



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 REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2015**

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

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

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

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*This report, for which the directors of Powerleader Science & Technology Group Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

\* For Identification only

## FIRST QUARTERLY RESULTS

The board of Directors is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2015 (“Three Months Period”) together with comparative unaudited figures for the corresponding periods in 2014 are as follows:

### CONSOLIDATED INCOME STATEMENT

Item	<i>Note</i>	2015 <i>RMB</i> (Unaudited)	2014 <i>RMB</i> (Unaudited)
<b>I. Total Revenue</b>		<b>387,579,676.13</b>	254,056,307.10
Including: Revenue	3	<b>387,579,676.13</b>	254,056,307.10
<b>II. Total operating cost</b>		<b>371,185,791.35</b>	238,194,634.45
Including: Operating costs		<b>327,541,549.49</b>	204,552,137.61
Business taxes and surcharges		<b>459,386.04</b>	374,719.01
Sales expenses		<b>11,182,238.29</b>	9,413,282.71
Administrative expenses		<b>16,274,419.87</b>	10,236,955.24
Finance costs		<b>15,728,197.66</b>	13,617,539.88
Impairment loss of assets		—	—
Add: Gain on fair value changes		—	—
Gain on investment		<b>189,561.61</b>	129,071.13
Including: Gain on investment to associates and joint ventures		<b>116,701.94</b>	21,558.21
<b>III. Operating profit</b>		<b>16,583,446.39</b>	15,990,743.78
Add: Non-operating income	4	<b>1,243,297.01</b>	6,824,042.74
Including: Gain on disposal of non-current assets		<b>1,383.33</b>	—
Less: Non-operating expenses		<b>408,736.76</b>	15,272.83
Including: Loss on disposal of non-current assets		<b>173,369.10</b>	1,810.24
<b>IV. Total Profit</b>		<b>17,418,006.64</b>	22,799,513.69
Less: Income tax expenses	5	<b>1,418,084.07</b>	2,285,880.42
<b>V. Net profit</b>		<b>15,999,922.57</b>	20,513,633.27
Net profit attributable to shareholders of the Company		<b>16,000,257.10</b>	20,352,348.61
Profit or loss attributable to minority interest		<b>(334.53)</b>	161,284.66
<b>VI. Earnings per share:</b>			
(I) Basic earnings per share	7	<b>0.0658</b>	0.0838
(II) Diluted earnings per share	7	<b>0.0658</b>	0.0838
<b>VII. Other comprehensive income</b>			
Other comprehensive income items which will not be reclassified to profit or loss in subsequent accounting period		—	—
Other comprehensive income items which will be reclassified to profit or loss in subsequent accounting period subject to satisfaction of required conditions		—	—
<b>VIII. Total comprehensive income</b>		<b>15,999,922.57</b>	20,513,633.27
Total comprehensive income attributable to shareholders of the Company		<b>16,000,257.10</b>	20,352,348.61
Total comprehensive income attributable to minority interests		<b>(334.53)</b>	161,284.66

## 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 12 December 2002 by way of placing.

The Group is a cloud computing solutions provider in the PRC with proprietary innovation capability, it operates in the PRC and Hong Kong, and is mainly engaged in (i) Cloud Infrastructure as a Service (IaaS) — provision of cloud server and cloud storage related equipment as well as related solutions; (ii) Cloud Module as a Service (MaaS) — provision of R&D, design, manufacturing and sale of cloud computing equipment related components, as well as cloud computing equipment key components agency distribution and related value added services; (iii) Software and Platform as a Service (SaaS & PaaS) — provision of development and services of cloud computing related software and platform.

### 2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared based on a going concern basis and in accordance with the requirements of "Accounting Standards for Business Enterprises — Basic Standard" and 40 Specific Accounting Standards issued by the Ministry of Finance (MOF) of the PRC (including 5 new issued or revised standards issued in January and February 2014), and Application Guidance for Accounting Standards for Business Enterprises, Interpretations to Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (collectively referred to as "ASBE") and in compliance with the disclosure requirements of "Regulation of the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (revised 2010)" of the China Securities Regulatory Commission, the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

### 3. REVENUE

Revenue represents the amounts received and accounts receivable for services provided and goods sold to customers, net of returns and discounts. Revenue recognized for the three months ended 31 March 2015 together with comparative unaudited figures for the corresponding period in 2014 are as follows:

	For the three months ended	
	31 March	
	2015	2014
	RMB	RMB
	(Unaudited)	(Unaudited)
Revenue from the principal businesses	<b>384,522,783.97</b>	252,309,925.41
Including: Cloud Infrastructure as a Service	<b>169,475,393.13</b>	84,083,595.45
Cloud Module as a Service	<b>212,210,052.50</b>	167,078,534.83
Software and Platform as a Service	<b>2,837,338.34</b>	1,147,795.13
Revenue from other businesses	<b>3,056,892.16</b>	1,746,381.69
<b>Total</b>	<b><u>387,579,676.13</u></b>	<b><u>254,056,307.10</u></b>

#### 4. NON-OPERATING INCOME

	For the three months ended 31 March	
	2015	2014
	RMB	RMB
	(Unaudited)	(Unaudited)
Government grants	1,200,051.28	6,100,000.00
Others	43,245.73	724,042.74
<b>Total</b>	<b>1,243,297.01</b>	<b>6,824,042.74</b>

#### 5. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2015	2014
	RMB	RMB
	(Unaudited)	(Unaudited)
Current income tax (credit)/charge		
PRC	421,726.69	633,097.19
Hong Kong	996,357.38	1,652,783.23
<b>Total</b>	<b>1,418,084.07</b>	<b>2,285,880.42</b>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Bureau of Science and Technology of Shenzhen Municipality, Finance Bureau of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Shenzhen Local Taxation Bureau in 2009, and was subject to an EIT rate of 15% from 2009 onwards. 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”) as well as Shenzhen Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 31 March 2015 (during the period ended 31 March 2014: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. Powerleader Computing was subject to EIT at a rate of 15% during the period ended 31 March 2015 (during the period ended 31 March 2014: 15%).

Pursuant to an approval document (Shen Guo Shui Bao Guan Jian Mian Bei An 2009 no. 4) (《深国税宝观减免备案2009第4号》) dated 11 May 2009 issued by the Baoan District Office of SAT, Shenzhen, Powerleader Software is qualified as a software enterprise and entitled to an exemption from EIT for the years 2009 and 2010 and a 50% reduction in EIT from 2011 to 2013. Powerleader Software has been regarded as a national high-tech enterprise since 2011 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. Powerleader Software was subject to EIT at a rate of 15% during the period ended 31 March 2015 (during the period ended 31 March 2014: 15%).

Hong Kong Profits tax is calculated at 16.5% (for the three months ended 31 March 2014: 16.5%) of the estimated assessable profit for the Three Months Period.

#### 6. DIVIDEND

The Directors recommend no interim dividends 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 RMB16,000,257.10 (for the three months ended 31 March 2014: 20,352,348.61) and the weighted average number of 243,000,000 shares in issue (2014: 243,000,000 shares) during the Three Months Period.

Diluted earnings per share is 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 2014: nil).

## 8. SHARE CAPITAL

	As at 31 March 2015 <i>No. of Shares</i>	As at 31 December 2014 <i>No. of Shares</i>	As at 31 March 2015 <i>RMB</i>	As at 31 December 2014 <i>RMB</i>
Authorized, issued and paid-up share capital				
Domestic shares of RMB1.00 each	<b>182,250,000</b>	182,250,000	<b>182,250,000</b>	182,250,000
H shares of RMB1.00 each	<b>60,750,000</b>	60,750,000	<b>60,750,000</b>	60,750,000
	<b>243,000,000</b>	243,000,000	<b>243,000,000</b>	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

	Attributable to shareholders of the Company					Total shareholders' equity <i>RMB</i>
	Share capital <i>RMB</i>	Capital reserves <i>RMB</i>	Surplus reserves <i>RMB</i>	Undistributed profits <i>RMB</i>	Minority interests <i>RMB</i>	
(Unaudited)						
As at 1 January 2014	243,000,000.00	31,987,251.85	34,601,238.65	437,634,780.76	464,718.54	747,687,989.80
Net profit for the period	—	—	—	20,352,348.61	161,284.66	20,513,633.27
As at 31 March 2014	243,000,000.00	28,729,862.88	34,601,238.65	457,987,129.37	626,003.20	768,201,623.07
(Unaudited)						
As at 1 January 2015	<b>243,000,000</b>	<b>34,065,777.42</b>	<b>34,601,238.65</b>	<b>491,631,832.64</b>	<b>(2,260.93)</b>	<b>803,296,587.78</b>
Net profit for the period	—	—	—	16,000,257.10	(334.53)	15,999,922.57
As at 31 March 2015	<b>243,000,000</b>	<b>34,065,777.42</b>	<b>34,601,238.65</b>	<b>507,632,089.74</b>	<b>(2,595.46)</b>	<b>819,296,510.35</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2015, the Company has put forward a clear strategic positioning as “China’s leading cloud computing solutions provider with proprietary innovation capability”. Leveraging on our edges built up over the years in terms of our solid technology capabilities, outstanding R&D team, stringent management systems, extensive sales channels and quality customer services, we provide a comprehensive range of cloud computing solutions and related services in the five key business segments engaged by cloud computing solutions and services providers, namely, Cloud Infrastructure as a Service (IaaS), Cloud Module as a Service (MaaS), Software as a Service (SaaS), Platform as a Service (PaaS) and Client as a Service (CaaS).

Firstly, we will devote our efforts in developing Cloud Infrastructure as a Service (IaaS) and strengthen our proprietary innovation capacity. Optimization will be continued for products and solutions such as mid-to-high-end cloud servers, cloud storage, HPC and big data appliance. Overall solution capacity for private cloud for companies and public cloud will be strengthened so as to provide customers with simplified, efficient, flexible, expandable, secured and stable pay-per-use cloud services. The Company will also proactively participate in cloud computing infrastructure construction projects such as smart city, e-government affairs, internet of things, intelligent transportation, broadband China and 4G.

Secondly, we will continue to expand Cloud Module as a Service (MaaS). While our proprietary brand advantage serves to reinforce our core competitiveness, we will step up our efforts for establishing our sales system and improve the standards for sales management. Further cooperation with suppliers will be implemented and we will expand the product portfolio for agency distribution. We are going to proactively attract additional channel partners and provide channel partners and peer customers with timely and sufficient support in component supplies and professional technologies. Such efforts will assert our position as a leading supplier of cloud computing equipment related components in the PRC.

Thirdly, we will accelerate the development of Software and Platform as a Service (SaaS & PaaS). With a focus on demands for the cloud computing and mega data applications, we will provide quality, diversified and customized software services to our customers.

Riding on the global development trend of cloud computing, the Company will seize the development opportunities in cloud computing, mega data and mobile Internet, with a view to reinforcing our core competitive advantages in the fields of IaaS, MaaS and SaaS and PaaS. Looking forward, the Company will continue to engage in proprietary innovation, external cooperation and strategic investments so as to fully leverage on our advantages in technology, resources and market attributed to our cloud infrastructure in exploiting the market potential of cloud module and accelerate the development of software and platform and catalyze the integration of advantageous resources from up-stream to down-stream along the industrial chain. As we develop an all-round and professional integrated solution capacity that covers the entire cloud computing industry chain, we can maintain our leading position in the cloud computing industry in the PRC.

## **FINANCIAL REVIEW**

Revenue of the Group for the Three Months Period amounted to RMB387,579,676.13, representing an increase of 52.56% in revenue compared to RMB254,056,307.10 for the corresponding period in 2014. Gross profit margin of the Group was 15.49%, representing a decrease compared to a gross profit margin of 19.49% for the corresponding period in 2014.

Cost of sale and administrative fee of the Group increased by 39.73% from RMB19,650,237.95 for the same period last year to RMB27,456,658.16, mainly attributed to the increase in salary costs and administrative expenses.

Finance costs of the Group rose by 15.50% from RMB13,617,539.88 for the same period last year to RMB15,728,197.66, mainly due to increased amount of bank loans.

## **BUSINESS REVIEW AND PROSPECT**

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

For the first quarter of 2015, the Company leveraged on our strong proprietary R&D capability and improved our sales performance appraisal system and incentive system. The Company focused on cloud computing products and solutions. On the back of our edges, we put emphasis on the development in cloud computing, mega data and mobile internet sectors, which delivered a remarkable performance. The Company will closely monitor the market conditions in the second quarter, and will adopt active measures to cope with the changes in a bid to boost sales and increase revenue. We will also step up our efforts in technology innovation and management innovation to enhance our corporate competitiveness, so as to make positive contributions to the development of cloud computing in China.

### **Marketing**

In the first quarter of 2015, the Company placed our focus on our 4 quad servers and cloud computing solutions derived from proprietary R&D, supplemented by promotion on our upgraded cloud servers new products and successful cases of our solutions. Apart from regular promotion activities, such as advertisement, public relations and marketing events, we also stepped up our marketing efforts in the We media communication such as Weibo and WeChat, which served to enhance the awareness and influence of the Powerleader brand.

In respect of cloud computing, the Industrial Cloud Computing and Mega Data Technology Seminar hosted by the Powerleader Technology Group had been successfully convened in Beijing under the guidance of the Big Data Association of China Information Industrial Association and the China Data Center Industry Alliance. During which, Powerleader systematically introduced the international leading secured and controllable Powerleader cloud products and cloud solutions to the experts and elites in the industry. We have also provided customers from the government and all industries in the private sector with “international leading, secured and controllable yet flexible and efficient” products and solutions.

In respect of mid- to high-end products, Powerleader's high end 4 quad server product, PR4860R, which was derived from proprietary R&D and built upon Intel's advanced Xeon E7V2 processor had stood out from various outstanding products with its leading technology and excellent performance in terms of reliability, availability and maintainability and had been awarded the "2014-2015 China Server Market Innovative Product of the Year" honor in the "IT Market China 2015" hosted in March 2015.

#### **Honors:**

In January 2015: Powerleader Science and Technology Group received China IDC Industry 2014's "Pioneer Enterprise Award";

In February 2015: Powerleader Science and Technology Group received the "Outstanding Contribution Award 2014" from Intel;

In March 2015: Powerleader's PR4860R received the "Innovative Product of the Year" — China server market 2014-2015;

In March 2015: Powerleader's PR4860R server received the "2014 Innovative Product Award";

In March 2015: Powerleader's Center for Cloud Computing and Data (Shenzhen-Guanlan) had been granted the 2014 China Data Center Outstanding Energy Saving Project Award;

In March 2015: Powerleader's Center for Cloud Computing and Data (Shenzhen-Guanlan) had been granted the "2014-2015 Outstanding Data Center of the Year".

#### **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**

In the first quarter of 2015, the agency distribution segment of cloud computing equipment related components in China continued to recover in a moderate pace. The Company provided one-stop service to manufacturing, business and channel customers leveraging on our vast experience over the years in cloud computing equipment related components derived from proprietary R&D and design, which resulted in an increase in total revenue compared to the corresponding period last year. In the second quarter, with the foundation laid down by our existing business, the Company will continue the in-depth development of our marketing service model, enhance the development of the marketing team and enroot the service philosophies in our team and commence on close peer cooperation in more areas to make contribution to the cloud computing industry.

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

For the first quarter of 2015, the domestic demands in mega data cloud computing applications continued to grow, the SaaS & PaaS businesses of the Company increased significantly as compared to the same period last year. In the second quarter, the Company will continue to increase R&D investment in cloud computing related software and platform, improve the overall cloud computing end to end solutions, thereby providing customers with cloud services featured with simplicity and efficiency, with flexibility brought by scalability yet guaranteed with secured and stable performance and pay-per-use convenience.



## **Data Centers**

Data centers are hardware infrastructure of IaaS. Powerleader's Center for Cloud Computing and Data is a leading third party data center in the industry which emphasis on neutrality, security and environmental protection, it is also the execution arm of Powerleader's cloud strategies in our future cloud services. Following the successive commencement of operation of Powerleader's Shenzhen-Guanlan Data Center and Powerleader's Guangzhou data center for accelerator, the Company achieved significant progress for this business in this quarter. In the second quarter, the Company will integrate our unique network resources with our advantages rendered by Powerleader's software and hardware, so as to provide standardized and customized data center services with more secured, stable, reliable and flexible network access, management, IT operation administration and maintenance services.

## **Capital Management**

In the first quarter of 2015, the Company conducted standardized capital management which centralized the capital appropriation functions, in order to better cope with the strategic deployment of the Group and ensure the operation of capital in a fast pace. Whilst the financing activities of the Company is regulated to maintain good creditworthiness for financing.

In the second quarter of 2015, the Group will establish a disciplinary mechanism to optimize our capital structure, which aim at perfecting the structural management of capital and optimizing the internal control system. Whereas, we will continue to strengthen our relationship with the banks and cooperative entities so as to broaden our access to finance and select better cooperation partners to realize efficient operation of capital.

## **MAJOR ASSOCIATE OF THE GROUP**

Revenue of Shenzhen Zqgame Co., Ltd ("Zqgame"), an associate of the Group, for the first quarter of 2015 amounted to RMB66,440,762.85, representing a decrease of 34.18% compared to the same period last year. Net profit attributable to ordinary A shareholders of the Company amounted to RMB6,051,428.86, representing an decrease of 19.27% in net profit compared to the same period of last year, which is mainly due to revenue from overseas operations decreased in the first quarter in 2015.

## **Government Affairs**

In the first quarter of 2015, the Company continued to keep abreast of the cloud computing industrial policies unveiled by PRC governments at different levels proactively. Through flexible measures such as proprietary innovations, joint R&D efforts and learning from and sharing with other industrial players, we continued to foster our R&D efforts for the next generation cloud computing infrastructure with an emphasis on cloud server software and hardware and cloud management platform, which have been highly approved of and supported by the government. In respect of external cooperation among industrial players, academic institutions and research institutions, the Company improved the exchange and cooperation mechanism with major scientific research institutions and higher education institutions, such as East China University of Science and Technology and National University of Defense Technology, with a view to groom talents in the field of high technology through joint efforts, so as to strive for better development for the cloud computing industry.

In January 2015, Powerleader Software had been recognized as a high-tech enterprise under the Science and Technology Scheme of Longhua New District, Shenzhen Municipal.

In the second quarter of 2015, the Group will keep abreast of the relevant national and local governments' industrial policy direction. We will restructure and integrate the internal resources of the Company and take the initiative to apply for project subsidies as well as honors and awards, while enhancing the recognition and brand image in government. We will enhance our cooperation with the higher education institutions and science research institutions to improve cooperation between science and research personnel and the Company by conducting cooperation among industrial players, academic institutions and research institutions, with a view to create a good cooperation environment for the technology innovation of Powerleader.

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

As at 31 March 2015, interests or short positions of the Directors, supervisors and chief executive of the Company and their associates in any of the shares and debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including circumstance of interests or short positions taken or deemed to have under such provisions of the SFO), or interests or short positions in the underlying shares and debentures 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**

<b>Name of Director</b>	<b>Number of the Company's Domestic Shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>	<b>Approximate percentage of the Company's issued Domestic Shares</b>
Li Ruijie ( <i>Note</i> )	102,184,500	42.05%	56.07%
Zhang Yunxia ( <i>Note</i> )	102,184,500	42.05%	56.07%

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

Save as disclosed above, as at 31 March 2015, 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 taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.:

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

As at 31 March 2015, 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 any right to subscribe for the securities of the Company.

## SHARE OPTION SCHEME

As of 31 March 2015, the Company has neither adopted any share option scheme nor granted any option.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2015, 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 percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Shenzhen Powerleader Investment Holdings Company Limited ( <i>Note</i> )	102,184,500	Beneficial owner	42.05%	56.07%
Shenzhen Hengtong Dayuan Electronic Limited	23,958,000	Beneficial owner	9.86%	13.15%
Harbin Century Longxiang Science & Technology Development Limited	159,637,500	Beneficial owner	6.57%	8.76%
Tianjin Chengbai Equity Investment Partnership (Limited Partnership)	15,000,000	Beneficial owner	6.17%	8.23%

*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 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 conflict of interest with the Group as at 31 March 2015.

## THE CORPORATE GOVERNANCE CODE

The Company has complied with the requirements of the Corporate Governance Code (the "Code") set out in Appendix 15 to the GEM Listing Rules ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited throughout the three months ended 31 March 2015.

## **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.

## **POSSIBLE OFFER**

The Board of the Company has been informed by Powerleader Holdings, the controlling Shareholder, of its intentions to make a voluntary conditional general offer to acquire all of the H Shares not already held by it and its concert parties (the "H Share Offer") through its wholly owned subsidiary ("PI Subsidiary"), to make a voluntary conditional general offer to acquire all the domestic shares (the "Domestic Shares") of the Company not already held by it and its concert parties (the "Domestic Share Offer", together with the H Share Offer, the "Possible Offers"). Powerleader Holdings and the PI Subsidiary have been negotiating with relevant parties to assess the feasibility and implementation of the Possible Offers. Currently, negotiation by Powerleader Holdings and the Offeror with a financial institution on obtaining finance for the acquisitions under the Possible Offers are still ongoing and has not entered into any contract. Powerleader Holdings and the Offeror indicated that the proposed offer price under the Possible Offers will be HK\$5.044 per Domestic Share/H Share of the Company, which represents a 30% premium over the trading price per H Share on GEM immediately before the suspension of trading of the H Shares on 3 December 2014. For details of the offer, please refer to the announcements of the Company on 12 March 2015 and 8 April 2015.

By order of the Board  
**ZhangYunxia**  
Chairman

Shenzhen, the PRC, 29 April 2015

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