



深圳宝德科技集团股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock Code: 8236)

**FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED 31 MARCH 2010**

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

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This report, for which the directors (the “Directors”) of Powerleader Science & Technology Group Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

FIRST QUARTERLY RESULTS

The Board of Directors is pleased to announce that the unaudited results of the Group for the three months ended 31 March 2010 (“Three Months Period”) together with comparative unaudited figures for the corresponding period in 2009 are as follows:

Condensed Consolidated Statement of Comprehensive Income

		Three months ended 31 March	
	<i>Note</i>	2010 <i>RMB'000</i> (Unaudited)	2009 <i>RMB'000</i> (Unaudited)
Turnover	3	215,372	115,808
Cost of sales		<u>(199,229)</u>	<u>(97,192)</u>
Gross profit		16,143	18,616
Other operating income	4	3,298	2,315
Distribution costs		(6,053)	(5,007)
Administrative and other expenses		<u>(8,864)</u>	<u>(7,614)</u>
Finance costs		(2,335)	(2,307)
Gain on deemed disposal of interest in an associate	5	98,952	—
Share of profit from an associate		<u>2,216</u>	<u>1,810</u>
Profit before taxation		103,357	7,813
Taxation	6	<u>(541)</u>	<u>(1,108)</u>
Profit for the year and total comprehensive income for the year		<u>102,816</u>	<u>6,705</u>
Profit and total comprehensive income attributable to Owners of the Company		102,473	5,939
Minority interests		<u>343</u>	<u>766</u>
		<u>102,816</u>	<u>6,705</u>
Earnings per share Basic and diluted		<u>RMB4.55 cents</u>	<u>RMB0.26 cents</u>

Notes:

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") on 20 August 1997, as a private-owned company and became a joint stock limited company on 31 July 2001. The Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 December 2002 by way of placement.

The group is a server supplier in PRC; it operates in the PRC and Hong Kong, and is mainly engaged in (i) design, development, manufacturing and sale of computer server system solution related hardware and software; (ii) value-added platform and related components agency distribution; and (iii) leasing of servers and network value-added business.

2. PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, and are prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair values.

The accounting policies adopted in preparing the unaudited consolidated Statement of Comprehensive Income for the three months ended 31 March 2010 are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31 December 2009.

3. TURNOVER

Turnover represents the amounts received and receivable for services provided and goods sold, net of returns and allowances. Turnover recognised for the three months ended 31 March 2010 together with comparative unaudited figures for the period in 2009 are as follows:

	Three months ended 31 March	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Server system solutions	74,618	45,984
Value-added platform and related components agency distribution	140,459	69,348
Leasing of servers and network value-added business	295	476
	<u>215,372</u>	<u>115,808</u>

4. OTHER OPERATING INCOME

	Three months ended 31 March	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government subsidies for technology improvement on servers	1,864	745
Interest income from bank deposits	625	82
Exchange gain	24	807
Other income	785	681
	<u>3,298</u>	<u>2,315</u>

5. GAIN ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

In February 2010, the Group's associate, 深圳市中青宝網網絡科技股份有限公司 (“Powerleader Network”) made a public offer of 25,000,000 ordinary shares at par value of RMB1 each at an offer price of RMB30. A sum of RMB704,246,000 was raised, after deducting the issuing cost. The shares of Powerleader Network are then listed on the ChiNext of the Shenzhen Stock Exchange (“Share Listing”). Upon Share Listing, the Group's shareholding in Powerleader Network was diluted from 20.4% to 15.3%. Such public offering made by Powerleader Network resulted in a gain of RMB98,952,000 generated from the deemed disposal of interest in Powerleader Network attributable to the owners of the Company for the three months ended 31 March 2010.

6. TAXATION

	Three months ended 31 March	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
The charge comprises:		
PRC Income Tax	419	569
Hong Kong Profits Tax	71	150
	490	719
Deferred tax	51	389
	541	1,108

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was recognised as State High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2009 and is subject to EIT rate of 15% since year 2009. In accordance with the relevant rules and regulations in the PRC, except for 深圳市宝德計算機系統有限公司 (“宝德計算機”) and 深圳市宝德軟件發展有限公司 (“宝德軟件”), all other PRC subsidiaries are subject to the EIT rate of 25% for the period ended 31 March 2010 (for the period ended 31 March 2009: 25%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC for unified tax rate arrangements among different types of the PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1 January 2008. The State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, there will be a transitional period of five years for the Company and its PRC subsidiaries whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22 %, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively.

Pursuant to an approval document “Shen Guo Shui Fu Jian Mian 2005 No. 237” dated 22 September 2005 issued by the State Tax Bureau of Futian District, Shenzhen, 宝德計算機 is qualified as a production enterprise and entitles to EIT exemption for the years 2005 and 2006 and a 50% reduction in EIT for the years from 2007 to 2009. The application of the new tax law has not altered the entitlement of 宝德計算機. 宝德計算機 was recognised as State High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2008. 宝德計算機 the income tax rate of 15% is applied for the period ended 31 March 2010 (for the period ended 31 March 2009: 10%).

Pursuant to an approval document “深國稅寶觀減免備案[2009第4號]” dated 11 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, 寶德軟件 is qualified as a software enterprise and entitles to EIT exemption for the years 2009 and 2010 and a 50% reduction in EIT for the years from 2011 to 2013.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the Three Months Period (three months ended 31 March 2009: 16.5%).

7. DIVIDEND

The Directors did not recommend the payment of an interim dividend for the Three Months Period.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to the owners of the Company of approximately RMB102,473,000 (three months ended 31 March 2009: approximately RMB5,939,000) and the weighted average number of 2,257,500,000 ordinary shares (2009: 2,257,500,000 ordinary shares) in issue during the three months.

Diluted earning per share is the same as basic earnings per share because the company had no dilutive potential shares for the three months (three months ended 31 March 2009: nil).

9. SHARE CAPITAL

	As at 31 March 2010 <i>Number of Shares</i>	As at 31 December 2009 <i>Number of Shares</i>	As at 31 March 2010 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>
Authorised, issued and fully paid				
Domestic shares of				
RMB0.1 each	1,650,000,000	1,650,000,000	165,000	165,000
H Shares of RMB0.1 each	<u>607,500,000</u>	<u>607,500,000</u>	<u>60,750</u>	<u>60,750</u>
	<u><u>2,257,500,000</u></u>	<u><u>2,257,500,000</u></u>	<u><u>225,750</u></u>	<u><u>225,750</u></u>

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

10. RESERVES

	Statutory surplus reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2009	34,887	100,641	12,196	147,724
Profit for the period	<u>—</u>	<u>5,939</u>	<u>766</u>	<u>6,705</u>
As at 31 March 2009	<u><u>34,887</u></u>	<u><u>106,580</u></u>	<u><u>12,962</u></u>	<u><u>154,429</u></u>
As at 1 January 2010	38,478	129,400	15,701	183,579
Profit for the period	<u>—</u>	<u>102,473</u>	<u>343</u>	<u>102,816</u>
As at 31 March 2010	<u><u>38,478</u></u>	<u><u>231,873</u></u>	<u><u>16,044</u></u>	<u><u>286,395</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2010, Powerleader Technology Group has actively planned and upheld its strategic direction by positioning itself from “a leading supplier of server system solutions in China” to “a top-notch supplier of cloud computing products and services in China”. The Group will rely on its profound R&D technology, extensive R&D in-house experience, strong R&D team, rigorous R&D management system and wide customer reach over the years so as to place emphasis on three major business scopes for cloud computing product and service suppliers: namely, infrastructure services, platform services and software services. We will also tap into cloud computing products and services blessed with prominent market opportunities by evolving from a traditional supplier engaged in the distribution of server system solutions and platforms and accessories. With regard to the three major business scopes for server system solutions: Firstly, the Group’s developments cover complete server solutions such as server navigation systems, HPC management systems, virtualization and cloud computing. We have strived to put those developments into successful industry-wide applications including IPDC, security, monitoring, education, government, healthcare, taxation, transportation and energy. Secondly, the Group has continued to expand the value-added server platform and related components agency distribution business. Thirdly, we will establish a cloud computing platform to significantly vitalize the Internet value-added services. To enhance our cloud computing in-house R&D and business competitiveness, improve our profitability levels and expand the scale of cloud computing business, the Company plans to establish regional R&D headquarters in developed cities of mainland China according to the annual strategic investment plan. On 6 March 2010, the Company has signed a 《南京雨花經濟開發區管委會與深圳寶德科技集團股份有限公司關於專案投資協議書》(Nanjing Yuhua Economic Development Zone Administration Committee-Powerleader Science & Technology Group Limited Agreement on Project Investment) in Nanjing Yuhua Economic Development Zone, pursuant to which the Company has contemplated to invest RMB 500 million and establish East China R&D headquarters, and the production value of the plan will be approximately RMB 700 million after the project commence operation. At the same time, the Company made a good start in the strategy of vertically integrating the cloud computing industry chain, including the Internet, video storage and regional healthcare. In the future, the Company will consolidate and thus control various sub-sectors of cloud computing through strategic investment, which are technology, marketing, channels and customer resources. We will then have a louder voice in the area and acquire a dominant position in the market of each sub-sectors, so as to substantially improve the profitability of the Company’s principal business.

FINANCIAL REVIEW

Turnover of the Group recorded for the Three Months Period amounting to approximately RMB215,372,000, has increased significantly by 86% as compared to RMB115,808,000 in the same period of 2009. The increase in turnover was due to the substantial growth of 62% in sales of server system solutions business, and the substantial growth of 103% in sales of value-added platform and related components agency distribution business, both of which are the Group’s principal businesses.

Consolidated gross profit margin of the Group for the Three Months Period was approximately 7.5%, representing a considerable decrease compared to that of approximately 16.1% for the same period in 2009. The relatively significant decrease in gross profit margin was mainly resulted from the price competition strategy used by the Company to seize the competitive market.

The Group's distribution costs and administrative and other expenses increased by approximately 18% from RMB12,621,000 of the corresponding period last year to RMB14,917,000, which was mainly attributable to the enhanced selling efforts and R&D investment by the Company.

Server System Solution Business

In the first quarter of 2010, server market was in bullish demand and fierce competition. Leveraging on IPDC, HPC, partners and education conventional markets, the Company gave full play to advantages of two-pronged direct selling and customization strategy. Notable success was attained in industries including IPDC, digital TV, video surveillance, public security, medical and birth control industry, education and partnership. In 2007, the Company, together with Chongqing Gold Abacus Company, launched the first ever financial management-based SAAS platform in the PRC. With the growing popularity of cloud computing among commercial application, the Company made use of its experience gained in customizing cloud storage for industry players and cloud computing hardware overall solutions to strengthen its effort in research and development of, and technology advancement in, computing based platform products for corporate, by which overall solutions for applied servers such as PAAS, IAAS and SAAS were proposed while low-power, high-volume and large density servers that applicable to cloud computing and cloud storage applications were unveiled. We have also joined forces with cloud computing overall application suppliers to actively kick start our promotion in cloud computing industry that won us recognition from the users. Powerleader server registered a 62% growth in sales volume when compared with the first quarter of 2009.

Marketing

In the first quarter of 2010, Intel rolled out its latest generation of core 2 quad server product under Xeon 5600 series as well as its latest version of four-quad server product under Xeon 7500 series. Powerleader remained close to the footsteps of Intel, where comprehensive promotion were conducted through marketing, public relations activities and advertising campaign with our own media assessment, publication and application towards the new server products under 5600 series and 7500 series as well as the sales of the storage server having reached 30,000 units as our main vocal point.

Firstly, Powerleader, in respect of PR promotions, swiftly followed the latest processor technology of Intel and actively involved in Intel's new product release and promotion activities. At the same time, Powerleader relied on the latest server-processor technology and platform to completely convert or upgrade to Itanium server, 5600 series server and 7500 series server. By doing so, the most advanced server products can be instantly presented to industry users. Products that are typically for upgrading purpose such as PR2012NS and PR2850N were under considerable media exposures from testing to release. Powerleader's strength in differentiation and self-innovation is widely publicized at the press conference held for announcing Powerleader's storage server having reached 30,000 units.

Secondly, to cope with the advertising promotion for new products, the latest 5600 series server product was portrayed in the advertisement under direct approach during the first quarter, with an aim to grasp the market opportunities at first stance and increase the brand awareness of users towards Powerleader.

Furthermore, to close its gap to the public and target customers as well as enhance the technology interaction between and relationship towards major customers, Powerleader will shed lights on three areas, namely new products conference, rail transportation sector seminar and technology training session for major customers to conduct its marketing initiatives.

In the first quarter of 2010, Powerleader established its development strategy of "Powerleader Cloud", which will further Powerleader's marketing and promotion effort in a deeper and wider perspective.

Honours:

January 2010: Powerleader was awarded server online "annual growing business in China's servers" ("中國服務器年度成長企業").

January 2010: Powerleader was awarded "Good Faith SME Title" ("誠信中小企業稱號") on the fourth SME Credit List.

January 2010: 宝德計算機 won "Server Eco-energy Conservation Technology Innovation Award" ("服務器綠色節能技術創新獎").

January 2010: Powerleader's PR2012NS-G won "IT168 Product of the Year Award" ("IT168年度產品獎").

February 2010: Powerleader's Ziqiang PR2760T was awarded "Outstanding Product of 2009 Award" by Zhongguancun Online (中關村在線).

With the Group firmly positioned itself as “the top-notch supplier of cloud computing products and services in China”, Powerleader Software is set to play an integral part in the overall strategy blueprint of the Group in cloud computing. As such, Powerleader Software has speeded up its pace in product research and development as well as market deployment. To enhance the added value of servers and overall brand image, the second edition of server navigation software was duly delivered to further strengthen our capability in server solutions. Meanwhile, the second edition of the speed travel accelerators that cater for network acceleration service has been formally unveiled with success, which further uplifted the Group’s ability in providing cloud acceleration services.

For the purpose of load balancing products that attached to server application, processes like hardware model selection, customization, testing and packaging have been accomplished alongside with the completion of the second edition development for software, thus enable us to offer products ranging from low-end to high-end. As for the market, “product and technology exchange conference” was launched in favour of Powerleader Software, 宝計 and other platforms elsewhere, which purpose is for promoting and exchanging ideas for server application solutions. We were also in in-depth communication with each of the system integrators and network security operators in Shenzhen to negotiate mode of cooperation and to establish channel mechanisms such as general agents, core agents and cooperative partners. Until now we are in negotiation with various partners for the agency issue. In addition to the market exploration in the nationwide platform and local channels in Shenzhen, we have also reinforced our effort in promotion among the end users of major industry players, with emphasis placed on industry and quality enterprises.

The Company firmly attached its research and development effort with the development strategy of the Group in cloud computing, putting load balancing, application acceleration, network acceleration, network storage and server intermediate components as the main axis to formulate a range of cloud computing product and service solutions with self-owned intellectual property rights. The Company insists on differentiation development. Leveraging on our edges in being the top-notch supplier of cloud computing products and services in China, we will conduct detailed breakdown and innovation in personal as well as corporate network application, building Powerleader’s competitiveness in “cloud service” in full stretch.

Value-added Platform and Related Components Agency and Distribution Business

Riding on a revitalising Mainland China economy, the value-added platform and related components agency and distribution business achieved substantial growth in overall operating income during the first quarter of 2010 as compared to the corresponding period of last year. In particular, the value-added distribution business of cloud computing server components module solution products (principally featured Intel-based server components module product line) had recorded strong growth, with total sales revenue and gross profit increased by more than 60% over the corresponding period of last year. At the same time, the value-added distribution and service business of high-end cloud computing servers and storage platform solution product cluster, which comprised mainly Fujitsu servers and storage product line, also kept its growth momentum. In the first quarter, not only had we succeeded in tightening our relationship with the SI clients and channel partners from existing sectors, but also added 3 spots in the sales and service network in Chongqing, Wuhan and Harbin, thereby further optimized our distribution network, which enabled us to support and serve our clients in prompt and better manner.

Tianjin Airport Northern Sales Headquarters

PowerLeader Science and Technology Square Northern Sales Centre is located in West 2 Road, Business Centre, Tianjin Airport Logistics Processing Area. The project covers an area of seven acres, with a GFA of 23,000 square meters. The building is a commercial and business office.

From January to the end of March 2010, construction works on the main project and each of the sub-contracted projects were proceeding according to schedule. During the construction process, members of the entire Tianjin project team stepped up to set out strict guidelines on project management. From initiation of construction work to duration of project work stages, we strictly conducted construction management in accordance with standards. As a result, we achieved high assurance in construction safety, civilised manner of construction, and quality and duration of construction, and the Airport Administration Board, Commission of Development and leadership from other departments all had high regard to our work. At present, installation of complete sets of equipment for the project has begun. Works of the engineer teams for the glass curtain wall and fire prevention work are well underway, and the elevator work is also ready to enter the project site. The air-conditioner installation and high-voltage power works have also commenced at large. Other construction works include external area and interior renovations are also under vigorous preparation. At the same time, we are in the process of formulating the business solicitation plan.

Capital management

In the first quarter of 2010, in order to better coordinate and support our business development, in particular the funding requirement from the expansion of our server business and INTEL distribution business, our capital management department actively consolidated the strength in resources in various businesses. We newly secured a RMB50 million letter of credit facility and a new RMB40 million liquidity loan facility from Bank of China, and cultivated a good mutual trust relationship with other major banks, thus furnishing a favourable financing environment for the Company's long-term development. In 2010, our capital management initiative will focus on further enhancing efficiency of capital utilization, reducing finance cost, and ensuring adequate fund will be available for the Company's business and projects.

The Group's associate companies

深圳市中青宝網網絡科技股份有限公司 (“中青宝網”), an associate of the Group, registered a turnover of approximately RMB17,566,000 and net profit attributable to company ordinary shareholders of RMB11,483,000 during the first quarter of 2010, represented an increase in net profit of 35.58% as compared to the corresponding period of last year. With its original and innovative ‘neo-economic’ business model and a track record of remarkable growth, it had been admitted to list on the ChiNext of the Shenzhen Stock Exchange and became the first PRC A shares listed issuer from the online game industry. The Group, as its second largest shareholder, would share the significant earnings generated from the rapid growth of 中青宝網.

The Group, as a main promoter, established 潮商小額貸款有限公司 (Mini Credit of Shenzhen Chaoshang Commence Chamber Co., Ltd.). It had a registered capital of RMB155,880,000, with the Company's investment amounted to RMB46,880,000. The company obtained a business license on 4 February 2010, and had recruited a general manager, who was a professional manager with many years of experience in the management of banking credit. It carried out legitimate business operations within the provisions of the "Interim Measures for Pilot Operation of Small Loan Companies in Shenzhen" (《深圳市小額貸款公司試點管理暫行辦法》). With 深圳市潮汕商會 (Shenzhen Chaoshang Association of Commerce) as its business platform, it targeted to serve the large community of Chaoshang entrepreneurs and small-to-medium-sized enterprises. Work on various initiatives had been making good progress, with realized profit amounted to RMB1.15 million for a single quarter.

Government Affairs

During the first quarter of 2010, a greater effort had been made by the Government Affairs unit in application for government project funding and awards. The unit had completed a number of government-related application procedures with the cloud computing as the core content.

January 2010: 宝德計算機's "energy-saving and safe technology and production line upgrade for mass-capacity storage system" passed and filed for Shenzhen Technology and Information Reform of Industry and Commerce's Technological Advancement Interests Subsidy Scheme (深圳市科技和工貿信息化委員會技術改造貼息備案);

January 2010: 宝德計算機 received the "Shenzhen Technological Innovation Award for Environmental and Energy-saving Cause in the Computer Industry of Shenzhen" (深圳計算機行業服務器綠色節能技術創新獎) of 2009;

February 2010: Powerleader's PR2510N Server was included into "Guangdong Catalogue of Energy-saving and Low Emission Utility Technologies and Products II" (廣東省節能減排實用技術及產品彙編II);

March 2010: Powerleader's mass-capacity storage server, multi-function green server, high density energy-saving server passed the certification of "Product of Independent Innovation in Shenzhen" (深圳市自主創新產品);

March 2010: Cementing industrial-academic cooperation relationship with East China University of Science and Technology and Shenzhen University engaging into research and development of cloud computing projects;

March 2010: the expansion of capacity and area of 宝德工業園 had passed the procedures of media public notice and review by Shenzhen City Planning and Land Resources Commissioner's Officer, meaning that 宝德工業園 would be allowed to embark into an expansion and capacity enhancement plan.

PROSPECTS

Server System Solution Business

In the second quarter of 2010, we will continue to work closely with Intel to accelerate product development and innovation and to introduce solutions meeting requirements of market segments. We will offer more customized products to customers on a more in-depth basis; By using advantages of flexible customization and deepening industrial markets, we will continue to achieve better market share in software solutions providers, IPDC and HPC; At the same time, driven by industrial expansion and regional interaction, it is believed that we will also have a good performance in government and education markets. In view of the excellent beginning of the first quarter, we are positively optimistic about the server system solution business in the second quarter.

In connection with software, in the second quarter, we will continue to increase development momentum in industries like Internet enterprises (such as portals, video sites, e-commerce sites, etc.), governments, universities, health care and broadcasting. We will strengthen our cooperation with integrators and related product corporations. We will capitalize on the nation's supportive policies for domestic equipment. We will also take part in a number of government tendering and bidding projects, and participate in cooperation in system integration projects. Meanwhile, we will reinforce our product promotional efforts via the Internet. At the same time, as for three other projects of Powerleader Software (宝德软件公司): namely, speed travel accelerators, server navigation software and Internet projects, the development of version 3 has completed; Server navigation software has been made available for server users and positive feedback was received. Internet project team is mainly responsible for developing and operating Jiake Life (甲客生活) (vehicle advertising) platform, which pushed the number of registered car owners to a new record.

Value-added Server Platform and Related Components Agency Distribution Business

It is our longstanding vision to further specialize, strengthen and enlarge our value-added distribution business of server component solutions. With Intel-based server components product lines as the core, we will vigorously improve and enrich our server component solutions product ranges to satisfy the rising one-stop purchase needs from industrial customers and channel partners; We will continue to take great leaps in consolidating and enhancing our core competitive edges, with a view to positioning us as the most professional and the most influential server component solutions supplier. Based on Fujitsu's high-end server and storage product lines as the core, we will further expand value-added distribution and services business of enterprise-class system solutions. We will enhance integrated design, consultation and technical implementation capacities of industry application solutions, in order to provide customers with better services; We will also continue to increase our efforts in broadening major industry clients and market expansion, and to strive to achieve greater breakthroughs in government public sector and education sector.

Leasing of Servers and Internet Value-added Business

Given a high-speed growth in the Internet and servers, in particular, 宝騰 relied on 宝德計算機 in producing and selling servers, it is set to enjoy a large room for growth in IDC business. The growth in IDC business will give impetus to the development of CDN and leasing business, and more prominent breakthrough will be achieved in the second quarter of 2010.

Cloud Computing Products and Services

The Group will rely on its profound R&D technology, extensive R&D in-house experience, strong R&D team, rigorous R&D management system and wide customer reach over the years so as to place emphasis on three major business scopes for cloud computing product and service suppliers: namely, infrastructure services, platform services and software services. We will also tap into cloud computing products and services blessed with prominent market opportunities by evolving from a supplier engaged in server system solutions. We strive to expand the cloud computing products and services in fields such as the governments, education, broadcasting and health care.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 March 2010, the interests or short positions of the directors and supervisors 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions 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 as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules notified to the Company and the Stock Exchange relating to securities transactions and underlying shares were as follows:

(a) Shares of the Company

Name of Director	Number of the Company's shares held	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares	Approximate Percentage of the Company's issued H Shares
Li Ruijie (<i>Note 1</i>)	1,021,845,000 Domestic Shares	45.26%	61.93%	—
Zhang Yunxia (<i>Note 1</i>)	1,021,845,000 Domestic Shares	45.26%	61.93%	—
Dong Weiping (<i>Note 2</i>)	5,250,000 H Shares	0.23%	—	0.86%

Notes:

- (1) Li Ruijie ("Mr. Li") is the husband of Zhang Yunxia ("Ms. Zhang"). They hold in aggregate 1,021,845,000 Domestic Shares through Powerleader Investment Holding Company Limited which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.
- (2) Mr. Dong Weiping's spouse held the said shares.

(b) Shares in an associated corporation — Ex-Channel Group Limited (Note)

Name of Director	Beneficial owner	Number of shares held by a controlled corporation	Total	Approximate percentage of the issued share capital of Ex-channel Group Limited
Mr. Li	—	3,000,000	3,000,000	10%
Dong Weiping	3,000,000	—	3,000,000	10%

Note: Ex-channel Group Limited is a 80% indirectly owned subsidiary of the Company.

(c) Shares in an associated corporation — 深圳市宝騰互聯科技有限公司 (Note 1)

Name of Director	Number of shares held by a controlled corporation	Approximate percentage of the issued share capital of 深圳市宝騰互聯科技有限公司
Mr. Li (<i>Note 2</i>)	2,500,000	25%
Ms. Zhang (<i>Note 2</i>)	2,500,000	25%

Note 1: 深圳市宝騰互聯科技有限公司 is a 75% directly owned subsidiary of the Company.

Note 2: Mr. Li is the husband of Ms. Zhang. They hold in aggregate 2,500,000 shares through Powerleader Investment Holding Company Limited which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

Save as disclosed above, as at 31 March 2010, none of the directors or supervisors had any interests or short positions in any shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which 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 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 as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 31 March 2010, the Company or any of the 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 corporates, 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

As at 31 March 2010, the Company has not adopted any share option schemes and did not grant any options.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2010, the Directors are not aware of any other interests or short positions in any shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were 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 Shares
Powerleader Investment Holding Company (Note)	1,021,845,000	Beneficial owner	45.26%	61.93%

Note: Powerleader Investment Holding Company Limited, a limited liability company established in the PRC, is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

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 31 March 2010.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the three months ended 31 March 2010, 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 Growth Enterprise Market 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 has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Three Months Period. Having made specific enquiries of all directors, the Company's directors have complied with such code of conduct and required standard of dealings throughout the Three Months Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the Group's auditors in matters coming within the scope of the Group's audit and (ii) to review the effectiveness of the external audit, internal controls and risk evaluation. At present, the Committee comprises three independent non-executive directors, namely Mr. Jiang Baijun, Dr. Guo Wanda and Mr. Chan Shiu Yuen Sammy. The Group's financial statements for the Three Months Period have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Three Months Period.

By order of the Board
Li Ruijie
Chairman

Shenzhen, PRC, 14 May 2010

As at the date hereof, the Board comprises a total of 10 directors, including Mr. Li Ruijie, Mr. Dong Weiping, Ms. Zhang Yunxia and Mr. Ma Zhumao as executive directors, Mr. Sun Wei, Mr. Wang Lixin and Mr. Li Donglei as non-executive directors and Mr. Jiang Baijun, Dr. Guo Wanda and Mr. Chan Shiu Yuen Sammy as independent non-executive directors.