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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 2016**

**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 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 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 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.

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016, together with the comparative figures for the year ended 31 December 2015.

CONSOLIDATED INCOME STATEMENT

2016

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	Note	Amount for this year	Amount for last year
I. Total revenue	4	3,434,030,211.28	2,686,354,110.38
Including: revenue	4	3,434,030,211.28	2,686,354,110.38
II. Total operating cost		3,398,128,759.69	2,671,498,107.03
Including: Operating cost	4	3,118,928,803.32	2,433,032,788.56
Business taxes and surcharges		3,676,526.16	2,056,983.42
Sales expenses		81,041,851.62	59,544,519.53
Administrative expenses		89,628,802.62	75,623,844.23
Finance costs	7	72,430,089.80	89,749,447.32
Impairment loss of assets		32,422,686.17	11,490,523.97
Add: Gain on changes in fair value (loss is denoted as “()”)		—	(4,228,219.07)
Gain on investment (loss is denoted as “()”)		3,103,981.67	7,329,851.91
Including: Gain on investment to associates and joint ventures		3,103,981.67	7,132,805.96
III. Operating profit (loss is denoted as “()”)		39,005,433.26	17,957,636.19
Add: Non-operating income		13,786,637.99	13,324,570.47
Including: Gain on disposal of non-current assets		—	143.00
Less: Non-operating expenses		1,033,821.60	1,549,841.80
Including: Loss on disposal of non-current assets		27,514.23	1,227,354.44
IV. Total Profit (total loss is denoted as “()”)		51,758,249.65	29,732,364.86
Less: Income tax expenses	8	18,403,440.78	8,462,790.05
V. Net profit (net loss is denoted as “()”)		33,354,808.87	21,269,574.81
Net profit attributable to shareholders of the Company		33,355,650.59	21,269,795.44
Profit or loss attributable to minority interests		(841.72)	(220.63)

Item	Note	Amount for this year	Amount for last year
VI. Other comprehensive income net of tax		(425,865.15)	(173,225.12)
Other comprehensive income net of tax attributable to owners of the company		(425,865.15)	(173,225.12)
(1) 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		(425,865.15)	(173,225.12)
1. Share of other comprehensive income of investee that will be reclassified to profit or loss under equity method		(425,865.15)	(173,225.12)
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			
Other comprehensive income attributable to minority interest net of tax			
VII. Total comprehensive income		32,928,943.72	21,096,349.69
Total comprehensive income attributable to shareholders of the Company		32,929,785.44	21,096,570.32
Total comprehensive income attributable to minority interests		(841.72)	(220.63)
VIII. Earnings per share:			
(I) Basic earnings per share	9	0.1373	0.0875
(II) Diluted earnings per share	9	0.1373	0.0875

CONSOLIDATED BALANCE SHEET*As at 31 December 2016**Prepared by: Powerleader Science & Technology Group Limited**Expressed in: RMB*

Item	<i>Note</i>	Closing balance	Opening balance
Current Assets:			
Cash and cash equivalents		349,605,797.56	486,466,976.00
Financial assets at fair value through profit or loss for the current period			
Notes receivable	11	6,208,051.00	6,314,185.02
Accounts receivable	11	917,692,362.82	785,651,717.22
Prepayments	11	18,513,077.28	37,937,239.65
Interest receivables			
Dividend receivables		795,645.65	—
Other receivables	11	356,540,618.02	317,934,413.10
Inventories		351,976,260.12	396,209,412.70
Assets classified as held for sale			
Non-current assets due within 1 year			
Other current assets		22,322,469.37	17,057,035.51
Total current assets		<u>2,023,654,281.82</u>	<u>2,047,570,979.20</u>
Non-current assets:			
Available-for-sale financial assets		17,600,000.00	10,100,000.00
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment		162,517,683.03	203,846,547.56
Investment Properties		23,939,793.12	9,036,206.94
Fixed assets		431,096,862.98	421,305,659.74
Construction in progress		11,863,516.35	—
Construction material			
Fixed assets disposal			
Intangible assets		92,892,997.09	64,285,020.01
Development expenditure		21,214,870.13	43,827,182.72
Goodwill			
Long-term prepayments		1,719,416.63	1,182,454.81
Deferred income tax assets		4,310,377.64	1,762,550.44
Other non-current assets			
Total non-current assets		<u>767,155,516.97</u>	<u>755,345,622.22</u>
Total assets		<u>2,790,809,798.79</u>	<u>2,802,916,601.42</u>

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term loans		1,171,951,441.31	1,091,452,256.44
Financial liabilities at fair value through profit or loss for the current period		—	4,228,219.07
Notes payable		130,000,000.00	220,000,000.00
Accounts payable	12	180,757,074.34	286,158,968.96
Receipts in advance	12	44,725,023.84	40,935,292.29
Employee remuneration payables		8,569,436.72	7,181,758.69
Tax and levy payables		70,573,407.42	54,291,104.82
Interest payables		202,048.61	470,903.47
Dividend payables			
Other payables	12	140,114,892.22	49,958,803.54
Liabilities classified as held for sale			
Non-current liabilities repayable within one year		55,494,449.13	54,174,596.81
Other current liabilities		7,506,448.12	1,526,246.93
Total current liabilities		1,809,894,221.71	1,810,378,151.02
Non-current liabilities:			
Long-term loans		79,000,000.00	115,000,000.00
Bond payables			
Including: Preference shares			
Perpetual bonds			
Long-term payables		11,626,399.54	31,142,682.49
Long-term employee remuneration payables			
Special payables			
Provisions			
Deferred income		30,780,000.00	20,660,000.00
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		121,406,399.54	166,802,682.49
Total Liabilities		1,931,300,621.25	1,977,180,833.51

Item	<i>Note</i>	Closing balance	Opening balance
Owners' equity:			
Capital		243,000,000.00	243,000,000.00
Other equity instrument			
Including: Preference share			
Perpetual bonds			
Capital reserves		36,229,302.37	35,384,836.46
Less: Treasury shares			
Other comprehensive income		(575,318.87)	(149,453.72)
Special reserves			
Surplus reserves		37,626,042.30	37,626,042.30
General Risk Reserves			
Undistributed profits		543,232,475.02	509,876,824.43
		<hr/>	<hr/>
Total equity attributable to shareholders of the Company		859,512,500.82	825,738,249.47
		<hr/>	<hr/>
Minority interests		(3,323.28)	(2,481.56)
		<hr/>	<hr/>
Total shareholders' equity		859,509,177.54	825,735,767.91
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Total liabilities and shareholders' equity		2,790,809,798.79	2,802,916,601.42
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2016

Prepared by: Powerleader Science & Technology Group Limited

Expressed in: RMB

Item	This year												Total Shareholders' equity
	Other equity instrument				Attributable to shareholders of the Company								
	Share capital	Preference share	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interest	
I. Balance at the end of last year	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													—
Correction of errors in previous periods													—
Business combination under common control													—
Others													—
II. Balance at beginning of year	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
III. Changes (increase/decrease) for the year (decrease is denoted in "()")	—	—	—	—	844,465.91	—	(425,865.15)	—	—	—	33,355,650.59	(841.72)	33,773,409.63
(I) Total comprehensive income											33,355,650.59	(841.72)	33,354,808.87
(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. 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					844,465.91		(425,865.15)						418,600.76
IV. Balance at the end of the year	243,000,000.00	—	—	—	36,229,302.37	—	(575,318.87)	—	37,626,042.30	—	543,232,475.02	(3,323.28)	859,509,177.54

Item	Last year													Total Shareholders' equity
	Attributable to shareholders of the Company													
	Share capital	Other equity instrument				Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interest	
Preference share		Perpetual bonds	Others	Others										
I. Balance at the end of last year	243,000,000.00	—	—	—	34,042,006.02	—	23,771.40	—	34,601,238.65	—	491,631,832.64	(2,260.93)	803,296,587.78	
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	—	—	—	34,042,006.02	—	23,771.40	—	34,601,238.65	—	491,631,832.64	(2,260.93)	803,296,587.78	
III. Changes (increase/decrease) for the year (decrease is denoted in “-”)	—	—	—	—	1,342,830.44	—	(173,225.12)	—	3,024,803.65	—	18,244,991.79	(220.63)	22,439,180.13	
(I) Total comprehensive income							(173,225.12)				21,269,795.44	(220.63)	21,096,349.69	
(II) Contribution from shareholders and reduction of capital														
1. Ordinary share contributed by shareholders													(501,612.57)	
2. Capital contribution by holders of other equity instrument														
3. Amount of share-based payment included under shareholders' equity														
4. Others														
(III) Profit appropriation									3,024,803.65		(3,024,803.65)			
1. Transfer to surplus reserves									3,024,803.65		(3,024,803.65)			
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 for the year														
2. Utilised during the year														
(VI) Others					1,342,830.44								1,342,830.44	
IV. Balance at the end of the year	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	

NOTES TO THE FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

(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 Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 08236) in December 2002.

As of 31 December 2016, 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 (%)
Shenzhen Powerleader Investment Holdings Limited	10,218.45	42.05
Shenzhen Hengtong Dayuan Electronic Limited	2,395.80	9.86
Harbin Century Longxiang Science & Technology Development Limited	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 Luheng Technology Limited	789.375	3.25
Shenzhen Jinbo Litong Investment Partnership (Limited Partnership)	725.00	2.98
Shenzhen Jiachong Joint Investment Partnership (Limited Partnership)	500.00	2.06
Shenzhen Zhizheng Lida Investment Partnership (Limited Partnership)	500.00	2.06
Overseas listed foreign shares	6,075.00	25.00
Total	24,300.00	100.00

The Company is a player in the computer industry, its principal business scope covers: computer software, hardware and interface devices; research and development of computer peripherals, production and sale of self-produced products; import and export business.

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 of the PRC and 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 Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance, 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 2016, 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

There was no change in critical accounting policies of the Group during the year.

(2) Changes in critical accounting estimates

The critical accounting estimates of the Group have not been changed during the year.

4. REVENUE AND OPERATING COSTS

Item	Amount of this year		Amount of last year	
	Revenue	Costs	Revenue	Costs
Principle businesses	3,426,770,205.39	3,118,480,250.62	2,679,129,147.52	2,430,184,721.02
Other businesses	7,260,005.89	448,552.70	7,224,962.86	2,848,067.54
Total	3,434,030,211.28	3,118,928,803.32	2,686,354,110.38	2,433,032,788.56

(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	1,030,655,214.52	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
Total	3,426,770,205.39	3,118,480,250.62

(continued)

Name of sector	Amount for last year	
	Revenue from principal businesses	Cost of principal businesses
Cloud infrastructure as a service	805,512,385.54	633,518,333.62
Cloud module as a service	1,849,524,072.35	1,769,998,308.01
Software and platform as a service	24,092,689.63	26,668,079.39
Total	<u>2,679,129,147.52</u>	<u>2,430,184,721.02</u>

(2) Principal businesses — classified by geographical regions

Name of geographical region	Amount for this year	
	Revenue from principal businesses	Cost of principal businesses
Mainland China	2,503,506,258.64	2,206,145,361.14
Hong Kong	856,560,036.72	848,317,397.53
Others	66,703,910.03	64,017,491.95
Total	<u>3,426,770,205.39</u>	<u>3,118,480,250.62</u>

(continued)

Name of geographical region	Amount for last year	
	Revenue from principal businesses	Cost of principal businesses
Mainland China	2,069,596,108.54	1,831,581,988.87
Hong Kong	598,516,207.93	587,168,396.90
Others	11,016,831.05	11,434,335.25
Total	<u>2,679,129,147.52</u>	<u>2,430,184,721.02</u>

(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	2,760,126.10	—	3,724,428.24	551,628.92
Lease revenue	1,481,298.51	379,945.81	1,131,480.00	—
Others	3,018,581.28	68,606.89	2,369,054.62	2,296,438.62
Total	<u>7,260,005.89</u>	<u>448,552.70</u>	<u>7,224,962.86</u>	<u>2,848,067.54</u>

- (4) The sales to the largest customer during the year amounted to RMB205,275,123.00, accounted for 5.98% of the total sales value (2015: RMB128,530,241.90, 4.78%), the sales to the 5 largest customers amounted to RMB701,437,559.01 in aggregate, accounted for 20.43% of the total sales value (2015: RMB487,874,548.53, 18.16%).
- (5) The purchases from the largest supplier during the year amounted to RMB1,663,225,983.20, accounted for 54.96% of the total purchase value (2015: RMB1,111,103,322.83, 41.92%), the purchases from the 5 largest suppliers amounted to RMB2,250,220,445.56, accounted for 74.36% of the total purchase value (2015: RMB1,639,763,166.29, 61.86%).

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	60,029,647.07	47,378,175.07
— Retirement scheme contribution	6,211,432.54	5,621,369.43
Total staff costs	66,241,079.61	52,999,544.50
Cost of inventories recognized as expenses	3,036,393,170.23	2,423,334,025.48
Auditors remuneration	783,509.62	834,044.80
Depreciation	39,157,933.02	23,872,188.51
Amortisation	27,522,963.89	18,863,410.85
Research and development expenses	1,607,773.03	1,714,252.37
Marketing expenses	9,672,752.95	3,454,621.52
Provision for (reversal of) bad debts of receivables	9,753,864.73	5,811,288.13
Impairment loss of long-term equity investments	20,231,507.72	—
Impairment loss of inventories	2,437,313.72	5,679,235.84
Taxation	3,028,823.75	4,602,392.29
Entertainment expenditures	5,728,013.59	3,577,600.54
Government grants	11,435,811.08	(13,205,055.10)
Gain on investment on disposal of long-term equity investments	15,473,929.46	—
Gain on investment to associates and joint ventures	11,194,241.38	(7,132,805.96)

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 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 (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

Reportable segment 2015

Item	Cloud infrastructure as a service	Cloud module as a service	Software and platform as a service	Unallocated	Elimination	Total
Revenue	845,401,698.74	2,037,334,053.52	24,092,689.63	—	(220,474,331.51)	2,686,354,110.38
Including: Revenue from transactions with external parties	810,206,136.16	1,852,055,284.59	24,092,689.63	—	—	2,686,354,110.38
Revenue from intra-segment transactions	35,195,562.58	185,278,768.93	—	—	(220,474,331.51)	—
Operating costs	678,244,996.10	1,948,279,044.58	26,668,079.39	—	(220,159,331.51)	2,433,032,788.56
Expenses for the period	71,153,541.24	40,105,600.45	1,868,179.91	114,162,472.90	(315,000.00)	226,974,794.50
Total segment profit (loss)	100,352,434.51	40,950,331.80	(4,540,734.51)	(29,004,666.94)	(78,025,000.00)	29,732,364.86
Total assets	1,682,457,829.30	1,514,389,044.78	15,395,777.31	912,392,199.83	(1,321,718,249.80)	2,802,916,601.42
Including: Significant impairment loss of individual assets	—	—	—	—	—	—
Total liabilities	931,382,174.50	992,257,482.66	743,775.04	1,034,558,547.30	(981,761,145.99)	1,977,180,833.51
Supplementary information						
Capital expenditure	34,332,716.17	138,616.16	19,064,752.37	82,013,774.83	—	135,549,859.53
Impairment loss recognised for the period	7,375,194.36	4,056,903.57	58,426.04	—	—	11,490,523.97
Including: Share of impairment of goodwill	—	—	—	—	—	—
Depreciation and amortisation	12,027,420.29	4,269,217.35	735,839.09	25,703,122.63	—	42,735,599.36
Non-cash expenses other than impairment loss, depreciation and amortisation	6,455,702.32	1,831,692.78	92,748.88	—	—	8,380,143.98

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:

Revenue from transactions with external parties	Amount for this year	Amount for last year
PRC (excluding Hong Kong)	2,510,766,264.53	2,076,821,071.40
Hong Kong	856,560,036.72	598,516,207.93
Other overseas regions	66,703,910.03	11,016,831.05
Total	3,434,030,211.28	2,686,354,110.38

Total non-current assets	Closing balance	Opening balance
PRC (excluding Hong Kong)	745,180,095.10	743,452,323.78
Hong Kong	65,044.23	30,748.00
Other overseas regions	—	—
Total	745,245,139.33	743,483,071.78

7. FINANCE COSTS

Item	Amount for this year	Amount for last year
Interest expenses	62,247,769.16	60,699,710.89
Less: Interest income	30,729,808.95	4,125,984.18
Add: Gain or loss on exchange	33,167,893.00	21,036,974.51
Add: Other expenses	7,744,236.59	12,138,746.10
Total	72,430,089.80	89,749,447.32

RMB25,584,243.51 of interest income was due from Shenzhen G-speed Industrial Development Co., Ltd. (深圳市英捷迅實業發展有限公司), a supplier of the Company. Shenzhen G-speed, as a professional logistics provider of supply chain management, provided customs declaration services for import and export of the Company and assisted the Company with domestic and overseas capital dealings. Both parties entered into the Cooperation Agreement, pursuant to which both parties agreed that balance of funds deposit at G-speed at the end of each month shall bear the interest at the annual interest rate of 8% provided that the use of funds by the Company shall not be affected.

8. INCOME TAX EXPENSES

(1) Income tax expenses

Item	Amount for this year	Amount for last year
Current income tax — PRC EIT	20,466,104.62	7,989,966.65
PRC	20,010,536.23	7,468,780.66
Hong Kong	455,568.39	521,185.99
Over provision for prior years (under provision is denoted as “+”)	485,163.36	276,652.68
Deferred income tax	<u>(2,547,827.20)</u>	<u>196,170.72</u>
Total	<u>18,403,440.78</u>	<u>8,462,790.05</u>

(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	51,758,249.65	29,732,364.86
Income tax charges calculated at applicable tax rates of 15% (2015: 15%)	7,763,737.45	4,459,854.73
Effect of different applicable tax rate among subsidiaries	(1,175,859.60)	356,502.32
Adjustment to the income tax over provided for the prior period	485,163.36	276,652.68
Effect of non-taxable income	—	(6,924,694.43)
Tax effect of special tax exemption	—	—
Effect of non-deductible costs, expenses and losses	(7,068,278.01)	13,458,140.95
Effect of utilisation of deductible losses for which no deferred income tax assets is recognised in prior periods	(1,197,349.91)	(5,767,460.88)
Effect of deductible temporary differences or deductible losses for which no deferred income tax assets is recognised for the year	<u>19,596,027.49</u>	<u>2,603,794.68</u>
Income tax expenses	<u>18,403,440.78</u>	<u>8,462,790.05</u>

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 Company by the outstanding weighted average number of ordinary shares of the Company.

Item	Amount for this year	Amount for last year
Consolidated net profit attributable to ordinary shareholders of the Company	33,355,650.59	21,269,795.44
Consolidated net profit (after non-recurring profit or loss) attributable to the ordinary shareholders of the Company	23,769,355.40	11,791,057.34
Weighted average number of outstanding ordinary shares of the Company	243,000,000.00	243,000,000.00
Basic earnings per share (RMB/share)	0.1373	0.0875
Basic earnings per share (RMB/share) (after non-recurring profit or loss)	<u>0.0978</u>	<u>0.0485</u>

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

Item	Amount for this year	Amount for last year
Number of outstanding ordinary shares at the beginning of year	243,000,000.00	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	12.00	12.00
Weighted average number of outstanding ordinary shares	<u>243,000,000.00</u>	<u>243,000,000.00</u>

(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 2016 are set out in the consolidated income statement. The Directors do not recommend the payment of final dividend for the year ended 31 December 2016 (no final dividend had been paid for the year ended 31 December 2015).

11. TRADE AND OTHER RECEIVABLES

Item	Closing balance	Opening balance
Accounts receivable	939,001,565.53	802,385,413.17
Less: Provision for doubtful debts of accounts receivable	21,309,202.71	16,733,695.95
	<u>917,692,362.82</u>	<u>785,651,717.22</u>
Notes receivable	6,208,051.00	6,314,185.02
Prepayments	18,513,077.28	37,937,239.65
Other receivables	357,021,979.50	318,720,966.84
Less: Provision for bad and doubtful debts of other receivables	481,361.48	786,553.74
	<u>356,540,618.02</u>	<u>317,934,413.10</u>
Total	<u>1,298,954,109.12</u>	<u>1,147,837,554.99</u>

12. TRADE AND OTHER PAYABLES

The age analysis of accounts payable by invoice date as at 31 December 2016 is as follows:

Age	Closing balance	Opening balance
Within 1 year	167,209,659.73	274,693,246.69
1 to 2 years	10,717,211.91	4,381,369.91
2 to 3 years	894,312.06	5,195,956.15
3 to 4 years	1,172,829.98	181,716.29
4 to 5 years	—	351,957.91
Over 5 years	763,060.66	1,354,722.01
Accounts payable	180,757,074.34	286,158,968.96
Receipts in advance	44,725,023.84	40,935,292.29
Other payables	140,114,892.22	49,958,803.54
Total	<u>365,596,990.40</u>	<u>377,053,064.79</u>

13. NET CURRENT ASSETS

Item	Closing balance	Opening balance
Current assets	2,023,654,281.82	2,047,570,979.20
Less: Current liabilities	1,809,894,221.71	1,810,378,151.02
Net current assets	<u>213,760,060.11</u>	<u>237,192,828.18</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	Closing balance	Opening balance
Total assets	2,790,809,798.79	2,802,916,601.42
Less: Current liabilities	1,809,894,221.71	1,810,378,151.02
Total assets less current liabilities	<u>980,915,577.08</u>	<u>992,538,450.40</u>

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	8,674,086.05	—
External Investment	—	—
Total	<u>8,674,086.05</u>	<u>—</u>

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

As at 31 December 2016 (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)	14,741,570.90	13,932,482.92
One to two years (T+2 years)	11,286,311.41	11,128,175.48
Two to three years (T+3 years)	10,126,175.25	11,444,020.02
Over three years (T+3 years)	160,017,375.71	166,492,316.57
Total	<u>196,171,433.27</u>	<u>202,996,994.99</u>

As at 31 December 2016 (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)	5,185,239.60	1,062,144.00
One to two years (T+2 years)	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	—
Total	<u>22,596,076.35</u>	<u>1,062,144.00</u>

As at 31 December 2016 (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:

Period	Amount for current year	Amount for last year
Within one year (T+1 year)	20,965,671.72	21,047,616.00
One to two years (T+2 years)	12,040,876.11	21,047,616.00
Two to three years (T+3 years)	—	11,926,982.00
Total	<u>33,006,547.83</u>	<u>54,022,214.00</u>

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 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 December 2016, the Group recorded an revenue of RMB3,434,030,211 and profit attributable to equity owners of the Company of RMB33,355,651 as compared to revenue and profit attributable to equity owners of RMB2,686,354,110 and RMB21,269,795 for the year ended 31 December 2015, representing an increase of 27.83% and 56.82% respectively. Earnings per share was RMB0.1373 (2015: RMB0.0875) and net assets per share of the Company was RMB3.54 (2015: RMB3.40).

Revenue

The revenue of the Group for the year ended 31 December 2016 and the comparative figures of 2015 as classified by businesses were as follows:

	2016		2015		
	<i>RMB</i>	%	<i>RMB</i>	%	<i>Change %</i>
Income from the principal business					
Cloud Infrastructure as a Service (IaaS)	1,030,655,215	30.01	805,512,385	29.98	27.95
Cloud Module as a Service (Maas)	2,311,179,735	67.30	1,849,524,072	68.85	24.96
Software and Platform as a Service (SaaS & PaaS)	84,935,255	2.48	24,092,690	0.90	252.54
Income from other business	7,260,006	0.21	7,224,963	0.27	0.49
Total	<u>3,434,030,211</u>	<u>100</u>	<u>2,686,354,110</u>	<u>100</u>	<u>27.83</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 2016, prime operating revenue from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS) amounted to RMB1,030,655,215 and RMB2,311,179,735 respectively (2015: RMB805,512,385 and RMB1,849,524,072), accounted for 30.01% and 67.30% (2015: 29.98% and 68.85%) of total revenue respectively. Revenue from Cloud Infrastructure as a Service (IaaS) increased by 27.95%, 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) increased by 24.96%, mainly due to gradual recovery and the rapid growth of the IT industry and new business during the year. Further details of business analysis are set out in the paragraph "Business Review" below.

Gross Profit

	Revenue		Gross profit		Gross profit margin	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 %	2015 %
Income from the principal business						
Cloud Infrastructure as a Service (IaaS)	1,030,655,215	805,512,385	200,778,802	171,994,052	19.48	21.35
Cloud Module as a Service (Maas)	2,311,179,735	1,849,524,072	88,417,450	79,525,764	3.83	4.30
Software and Platform as a Service (SaaS & PaaS)	84,935,255	24,092,690	19,093,703	(2,575,390)	22.48	(10.69)
Income from other business	7,260,006	7,224,963	6,811,453	4,376,896	93.82	60.58
Total	3,434,030,211	2,686,354,110	315,101,408	253,321,322	9.18	9.43

The Group's gross profit increased from RMB253,321,322 for the year ended 31 December 2015 to RMB315,101,408 for the year ended 31 December 2016, representing an increase of 24.39%.

The Group's overall gross profit margin decreased from 9.43% for the year ended 31 December 2015 to 9.18% for the year ended 31 December 2016. Gross profit margin of Cloud Infrastructure as a Service (IaaS) decreased from that of 2015. These were mainly attributable to the Company's promotion strategy of lowering price for the purpose of increasing sales volume. Further details of business analysis 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 2016, sales expenses in total were RMB81,041,852, compared to the total sales expenses of RMB59,544,520 for the year ended 31 December 2015, representing an increase of 36.10% from last year.

Administrative expenses

Administrative expenses mainly comprised of, amongst others, amortization of intangible assets, salaries of management personnel, depreciation, R&D cost. For the year ended 31 December 2016, total administrative expenses were RMB89,628,803, compared to the total administrative expenses of RMB75,623,844 for the year ended 31 December 2015, representing an increase of 18.52% from last year.

Finance costs

Finance costs mainly comprised of, amongst others, interest expenses, exchange gain or loss, and handling fees. For the year ended 31 December 2016, total finance costs were RMB72,430,090, compared to the total finance costs of RMB89,749,447 for the year ended 31 December 2015, representing an decrease of 19.30% from last year.

Assets, liabilities and shareholders' equity

As at 31 December 2016, current assets of the Group amounted to RMB2,023,654,282 (2015: RMB2,047,570,979), which mainly comprised of cash and cash equivalent of RMB349,605,798 (2015: RMB486,466,976), trade and bills receivables of RMB923,900,414 (2015: RMB791,965,902), inventories of RMB351,976,260 (2015: RMB396,209,413). Non-current assets amounted to RMB767,155,517 (2015: RMB755,345,622), which mainly comprised of long-term equity investment of RMB162,517,683 (2015: RMB203,846,548), fixed assets of RMB431,096,863 (2015: RMB421,305,660), intangible assets and development costs of RMB114,107,867 (2015: RMB108,112,203). Total assets were RMB2,790,809,799 (2015: RMB2,802,916,601).

As at 31 December 2016, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,171,951,441 (2015: RMB1,091,452,256) and accounts payable of RMB180,757,074 (2015: RMB286,158,969). Non-current liabilities mainly include long-term borrowings of RMB79,000,000 (2015: RMB115,000,000). Total liabilities were RMB1,931,300,621 (2015: RMB1,977,180,834).

As at 31 December 2016, the Group's equity attributable to the shareholders of the Company was RMB859,512,501 (2015: RMB825,738,249).

Significant investment, acquisition and disposal of subsidiaries and associates

According to the capital increment agreement entered into on 18 October 2013, the Company would contribute a total of RMB15 million in 3 tranches with a shareholding of 25%. Up to 31 December 2016, the Company had contributed RMB15 million. On 31 August 2015, Internet Semiconductor (Dalian) Co., Ltd. (英特爾半導體(大連)有限公司) subscribed the newly increased registered capital of Beijing Haiyun Jiexun of RMB1.60 million at the consideration of RMB24.83 million. The shareholding of Zhang Zhengyu, Li Hua, employees, Powerleader Science & Technology and Internet were 34.06%, 21.98%, 8.62%, 21.55% and 13.79% respectively. The legal representative is Li Hua. Powerleader Science & Technology has 1 out of 5 directors in the board. On 31 August 2016, the Company sold its 10% equity interests (equivalent to the registered capital of RMB1.16 million) in Beijing Haiyun Jiexun (北京海運捷迅) to Linzhi Tencent Investment Management Co., Ltd.* (林芝騰訊投資管理公司) at the consideration of RMB25 million, after which the shareholding ratios of Zhang Zhengyu, Li Hua, employee stock ownership, Powerleader Science and Technology, Intel and Linzhi Tencent were 34.06%, 21.98%, 8.62%, 11.55%, 13.79% and 10% respectively.

Pursuant to the conditional agreement between the Company and Taiji Computer dated 4 January 2016, Taiji Computer agreed to purchase the entire equity interests in Powerleader Computing from the Company and Shenzhen Powerleader Cloud Computing Research Institute Limited ("PC Research Institute") at the consideration of RMB1,666,000,000 (the consideration of RMB249,900,000 will be settled in cash, and the remaining part will be settled through issuance of 39,314,270 shares to the Company and PC Research Institute). Details are set out in the Circular dated 11 May 2016 and the Announcement and Notice dated 8 January 2017 of the Company (1) The Agreement for Very Substantial Disposal and Very Substantial Acquisition Will Not Taking Effect; (2) The Agreement of Intent in Relation to the Possible Disposal of 100% Equity Interest In Powerleader Computing. The Company intended to make adjustment on the transaction plan and the Company will disclose the subsequent updates in announcement complied with the relevant requirements. Investors are advised to consider the risks therein.

On 1 September 2016, the Company and Zqgame entered into a conditional agreement, pursuant to which Zqgame agreed to purchase the entire equity interests in Shenzhen Baoteng Internet Technology Limited ("Baoteng Internet") at the consideration of RMB500,000,000. After the completion of the transaction, the Company will not be interested in Baoteng Internet. Please refer to the announcement

and notice of the Company Major Transaction in Relation to the Disposal of the Shenzhen IDC Business and the Value-added Cloud Services Business dated 1 September 2016. As so far, certain conditions precedent for such transaction have not been satisfied yet. The Company will disclose the subsequent progress in announcement according to relevant provisions. Investors are reminded to be aware of relevant risks.

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 2016, approximately 63% (2015: 67%) of the Group's sales were denominated in currencies other than the functional currency of the Group's entities for the sales, and approximately 29% (2015: 27%) of the costs were denominated in the Group entities' functional currencies.

Gearing Ratio

As at 31 December 2016, the gearing ratio of the Group was approximately 69.20% (2015: 70.54%), which is determined by the Group as the percentage of total liabilities to total assets. The gearing ratio decrease by 1.34 percentage points compared to last year.

Capital Dealings

Shenzhen G-speed Industrial Development Co., Ltd. (深圳市英捷迅實業發展有限公司) (the "G-Speed"), as a professional logistics provider of supply chain management, provided customs declaration services for import and export of the Company and made the overseas payments on behalf of the Company at the same time and paid the import tax and value-added tax to China Customs. The Company may place funds on the G-Speed account by the end of the month and in respect of which, the Company will charge G-Speed capital costs at the agreed interest rate of 8% per annum. The total capital costs received in 2016 was 25.5842 million.

Shenzhen Powerleader Investment Holdings Company Limited, a substantial shareholder of the Company acquired 50% interest of G-Speed on 18 November 2016 and G-Speed became a related party of the Company. The Company has collected all amounts placed in G-Speed in December 2016.

BUSINESS REVIEW

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

In 2016, thanks to the development of the Internet era, the expansion of market application scope of servers, and the gradual implementation of the cloud computing industry policies, customer demand grew sharply in the server market, and the servers were applied in more aspects. In this market environment, the Company gave full play to its advantages, focused on customers' demand to provide cloud solutions suitable to vertical industries and different customer groups from the perspective of the individual demands of each customer. Meanwhile, the Company continued to increase R&D investment, actively innovated and independently developed various cloud servers, which were successfully applied in various sectors and highly recognized in the market. During this year, the prime operating revenue from IaaS increased by 27.95% as compared to the same period of last year.

In the R&D front, the Company launched the first GPU server prototyping PL-M6 specialized in signal processing and mainly applied in high throughput computing (HTC) field, such as the high speed and high throughput signal processing scenarios in military vehicles, ships and machines including radar, satellites and vessels. PL-M6 may support the board and platform customization. PL-M6 accelerated the applications operated on the platform by undertaking most time-consuming codes with large computing amount and high-speed digital signals with high throughput through its GPU processing wafer M6, indicating that users may complete more computing tasks and process larger data sets within shorter duration. At the national application conference of signal processing technology in 2016, Powerleader's GPU prototyping PL-M6 specialized in signal processing attracted the interests and attention of various military scientific research institutions and received the testing requirements of various users.

In the sales front, although the global market is still depressed for server, domestic enterprises witnessed a continuous increase in overall server market share in the background of information localization, and the Company placed cloud server business as our strategic development focus for its cloud computing infrastructure and services. The Company has completed the layout of 9 districts and 7 industries business divisions, deploying a breakthrough policy of key cities with one vertical and one horizontal layout (one vertical means Guangzhou-Changsha-Zhengzhou-Shijiazhuang and one horizontal means Shanghai-Nanjing-Wuhan-Chengdu). By virtue of high-quality products and excellent sales team, the Company increased resource investment in Internet, public security, health care, energy transportation, finance and tax affairs, smart city and military industry to develop personalized products satisfying customer demands. In addition, the Company held solutions seminar in view of products satisfying the application requirements of customers, and cooperated with application solution providers to provide integrated solutions based on hardware, software, cloud management and big data, which were highly recognized by customers in the industry. Meanwhile, the Company gave play to its leading customization capacity and consolidated its server differentiation market advantages, deep explored the requirements of customized differentiation of customers in the industry of security monitoring, information security, administrative law enforcement, data center etc. and has expanded its market share.

In the marketing front, with the slogan of “accumulating power to speed up” and the professional orientation of “Powerleader server — footstone of the cloud computing and smart city”, the Company conducted comprehensive promotion by way of marketing events, public relations promotion and advertising, so as to consolidate the professional image of Powerleader servers and expand the brand influence of the Company. During the year, the Company focused on and actively participated in the marketing activities related to investment in superior resources, and increased advertising investment on professional IT media, so as to intuitively show professionals the product technology and advantages of Powerleader servers in a timely manner and strengthen its brand awareness and influence in professional fields.

In 2016, in the background of information localization, the Company actively expanded the business market depending on the precipitation and accumulation in the various aspects of products, technologies, research and development, marketing, and services. The Company accumulated viscous customers in various sectors, such as public security, military industry and SmartCity. Meanwhile, the Company hosted and participated in industrial conferences covering cloud computing, internet, SmartCity, military industry and education, which strengthened the Company's position within the industry and enhanced the brand's sphere of influence in the industry.

Honors:

In January 2016: Powerleader Science & Technology Group was awarded the “Innovative Company Prize 2015”;

In January 2016: the 4 quad secured and controllable server PR4840R of Powerleader Science & Technology Group was recognised as “Good Product in Shenzhen”;

In January 2016: Powerleader Science & Technology Group was named as “Best Server Provider in 2015”;

In February 2016: the Powerleader PR8800R Server was awarded the “Innovative Product Award 2015”;

In February 2016: Powerleader Science & Technology Group was granted the “Intel-PCDS Prize”;

In April 2016: Powerleader Science & Technology Group were praised as the “Most popular Server among Users” in 2015;

In June 2016: Powerleader Science & Technology Group was awarded the Golden Lion Prize in the 2016 Shenzhen International Intelligent Transportation System and Location Based Services Expo;

In June 2016: Powerleader Science & Technology Group was granted the “Golden Lion Award of the 5th ITS Expo 2016”.

In August 2016: Powerleader Science & Technology Group was granted the “Toshiba Corporation Hard Drive Progress Award (東芝企業級硬盤進步獎)”;

In October 2016: Powerleader Science & Technology Group was granted “the 8th Top Hundred Enterprises of China Security Protection (2016)”.

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

Due to more mature of the market in the sector of agency distribution for related components of cloud computing equipment in the PRC, MaaS business of the Company increased stably, recording an increase of 24.96% in principal business income as compared to the last year. The Company upholds the operation philosophy of “customer-oriented, press-forward with ambition” and the principle of “customer-first” and provides one-stop shopping experience for its customers through optimizing product portfolio and diversifying product categories. At the same time, the Company kept striving for progress and will focus on products and platforms, and cultivate a service mode that support the integration of diversified industries, such as combining the big data service technology to conduct analysis on market demand for products, decision-making on products and system solutions so as to establish a corporate data chain, deploy the layout of industry internet comprehensively and achieve the improvement of quality and efficiency in general for operation.

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

In 2016, depending on years of software development technology and experience, the Company continued our ambitious expansion, and recorded sharp growth in the installed capacity based on its independently development cloud computing platform and distributed storage products, which were

successfully applied in various large projects. The cloud products of which the independent intellectual property rights were owned by the Company gradually opened the market in education, security monitoring and other industries. Meanwhile, the Company optimized the operation management model and enhanced the marketing capabilities in line with the current cloud computing development trend, optimized the cloud computing business model to satisfy future potential market demands, provided the more personalized and diversified cloud application demands for customers and maintained China's leading position of internet comprehensive cloud service provider.

Powerleader's cloud platform

By virtue of the resources such as cloud computing, cloud networking, cloud storage, cloud security and cloud delivery, Powerleader's cloud platform enhanced the research and development strength continuously, which further improved Powerleader's cloud platform by launching the more improved Powerleader cloud services. In terms of Powerleader cloud billing way, the Company adopted the "monthly paid" and "postpaid" functions to satisfy the demands of enterprise users at a maximum extent. Meanwhile, we strengthened our marketing team and improved our professional services standard, so that we could guarantee our customers with the smooth delivery of the simplest and most convenient services.

Cloud hosting

Powerleader's cloud hosting products were derived from Powerleader's cloud platform, which constituted an integral part of the infrastructure applications of Powerleader's cloud computing. With an integration of high-performance servers and quality network band width, Powerleader's cloud hosting could effectively address the problems of traditional hosting, which is expensive yet quality non-guaranteed services, and can fully satisfy the requirements of small and medium size enterprises and individual host owners towards hosting services, that are cost-effectiveness, reliability and manageability; meanwhile, the Company strengthened cooperation with the partners to the high-level safety performance for Powerleader's cloud hosting, adopted the standardized safety reinforcing process to provide 12 safety reinforcing processes including permission configuration, bug fixes, security policy, port configuration, system service optimization and registry optimizer for the server system environment so as to ensure the safer cloud services for the customers.

CDN acceleration platform

Targeting at providing better user experience, more convenient operation and more stable system, the Company developed the Content Delivery Network(CDN) including delivery upon uploading and differentiated delivery, which may save 50%-90% time as compared with the traditional delivery mode. The newly developed functions including network-wide object verification, single URL monitoring and single node refreshing all greatly improved user productivity.

Data center

In 2016, adhering to the "whole-hearted service, rest assured entrusted" concept, the Company gave full play to the resource advantage, platform scale and operation management advantages, and focused on the construction and sales of Phase II machine room of Shenzhen Guanlan data center, development of operation outsourcing business, establishment of public cloud platform, enhancement of data center management level and construction of Phase II machine room of Guangzhou accelerator. In 2016, Powerleader's data center kept its safe and stable operation, and successfully passed the ISO27001 safety management system certification and ISO20000 IT service management certification. In addition, the data center was awarded the Excellent Data Center in 2015-2016 (2015-

2016年度優秀數據中心), the Excellent Operation Service Provider among Data Centers in 2015-2016 (2015-2016年度數據中心優秀運營服務單位), and received the Four-star Honor of Green and Energy-saving Demonstrated Data Center (數據中心綠色節能示範項目等級證書4星級榮譽).

Currently, the Company has built the world-class data center network covering the places such as North China, East China, South China and Southwest of China, radiating the Asian-Pacific region. With the excellent bandwidth resource and circuit resources, construction of high standard, flexible business deployment, efficient utilization, the perfect operation and maintenance services, the machine room of Shenzhen Guanlan and the machine room of Guangzhou accelerator were highly recognized by the operators and clients in the industry, and the operation revenue of data centre grew significantly as compared to the same period of last year. In addition to this, Powerleader Science & Technology also maintained the long-term cooperation with the operators across the country, and it had more than 160 quality nodes with nearly 200G reserved band width resources in nearly one hundred large and medium size cities nationwide, covering various telecom operators including China Mobile, China Telecom and China Unicom. 28 service supporting institutions across the country provided the quality and uninterrupted comprehensive application services for all kinds of users all year round (365*24).

At the same time, the Company focused on the market segmentation demands, facilitated the product structure adjustment, improved the resource utilization rate, and further reinforced the enterprise's internal management standard and increased the Company's overall operation efficiency to make the Company's businesses keep the steady development.

Bank financing and capital management

In 2016, the pace of global economic recovery was still slow, while the domestic economy tended to be stable. Credit and social financing scale returned to growth, and RMB to USD exchange rate witnessed an upsurge in general. Under such financial market environment, the Company strictly abided by the risk control system, insisted on centralized management model and strictly controlled each key point of funds in the process of circulation and use of funds, so as to ensure the liquidity and efficiency of funds.

GOVERNMENT SUPPORT

In 2016, the Company continued to keep abreast of the cloud computing industrial policies unveiled by the 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, the Group applied for projects with cloud server hardware and software and cloud management platform as the key content to apply for a number of qualification accreditations and project approval, and certain number of its research projects have passed the inspection, which obtained highly recognition and support from government. In connection with the cooperation with external parties, the Company strengthen cooperation with R&D institutions and universities in the industry, to jointly foster high-tech personnel and to ensure the better development in the cloud computing.

In 2016, the Group received a number of highly influential government subsidies, which are detailed as follows:

In January 2016, Powerleader Science & Technology Group received industry development special funds and discount loans subsidies from Fu Tian district;

In March 2016, "key technology research and development, based on high performance hyper-convergence structure" project of the Powerleader Science & Technology Group;

In April 2016, “key technology research based on cloud computing for big data processing platform” project of the Powerleader Science & Technology Group passed the inspection and acceptance procedures by Shenzhen Science and Technology Innovation panel;

In June 2016, “research and development of cloud application service platform based on vessel technology” project of the Powerleader Science & Technology Group passed the Shenzhen municipal science and technology project — technology research project;

In June 2016, “key technology research and development, based on high performance hyper-convergence structure” project of the Powerleader Science & Technology Group passed the Shenzhen municipal science and technology project — technology research project;

In July 2016, “key technology research and development, based on high performance hyper-convergence structure” project of the Powerleader Science & Technology Group passed the Shenzhen municipal science and technology project — technology research project;

In August 2016, Powerleader Science & Technology Group received industry development special funds — software development awards from Longhua New District.

In September 2016, “Technical innovation of Internet-oriented Powerleader cloud servers” (面向互聯網應用的寶德雲服務器技改) project of Powerleader Science & Technology Group was included as an approved project under the “National and Provincial Auxiliaries”;

In October 2016, Powerleader Science & Technology Group was granted the second unit of funding under the Subsidy Scheme for Registration on Computer Software Copyrights of Shenzhen;

In November 2016, Powerleader Science & Technology Group received the development special funds — National High-tech enterprise awards from Futian District;

In December 2016, “cloud network monitoring and information management platform” project of Powerleader Science & Technology Group passed the inspection and acceptance procedures by Shenzhen Science and Technology Innovation panel;

In December 2016, Powerleader Science & Technology Group received the development special funds — patent awards from Futian District;

In December 2016, Powerleader Science & Technology Group received the development special funds — Little Giant awards from Futian District;

In December 2016, Powerleader Science & Technology Group received the development special funds — patent awards from Futian District;

In December 2016, Powerleader Science & Technology Group received the R&D funds for enterprises in Shenzhen.

ASSOCIATED COMPANY

Zqgame, the 15.24% holding associate of the Company, is mainly engaged in development of and operating network games. Zqgame’s revenue in 2016 was RMB321,348,057.16, decreased by 6.34% as compared to RMB343,090,937.31 in the corresponding period of 2015. Net profit attributable to shareholders of listed companies of Zqgame in 2016 was RMB(49,729,289.85), decreased by 176.27% as compared to RMB65,202,765.48 of the corresponding period of 2015, which was mainly due to the provision for impairment of the long-term asset held by the Group and receivables and goodwill

of holding subsidiaries. In the future, Zqgame, as a company for developing traditional games, will continue to promote the strategic transformation toward the pan entertainment platform, develop and strengthen the cloud service business, technology and cultural tourism business to enhance competitiveness of the company.

HUMAN RESOURCES

Human resources planning, recruitment and performance appraisal

In 2016, the Company continued to complete the management of human resources, accomplished the scientific human resource planning and improved the organizational structure to avoid the waste of human costs. Meanwhile, the Company established the competitive compensation system and favorable welfare system to fully motivate the staff, which laid solid foundation for the sustainable and healthy development of the Group and provided the powerful guarantee for the Company to remain invincible in the fierce competitions.

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 inducing 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

Set forth below is the summary of relevant policies formulated by the PRC government at different levels for supporting the development of cloud computing industry in 2016:

In March 2016, the NDRC issued the Draft Outline of the 13th Five-Year Plan (《十三五規劃綱要》), which proposed to focus on the key information of big data and cloud computing and actively promote the development of cloud computing and Internet of Things. Internet backbone enterprises are encouraged to open platform resources, strengthen the construction of cloud services platform, and support the migration of industry information system to the cloud platform. The planning and layout of IOT perceived facilities shall be promoted to develop the development and application of the Internet of Things. The R&D and application of key technologies for information physical system shall also be promoted. "Internet+" standard system shall be established to accelerate the development and popularization of basic common standards and crucial technical standards for Internet and its applications, thus enhancing the right of speech in the preparation of international standards.

In July 2016, the State Council issued the Outline of National Information Development Strategy (《國家信息化發展戰略綱要》) to advance the construction of IOT facilities, optimize the layout of data center, strengthen the synergetic development of big data, cloud computing and broadband network, and to enhance the capacity of infrastructure services. The Outline vigorously promotes the

government procurement services, popularizes the Public-Private Partnership Model, and encourages social forces to participate in the e-government construction. The Outline also encourages to apply cloud computing technology to integrate and upgrade the established application systems. The Outline proposes to actively strive for and consolidate the global leading position in the field of the new-generation mobile communications and the next-generation Internet, and vigorously construct the comparative advantages over mobile Internet, cloud computing, big data and Internet of Things.

In December 2016, the State Council issued the 13th Five-Year Plan on National Information (《“十三五”國家信息化規劃》) to fully advance the three-way network convergence, basically establish the high-speed and smooth, safe and reliable broadband infrastructure system with advanced technology and convenient services covering both urban and rural areas, eliminate the “last kilometer” bottleneck of broadband access, and further promote the network speed upgrade and tariff reduction. The Plan encourages to deploy data centers, cloud computing platforms and CDN platforms in “One Belt, One Road” countries. The Plan proposes to arrange in advance and intensively deploy cloud computing data center, content delivery network and IOT facilities to realize the optimized matching and effective coordination of application infrastructures and broadband networks.

In 2017, under the context of deeper implementation of relevant policies with national cloud computing and continuous growth of cloud computing demand, the Company will grasp good development opportunity to realize healthy and rapid development of business services with following relevant prospects:

With the rapid development of cloud computing and big data technology, the information technology using internet as the integration platform and data resources as the core element is currently in a trend of explosive growth in respect of driving digital economy. At the 2016 G20 Summit held in Hangzhou, digital economy was proposed as one of the four actions in the blueprint for the innovative growth of twenty countries, signifying an explosive development of digital economy in 2017, which created good market conditions for the Company to quicken the layout for and improve the strategic objective of building a comprehensive internet group. In 2017, on the basis of Cloud Module as a Service (MaaS), the Company will seize the development opportunity created by the favourable policies and macro market environment, striving to achieve the strategic objective of becoming an Internet comprehensive cloud service provider with independent innovation capacity as soon as possible.

Looking forward to 2017, the performance objective of the Company is RMB4 billion. The Company will increase investment of RMB100 million in expansion of the product system of Cloud Module as a Service, increase in business personnel for 20 product lines including Intel products, Samsung products, Eisoo products, unmanned aerial vehicles and Huawei products, and enhancement of product sales capacity and sales service level; meanwhile, the Company will continue to reinforce the Cloud Module as a Service business, and set up an e-commerce center based on the original business of agency distribution of relevant components of cloud computing equipment to develop online business and cross-border e-commerce business, expand the agent products distribution system, proactively increase business channel partners and provide sufficient components and professional technical support to business channel partners and customers in the industry. The Company will cooperate with business channel partners, and improve the Company’s business model for distribution finance, distribution logistics and distribution supply chain. In addition, the Company will also improve the backend management system to improve the Company’s support in terms of warehouse, logistics, technology and service.

Bank financing and capital management

Looking forward to 2017, the global economy will face several uncertainties, and the domestic economy also tends to be unfavorable. The government is expected to deeply advance the reform of financial system. In terms of bank financing, the Company will continue to increase efforts in cooperation with banks and other finance institutions, as well as to communicate and implement new businesses. In terms of capital management, the Company will continue to perfect the fund utilization system of each subsidiary and strictly comply with approval procedure to ensure the system seriousness.

Human resources

Looking forward to 2017, 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 2016, 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 Growth Enterprise Market 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	15,963,750	6.57%	8.76%
Mr. Ma Zhumao	7,250,000	2.98%	3.98%

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 is interested in 15,963,750 Domestic Shares through Harbin Century Longxiang Science & Technology Development Limited, since he holds 71% of the issued share capital of Harbin Century Longxiang Science & Technology Development Limited as at the Latest Practicable Date and is deemed to be interested in Domestic Shares held by Harbin Century Longxiang Science & Technology Development Limited.

Note 3: Mr. Ma Zhumao is interested in 7,250,000 Domestic Shares through Shenzhen Jinbolitong Investment Partnership (limited partnership)* (深圳市金博利通投資合夥企業 (有限合夥)), since he holds 60% of the limited partnership of Shenzhen Jinbolitong Investment Partnership (limited partnership) as at the Latest Practicable Date and is deemed to be interested in Domestic Shares held by Shenzhen Jinbolitong Investment Partnership (limited partnership).

Save as disclosed above, as at 31 December 2016, 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 2016, 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

As at 1 September 2016, the Company entered into the contracts, such as the conditional agreement, Profit Guarantee Compensation Agreement and the Non-Competition Undertakings of Baoteng Internet, with Zqgame, in relation to the disposal of the material interest held by Ms. Zhang Yunxia, Mr. Li Ruijie, Mr. Ma Zhumao and Mr. Xu Yueming.

Pursuant to the Agency Framework Agreement referred in the section of "Continuing Connected Transactions of the Group", 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 2016, 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
Shenzhen Powerleader Investment Holdings Company Limited (<i>Note</i>)	<u>102,184,500</u>	Beneficial owner	<u>42.05%</u>	<u>56.07%</u>

Note: Shenzhen 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%
Purchase	
— 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 2016.

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 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 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 2015, the quarterly reports of the first and third quarters of 2016 as well as the interim report of 2016. The Committee has also reviewed the annual results for the year ended 31 December 2016 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 had 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 (特殊普通合伙)) was approved to act as the auditor of the Company at the annual general meeting convened on 30 June 2016, such appointment was effective from 30 June 2016 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 2017

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. Xu Yueming as non-executive Directors 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 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 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 for at least 7 days from its date of publication and the Company’s website at www.powerleader.com.cn.