



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)

**INTERIM RESULT ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to report the unaudited results of the Company for the three months and six months ended 30 June 2019 (the “Six-Month Period”) together with the comparative unaudited figures for the same period in 2018 as follows:

CONSOLIDATED INCOME STATEMENT

Items	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB (Unaudited)	2018 RMB (Unaudited)	2019 RMB (Unaudited)	2018 RMB (Unaudited)
I. Total operating income		875,491,525.85	901,492,905.82	1,684,138,656.76	1,538,518,982.09
Including: operating revenue	3	875,491,525.85	901,492,905.82	1,684,138,656.76	1,538,518,982.09
II. Total operating cost		842,289,117.49	889,880,444.33	1,606,546,897.87	1,483,037,279.35
Including: Cost of operation		788,317,018.92	790,996,538.11	1,510,638,202.75	1,356,536,176.70
Business taxes and surcharges		699,398.82	1,040,736.51	1,468,325.62	1,065,639.82
Selling expenses		20,235,522.55	19,020,893.26	33,603,191.71	35,763,345.79
Administration expenses		13,136,332.2	26,135,322.57	27,898,774.82	43,936,288.85
Research and development expenses		8,992,710.56	—	13,096,573.47	—
Finance costs	5	13,265,010.29	52,686,953.88	22,198,705.35	45,735,828.19
Including: Interest expenses		18,488,227.26	19,288,470.21	37,379,910.10	31,524,342.57
Interest income		2,891,382.40	1,145,810.99	3,541,693.14	1,194,154.72
Impairment loss of assets		(2,356,875.85)	—	(2,356,875.85)	—
Add: Gain on fair value changes (loss is denoted as “()”)		—	—	—	—
Investment income (loss is denoted as “()”)		3,063,920.21	737,621.95	3,479,435.97	2,603,190.75
Including: Gain on investment in associates and joint ventures		—	748,789.85	3,479,435.97	2,462,098.19
III. Operating profit (loss is denoted as “()”)		36,266,328.57	12,350,083.44	81,071,194.86	58,084,893.49
Add: Non-operating income	4	567,937.86	2,556,320.17	2,333,713.37	7,402,350.92
Less: Non-operating expenses		153,130.52	6,172.23	271,672.17	10,539.55
IV. Total Profit (total loss is denoted as “()”)		36,681,135.91	14,900,231.38	83,133,236.06	65,476,704.86
Less: Income tax expenses	6	7,172,904.62	3,682,468.70	8,699,464.50	5,806,153.25
V. Net profit (net loss is denoted as “()”)		29,508,231.29	11,217,762.68	74,433,771.56	59,670,551.61
Net profit attributable to shareholders of the parent company		21,966,385.49	2,355,935.29	57,925,263.23	50,808,873.22
Profit or loss of minority interests		7,541,845.80	8,861,827.39	16,508,508.33	8,861,678.39
VI. Earnings per share:					
(1) Basic earnings per share	8	0.090	0.010	0.238	0.209
(2) Diluted earnings per share	8	0.090	0.010	0.238	0.209
VII. Other comprehensive income					
Other comprehensive income which cannot be reclassified to profit or loss in subsequent accounting periods		—	—	—	—
Other comprehensive income which will be reclassified to profit or loss in subsequent accounting periods upon satisfying the required conditions		—	—	—	—
VIII. Total comprehensive income (net loss is denoted as “()”)		29,508,231.29	11,217,762.68	74,433,771.56	59,670,551.61
Total comprehensive income attributable to shareholders of the parent company		21,966,385.49	2,355,935.29	57,925,263.23	50,808,873.22
Total comprehensive income attributable to minority interests		7,541,845.80	8,861,827.39	16,508,508.33	8,861,678.39

CONSOLIDATED BALANCE SHEET

Items	<i>Notes</i>	30 June 2019 RMB (Unaudited)	31 December 2018 RMB (Audited)
Current Assets:			
Monetary Capital		434,042,289.36	590,429,546.13
Financial assets held for trading		611,529.04	486,563.69
Financial assets at fair value through profit or loss for the current period		—	—
Derivative financial assets		—	—
Notes receivables and accounts receivables		586,665,982.49	620,454,637.79
Including: Notes receivables		5,189,198.34	11,974,718.39
Accounts receivables	12	581,476,784.15	608,479,919.40
Prepayments		244,112,295.54	92,543,556.44
Other receivables	13	908,885,778.88	770,016,294.47
Including: Interest receivables		—	1,088,458.33
Dividend receivables		795,645.65	795,645.65
Inventories		440,897,764.42	373,859,136.84
Contractual assets		—	—
Assets classified as held for sale		—	—
Non-current assets due within 1 year		—	—
Other current assets		29,729,215.46	31,481,724.14
		2,644,944,855.19	2,479,271,459.50
Total current assets			
Non-current assets:			
Loans and advances granted		—	—
Debt investments		—	—
Available-for-sale financial assets		—	—
Other debt investments		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	11	130,772,268.20	127,292,832.23
Other equity instrument investments		—	—
Other non-current financial assets		19,691,924.27	19,691,924.27
Investment properties	10	217,941,689.01	217,941,689.01
Fixed assets	9	257,875,086.87	271,257,535.58
Construction in progress	9	231,179,734.56	213,963,500.71
Intangible assets		6,202,280.47	6,073,768.61
Development expenditure		—	—
Goodwill		—	—
Long-term prepayments		7,153,407.84	8,982,472.18
Deferred income tax assets		7,076,943.67	8,717,249.47
Other non-current assets		197,139,454.84	197,139,454.84
		1,075,032,789.73	1,071,060,426.90
Total non-current assets			
		3,719,977,644.92	3,550,331,886.40
Total assets			

Items	Notes	30 June 2019 RMB (Unaudited)	31 December 2018 RMB (Audited)
Current liabilities:			
Short-term loans	15	1,072,506,600.00	1,004,967,649.88
Financial liabilities held for trading		—	—
Financial liabilities at fair value through profit or loss for the current period		—	—
Derivative financial liabilities		—	—
Notes payables and accounts payables	14	463,316,169.04	659,267,317.71
Receipts in advance		—	—
Contractual liabilities		100,811,794.14	83,027,059.76
Employee remuneration payables		700,200.17	10,673,113.65
Tax and levy payables		58,467,333.70	71,719,239.05
Other payables		122,630,957.22	189,374,248.95
Including: Interest payables		—	4,006,845.94
Dividend payables		—	—
Liabilities classified as held for sale		—	—
Non-current liabilities repayable within one year		42,429,751.23	37,972,999.04
Other current liabilities		2,462,500.00	4,401,260.15
Total current liabilities		1,863,325,305.50	2,061,402,888.19
Non-current liabilities:			
Long-term loans		—	—
Bonds payables		—	—
Including: Preference shares		—	—
Perpetual bonds		—	—
Long-term payables		9,752,493.49	16,684,352.84
Long-term employee remuneration payables		—	—
Provisions		—	—
Deferred income		25,661,696.10	25,440,267.10
Deferred income tax liabilities		36,416,989.39	36,416,989.39
Other non-current liabilities		—	—
Total non-current liabilities		71,831,178.98	78,541,609.33
Total Liabilities		1,935,156,484.48	2,139,944,497.52

Items	<i>Notes</i>	30 June 2019 <i>RMB</i> (Unaudited)	31 December 2018 <i>RMB</i> (Audited)
Shareholders' equity:			
Capital	16	243,000,000.00	243,000,000.00
Other equity instruments		—	—
Including: Preference shares		—	—
Perpetual bonds		—	—
Capital reserves		242,808,188.67	122,563,288.06
Less: Treasury shares		—	—
Other comprehensive income		98,527,821.61	98,527,821.61
Special reserves		—	—
Surplus reserves		29,241,867.59	29,241,867.59
General Risk Reserves		—	—
Undistributed profits		<u>855,630,263.15</u>	<u>797,704,999.92</u>
Total equity attributable to shareholders of the parent company		<u><u>1,469,208,141.02</u></u>	<u><u>1,291,037,977.18</u></u>
Minority interests		<u>315,613,019.42</u>	<u>119,349,411.70</u>
Total shareholders' equity		<u><u>1,784,821,160.44</u></u>	<u><u>1,410,387,388.88</u></u>
Total liabilities and shareholders' equity		<u><u>3,719,977,644.92</u></u>	<u><u>3,550,331,886.40</u></u>

CONSOLIDATED CASH FLOW STATEMENT

Items	Six months ended 30 June 2019 <i>RMB</i> (Unaudited)	Six months ended 30 June 2018 <i>RMB</i> (Unaudited)
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	1,831,789,747.02	1,708,161,507.33
Refund of taxes and levies received	—	—
Other cash receipts relating to operating activities	176,453,725.62	26,110,738.13
Sub-total of cash inflows from operating activities	2,008,243,472.64	1,734,272,245.46
Cash paid for goods and services	1,811,395,798.53	1,631,505,035.50
Cash paid to and on behalf of employees	32,460,686.58	38,363,099.16
Payments of taxes and levies	22,984,118.61	40,048,405.45
Other cash payments relating to operating activities	358,382,049.29	20,613,592.75
Sub-total of cash outflow from operating activities	2,225,222,653.01	1,730,530,132.86
Net cash flow from operating activities	(216,979,180.37)	3,742,112.60
II. Cash flow from investing activities:		
Cash received from investments	—	—
Cash received from returns on investments	—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	—	—
Net cash received from disposal of subsidiaries and other operating units	—	—
Other cash receipts relating to investing activities	76,100,834.49	—
Sub-total of cash inflow from investing activities	76,100,834.49	—
Cash paid on acquisition of fixed assets, intangible assets and other long-term assets	17,288,657.52	14,483,376.25
Cash paid on investments	—	3,660,373.17
Net cash paid on acquisition of subsidiaries and other operating units	—	—
Other cash payments relating to investing activities	—	—
Sub-total of cash outflow from investing activities	17,288,657.52	18,143,749.42
Net cash flow from investing activities	58,812,176.97	(18,143,749.42)

Items	Six months ended 30 June 2019 <i>RMB</i> (Unaudited)	Six months ended 30 June 2018 <i>RMB</i> (Unaudited)
III. Cash flow from financing activities:		
Cash received from investments	300,000,000.00	136,780,000.00
Including: Cash received by subsidiaries from absorbing investments from minority shareholders	300,000,000.00	136,780,000.00
Cash received from loans	1,294,190,684.18	502,814,795.24
Cash received from issuing bonds	—	—
Cash received from other financing activities	—	—
Sub-total of cash inflow from financing activities	1,594,190,684.18	639,594,795.24
Cash payments for settlement of loans	1,379,126,841.22	549,983,019.17
Cash payments for distribution of dividends, profit or interest expenses	37,379,910.10	22,116,131.88
Including: Cash payments for distribution of dividends and profit to minority shareholders	—	—
Cash payment for other financing activities	—	—
Sub-total of cash outflow from financing activities	1,416,506,751.32	572,099,151.05
Net cash flow from financing activities	177,683,932.86	67,495,644.19
IV. Effect of foreign exchange rate changes to cash and cash equivalents	—	450,084.18
V. Net increase in cash and cash equivalents	19,516,929.46	53,544,091.55
Add: Balance of cash and cash equivalents at the beginning of the period	406,478,308.13	217,125,028.20
VI. Balance of cash and cash equivalents at the end of the period	425,995,237.59	270,669,119.75

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Items	Amount for the period									
	Attributable to shareholders of the parent company									
	Share Capital	Capital Reserves	Less: Treasury shares	Other Comprehensive Income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Minority interests	Total Shareholders' equity
I. Balance at the end of last year	243,000,000.00	122,563,288.06	—	98,527,821.61	—	29,241,867.59	—	797,704,999.92	119,349,411.70	1,410,387,388.88
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	122,563,288.06	—	98,527,821.61	—	29,241,867.59	—	797,704,999.92	119,349,411.70	1,410,387,388.88
III. Changes (increase/decrease) for the year (decrease is denoted by “-”)	—	120,244,900.61	—	—	—	—	—	57,925,263.23	196,263,607.72	370,954,335.59
(1) Total comprehensive income	—	—	—	—	—	—	—	57,925,263.23	16,508,508.33	74,433,771.56
(2) Contribution from shareholders and reduction in capital	—	120,244,900.61	—	—	—	—	—	—	179,755,099.39	300,000,000.00
1. Ordinary share contributed by shareholders	—	—	—	—	—	—	—	—	—	—
2. Capital contribution by holders of other equity instruments	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payments included under shareholders' equity	—	—	—	—	—	—	—	—	—	—
4. Others	—	120,244,900.61	—	—	—	—	—	—	179,755,099.39	300,000,000.00
(3) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(4) Internal transfer of shareholder's interests	—	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recovery of losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Changes in defined benefit scheme carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	—	—	—	—	—
(5) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Transfer during the year	—	—	—	—	—	—	—	—	—	—
2. Utilised during the year	—	—	—	—	—	—	—	—	—	—
(6) Others	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of the year	243,000,000.00	242,808,188.67	—	98,527,821.61	—	29,241,867.59	—	855,630,263.15	315,613,019.42	1,784,821,160.44

Items	Amount for previous year									
	Attributable to shareholders of the parent company									
	Share Capital	Capital Reserves	Less: Treasury shares	Other Comprehensive Income	Special reserves	Surplus reserves	General risk reserves	Undistributed Profits	Minority Interests	Total Shareholders' Equity
I. Balance at the end of last year	243,000,000.00	57,958,529.72	—	130,795,486.64	—	35,125,156.64	—	760,428,585.47	34,656,613.12	1,261,964,371.59
Add: Changes in accounting policies	—	—	—	—	—	—	—	6,199,355.60	9,677.31	6,209,032.91
Correction of errors in previous periods	—	—	—	—	—	—	—	—	—	—
Business combination under common control	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—
II. Balance at beginning of year	243,000,000.00	57,958,529.72	—	130,795,486.64	—	35,125,156.64	—	766,627,941.07	34,666,290.43	1,268,173,404.50
III. Changes (increase/decrease) for the year (decrease is denoted by “-”)	—	64,604,758.34	—	(32,267,665.03)	—	(5,883,289.05)	—	31,077,058.85	84,683,121.27	142,213,984.38
(1) Total comprehensive income	—	—	—	(32,267,665.03)	—	—	—	45,264,938.45	14,187,879.60	27,185,153.02
(2) Contribution from shareholders and reduction of capital	—	64,604,758.34	—	—	—	—	—	(14,187,879.60)	70,495,241.67	120,912,120.41
1. Ordinary shares contributed by shareholders	—	—	—	—	—	—	—	—	—	—
2. Capital contribution by holders of other equity instruments	—	—	—	—	—	—	—	—	—	—
3. Amount of share-based payment included under shareholders' equity	—	—	—	—	—	—	—	—	—	—
4. Others	—	64,604,758.34	—	—	—	—	—	(14,187,879.60)	70,495,241.67	120,912,120.41
(3) Profit appropriation	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserves	—	—	—	—	—	—	—	—	—	—
3. Profit appropriation to shareholders	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—
(4) Internal transfer of shareholder's interests	—	—	—	—	—	(5,883,289.05)	—	—	—	(5,883,289.05)
1. Transfer of capital reserves to share capital	—	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserves to share capital	—	—	—	—	—	—	—	—	—	—
3. Recovery of losses by surplus reserves	—	—	—	—	—	—	—	—	—	—
4. Changes in defined benefit scheme carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
5. Other comprehensive income carried forward to retained earnings	—	—	—	—	—	—	—	—	—	—
6. Others	—	—	—	—	—	(5,883,289.05)	—	—	—	(5,883,289.05)
(5) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Transfer during the year	—	—	—	—	—	—	—	—	—	—
2. Utilised during the year	—	—	—	—	—	—	—	—	—	—
(6) Others	—	—	—	—	—	—	—	—	—	—
IV. Balance at the end of the year	<u>243,000,000.00</u>	<u>122,563,288.06</u>	<u>—</u>	<u>98,527,821.61</u>	<u>—</u>	<u>29,241,867.59</u>	<u>—</u>	<u>797,704,999.92</u>	<u>119,349,411.70</u>	<u>1,410,387,388.88</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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, operates in the PRC and Hong Kong and is mainly engaged in the (i) server, storage and solution provider business; (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 in accordance with the requirements of "Accounting Standards for Business Enterprises — Basic Standard" and 40 Specific Accounting Standards issued by the Ministry of Finance (MOF) of the PRC (including 5 new issued or revised standards issued in January and February 2014), and Application Guidance for Accounting Standards for Business Enterprises, Interpretations to Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (collectively referred to as "ASBE") and in compliance with the disclosure requirements of "Regulation of the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (revised 2010)" of the China Securities Regulatory Commission, the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

3. OPERATING INCOME

Operating income represents the amounts received and accounts receivables for services provided and goods sold to customers, net of returns and discounts. The operating income recognized for the six months ended 30 June 2019 together with comparative unaudited figures for the corresponding period in 2018 are as follows:

An analysis of the Group's operating income and results by operating segments is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)
Revenue from principal businesses				
Including: Server, storage and solution	830,432,602.64	804,462,105.26	1,595,025,562.82	1,370,411,792.46
Electronic equipment and accessories (non-server and storage) distribution business	18,284,975.40	74,173,505.83	44,465,146.97	129,823,544.43
Guangzhou Internet Data Center business	17,336,884.26	15,331,060.13	31,499,346.98	27,107,988.32
Industrial park development, operation and property management business	2,620,438.52	1,068,915.72	4,711,384.02	2,106,287.12
Other operating revenue	6,816,625.03	6,457,319.06	8,437,215.97	9,069,369.76
Total	875,491,525.85	901,492,905.82	1,684,138,656.76	1,538,518,982.09
Results from principal businesses				
Including: Server, storage and solution	72,119,522.84	55,160,268.27	147,608,014.44	87,494,450.80
Electronic equipment and accessories (non-server and storage) distribution business	987,720.91	1,159,251.82	2,432,082.47	2,805,694.63
Guangzhou Internet Data Center business	4,650,048.69	1,185,561.02	10,353,272.43	1,467,539.93
Industrial park development, operation and property management business	2,620,438.52	347,939.66	4,711,384.02	664,238.09
Other operating results	6,796,775.97	6,446,394.60	8,395,700.65	8,785,607.48
Total	87,174,506.93	62,433,846.57	173,500,454.01	101,217,530.93
Finance costs	13,265,010.29	52,686,953.88	22,198,705.35	45,735,828.19
Share of profit from associates	3,063,920.21	748,789.85	3,479,435.97	2,462,098.19
Profit before tax	36,681,135.91	14,900,231.38	83,133,236.06	65,476,704.86
Income tax expenses	7,172,904.62	3,682,468.70	8,699,464.50	5,806,153.25
Net profit for the period	<u>29,508,231.29</u>	<u>11,217,762.68</u>	<u>74,433,771.56</u>	<u>59,670,551.61</u>

4. NON-OPERATING INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)
Government Subsidies	29,750.00	2,464,542.82	1,745,000.00	7,194,001.58
Others	538,187.86	91,777.35	588,713.37	208,349.34
Total	567,937.86	2,556,320.17	2,333,713.37	7,402,350.92

5. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)
Interest expenses	18,488,227.26	19,288,470.21	37,379,910.10	31,524,342.57
Less: Interest income	2,891,382.40	1,145,810.99	3,541,693.14	1,194,154.72
Add: Loss on exchange	—	29,225,647.50	—	9,156,564.44
Less: Gain on exchange	4,109,085.04	—	16,829,214.45	—
Handling charges	1,777,250.47	5,318,647.16	5,189,702.84	6,249,075.90
Total	13,265,010.29	52,686,953.88	22,198,705.35	45,735,828.19

6. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)
Current income tax (written back)/charge PRC	6,506,594.18	2,761,658.19	7,510,346.74	4,117,754.54
Hong Kong	666,310.44	920,810.51	1,189,117.76	1,688,398.71
Total	7,172,904.62	3,682,468.70	8,699,464.50	5,806,153.25

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was 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 was 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 was 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. (深圳市寶德計算機系統有限公司) (“Powerleader Computing”) and Shenzhen Powerleader Software Development Limited (深圳市寶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 June 2019 (for the period ended 30 June 2018: 25%).

Powerleader Computing has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau; 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% during the period ended 30 June 2019 (during the period ended 30 June 2018: 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 June 2019 (for the period ended 30 June 2018: 15%).

Hong Kong Profits tax is calculated at 16.5% (for the six months ended 30 June 2018: 16.5%) of the estimated assessable profit for the Six-Month Period.

7. INTERIM DIVIDENDS

At a meeting held on 14 August 2019, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Net profit attributable to shareholders of the parent company	21,966,385.49	2,355,935.29	57,925,263.23	50,808,873.22
Number of shares				
Weighted average number of issued shares for the purpose of basic earnings per share	<u>243,000,000</u>	<u>243,000,000</u>	<u>243,000,000</u>	<u>243,000,000</u>

The calculation of the basic and diluted earnings per share is based on the net profit attributable to the shareholders of the parent company of RMB57,925,263.23 (for the six months ended 30 June 2018: RMB50,808,873.22) and the weighted average number of 243,000,000 shares in issue (2018: 243,000,000 shares) for the Six-Month Period.

Diluted earnings per share are the same as basic earnings per share because the Company had no dilutive potential shares for the Six-Month Period (for the six months ended 30 June 2018: nil).

9. FIXED ASSETS AND CONSTRUCTION IN PROGRESS

During the period, the Group spent RMB17,288,657.52 (the same period of 2018: RMB14,483,376.25) on acquisition of property, plant and equipment.

10. INVESTMENT PROPERTIES

During the period, the balance of the Group's investment properties was RMB217,941,689.01 (the same period of 2018: RMB206,419,306.97).

11. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments accounted for using equity method

Name of investee	Proportion of shareholdings (%)	Proportion of voting rights (%)	Investment cost (RMB)	Beginning balance (RMB) (Audited)	Increase for the period (RMB) (Unaudited)	Decrease for the period (RMB) (Unaudited)	Ending balance for the period (RMB) (Unaudited)	Cash dividend received for the period (RMB)
Accounted for using equity method								
Shenzhen Zqgame Interactive Network Co., Limited ^{Note 1}	15.03	15.03	3,000,000.00	112,669,254.36	4,304,797.06	—	116,974,051.42	—
Beijing Haiyun Jixun Technology Limited ^{Note 2}	10.135	10.135	15,000,000.00	14,623,577.87	—	825,361.09	13,798,216.78	—
Total			<u>60,000,000.00</u>	<u>127,292,832.23</u>	<u>4,304,797.06</u>	<u>825,361.09</u>	<u>130,772,268.20</u>	—

Note 1: Shenzhen Zqgame Co., Ltd. (referred to as “Zqgame”) was formerly known as “Shenzhen Powerleader Network Technology Limited”. Its principal business is the development and operation of network games. It was established jointly by the Company and its controlling shareholder, Powerleader Holdings in 2000, in which the Company held 99% of its equity interest and Powerleader Holdings held 1% of its equity interest. After a number of shareholding changes from 2007 to 2010 and the listing of Zqgame in A shares GEM Board in 2010, the shareholding of the Company in Zqgame was diluted from 20.40% to 15.30%. In 2015, a total of 1,038,600 stock options were exercised by the share incentive targets of Zqgame, and the shareholdings of the Company was diluted from 15.30% to 15.24%. In 2018, a total of 3,670,000 restricted shares were granted by way of share incentive of Zqgame, and the shareholding of the Company was diluted from 15.24% to 15.03%. As the Company takes up 3 seats out of the 7 directors in the board of Zqgame, the Company exercises significant influence over Zqgame, accordingly, Zqgame is accounted for using equity method.

Note 2: Beijing Haiyun Jiexun Technology Limited (referred to as “Beijing Haiyun Jiexun”) was established on 25 May 2010 in Beijing by Lin Zhiguo through RMB5 million of capital contribution. According to the capital increment agreement entered into on 18 October 2013, the Company contributed a total of RMB15 million in 3 tranches. As of 30 June 2016, the capital contribution by the Company amounted to RMB15 million. On 11 August 2015, Intel Semiconductor (Da Lian) Co., Ltd (英特爾半導體(大連)有限公司) subscribed the newly registered capital of RMB1.6 million in Beijing Haiyun Jiexun with a consideration of RMB24.83 million. After such capital increase, the shareholding of Zhang Zhengyu, Li Hua, employees’ shareholding, the Company and Intel were 34.06%, 21.98%, 8.62%, 21.55% and 13.79% respectively. Its legal representative is Li Hua. On 31 August 2016, the Company transferred 10% equity (corresponding to registered capital of RMB1.16 million) in Beijing Haiyun Jiexun for a consideration of RMB25 million to Linzhi Tencent Investment Management Co., Ltd. On 23 June 2017, four companies including Zhongcai Quanxing (Quzhou) Equity Investment Fund Partnership (limited partnership) acquired newly registered capital as to RMB1,621,505 in Beijing Haiyun Jiexun with RMB65 million and after this capital injection the Company’s shareholding percentage is 10.135%. The Company takes up 1 seat out of 5 directors in the Board and it is accounted for using equity method.

12. ACCOUNTS RECEIVABLES

The Group allows sales credit period ranging from three to six months to its trade customers. The aging of accounts receivable is analysed as follows:

	30 June 2019	31 December 2018
	RMB	RMB
	(Unaudited)	(Audited)
Within 1 month	140,721,006.37	143,684,853.47
1–3 months	154,424,892.74	149,784,368.36
4–6 months	173,468,290.41	181,448,137.88
Over 6 months	147,646,267.92	169,463,362.47
	616,260,457.44	644,596,353.82
Less: Allowance for bad debts	34,783,673.29	36,116,434.42
Accounts receivable, net	581,476,784.15	608,479,919.40

13. OTHER RECEIVABLES

	30 June 2019 <i>RMB</i> (Unaudited)	31 December 2018 <i>RMB</i> (Audited)
Other receivables	873,012,406.47	803,198,427.66
Less: Allowance for bad debts	35,873,372.41	35,066,237.17
Other receivables, net	<u>908,885,778.88</u>	<u>768,132,190.49</u>

14. ACCOUNTS PAYABLES

The age analysis of accounts payables is as follows:

	30 June 2019 <i>RMB</i> (Unaudited)	31 December 2018 <i>RMB</i> (Audited)
Within 1 month	120,480,236.81	152,724,478.34
1–3 months	153,783,973.31	147,462,904.59
4–6 months	85,473,573.03	97,432,462.35
Over 6 months	53,578,385.89	61,647,472.43
Total	<u>413,316,169.04</u>	<u>459,267,317.71</u>

15. SHORT-TERM LOANS

Category	Currency	As of 30 June 2019 (Unaudited)		
		Amount in original currency	Exchange rate	Amount in RMB
Guaranteed loans	RMB	960,864,600.00	1	960,864,600.00
Guaranteed loans	US\$	16,180,000.00	6.90	<u>111,642,000.00</u>
Total				<u>1,072,506,600.00</u>

Category	Currency	As of 31 December 2018 (Audited)		
		Amount in original currency	Exchange rate	Amount in RMB
Guaranteed loans	RMB	611,800,000.00	1	611,800,000.00
Guaranteed loans	US\$	57,286,346.00	6.86	<u>393,167,649.88</u>
Total				<u>1,004,967,649.88</u>

Details of guarantee:

Lender	Currency	Loan principal (in original currency)	Guarantor
China Construction Bank (Shenzhen Housing and Urban Construction branch) (Current loan)	RMB	300,000,000.00	Powerleader Holdings, Ex-channel, Hong Kong Powerleader, Li Ruijie, Zhang Yunxia
Industrial Bank Co. Ltd. (Shenzhen Wen Jin sub- branch)	RMB	174,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Agricultural Bank of China (University Town of Shenzhen branch)	RMB	99,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Industrial and Commercial Bank of China (Buji branch)	RMB	72,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
China Resources Bank (Shenzhen branch)	RMB	40,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Shenzhen Baoan Rongxing Rural Bank	RMB	20,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Bank of Communications (Futian branch)	RMB	95,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia, Hongde Real Estate, Deyunhui
Bank of Beijing (Shenzhen branch)	RMB	7,600,000.00	Gaoxin Investment, Li Ruijie, Zhang Yunxia,
Bank of China (Central branch)	RMB	30,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
Postal Savings Bank (Shenzhen Longgang branch)	RMB	7,600,000.00	Gaoxin Investment, Zhang Yunxia
Industrial and Commercial Bank of China (Buji branch)	RMB	100,000,000.00	Powerleader Holdings, Li Ruijie, Zhang Yunxia
United Overseas Bank (Shenzhen branch)	RMB	15,664,600.00	Powerleader Science & Technology, Li Ruijie, Zhang Yunxia, Baotong Information
Shanghai Commercial Bank (Hong Kong Sham Shui Po branch)	USD	2,540,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Bank of China (Hong Kong) Limited (Telford House, Kowloon Bay branch)	USD	6,000,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping
Hongkong and Shanghai Banking Corporation Limited (Telford Garden branch)	USD	7,640,000.00	Hong Kong Powerleader, Li Ruijie, Zhang Yunxia, Dong Weiping

16. SHARE CAPITAL

Name of shareholder/category	As of 31 December 2018 (RMB) (Audited)		Movements during the period					As of 30 June 2019 (RMB) (Unaudited)	
	Amount	Proportion (%)	Issue of new shares	Bonus issue	Transfer from capital reserves	Others	Subtotal	Amount	Proportion (%)
Shares with restrictions on trading									
State shares	—	—	—	—	—	—	—	—	—
National legal persons shares	—	—	—	—	—	—	—	—	—
Other domestic shares	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Including: Domestic legal person shares	165,000,000.00	67.90	—	—	—	—	—	165,000,000.00	67.90
Domestic limited partnership shares	17,250,000.00	7.10	—	—	—	—	—	17,250,000.00	7.10
Foreign investors shares	—	—	—	—	—	—	—	—	—
Including: Overseas legal person shares	—	—	—	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—	—	—	—
Total of shares with restrictions on trading	182,250,000.00	75	—	—	—	—	—	182,250,000.00	75
Shares without restrictions on trading RMB ordinary shares	—	—	—	—	—	—	—	—	—
Domestic listed foreign investors shares	—	—	—	—	—	—	—	—	—
Overseas listed foreign investors shares	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
Others	—	—	—	—	—	—	—	—	—
Total of shares without restrictions on trading	60,750,000.00	25	—	—	—	—	—	60,750,000.00	25
Total Shares	<u>243,000,000.00</u>	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>243,000,000.00</u>	<u>100</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 each other in all respects.

17. CAPITAL COMMITMENTS

(a) Commitments under operating leases

At 30 June 2019, the Company as lessee had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	30 June 2019 <i>RMB</i> (Unaudited)	31 December 2018 <i>RMB</i> (Audited)
Within one year	25,473,829.31	26,675,192.03
In the second to fifth year (both years inclusive)	186,099,638.61	187,639,354.46
Total	<u>211,573,467.92</u>	<u>214,314,546.49</u>

(b) Capital commitments contracted but not provided for in respect of:

	30 June 2019 <i>RMB</i> (Unaudited)	31 December 2018 <i>RMB</i> (Audited)
Construction-in-progress	<u>72,200,000.00</u>	<u>72,200,000.00</u>

18. SEGMENT INFORMATION

The reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. The Group has 4 reportable segments. These reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. The management of the Group evaluates their operating results regularly, in order to make decisions about resources to be allocated to these segments and to assess their performance. The main products and services rendered by each reportable segment of the Group are server, storage and solution; electronic equipment and accessories (non-server and storage) distribution; Guangzhou Internet Data Center business; industrial park development, operation and property management business.

The segment information of the Group is as follows:

Operating segment	Principal operations
Server, storage and solution provider	— Provision of server, storage and other equipment and related solutions
Electronic equipment and accessories (non-server and storage) distribution business	— Provision of agency distribution and value-added services for non-server and storage related parts
Guangzhou Internet Data Center business	— Provision of data center supporting facilities and space solutions
Industrial park development, operation and property management business	— Provision of full service of industrial parks and related property management

Profit or loss, assets and liabilities of reportable segments

Operating results of each segment represent total revenue generated by each segment (including revenue from external transactions and intra-segmental transactions) after deducting 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 the segment; net amount of other operating income and expenses.

For the six months ended 30 June 2019 (Unaudited)

Items	Server, storage and solution provider (RMB)	Electronic equipment and accessories (non-server and storage) distribution business (RMB)	Guangzhou Internet Data Center business (RMB)	Industrial park development, operation and property management business (RMB)	Unallocated (RMB)	Elimination (RMB)	Total (RMB)
Operating revenue	1,598,235,567.99	50,363,731.29	31,499,346.98	4,711,384.02	—	(671,373.52)	1,684,138,656.76
Including: Revenue from external transactions	1,597,779,489.70	50,148,436.06	31,499,346.98	4,711,384.02	—	—	1,684,138,656.76
Revenue from intra- segment transactions	456,078.29	215,295.23	—	—	—	(671,373.52)	—
Operating costs	1,450,439,214.64	39,724,287.08	21,146,074.55	—	—	(671,373.52)	1,510,638,202.75
Expenses for the period	57,812,601.79	10,764,376.46	8,568,699.40	2,904,463.38	18,215,429.94	—	98,265,570.97
Total segment operating profit (total loss)	91,197,890.62	(124,932.25)	1,784,573.03	1,806,920.64	(15,010,651.95)	—	79,653,800.09
Total assets	1,921,750,969.99	1,342,783,984.22	563,874,973.92	53,647,987.89	865,317,883.04	(1,027,398,154.14)	3,719,977,644.92
Including: Significant impairment loss of individual assets	—	—	—	—	—	—	—
Total liabilities	935,768,403.85	616,764,656.74	401,291,915.08	35,609,799.87	515,532,000.42	(569,810,291.48)	1,935,156,484.48
Supplementary information	—	—	—	—	—	—	—
Capital expenditure	559,931.36	417,886.03	13,926,197.71	—	—	—	14,904,015.10
Impairment loss recognized in the period	—	(2,356,875.85)	—	—	—	—	(2,356,875.85)
Including: Impairment loss of goodwill	—	—	—	—	—	—	—
Depreciation and amortization expenses	2,982,999.63	1,472,482.46	11,222,474.96	—	2,174,372.93	—	17,852,329.98
Non-cash expenses other than impairment loss, depreciation and amortization	—	—	—	—	—	—	—

For the six months ended 30 June 2018 (Unaudited)

Items	Server, storage and solution provider (RMB)	Electronic equipment and accessories (non-server and storage) distribution business (RMB)	Guangzhou Internet Data Center business (RMB)	Industrial park development, operation and property management business (RMB)	Unallocated (RMB)	Elimination (RMB)	Total (RMB)
Operating revenue	1,639,096,676.22	185,957,114.23	27,144,694.82	2,106,287.12	—	(315,785,790.30)	1,538,518,982.09
Including: Revenue from external transactions	1,371,056,869.35	138,211,130.80	27,144,694.82	2,106,287.12	—	—	1,538,518,982.09
Revenue from intra-segment transactions	268,039,806.87	47,745,983.43	—	—	—	(315,785,790.30)	—
Operating costs	1,493,518,086.13	164,304,694.60	14,499,186.27	—	—	(315,785,790.30)	1,356,536,176.70
Expenses for the period	55,089,392.24	16,898,371.68	11,185,968.62	1,442,049.03	41,885,321.08	—	126,501,102.65
Total segment operating profit (total loss)	90,489,197.85	4,754,047.95	1,459,539.93	664,238.09	(31,890,318.96)	—	65,476,704.86
Total assets	1,457,119,632.75	1,348,428,339.91	246,057,816.13	—	1,701,846,876.13	(1,379,348,101.14)	3,374,104,563.78
Including: Significant impairment loss of individual assets	—	—	—	—	—	—	—
Total liabilities	895,799,577.07	517,989,004.50	103,229,462.02	—	1,664,083,453.72	(1,263,272,305.98)	1,917,829,191.33
Supplementary information	—	—	—	—	—	—	—
Capital expenditure	444,007.00	13,208.55	14,026,160.70	—	—	—	14,483,376.25
Impairment loss recognized in the period	—	—	—	—	—	—	—
Including: Impairment loss of goodwill	—	—	—	—	—	—	—
Depreciation and amortization expenses	1,302,858.77	1,767,288.10	10,041,692.43	—	3,470,323.72	—	16,524,684.18
Non-cash expenses other than impairment loss, depreciation and amortization	—	—	—	—	—	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2019, the overall operation of Powerleader Science & Technology Group was stable. In respect of its principal businesses:

- (i) Revenue from server, storage and solution provider amounted to RMB1,595,025,562.82, representing a year-on-year increase of 16.39%;
- (ii) Revenue from electronic equipment and accessories (non-server and storage) distribution business amounted to RMB44,465,146.97, representing a year-on-year decrease of 65.75%;
- (iii) Revenue from Guangzhou Internet Data Centre business amounted to RMB31,499,346.98, representing a year-on-year increase of 16.20%;
- (iv) Revenue from industrial park development, operations and property management amounted to RMB4,711,384.02, representing a year-on-year increase of 123.68%;
- (v) Revenue from other businesses amounted to RMB8,437,215.97, representing a year-on-year decrease of 6.97%.

FINANCIAL REVIEW

Turnover of the Group for the Six-Month Period amounted to RMB1,684,138,656.76, representing an increase of 9.47% when compared to RMB1,538,518,982.09 in the same period of 2018, which was attributable to the pro-active termination of individual operating projects with poor profitability as a result of strategic planning adjustment, so as to concentrate our efforts in fostering and promoting those business segments, including server business, with promising market prospect in building our core competitiveness. At present, the core segments show a significant growth trend.

Consolidated gross profit margin of the Group for the Six-Month Period was 10.30%, representing a decrease of 1.53% when compared to that of 11.83% in the same period of 2018, which was mainly as a result of the rapid growth in the server distribution business in the first half of the year, casting an impact on the Group's overall gross profit margin.

The Group's distribution costs and administrative and other expenses for the Six-Month Period dropped by 6.40% to RMB74,598,540.00 from RMB79,699,634.64 for the same period of last year, which was mainly due to reduction in expenditure as the Company continued to cut down its expenses during the reporting period.

BUSINESS REVIEW AND PROSPECT

Server, storage and solution provider

On 29 March 2019, Powerleader Computing (an indirect non wholly-owned subsidiary of the Company) entered into the Capital Contribution Agreement with Leshan Gaoxin, pursuant to which, Leshan Gaoxin agreed to make capital contributions of RMB300,000,000 to Powerleader Computing. After the completion of capital contributions, the registered capital of Powerleader Computing increased from RMB47,509,400 to RMB55,893,400. This capital contribution is conducive to the all-round development of the server business of Powerleader, to enhance its reputation and capability.

In the first half of 2019, Powerleader's server business continued to focus on the government and universities, internet, cloud computing, big data, artificial intelligence (AI) and 5G segments. We continued to cooperate deeply with Internet companies, such as Toutiao, Kingsoft, Meituan, Ucloud, Duowan, with sound breakthrough in the universities, government and operator segments. We worked closely with ISV to optimize and upgrade products in sub-sectors such as public security, smart cities, intelligent transportation, security protection monitoring and network security to meet the differentiated requirements of customers to enhance customer loyalty. We intensified the development in artificial intelligence, and not only carried out in-depth cooperation with Questyle, SenseTime, YITU, 4Paradigm and other enterprises, but also actively conducted technical communication and product introduction for emerging artificial intelligence enterprises in respect of intelligent transportation, smart medical care, education and automatic driving, thus forming a stable strategic cooperation and expanding the industrial proportion and influence of artificial intelligence. Meanwhile, Powerleader servers actively developed the groups of application developers and software vendors to provide adaptive hardware products for the scenario requirements of edge computing.

Currently, the trade friction between China and the United States will lead to changes in the domestic server market layout, which is full of uncertainties and challenges. Domestically, there is a huge demand for large-scale development of autonomous and controllable products and autonomous and controllable replacements. The fact that Powerleader servers have 20 years of experience in the market and research and development presents not only a challenge but also a huge opportunity for Powerleader to grab the market.

Baotong Group Co., Ltd. ("Baotong Group"), a subsidiary of the Group, is responsible for the value-added distribution business of server accessories. During the reporting period, Baotong Group continued to consolidate the cooperation relationship with suppliers and provide channel customers with personalized services to broaden the area for cooperation. Baotong Group will also keep on improving internal management in sectors of the storage, logistics, technology and services.

Market Promotion

In the first half of 2019, the market promotion of Powerleader servers business took advertising, media reporting and offline activities as the principal channels to continue strengthening the professional image of Powerleader's 20 years of dedication to the servers business, always adhered to the positioning with cloud computing, big data and artificial intelligence as bedrock, and improved its brand reputation and promoted the implementation of front-end sales orders through Powerleader servers products, solutions and application cases.

With regard to advertisement placement, Powerleader servers worked with Intel to make advertisement placement and publicity at Shenzhen Airport, Shanghai Hongqiao High-speed Railway Station, Shenzhen Shekou Cruise Center and Guangzhou Railway Magazine, the 《廣鐵悅行》, under the theme of "Powerleader servers, computing power driving intelligence +" to vigorously promote the image of Powerleader dedicated to servers for 20 years, enhanced brand penetration in various business and decision-making audiences, and used the media's high-end and serious nature to reflect the professionalism and credibility of the Powerleader servers. At the same time, we insisted on the advertising on traditional networking media such as Zhongguancun Online, ZDNet, IT168 and 51CTO to maintain the professionalism and proactivity of Powerleader servers, so as to enable industry peers to have an immediate understanding of the latest products and program dynamics of Powerleader servers.

With regard to marketing activities, under the theme of "Intel and Powerleader working hand in hand to promote the implementation of digital economy", we continued to promote Powerleader AI reasoning servers that are based on the second generation of Intel® Xeon® scalable processors, and strengthened the business promotion in artificial intelligence, educational and scientific and research institutions, smart cities and other sectors. At the same time, we strengthened the theme activities of the safe and controllable Powerleader servers, expanded our brand influence in the security protection monitoring and government agencies sectors, and promoted the growth of business market share. In the first half of the year, Powerleader completed the application seminar of AI reasoning servers in six cities, including Beijing, Shanghai, Shenzhen, Changsha, Guiyang and Xiamen, covered the customer groups of the six cities and their surrounding cities and had effectively disseminated the application scenarios and advantages of the latest AI reasoning servers and provided a reliable solution for customer product selection and replacement. We also held the application seminar of safe and controllable servers in five cities, including Changsha, Hangzhou, Guangzhou, Guiyang and Xi'an, and introduced the safe and controllable products and the AI+ of security protection monitoring solutions of Powerleader for customers and channel partners in these cities and their surrounding areas in details, laying a good foundation for business development and facilitation. Moreover, on June 27, by taking the opportunity of the 2019 International Intelligent Computer Conference that was held in China for the first time, we released the latest Powerleader AI reasoning servers that are based on the second generation of Intel® Xeon® scalable processors that support the accelerated int8

reasoning Intel® in-depth learning acceleration technology, vector neural network instruction set, and had effectively propelled new products and laid a good foundation for product promotion and application. At the same time, Powerleader continued to participate in large-scale forums or exhibitions in the industry, strengthened the promotion of products such as artificial intelligence, security protection monitoring, education HPC and other products and industry solutions to build a bridge for the communication between front-end sales and target customers, and promoted the exploration of business opportunities and the implementation of business orders.

With respect to media promotion, we insisted on using WeChat public account, official websites and official Weibo as the main publicity channels to instantly publicize the product dynamics, successful applications, solutions, activities and exhibition information of Powerleader servers, so as to maintain the public's attention to Powerleader and its business stickiness. Meanwhile, we further enhance our influence and maintain our brand reputation and credibility through WeChat and advertising media promotion of the Company's team.

In the second half of 2019, we will follow the theme of the year, continue to strengthen the comprehensive promotion of advertising, publicity and activities, reinforce the professional image of Powerleader's dedication to servers for 20 years, enhance the impression of customers and target customers, and further enhance our visibility and influence. We will continue to strengthen the promotion of Powerleader products, dynamics, cases and solutions in advertising, official Weibo and activities, and work together with front-end sales team to fully achieve the performance targets of 2019.

Honours:

In March 2019: Powerleader Computing was awarded the "2018 Best Partner Prize";

In March 2019: Powerleader Computing was awarded the "2018 Excellent and New Supplier Prize of Country Garden Group";

In March 2019: Powerleader PR2710P was awarded the "2018 Product Prize" of China Internet Weekly of Chinese Academy of Sciences;

In March 2019: Powerleader PR2745TP was awarded the "Zhiding Lingyun Prize — 2018 Innovative Server Prize";

In March 2019: Powerleader Computing was awarded the "25th Anniversary Supermicro Valuable Cooperation Partner Prize";

In April 2019: Powerleader Computing was awarded the "Top 100 Industrial Enterprises of Longhua District in 2018";

In April 2019: Powerleader Science & Technology Group was awarded the "Top 100 Industrial Enterprises of Longhua District in 2018";

In May 2019, Powerleader Science & Technology Group was honoured the Intel Data Center Program Innovation Award;

In May 2019, Powerleader Computing was awarded the “Seagate Enterprise Gold Partner”;

In June 2019, Powerleader Computing was awarded the “Best Partner Prize” by International Intelligent Computer Conference Organizing Committee;

In June 2019, Powerleader Computing was awarded the Certificate of Enterprise in “Observing Contracts and Valuing Credit” (2018) in Guangdong Province.

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

In the first half of 2019, with the changes in the Group’s business positioning and the market, the Company conducted appropriate adjustment to its direction. The Company continued to strengthen its cooperation with BOE in the sector of LCD screen and has effectively developed a large number of potential customers. Currently, the Company is constantly enriching its product lines, and reached a cooperation agreement with InnoLux. The Company continued to increase its efforts in developing sales channels, and set up a big customer department for the industry and OEM segments, and continued to focus on industry applications and their solutions to provide customers with more efficient, convenient and comprehensive services, and grasped the new applications and markets brought by 5G and the Internet of Things, increased the market development of data center, smart buildings, rail transit and other aspects in respect of network energy, and identified more high-quality products and technologies.

In the second half of 2019, the Company will focus on market trend, enhance channel construction, improve its capability of problem solving, provide better services, explore new products and develop industrial market to achieve the long-term stable development of the Company.

Guangzhou Internet Data Centre Business

In the first half of 2019, Guangzhou IDC continued its sound cooperation with China Telecom and also conducted active exploration in value-added business. Firstly, we continued to expand the sales of equipment cabinet and bandwidth businesses, and as a result, customers from quality cloud application platforms like Huawei and Ucloud continued to increase. At the same time, owing to the robust government cloud market, the IDC custody related to government cloud business has also increased.

Secondly, the phase two project constructed by Guangzhou IDC was completed and accepted. It is expected that phase two will put into production in August and will significantly increase the competitiveness and the business income of Guangzhou IDC upon its commencement.

Thirdly, based on its cooperation with various operators, Guangzhou IDC expands its in-depth cooperation including its cloud cooperation of the segmented market in vertical industry as well as the maintenance of data center, and was successfully selected as the cloud application provider of China Telecom Guangdong branch in June 2019. This move will drive a continuous growth of the business income of Guangzhou IDC. Guangzhou IDC will actively carry out cooperation with Guangzhou governments at all levels in terms of cloud security and cloud applications, and conduct new value-added business cooperation with the three major operators.

In the second half of 2019, the Guangzhou cloud computing business will continue to deepen market development to increase business income.

Industrial Park Development, Operations and Property Management

In the first half of 2019, 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 richness, optimizing industrial structure, raising industrial quality and efficiency, and accelerating the formation of modernized industrial systems of Guangming with artificial intelligence as foundation, modern service industry as support, emerging industries as leaders, and competitive traditional industries as characteristics.

Industrial Investment Business (Non-server and Storage)

Industrial investment refers to an investment approach in sharing interests and assuming risks together in making equity investment and providing operation and management services for an enterprise. Its specific characteristics include long investment term, low capital costs, and business or resource coordination.

In the first half of 2019, the Company’s industrial investment mainly consisted of industrial fund management companies and companies that could coordinate with the Company’s industrial chain business or resources.

In the second half of 2019, the Company will enhance its management capabilities and synergies for its industrial investment projects and improve the Company’s competitiveness in the industry.

Employee Information

As at 30 June 2019, the number of employees of the Company was 720 (30 June 2018: 845). Total staff costs amounted to RMB31,235,512.15 for the Six-Month Period when compared to RMB31,629,954.00 for the same period in 2018.

Capital Management

In the first half of 2019, the external environment of China's economy was under tremendous pressure and domestic credit policy was slightly relaxed. The Company successfully completed the specialized financing plan by closely following the changes in financing environment and leveraging the industry characteristics of the Company.

In the second half of 2019, against the backdrop of trade war escalation and increasing economic downward pressure, the Company will strengthen its risk control and strictly implement its risk control system to ensure the secured fund liquidity of the Company. The Company will continue to adjust its financing structure, broaden financing channels, and further decrease finance costs.

Major Associate of the Group

The major associate of the Group, Zqgame, is expected to record a net profit attributable to shareholders of common shares of Zqgame of RMB28,246,699.87 (unaudited) for the first half of 2019. Since the acquisition of Shenzhen Baoteng Internet Technology Limited* (深圳市宝腾互聯科技有限公司), Zqgame achieved good business integration by improving its “game+cloud” industry chain layout, kept on expanding IDC, cloud computing and cloud security business and continued to increase the investment in cloud value-added services while consolidating and strengthening its game business. It optimized the DCOP operation and maintenance management platform and realized considerable, manageable and controllable operation and maintenance management and energy consumption indicators, and ensured the steady improvement of customer service quality and operation quality. During the reporting period, owing to the continuous investment and strengthening of the quality control system in game business, the costs and expenses increased significantly within a short period of time, and at the same time, the increase in finance costs caused a certain impact on profit during the reporting period.

In the first half of 2019, Beijing Haiyun Jiexun, whose principal activities are OpenStack operations and maintenance, recorded a net loss attributable to shareholders of the Company of RMB8,143,671.36, representing a year-on-year decrease in loss of 52.29%. This was mainly attributable to the reasons such as the increase in operating cost and labor cost. The products researched by Beijing Haiyun Jiexun include two parts, firstly, relying mainly on Openstack, it developed its private cloud management platform with independently intelligent intellectual right and built partnerships with multiple major domestic and international software and hardware producers for enterprises and governments such as Intel, Hewlett-Packard, and Neusoft, it provided them with Openstack-based private cloud, hybrid cloud, and integrated cloud computing solutions. Secondly, relying on K8S, an artificial intelligent operational management platform and provided universities, scientific research institutes and enterprises the development, layout, test as well as application environment of artificial intelligence. Beijing Haiyun Jiexun will focus on R&D of cloud computing products and solutions in the governments, petroleum and petrochemical, media, manufacturing industry, finance, universities, scientific research institutes, healthcare and IDC sectors, striving to become the leading private cloud services provider in China.

Government Affairs

In the first half of 2019, the Company stepped up its effort in applying for government project funding and awards. 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 institutes and R&D institutions with a view to absorbing skilled professionals and advanced technologies.

In January 2019, Powerleader Computing's project "Heavy 20160168 based on the integration of key technology research and development for high-performance all-in-one machine" had successfully passed the inspection and acceptance procedures by Shenzhen review group;

In January 2019, Powerleader Science & Technology Group's project "Industrial application demonstration of Powerleader IAAS cloud service platform" had successfully passed the inspection and acceptance procedures by Shenzhen review group;

In February 2019, Powerleader Computing was awarded the 2018 Guangdong Innovative Enterprise (experimental unit);

In March 2019, Powerleader Computing was awarded the Reward Support of Shenzhen Enterprise Research and Development Sponsor Scheme;

In March 2019, Powerleader Software was awarded the Reward Support of Shenzhen Enterprise Research and Development Sponsor Scheme;

In March 2019, Baoteng Internet received the special fund for industrial development of Longhua District- State High-tech Identified Enterprise Reward Support;

In March 2019, Powerleader Science & Technology Group successfully passed the reassessment of qualification recognition as “National High-tech Enterprise”;

In April 2019, Powerleader Software’s “Powerleader Integration Cloud System Research” project successfully passed the Shenzhen Assessment Committee expert acceptance;

In April 2019, Powerleader Software’s “Key Technology Research of Video Cloud Monitoring Platform” project successfully passed the Shenzhen Assessment Committee expert acceptance;

In April 2019, Powerleader Software successfully passed the certification of intellectual property management system;

In April 2019, Baoteng Internet was awarded the Shenzhen Enterprise Research & Development Funding Plan with reward support for big data technical service;

In April 2019, Powerleader Science & Technology Group was awarded the “Top 100 Industrial Enterprises of Longhua District in 2018”;

In April 2019, Powerleader Computing was awarded the “Top 100 Industrial Enterprises of Longhua District in 2018”;

In June 2019, Powerleader Computing was awarded the special policy reward support for industrial stable growth in Longhua District in 2019.

In the second half of 2019, we will keep on applying for new funding and awards to increase the approval rate of project declaration. Meanwhile, we will further 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 Powerleader.

Assets, Liabilities and Shareholders’ Equity

As at 30 June 2019, current assets of the Group amounted to RMB2,644,944,855.19 (31 December 2018: RMB2,479,271,459.50), which mainly comprised of monetary capital of RMB434,042,289.36 (31 December 2018: RMB590,429,546.13), trade and bills receivables of RMB586,665,982.49 (31 December 2018: RMB620,454,637.79), inventories of RMB440,897,764.42 (31 December 2018: RMB373,859,136.84). Non-current assets amounted to RMB1,075,032,789.73 (31 December 2018: RMB1,071,060,426.90), which mainly comprised of long-term equity investment of RMB130,772,268.20 (31 December 2018: RMB127,292,832.23), fixed assets of RMB257,875,086.87 (31 December 2018:

RMB271,257,535.58), intangible assets and development costs of RMB6,202,280.47 (31 December 2018: RMB6,073,768.61). Total assets were RMB3,719,977,644.92 (31 December 2018: RMB3,550,331,886.40).

As at 30 June 2019, the Group's current liabilities mainly comprised of short-term borrowings of RMB1,863,325,305.50 (31 December 2018: RMB2,061,402,888.19), bills payables and accounts payables of RMB463,316,169.04 (31 December 2018: RMB659,267,317.71). Non-current liabilities mainly included long-term borrowings of RMB0 (31 December 2018: RMB0). Total liabilities were RMB1,935,156,484.48 (31 December 2018: RMB2,139,944,497.52).

As at 30 June 2019, the Group's equity attributable to the shareholders of the parent company was RMB1,469,208,141.02 (31 December 2018: RMB1,291,037,977.18).

MAJOR RISKS

Foreign Exchange Risk

The purchase and sales of Cloud Infrastructure as a Service (IaaS) were mainly denominated in RMB, of which part of the purchase of cloud servers and cloud storage and other related equipment was denominated in USD, while the purchase and sales of Cloud Module as a Service (MaaS) were mainly denominated in USD. The Company did not make any arrangement to hedge against its exchange risk during the Six-Month Period as it considered that the exchange risk it faced was limited.

Market Competition Risk

The industry in which the Company is located is a combination of knowledge-intensive and capital-intensive industries with high market concentration. If the Company cannot increase marketing and brand promotion to continuously meet customer needs, and further increase popularity and recognition, the Company will face market competition risks.

Technical Risk

Computer technology has the characteristic of fast updating, with new technologies, new products and new concepts emerging one after another. If the Company fails to enrich technical reserves or update the new technology in time, it may have an adverse impact on the Company's performance and development.

Contingent Liabilities

On 1 September 2016, the Company entered into a profit guarantee compensation agreement with Zqgame, and on 1 March 2017, the Company entered into a supplementary profit guarantee compensation agreement with Zqgame, Mr. Li Ruijie, and Ms. Zhang Yunxia. Pursuant to aforesaid agreements, the parties to the agreements agreed that the profit guarantee compensation and asset impairment compensation paid by the Company will be capped at RMB110,361,605.80, and that any excess thereof will be borne by Mr. Li Ruijie and Ms. Zhang Yunxia.

In view of the profit guarantee and the potential implications for the Company's contingent liabilities, the Company has considered the following scenarios:

1. Assuming that by the end of the compensation period, Baoteng Internet records actual net profit of or exceeding RMB110,361,605.80, the Company shall not be liable for payment of compensation to Zqgame.
2. Assuming that by the end of the compensation period, Baoteng Internet records actual net profit of or exceeding RMB86,002,237.73 but not exceeding RMB110,361,605.80, the Company shall be liable for payment of compensation not exceeding RMB110,361,605.80. The Company's contingent liabilities will increase by an amount not exceeding RMB110,361,605.80.
3. Assuming that by the end of the compensation period, Baoteng Internet records actual net profit not exceeding RMB86,002,237.73, the Company will make the maximum compensation of RMB110,361,605.80 to Zqgame. The Company's contingent liabilities will increase by RMB110,361,605.80.

In summarizing the above, for this transaction, if Baoteng Internet is unable to record actual net profits of the agreed levels, the Company will record contingent liabilities not exceeding RMB110,361,605.80.

Save as disclosed above, the Directors were not aware of any significant contingent liabilities.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Six-Month Period.

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

At as 30 June 2019, 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 securities 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 June 2019, none of the directors, supervisors and chief executive of the Company 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 securities 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 June 2019, 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 June 2019, the Company has not adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2019, the Directors are not aware of any other interests and 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 (<i>Note</i>)	102,184,500	Beneficial owner	42.05%	56.07%
Shenzhen Hengtong Dayuan Electronic Limited	23,958,000	Beneficial owner	9.86%	13.15%
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

None of the Directors, initial management shareholders or any of their respective associates (as defined in GEM Listing Rules) of the Company had any interests in any businesses which compete or may compete with the businesses of the Group or any other conflicts of interest which any such person may have with the Group as at 30 June 2019.

CODE OF CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2019, 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 Six-Month 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 Six-Month Period.

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are 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 Six-Month 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 OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased or redeemed any of the Company's shares during the Six-Month Period.

By order of the board
Zhang Yunxia
Chairman

Shenzhen, the PRC
14 August 2019

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.