



宝德科技集團股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock Code: 8236)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

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

* For identification purpose only

THIRD QUARTERLY RESULTS

The board of Directors is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2020 (the “Nine Months Period”), together with the comparative unaudited figures for the corresponding period in 2019, are as follows:

CONSOLIDATED INCOME STATEMENT

| Items | Note | Three months ended 30 September | | Nine months ended 30 September | |
|---|------|---------------------------------|----------------------------|--------------------------------|----------------------------|
| | | 2020 RMB (Unaudited) | 2019 RMB (Unaudited) | 2020 RMB (Unaudited) | 2019 RMB (Unaudited) |
| I. Total operating income | | 881,871,641.54 | 982,456,823.47 | 2,666,971,045.39 | 2,666,595,480.23 |
| Including: operating revenue | 3 | 881,871,641.54 | 982,456,823.47 | 2,666,971,045.39 | 2,666,595,480.23 |
| II. Total operating cost | | 835,056,210.41 | 929,498,327.08 | 2,576,843,719.00 | 2,536,045,224.95 |
| Including: Cost of operation | | 780,026,161.78 | 862,154,456.65 | 2,389,746,760.91 | 2,372,792,659.40 |
| Business taxes and surcharges | | 1,155,485.27 | 962,298.23 | 2,312,188.39 | 2,430,623.85 |
| Selling expenses | | 22,126,370.61 | 26,465,380.55 | 51,904,394.23 | 60,068,572.26 |
| Administration expenses | | 25,146,786.65 | 16,744,702.03 | 58,788,949.57 | 44,643,476.85 |
| Research and development expenses | | 12,578,612.10 | 9,055,600.18 | 26,984,254.66 | 22,152,173.65 |
| Finance costs | | (5,977,206.00) | 14,086,604.44 | 47,107,171.24 | 36,285,309.79 |
| Including: Interest expenses | | 22,056,174.96 | 20,831,568.06 | 65,117,318.88 | 58,211,478.16 |
| Interest income | | 31,817,410.46 | 655,745.91 | 32,778,101.62 | 4,197,439.05 |
| Add: Other income | | 124,910.89 | | 8,372,626.00 | 2,637,500.00 |
| Investment income (loss is denoted as “0”) | | 2,288,735.62 | 6,231,778.28 | 7,386,843.89 | 9,711,214.25 |
| Including: Gain on investment in associates and joint ventures | | — | 6,226,521.10 | 1,102,362.49 | 9,705,957.07 |
| Gain on fair value changes | | 145,594.80 | | 151,647.90 | |
| Loss of credit impairment | | | | | |
| Impairment loss of assets | | — | 29,285.00 | 1,127,872.11 | (2,327,590.85) |
| Gain on disposal of assets | | (120,368.31) | | (145,782.32) | |
| III. Operating profit (loss is denoted as “0”) | | 49,254,304.13 | 59,190,274.67 | 107,020,533.97 | 140,261,469.53 |
| Add: Non-operating income | 4 | 3,365.03 | 1,319,678.34 | 656,390.90 | 1,015,891.71 |
| Less: Non-operating expenses | | 284,350.99 | 431,188.00 | 896,021.51 | 702,860.17 |
| IV. Total Profit (total loss is denoted as “0”) | | 48,973,318.17 | 60,078,765.01 | 106,780,903.36 | 143,212,001.07 |
| Less: Income tax expenses | 5 | 684,267.25 | 7,142,084.76 | 10,096,631.21 | 15,841,549.26 |
| V. Net profit (net loss is denoted as “0”) | | 48,289,050.92 | 52,936,680.25 | 96,684,272.15 | 127,370,451.81 |
| Net profit attributable to shareholders of the parent company | | 35,335,137.95 | 34,263,711.41 | 55,215,276.75 | 92,188,974.64 |
| Profit or loss of minority interests | | 12,953,912.97 | 18,672,968.84 | 41,468,995.40 | 35,181,477.17 |
| VI. Earnings per share: | | | | | |
| (1) Basic earnings per share | 7 | 0.145 | 0.141 | 0.227 | 0.379 |
| (2) Diluted earnings per share | | 0.145 | 0.141 | 0.227 | 0.379 |
| VII. Other comprehensive income | | | | | |
| Other comprehensive income items which will not be reclassified to profit or loss in subsequent accounting periods | | — | — | — | — |
| Other comprehensive income items which will be reclassified to profit or loss in subsequent accounting periods subject to satisfaction of required conditions | | — | — | — | — |
| VIII. Total comprehensive income (net loss is denoted as “0”) | | 48,289,050.92 | 34,263,711.41 | 96,684,272.15 | 127,370,451.81 |
| Total comprehensive income attributable to shareholders of the parent company | | 35,335,137.95 | 34,263,711.41 | 55,215,276.75 | 92,188,974.64 |
| Total comprehensive income attributable to minority interests | | 12,953,912.97 | 18,672,968.84 | 41,468,995.40 | 35,181,477.17 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

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 GEM 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) server, storage and solution provider; (ii) electronic equipment and accessories (non-server and storage) distribution business; (iii) Guangzhou Internet Data Center business; (iv) industrial park development, operation and property management business; and (v) industrial investment business (non-server and storage).

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared based on a going concern basis and are 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 (collectively referred to as "ASBE") and are in compliance with the disclosure requirements of the "Regulation of the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Requirements for Financial Reporting (revised 2010)" of China Securities Regulatory Commission, 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. OPERATING INCOME

Operating income represents the received and accounts receivables for services provided and goods sold to customers, net of returns and discounts. Operating income recognized for the nine months ended 30 September 2020 together with comparative unaudited figures for the corresponding period in 2019 are as follows:

| | Three months ended | | Nine months ended | |
|---|------------------------------|-----------------------|--------------------------------|-------------------------|
| | 30 September | 2019 | 30 September | 2019 |
| | 2020 | 2019 | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue from the principal businesses | | | | |
| Including: Server, storage and solution provider | 785,926,782.24 | 945,251,305.05 | 2,255,980,549.21 | 2,540,276,867.87 |
| Electronic equipment and accessories (non-server and storage) distribution business | 60,803,650.41 | 15,399,025.26 | 322,492,024.67 | 59,864,172.23 |
| Guangzhou Internet Data Center business | 23,868,604.13 | 17,750,994.99 | 70,072,597.09 | 49,250,341.97 |
| Industrial park development, operation and property management business | 3,165,762.80 | 2,235,586.13 | 9,051,810.08 | 6,946,970.15 |
| Revenue from other businesses | 8,106,841.96 | 1,819,912.04 | 9,374,064.34 | 10,257,128.01 |
| Total | <u>881,871,641.54</u> | <u>982,456,823.47</u> | <u>2,666,971,045.39</u> | <u>2,666,595,480.23</u> |

4. NON-OPERATING INCOME

| | Three months ended | | Nine months ended | |
|------------------------|--------------------------|---------------------|----------------------------|---------------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Other income | | | | |
| (government subsidies) | 124,910.89 | 892,500.00 | 8,372,626.00 | 2,637,500.00 |
| Others | 3,365.03 | 427,178.34 | 656,390.90 | 1,015,891.71 |
| Total | <u>128,275.92</u> | <u>1,319,678.34</u> | <u>9,029,016.90</u> | <u>3,653,391.71</u> |

5. INCOME TAX EXPENSES

| | Three months ended | | Nine months ended | |
|---------------------------|--------------------------|---------------------|-----------------------------|----------------------|
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Current income tax charge | | | | |
| PRC | 183,176.37 | 4,673,792.79 | 7,325,785.28 | 12,184,139.53 |
| Hong Kong | 501,090.88 | 2,468,291.97 | 2,770,845.93 | 3,657,409.73 |
| Total | <u>684,267.25</u> | <u>7,142,084.76</u> | <u>10,096,631.21</u> | <u>15,841,549.26</u> |

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, is regarded as a national high-tech enterprise by Shenzhen Technology and Information Bureau, Finance Bureau of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Shenzhen Local Taxation Bureau in 2009, and is subject to an EIT rate of 15% from 2009 onwards; The Company passed the reassessment conducted by Scientific Technological Innovation Committee of Shenzhen City* (深圳市科技創新委員會), Financial Committee of Shenzhen City* (深圳市財政委員會), and Shenzhen Tax Bureau under State Tax Administration on 16 October 2018, and continued to be regarded as a national high-tech enterprise, and is subject to EIT at a rate of 15%. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computing System Co.,Ltd. (深圳市宝德計算機系統有限公司) (“Powerleader Computing”) and Shenzhen Powerleader Software Development Limited (深圳市宝德軟件開發有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% for the period ended 30 September 2020 (for the period ended 30 September 2019: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Shenzhen Technology and Information Bureau, Finance Bureau of Shenzhen Municipality, Shenzhen Municipal Office of SAT and Shenzhen Local Taxation Bureau. On 17 August 2017, Powerleader Computing passed the reassessment conducted by Scientific Technological Innovation Committee of Shenzhen City* (深圳市科技創新委員會), Financial Committee of Shenzhen City* (深圳市財政委員會), Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau, and continued to be regarded as a national high-tech enterprise. Powerleader Computing was subject to EIT at a rate of 15% for the period ended 30 September 2020 (for the period ended 30 September 2019: 15%).

Powerleader Software has been regarded as a national high-tech enterprise since 2011 by Shenzhen Bureau of Science, Technology and Information Council (深圳市科技工貿和信息化委員會), Financial Committee of Shenzhen City* (深圳市財政委員會), Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. On 17 August 2017, Powerleader Software passed the reassessment conducted by Scientific Technological Innovation Committee of Shenzhen City* (深圳市科技創新委員會), Financial Committee of Shenzhen City* (深圳市財政委員會), Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau, and continued to be regarded as a national high-tech enterprise. Powerleader Software was subject to EIT at a rate of 15% for the period ended 30 September 2020 (for the period ended 30 September 2019: 15%).

Hong Kong Profits Tax is calculated at 16.5% (for the nine months ended 30 September 2019: 16.5%) of the estimated assessable profit for the Nine Months Period.

6. DIVIDENDS

The Directors do not recommend the distribution of interim dividend for the Nine Months Period.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings of RMB0.227 per share is based on the net profit attributable to the shareholders of the parent company of RMB55,215,276.75 (for the nine months ended 30 September 2019: RMB92,188,974.64) and the weighted average number of 243,000,000 shares in issue during the Nine Months Period.

Diluted earnings per share are the same as basic earnings per share because the Company had no dilutive potential shares for the Nine Months Period (for the nine months ended 30 September 2019: nil).

8. SHARE CAPITAL

| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
|--|------------------------------|----------------------|------------------------------|---------------------|
| | <i>No. of Shares</i> | <i>No. of Shares</i> | <i>RMB</i> | <i>RMB</i> |
| Authorised, issued and paid-up share capital | | | | |
| Domestic shares of RMB1.00 each | 182,250,000 | 182,250,000 | 182,250,000 | 182,250,000 |
| H shares of RMB1.00 each | 60,750,000 | 60,750,000 | 60,750,000 | 60,750,000 |
| | <u>243,000,000</u> | <u>243,000,000</u> | <u>243,000,000</u> | <u>243,000,000</u> |

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 one another in all respects.

9. SHAREHOLDERS' EQUITY

| | Attributable to shareholders of the parent company | | | | | | Total shareholders' equity |
|---------------------------------|--|------------------|----------------------------|------------------|-----------------------|--------------------|----------------------------|
| | Share capital | Capital reserves | Other comprehensive income | Surplus reserves | Undistributed profits | Minority interests | |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| (Unaudited) | | | | | | | |
| As at 1 January 2019 | 243,000,000.00 | 57,958,529.72 | 130,795,486.64 | 35,125,156.64 | 760,428,585.47 | 34,656,613.12 | 1,261,964,371.59 |
| Net profit for the period | — | — | — | — | 59,471,749.37 | 16,078,775.10 | 75,550,524.47 |
| Ordinary shares by shareholders | — | — | — | — | — | 135,595,000.00 | 135,595,000.00 |
| As at 30 September 2019 | 243,000,000.00 | 57,958,529.72 | 130,795,486.64 | 35,125,156.64 | 819,900,334.84 | 186,330,388.22 | 1,473,109,896.06 |
| (Unaudited) | | | | | | | |
| As at 1 January 2020 | 243,000,000.00 | 289,299,488.72 | 201,206,468.99 | 30,414,133.15 | 909,769,766.13 | 416,081,607.09 | 2,089,771,464.08 |
| Net profit for the period | — | — | — | — | 55,215,276.75 | 41,468,995.40 | 96,684,272.15 |
| Ordinary shares by shareholders | — | — | — | — | — | — | — |
| As at 30 September 2020 | 243,000,000.00 | 289,299,488.72 | 201,206,468.99 | 30,414,133.15 | 964,985,042.88 | 457,550,602.49 | 2,186,455,736.23 |

MANAGEMENT DISCUSSION AND ANALYSIS

In the third quarter of 2020, the overall operation of Powerleader Science & Technology Group was stable. In respect of its principal businesses:

1. revenue from the server, storage and solution provider business amounted to RMB2,255,980,549.21, representing a decrease of 11.19% over the same period;
2. revenue from the distribution business of electronic equipment and accessories (non-server and storage) amounted to RMB322,492,024.67, representing an increase of 438.71% over the same period;
3. Revenue from Guangzhou Internet Data Centre business amounted to RMB70,072,597.09, representing an increase of 42.27% over the same period;
4. Revenue from industrial park development, operations and property management business amounted to RMB9,051,810.08, representing an increase of 30.30% over the same period;
5. Revenue from other businesses amounted to RMB9,374,064.34, representing a decrease of 8.61% over the same period.

FINANCIAL REVIEW

Turnover of the Group for the Nine Months Period amounted to RMB2,666,971,045.39, which was flat basically when compared to RMB2,666,595,480.23 in the same period of 2019, which was attributable to the fact that the Group newly established national information technology application innovation (hereafter refer to “ITAI”) business as a result of the strategic planning adjustment. Revenue from the server, storage and solution provider represented a decrease over the same period owing to the impacts of COVID-19 epidemic. However, the Group recorded a significant growth of the electronic equipment and accessories (non-server and storage) distribution business, which was mainly attributable to the new distribution business of white goods.

Consolidated gross profit margin of the Group for the Nine Months Period was 10.39%, representing a decrease of 0.63% when compared to that of 11.02% in the same period of 2019, which was mainly as a result of the significant growth of the electronic equipment and accessories (non-server and storage) distribution business, which had lowered the overall gross profit margin. The Group’s marketing expenditures and administrative and other expenses for the Nine Months Period increased by 8.52% to RMB137,677,598.46 from RMB126,864,222.76 for the same period of last year, which was mainly due to a substantial increase in staff costs and relevant expenses resulting from the ITAI business newly established by the Company during the Reporting Period.

BUSINESS REVIEW AND PROSPECT

Server, storage and solution provider

In the third quarter of 2020, the markets were recovered in all aspects after the COVID-19 epidemic was under control. With the constant development of the emerging industries, such as cloud computing, big data, artificial intelligence, and 5G mobile internet, the national strategy proposal for facilitating the construction of a data powerhouse as well as the continuous in-depth application on industry cloud computing, the server market welcomes its new development potential. Powerleader maintained close cooperation with its customers to optimise and upgrade its segmented products, so as to meet their differentiated requirements. At the same time, Powerleader caught up with the wave of new generation technology, such as 5G+AIOT, by developing intensively its artificial intelligence products and proactively expanding its market shares and influence in such industry. During the Reporting Period, Powerleader focused on national information technology application innovation and the substitute needs for ITAI in China to create quality product solutions and achieve synergistic development multi-regionally, rapidly radiate its layout in provinces and municipalities nationwide, establish its production line or arrange business sales teams to jointly develop the ITAI market by cooperating with upstream partners. Currently, the ITAI market projects have been carried out gradually, which provide a new driving force for the Group's revenue growth.

Looking forward to the fourth quarter of 2020, the robust new infrastructure construction development coupled with cloud computing, big data, mobile internet and AI in China will spur the continuous growth in market demand. Our server business and value-added distribution business will enjoy greater development opportunities. The Group will continue to consolidate the cooperation with its suppliers, sustain its efforts to provide differentiated services to channel clients, expand cooperation scale, and further improve back-end management system so as to accomplish our 2020 high standard targets through constant enhancement in operation and management capability, comprehensive operational capability and overall competence of all our staff.

Market Promotion

In the third quarter of 2020, with COVID-19 under effective control and economic activities recovered gradually, Powerleader's server market activities also gradually returned back to normal. Powerleader continued to focus on propelling its two major business segments, namely ITAI and X86. The main promotion measures included marketing activities, off-line exhibitions and publicity for showcasing and experiencing Powerleader's products and plans, and were complemented by one-line integrated media platform to promote case application, corporate dynamics, industrial layout and mission undertaking etc.

For market activities, Powerleader focused on domestic-innovative computing industry and held the Powerleader Kun Peng Channel Empowering Conferences in Harbin, Chongqing and Heyuan, and also held the Kun Peng Seminar on Computing Application jointly with YOCSEF to deliver and present the business layout, product planning, ecological adaptation and industrial application for Powerleader Kun Peng Computing comprehensively. During the Reporting Period, Powerleader participated in the meeting events such as Huawei China Ecological Tour in Anhui, Huawei Tour in Hundred-Cities for Business Distribution and Huawei Digital Energy China Tour in Guangzhou, it also engaged in active exchange and interactions with cooperative partners including Zhixiu (智修), Shanyan (杉岩) and Qilin (麒麟) to deliver extensive presentations on innovative products and solutions of Powerleader Kun Peng, and demonstrated to customers the industrial trend, innovative ecology, premier products and solutions as well as superior application experience in current computing industry. Powerleader also took part in the kick-off meeting for ITAI and the special seminar on ITAI in the two Ningbo and Jinhua prefecture-level city markets, so as to strengthen participants' understanding on Powerleader's independent business and product plans and provide guidance on cooperative intentions.

For exhibitions, Powerleader participated in off-line exhibition activities in key industrial sectors, including the 8th China Electronic Information Expo, the 19th Fintech Innovation Summit, the China Innovation and Entrepreneurship Fair, the Shenzhen (International) Global Artificial Intelligence Exposition and the 22nd Public Security Expo, which amplified our views and expanded our influence wider through product plan exhibition and dedicated staff presentation and explanation to participants. In addition to off-line events, Powerleader also participated in the Sixteenth HPC China of Intel online to give full play of the joint marketing effect and promote the latest product trends and plans of Powerleader in a fast and effectively approach through posters and interactive videos.

With respect to publicity, in the third quarter, special emphasis was paid to the description of new characteristics and construction demand of the big data centre under the "new infrastructure construction", so as to conduct extensive promotion on Powerleader's products including AI, edge computing, hyper-converged and HPC as well as integrated industrial solutions. Powerleader also took the opportunity to promote its successfully-tendered projects, case application and cooperation cases, and shared the experience of individual sales and after-sales performance, aiming to provide corresponding evidence on improving our products, plans and service capability.

In the fourth quarter of 2020, the ITAI business and new infrastructure construction will bring about tremendous opportunities. For future marketing and promotional activities, we will enhance brands and products recognition through constant expansion and improvement of promotional channels to ensure promotional efforts are shown to customers in an organised and multi-level manner.

Electronic Equipment and Accessories (Non-server and Storage) Distribution Business

In the third quarter of 2020, with the continuous mitigation of COVID-19 epidemic, the sales and market influence of the Group became better and better gradually. By firmly grasping the new applications and new markets brought by the new infrastructure construction and diversified product lines and developed its customers continuously, it also leveraged its industrial advantage brands at the same time, and achieved greater progress in the industrial application and customer services.

In the fourth quarter of 2020, the Group will continue to grasp the new trend in the infrastructure construction market, explore more suitable products and projects, and provide better services and develop industrial market through our already gradually-improved channels and solution. Furthermore, with the rapid development of national industrialization. The Group will also take chances to seek for more cooperation with home brand-owners and enrich product diversification, aiming to furnish the existing customers with more products and services. The Group will keep on delivering all-round services to customers from products to solutions as well as after sales technical-support in the AI, Internet of things and 5G application segments.

Guangzhou Internet Data Centre Business

In the third quarter of 2020, Guangzhou IDC continued its business development by relying on the sound relationship with telecommunications operators, the Guangzhou cloud computing business continued to maintain its growth at a slightly higher rate than the average industry growth rate.

Firstly, we continued to expand the sales of equipment cabinet and bandwidth businesses, and as a result, business with customers from quality cloud application platforms like Huawei and Ucloud continued to grow, representing an increase of 20% over the year of 2019 in the sales of equipment cabinets. At the same time, the IDC custody related to government cloud business increased owing to the robust development in the government cloud market.

At the same time, based on its cooperation with various operators, Guangzhou IDC vigorously expanded its in-depth cooperation including its cloud business cooperation of the segmented market in vertical industry as well as value-added business cooperation. We were successfully shortlisted as one of the cloud application service providers of China Telecom Guangdong Branch in September and cooperative aspects were determined in which it will drive the continuous growth of our business revenue.

Furthermore, Guangzhou IDC actively carried out cooperation with Guangzhou governments at all levels in terms of cloud security and cloud applications, and conducted cloud security, cloud applications and other new value-added business cooperation with the three major operators.

Looking forward to the fourth quarter of 2020, the development of Internet of things will drive the data processing mode of “cloud computing + edge computing” and boost the demand for IDC, therefore, we will continue to maintain our high-speed development momentum.

Industrial Park Development, Operations and Property Management

In the third quarter of 2020, our Powerleader’s AI Valley project had completed its site hoarding and gate erection works. At present, we are conducting the ground-leveling works of temporary sites, inspecting and examining potential site hazards and preparing structural inspection. Powerleader • AI Valley project, established by Powerleader Science & Technology, proceeded as planned in an orderly manner. The Project will involve the construction of a “Five bases, One platform + integrated support” industrial function system. “Five bases” refer to artificial intelligence innovation base, futuristic technology intelligence innovation base, future industry scientific innovation base, digital cultural research innovation base, and science and technology finance innovation base, while “One platform” refers to science and technology services mass innovation platform.

By constructing “Five bases and One platform”, the project will introduce and nurture a new wave of emerging industries enterprises and science and technology services enterprises, expanding industrial layout at Guangming district, optimizing industrial structure, raising industrial quality and efficiency, and accelerating the new area formation of modernized industrial systems with artificial intelligence as foundation, modern service industry as support, emerging industries as leaders, and competitive traditional industries as characteristics.

Capital Management

In the third quarter of 2020, the financial institutions took a more prudent risk management approach and had exerted certain pressure on us in obtaining capital funds. The Company fully leveraged the industrial features of each business segment to carry out targeted financing for each project. In the fourth quarter of 2020, the Company will continue to exercise stringent control in receivables to ensure fund security.

Government Affairs

In the third quarter of 2020, the Group conducted research and development projects actively and obtained a number of qualification accreditations from the government. With cloud computing, server, big data as its core content, the Company applied for a number of qualification accreditations and project funding, and certain number of its research projects have passed the inspection and acceptance procedures. In connection with the cooperation with external parties, the Company has been conducting R&D cooperation with higher education institutions and R&D institutions with a view to absorbing skilled professionals and advanced technologies.

In July 2020, Powerleader Computing passed the 2019 Top 100 Small and Medium-sized Micro-innovative Enterprise Verification of Longhua District;

In July 2020, Powerleader Computing passed the Guangdong Province Enterprise Verification of Observing Contract and Valuing Credit;

In August 2020, the “Heavily 20170320 Open Technology Based Reliable Multi-channel High-end Computing System R&D” of Powerleader Software successfully passed the final inspection and acceptance procedures from the Shenzhen judging expert panel;

In August 2020, Powerleader Computing was awarded the second batch of project subsidy award support from the 2020 Industrial Design Development Support Scheme;

In August 2020, Powerleader Computing was awarded the 2019 science and technology innovation special funding for the science and technology innovation park renting subsidy support of Longhua District;

In September 2020, the establishment of large-scale industrial enterprise R&D institution of Powerleader Computing had successfully passed the inspection and acceptance procedures of the 2020 second batch of special funding project for scientific and technological innovation of Longhua District;

In September 2020, Powerleader Computing was awarded the 2020 Industrial Design Development Support Scheme-Industrial Internet and Dual Integrated Pilot Demonstration Award Support;

In September 2020, Powerleader Computing was awarded the 2020 industrial development special fund (three categories of the Baishiwu enterprises and others) funding award support.

In the fourth quarter of 2020, the Company will keep on conducting research and development projects, improve Powerleader’s brand and enhance our cooperation with higher education institutions and science research institutions, with a view to create a good cooperation environment for the technology innovation of the Powerleader.

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

As at 30 September 2020, the interests or short positions of the directors, supervisors and chief executive of the Company and their associates in the shares and debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would have 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 which they are taken or deemed to have under provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to shares transactions, underlying shares and debt securities were as follows:

Shares of the Company

| Name of director | Number of the Company's Domestic Shares held | Approximate percentage of the Company's issued share capital | Approximate percentage of the Company's issued Domestic Shares |
|------------------------------------|--|--|--|
| Mr. Li Ruijie (<i>Note 1</i>) | 102,184,500 | 42.05% | 56.07% |
| Ms. Zhang Yunxia (<i>Note 1</i>) | 102,184,500 | 42.05% | 56.07% |

Note 1: 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 as to 87.5% and 12.5% by Mr. Li Ruijie and Ms. Zhang Yunxia respectively.

Save as disclosed above, as at 30 September 2020, none of the directors, supervisors and chief executive and their associates had any interests or short positions in any shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or the transactions of the shares and debt securities which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 30 September 2020, the Company or any of its subsidiaries was not a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME

Up to 30 September 2020, the Company has not adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2020, the Directors are not aware of any interests or short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

LONG POSITIONS IN DOMESTIC SHARES

| | Number of Shares | Capacity | Approximate percentage of the Company's issued share capital | Approximate percentage of the Company's Issued Domestic Share |
|---|---------------------|------------------|--|---|
| Powerleader Investment (Note) | 102,184,500 | Beneficial owner | 42.05% | 56.07% |
| Shenzhen Hengtong Dayuan Electronic Limited | 23,958,000 | Beneficial owner | 13.11% | 17.48% |
| Qu Shui Shijilongxiang Science & Technology Development Limited | 15,963,750 | Beneficial owner | 6.57% | 8.76% |
| Urumqi Yali Anda Investment Co., Ltd* (烏魯木齊雅利安達股權投 資有限公司) | 15,000,000 | Beneficial owner | 6.17% | 8.23% |

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

The ultimate controlling shareholders of the Company and Zqgame are Ms. Zhang Yunxia and Mr. Li Ruijie respectively. Zqgame carries out the Shenzhen IDC business whereas the Group also operates the Guangzhou IDC business. The Company's de facto controller(s), Mr. Li Ruijie and Ms. Zhang Yunxia, entered into a non-competition commitment with the Company on 1 September 2016, pursuant to which, the Company had undertaken that, as far as the Guangzhou internet data center business is concerned, upon the completion and fulfillment of the conditions of injecting the Guangzhou IDC business into Zqgame and such injection has no substantial obstacles, the Company may negotiate with Zqgame and upon reaching and entering into a formal agreement to inject the Guangzhou IDC business into Zqgame, the Company may also terminate the Guangzhou IDC Business or transfer it to an unrelated third party to resolve the competition issue. Each of the Company, Powerleader Investment, Ms. Zhang Yunxia and Mr. Li Ruijie has also undertaken that save for the above, after the completion and during the time when it/he/she remains to be the controlling shareholder(s) or the de facto controller(s) of Zqgame, it/he/she shall not carry on or participate in any business that is in competition with the businesses carried out by Zqgame as at the date of the Agreement or the Shenzhen IDC Business by way of self-operation, joint venture, cooperation, etc.

As at 30 September 2020, none of the Directors, initial management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) held any interest in any business which competes or may compete with that of the Group or had any other interest which is in conflict with that of the Group.

CODE OF CORPORATE GOVERNANCE PRACTICES

Throughout the nine months ended 30 September 2020, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 27 June 2019 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are to (i) provide an important link between the Board and the Group’s auditors for matters within the scope of the Group’s audit and (ii) review the effectiveness of external audit, internal control and risk evaluation. At present, the Committee comprises three independent non-executive directors, namely Mr. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun. The Group’s financial statements for the Nine Months Period have been reviewed by the Committee, which was of the opinion that such statements complied with applicable accounting standards, Stock Exchange and legal requirements, and that adequate disclosures were made.

PURCHASE AND SALES OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased and sold or redeemed any of the Company’s shares during the Nine Months Period.

OTHER SIGNIFICANT EVENTS

Shenzhen Speed Top Network Technology Co., LTD. (Speed Top) and the Company entered into the Merger Agreement and the Supplemental Agreement on 25 September 2020 and 19 October 2020, respectively, to privatise the Group with conditions precedent by the proposed way of merger by absorption of the Group by Speed Top. For the details of proposed privatisation, please refer to the Joint Announcement dated 19 October 2020.

By order of the board
Zhang Yunxia
Chairman

Shenzhen, the PRC
23 October 2020

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

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