷迅科技有限公司) (“Beijing Haiyun Jiexun”), an associate which is held as to 10.135% interest by the Company, is principally engaged in OpenStack operation and maintenance services. Beijing Haiyun Jiexun has a professional R&D, operations and services team, and established close strategic cooperation relations with domestic and foreign hardware and software companies and IT service providers such as Intel, Oracle, Tencent and Lenovo, building a complete OpenStack service ecosystem and providing solutions such as private cloud, hybrid cloud and hyper convergence for companies.

GOVERNMENT AFFAIRS

In the first quarter of 2018, the Company continued to actively respond to cloud computing industry policies of all levels of China’s government. Through flexible modes of independent innovation, joint R&D, and absorption and introduction, and with cloud computing, servers and big data as core content, application was made for a number of qualification accreditations and project funding, and a number of research projects have passed inspection and acceptance procedures. As for external industrial-education-research collaboration, it has continued to develop science and technology collaborations with universities and research organisations, introducing high-tech talents and advanced technology.

In January 2018, Powerleader Software’s “R&D of High Density Cloud Server Key Technology Based on Domestic ARM Processor” passed the Shenzhen New Generation Information Technology Information Security Special Project;

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

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

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

In February 2018, Powerleader Science & Technology Group’s “Shenzhen Longhua International (Super High) Science and Technology Innovation Centre Project” was listed as 2018 Major Projects of Shenzhen municipality and Longhua District respectively;

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

In March 2018, Powerleader Software’s “Powerleader Kaikai Gaming Cloud Platform” project successfully passed the Shenzhen Assessment Committee expert acceptance.

In the second quarter of 2018, the Company will continue to collect every dime of efforts into technological innovation, gathering government information and complete project application work in a timely manner with quality, elevating the Powerleader brand, furthering technological collaboration with universities and research institutes, applying for new funding and honours, raising the acceptance rate of project applications.

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

As at 31 March 2018, interests or short positions of the Directors, supervisors and chief executive of the Company and their associates in any of the shares and debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 circumstance of interests or short positions deemed or taken to have under such provisions of the SFO), or interests or short positions in the underlying shares and debt securities recorded in the register required to be kept pursuant to Section 352 of the SFO or share transaction as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

SHARES OF THE COMPANY

Name of Director	The Controlled Corporations' Domestic Shares held <i>Number of shares</i>	The Company's issued share capital <i>Approximate percentage</i>	The Company's issued Domestic Shares <i>Approximate percentage</i>
Mr. Li Ruijie	102,184,500	42.05%	56.07%
Ms. Zhang Yunxia	102,184,500	42.05%	56.07%

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

Save as disclosed above, as at 31 March 2018, none of the Directors, supervisors and chief executive nor their associates had any interests or short positions in any of the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 31 March 2018, neither the Company nor any subsidiary was a party to any arrangements to enable the Directors or the supervisors of the Company to acquire benefits by the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate. Moreover, none of the Directors or the supervisors of the Company or their spouses or children under the age of 18 had or exercise any right to subscribe for the securities of the Company.

SHARE OPTION SCHEME

As of 31 March 2018, the Company has neither adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2018, so far as known to the Directors, no interests or short positions of substantial shareholders of the Company and other persons in any shares and debentures or underlying shares were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

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

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

BUSINESS COMPETITION AND CONFLICT OF INTEREST

None of the Directors, former management shareholders of the Company and their respective associates (as defined in GEM Listing Rules) held interest in business which competes or may compete with the business of the Group or had any other interest conflicted with the Group as at 31 March 2018.

CORPORATE GOVERNANCE CODE

The Company has complied with the requirements of the Corporate Governance Code (the “Code”) set out in Appendix 15 to the GEM Listing Rules throughout the three months ended 31 March 2018.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company and its subsidiaries did not purchase, sale or redeem any shares of the Company during the Three Months Period.

By Order of the Board
Zhang Yunxia
Chairman

Shenzhen, the PRC
30 April 2018

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

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