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**深圳宝德科技集团股份有限公司**

**POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED\***

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

**(Stock code: 8236)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

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

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

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

\* For identification purposes only

## AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2010*

	<i>Notes</i>	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Turnover	(3)	<b>1,105,728</b>	802,373
Cost of sales		<b>(994,089)</b>	(721,486)
Gross profit		<b>111,639</b>	80,887
Other income	(4)	<b>19,014</b>	29,218
Distribution costs		<b>(29,658)</b>	(25,932)
Administrative and other expenses		<b>(40,302)</b>	(37,314)
Finance costs	(5)	<b>(24,910)</b>	(17,442)
Gain on deemed disposal of partial interest in an associate	(6)	<b>98,952</b>	—
Change in fair value of derivative financial instruments		<b>(681)</b>	—
Share of profit from an associate		<b>6,545</b>	7,765
Profit before taxation		<b>140,599</b>	37,182
Income tax expense	(7)	<b>(5,653)</b>	(7,467)
Profit for the year and total comprehensive income for the year	(8)	<b><u>134,946</u></b>	<u>29,715</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		<b>130,697</b>	27,550
Non-controlling interests		<b>4,249</b>	2,165
		<b><u>134,946</u></b>	<u>29,715</u>
Earnings per share	(10)		
Basic and diluted		<b><u>5.79 cents</u></b>	<u>1.22 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Notes</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		260,423	228,490
Prepaid lease payments		1,518	1,554
Deferred development costs		36,471	35,907
Interest in an associate		137,167	34,730
Available-for-sale investment		18,000	5,000
Prepayment for acquisition of buildings		—	1,870
		<u>453,579</u>	<u>307,551</u>
Current assets			
Prepaid lease payments		36	36
Inventories		148,844	103,794
Finance lease receivables		141	173
Amount due from a related company		1,977	3,194
Amount due from an associate		—	467
Amount due from a shareholder		—	77
Trade and bills receivables	(11)	384,983	327,440
Other receivables, deposits and prepayments		84,152	89,467
Fixed bank deposits		100,000	—
Pledged bank deposits		30,689	94,023
Restricted bank balances		11,990	28,816
Bank balances and cash		199,059	204,028
		<u>961,871</u>	<u>851,515</u>
Asset held for sale		46,880	—
		<u>1,008,751</u>	<u>851,515</u>
Current liabilities			
Trade and bills payables	(12)	178,257	190,875
Other payables and accrued charges		38,917	35,652
Receipts in advance		10,199	6,932
Tax payable		17,104	12,330
Derivative financial instruments		681	—
Amount due to an associate		1,693	—
Bank and other borrowings — due within one year		607,449	383,382
Obligation under a finance lease — due within one year		124	349
		<u>854,424</u>	<u>629,520</u>
Net current assets		<u>154,327</u>	<u>221,995</u>
		<u><u>607,906</u></u>	<u><u>529,546</u></u>

	<i>Notes</i>	<b>2010</b> <b><i>RMB'000</i></b>	2009 <i>RMB'000</i>
Capital and reserves			
Share capital	<i>(13)</i>	<b>225,750</b>	225,750
Reserves		<b>298,114</b>	167,878
		<hr/> <b>523,864</b>	<hr/> 393,628
Equity attributable to owners of the Company			
Non-controlling interests		<b>21,015</b>	15,701
		<hr/> <b>544,879</b>	<hr/> 409,329
Total equity			
Non-current liabilities			
Deferred tax liabilities		<b>3,361</b>	4,220
Bank and other borrowings — due after one year		<b>59,666</b>	115,873
Obligation under a finance lease — due after one year		<b>—</b>	124
		<hr/> <b>63,027</b>	<hr/> 120,217
		<hr/> <b>607,906</b>	<hr/> 529,546

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

### Attributable to owners of the Company

	Share capital <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
1 January 2009	225,750	34,887	100,641	361,278	12,196	373,474
Total comprehensive income for the year	—	—	27,550	27,550	2,165	29,715
Appropriation	—	3,591	(3,591)	—	—	—
Capital contributed by non- controlling shareholders of subsidiaries	—	—	—	—	140	140
Deemed capital contributed by non-controlling shareholders of subsidiaries	—	—	4,800	4,800	1,200	6,000
At 31 December 2009 and 1 January 2010	225,750	38,478	129,400	393,628	15,701	409,329
Total comprehensive income for the year	—	—	130,697	130,697	4,249	134,946
Deemed disposal of partial interest in a subsidiary	—	—	(461)	(461)	461	—
Appropriation	—	11,443	(11,443)	—	—	—
Capital contributed by non- controlling shareholders of subsidiaries	—	—	—	—	2,340	2,340
Dividend paid to non- controlling shareholders	—	—	—	—	(1,736)	(1,736)
At 31 December 2010	<u>225,750</u>	<u>49,921</u>	<u>248,193</u>	<u>523,864</u>	<u>21,015</u>	<u>544,879</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 1. GENERAL

Powerleader Science & Technology Group Limited (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 on 12 December 2002 by way of placement.

The consolidated financial statements are presented in Renminbi (the “RMB”), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”).

The Group is a server solutions provider in the PRC. It operates in the PRC and Hong Kong and is principally engaged in (i) design and 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”s)

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRSs (Amendments)	Amendments to HKFRS5 as part of Improvement to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK — Interpretation (“Int”) 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners

### HKAS 27 (Revised) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised) has resulted in changes in the Group’s accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In respect of the deemed disposal of partial interest of the Group's interest in 深圳市宝德计算机系统有限公司 in the current year, the impact of the application of HKAS 27 (Revised) resulted in an adjustment of the difference of approximately RMB461,000 between the consideration received and the increase in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. In addition, cash consideration of RMB2,340,000 received from the non-controlling shareholders is presented as cash flow from financing activities.

In addition, under HKAS 27 (Revised), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

### **HK — Int 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

HK — Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clauses”) should be classified by the borrower as current liabilities. The Group has applied HK — Int 5 for the first time in the current year. HK — Int 5 requires retrospective application.

After reviewing the terms of the Group's term loans, the directors of the Company concluded that no reclassification was necessary as the Group's bank and other borrowings did not include such repayment on demand clauses.

Except as described above, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

### **New and revised Standards and Interpretations issued but not yet effective**

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised), HKFRS 7, HKAS 1 and HKAS 28 <sup>1</sup>
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>5</sup>
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets <sup>5</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>6</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>2</sup>
HK(IFRIC) — Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company do not anticipate the application of the amendments to HKAS 12 will have significant effect on the Group.

HKAS 24 Related Party Disclosures (Revised) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (Revised) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) — Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) — Int 19 will affect the required accounting. In particular, under HK(IFRIC) — Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amounts received and receivable for goods sold and leasing of computer servers, net of discounts, returns and sales related taxes, by the Group to outside customers.

#### Segment information

The Group's operating segments based on information reported to the Chief Executive, being the chief operating decision maker ("CODM") for the purpose of resources allocation and performance assessment are as follows:

Principal activities are as follows:

Server system solutions	—	Design, development, manufacture and sales of servers solutions and related products
Value-added platform and related components agency distribution	—	Trading of platform and related components
Leasing of servers and network value-added business	—	Provision leasing and maintenance services for servers and internet value-added services

## Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2010

	Server system solutions <i>RMB'000</i>	Value-added platform and related components agency distribution <i>RMB'000</i>	Leasing of servers and network value- added business <i>RMB'000</i>	Consolidated <i>RMB'000</i>
TURNOVER	<u>432,023</u>	<u>672,207</u>	<u>1,498</u>	<u>1,105,728</u>
Segment profit (loss)	<u>32,738</u>	<u>26,362</u>	<u>(1,148)</u>	<u>57,952</u>
Finance costs				(24,910)
Gain on disposal of available-for-sale investment				181
Fair value gain on financial assets held for trading				40
Gain on deemed disposal of partial interest in an associate				98,952
Change in fair value of derivative financial instruments				(681)
Net exchange gains				1,404
Share of profit from an associate				6,545
Unallocated interest income				<u>1,116</u>
Profit before taxation				<u>140,599</u>

For the year ended 31 December 2009

	Server system solutions <i>RMB'000</i>	Value-added platform and related components agency distribution <i>RMB'000</i>	Leasing of servers and network value- added business <i>RMB'000</i>	Consolidated <i>RMB'000</i>
TURNOVER	<u>273,768</u>	<u>527,016</u>	<u>1,589</u>	<u>802,373</u>
Segment profit (loss)	<u>27,430</u>	<u>18,223</u>	<u>(1,061)</u>	<u>44,592</u>
Finance costs				(17,442)
Fair value gain on financial assets held for trading				517
Share of profit from an associate				7,765
Unallocated interest income				<u>1,750</u>
Profit before taxation				<u>37,182</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of share of profit from an associate, investment income, net exchange gains, finance costs and change in fair value of derivative financial instruments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets	<b>31/12/2010</b>	31/12/2009
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Server system solutions	<b>440,504</b>	478,830
Value-added platform and related components agency distribution	<b>492,640</b>	313,970
Leasing of servers and network value-added business	<b>3,401</b>	4,142
	<hr/>	<hr/>
Total segment assets	<b>936,545</b>	796,942
Unallocated	<b>478,905</b>	362,124
Asset held for sale	<b>46,880</b>	—
	<hr/>	<hr/>
Consolidated assets	<b>1,462,330</b>	1,159,066
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities	<b>31/12/2010</b>	31/12/2009
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Server system solutions	<b>79,367</b>	136,750
Value-added platform and related components agency distribution	<b>147,052</b>	94,415
Leasing of servers and network value-added business	<b>523</b>	533
	<hr/>	<hr/>
Total segment liabilities	<b>226,942</b>	231,698
Unallocated	<b>690,509</b>	518,039
	<hr/>	<hr/>
Consolidated liabilities	<b>917,451</b>	749,737
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in an associate, fixed bank deposits, pledged bank deposits, restricted bank balances, bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than payable for certain corporate office expenses, bank and other borrowings, derivative financial instruments and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## Other segment information

The following is an analysis of the Group's other segment information by reportable segments.

For the year ended 31 December 2010

	Server system solutions RMB'000	Value-added platform and related components agency distribution RMB'000	Leasing of servers and network value- added business RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets ( <i>note</i> )	48,394	677	116	49,187
Amortisation of deferred development costs	10,032	—	—	10,032
Depreciation of property, plant and equipment	5,998	133	51	6,182
Gain on disposal of property, plant and equipment	(29)	—	—	(29)
Amortisation of prepaid lease payments	36	—	—	36
Allowance for bad and doubtful debts	1,759	—	—	1,759
Reversal of allowance for other receivables	(866)	—	—	(866)
Reversal of bad and doubtful debt	(1,489)	—	—	(1,489)

For the year ended 31 December 2009

	Server system solutions RMB'000	Value-added platform and related components agency distribution RMB'000	Leasing of servers and network value- added business RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets ( <i>note</i> )	106,042	291	197	106,530
Amortisation of deferred development costs	11,590	—	—	11,590
Depreciation of property, plant and equipment	4,256	65	961	5,282
Loss on disposal of property, plant and equipment	—	—	883	883
Amortisation of prepaid lease payments	36	—	—	36
Allowance for inventories	—	—	19	19
Reversal of allowance for inventories	(5,121)	(617)	—	(5,738)
Allowance for bad and doubtful debts	—	—	47	47
Reversal of bad and doubtful debts	(2,530)	(5,000)	(28)	(7,558)

*Note:* Additions to non-current assets including additions of property, plant and equipment and deferred development costs.

## Geographical information

The Group's operations are located in the region of the PRC and Hong Kong. The Group's server system solutions and leasing of servers and network value-added business divisions are located in the PRC while the Group's value-added platform and related components agency distribution division is located in the PRC and Hong Kong.

The Group's revenue from external customers by geographical analysis is as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Geographical market:		
PRC	788,240	742,536
Hong Kong	267,190	53,597
Others	50,298	6,240
	<u>1,105,728</u>	<u>802,373</u>

Substantially all of the non-current assets of the Group are located in the PRC.

## Information about major customers

Revenue from customer A from the value-added platform and related components agency distribution contributed approximately RMB133,289,000 revenue of which contributed over 10% of the total sales of the Group.

There was no customer contributing over 10% of the total sales of the Group in the year 2009.

## 4. OTHER INCOME

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Repair and network support, freight and logistics service income	5,733	1,742
Government subsidies for technology improvement on servers and development of new technologies ( <i>Note a</i> )	3,128	7,939
Interest income on bank deposits	1,116	1,750
Value added tax ("VAT") refunds ( <i>Note b</i> )	3,068	2,066
Net exchange gains	1,404	—
Reversal of bad and doubtful debts	1,489	7,558
Reversal of allowance for other receivables	866	—
Reversal of allowance for inventories	—	5,738
Gain on disposal of available-for-sale investment	181	—
Fair value gain on financial assets held for trading	40	517
Gain on disposal of property, plant and equipment	29	—
Others	1,960	1,908
	<u>19,014</u>	<u>29,218</u>

*Notes:*

- a) Pursuant to the notices issued by the relevant government authorities, the Company was entitled to enjoy subsidies for development of new servers and other new technologies. There are no other specific conditions needed to be fulfilled to retain the government subsidies.
- b) VAT refunds represent the refund of VAT charged on qualified sales of software products by the PRC Tax bureau.

## 5. FINANCE COSTS

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Interest on bank and other borrowings wholly repayable within five years	27,114	16,528
Interest on finance lease	30	62
Imputed interest on long-term other borrowings	989	1,134
	<hr/>	<hr/>
Total borrowing costs	28,133	17,724
Less: amounts capitalised	(3,223)	(282)
	<hr/>	<hr/>
	<b>24,910</b>	<b>17,442</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6. GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

On 11 February 2010, the Group's associate, 深圳中青宝互动网络股份有限公司 (“Powerleader Network”) were listed on the Growth Enterprise Market of the Shenzhen Stock Exchange. 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 approximately RMB704,246,000 was raised after deducting the issuing costs. As a result, the Group's equity interest in Powerleader Network was diluted from 20.4% to 15.3%. Since the controlling shareholders of Powerleader Network is Mr. Li Ruijie (“Mr. Li”) and Ms. Zhang Yunxia (“Ms. Zhang”) who is also the executive directors of the Company. Therefore the Group is able to have significant influence on Powerleader Network and the investment is classified as an interest in an associate even it does not have equity interest more than 20%.

The deemed disposal of partial interest in Powerleader Network resulted on a gain of approximately RMB98,952,000 for the year ended 31 December 2010.

## 7. INCOME TAX EXPENSE

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	2,843	4,709
Hong Kong Profits Tax	3,799	74
	<hr/>	<hr/>
	6,642	4,783
	<hr/>	<hr/>
Over-provision of current tax in prior years:		
Hong Kong Profits Tax	(130)	—
	<hr/>	<hr/>
	6,512	4,783
	<hr/>	<hr/>
Deferred tax		
Current year	(859)	2,792
Attributable to a change in tax rate	—	(108)
	<hr/>	<hr/>
	<b>5,653</b>	<b>7,467</b>
	<hr/> <hr/>	<hr/> <hr/>

The Company is an enterprise established in Shenzhen Special Economic Zone in the PRC. The Company was recognised as 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% for the year ended 31 December 2010 (2009: 15%). In accordance with the relevant rules and regulations in the PRC, except for 深圳市宝德计算机系统有限公司 (“宝德计算机”) and 深圳市宝德软件发展有限公司 (“宝德软件”), all other PRC subsidiaries are subject to the EIT rate of 25% (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 "EIT Law"). 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 20%, 22%, 24% and 25% for the years 2009, 2010, 2011 and 2012 respectively.

宝德計算機 was recognised as 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. The income tax rate of 10% is applied to 宝德計算機 for the year ended 31 December 2010 (2009: 10%).

Pursuant to an approval document "深國稅寶觀減免備案2010 4號" dated 11 May 2009 issued by the State Tax Bureau of Futian District, Shenzhen, 宝德軟件 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. The application of the EIT Law has not altered the entitlement of 宝德軟件.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010 RMB'000	2009 RMB'000
Profit before taxation	<u>140,599</u>	<u>37,182</u>
Tax at EIT rate of 15% (2009:15%) (Note)	21,090	5,577
Tax effect of income not taxable for tax purpose	(15,825)	(74)
Tax effect of expenses not deductible for tax purpose	911	854
Tax effect of tax losses not recognised	2,088	2,841
Income tax on concessionary rate	(2,570)	(451)
Effect of different tax rate of subsidiaries	1,071	(7)
Effect of changing in tax rate	—	(108)
Tax effect of share of profit from an associate	(982)	(1,165)
Over-provision in respect of prior year	<u>(130)</u>	<u>—</u>
Taxation for the year	<u>5,653</u>	<u>7,467</u>

Note: The domestic rate in the jurisdiction, where the operation of the Group is substantially based, is used.

## 8. PROFIT FOR THE YEAR

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Total staff costs, including directors' and supervisors' emoluments		
— salaries and other benefits, net of amount capitalised in deferred development cost of RMB3,375,000 (2009: RMB2,468,000)	18,590	16,817
— retirement benefits scheme contributions, net of amount capitalised in deferred development cost of RMB121,000 (2009: RMB108,000)	1,551	1,118
	<u>20,141</u>	<u>17,935</u>
Cost of inventories recognised as expenses	983,675	721,058
Research and development cost recognised as expenses	2,239	803
Auditor's remuneration	791	774
Depreciation of property, plant and equipment, net of amount capitalised in deferred development cost of RMB378,000 (2009: RMB226,000)	6,182	5,056
Amortisation of prepaid lease payments	36	36
Amortisation of deferred development costs	10,032	11,590
Allowance for inventories (included in administrative expenses)	—	19
Allowance for bad and doubtful debts (included in administrative expenses)	1,759	47
Loss on disposal of property, plant and equipment	—	883
Bad debts written off	25	478
Net exchange loss	—	1,350
Share of tax of an associate	456	612
	<u><u>456</u></u>	<u><u>612</u></u>

## 9. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to the owners of the Company of approximately RMB130,697,000 (2009: RMB27,550,000) and the weighted average number of ordinary shares of 2,257,500,000 (2009: 2,257,500,000) in issue during the year.

Diluted earnings per share is the same as basic earnings per share is as the Company has no dilutive potential shares for both years.

## 11. TRADE AND BILLS RECEIVABLES

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade receivables	333,048	256,153
Less: allowance for doubtful debts	(5,488)	(5,243)
	<u>327,560</u>	<u>250,910</u>
Bills receivables	9,064	1,523
	<u>336,624</u>	<u>252,433</u>
Discounted bills receivables with recourse	48,359	75,007
	<u><u>384,983</u></u>	<u><u>327,440</u></u>

The bills receivables for both 2010 and 2009 are aged within three months.

The Group allows credit period ranging from three to six months to its trade customers. The following is an aged analysis of trade receivables bills receivables net of allowance for doubtful debts, presented based on the invoice date, at the end of the reporting period:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 1 month	192,551	103,837
1–3 months	103,212	44,219
4–6 months	14,901	55,872
Over 6 months	25,960	48,505
	<u>336,624</u>	<u>252,433</u>

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately RMB40,729,000 (2009: RMB97,963,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days (2009: 180 days).

Aging of trade receivables which are past due but not impaired:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 1 month	5,147	16,585
1–3 months	10,823	40,279
4–6 months	8,082	21,814
6 months–1 year	6,294	13,881
1–2 years	10,383	5,404
	<u>40,729</u>	<u>97,963</u>

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. In view of the good settlement repayment history from those largest debtors of the Group, the directors of the Company consider that there is no further credit provision required in excess of the impairment loss recognised for the year.

#### **Movement in the allowance for doubtful debts**

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Balance at beginning of the year	5,243	12,754
Allowance recognised on receivables	1,759	47
Amount written off as uncollectible	(25)	—
Amount recovered during the year	(1,489)	(7,558)
	<u>5,488</u>	<u>5,243</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB5,488,000 (2009: RMB5,243,000) which have been in financial difficulties. The Group does not hold any collateral over these balances.

The Group's trade and bills receivables that are denominated in currencies other than functional currency of the Group are set out below:

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
USD	<u><b>149,708</b></u>	<u>214,842</u>

## 12. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the reporting date:

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 1 month	<b>72,510</b>	87,987
1-3 months	<b>44,884</b>	46,271
4-6 months	<b>8,597</b>	3,791
Over 6 months	<u><b>6,623</b></u>	<u>2,826</u>
	<b>132,614</b>	140,875
Bills payables	<u><b>45,643</b></u>	<u>50,000</u>
	<u><b>178,257</b></u>	<u>190,875</u>

The average credit period on purchases of goods was ranging from one to six months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Group's trade and bills payables that are denominated in currencies other than functional currency of the Group are set out below:

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
USD	<u><b>116,368</b></u>	<u>62,199</u>

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>RMB'000</b>
Registered, issued and fully paid		
Domestic shares of RMB0.1 each	1,650,000,000	165,000
Foreign invested shares ("H shares") of RMB0.1 each	<u>607,500,000</u>	<u>60,750</u>
Total domestic shares and H shares of RMB0.1 each at 31 December 2009 and 31 December 2010	<u><b>2,257,500,000</b></u>	<u><b>225,750</b></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.

#### 14. OPERATING LEASE COMMITMENTS

##### The Group as lessee

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Minimum lease payments in respect of rented premises paid under operating leases during the year	<u>2,236</u>	<u>1,888</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within one year	3,082	1,321
In the second to fifth year inclusive	<u>932</u>	<u>552</u>
	<u>4,014</u>	<u>1,873</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouse. Leases are negotiated for an average term of one to two years and rentals are fixed during the relevant lease periods.

##### The Group as lessor

Rental income from leasing of computer servers earned during the year was approximately RMB66,000 (2009: RMB88,000). Only servers of a subsidiary of the Company are held for rental purposes. They are expected to generate rental yields of 7% (2009: 7%) on an ongoing basis. All of the servers held for rental purpose have committed tenants for the next one year.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within one year	<u>2</u>	<u>11</u>

#### 15. CAPITAL COMMITMENTS

Capital commitments contracted but not provided for in respect of:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Construction-in-progress	<u>98,812</u>	<u>6,276</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the financial year ended 31 December 2010, the Group recorded a turnover of approximately RMB1,105,728,000 and profit attributable to owners of the Company of approximately RMB130,697,000 as compared to turnover and profit attributable to owners of approximately RMB802,373,000 and approximately RMB27,550,000 respectively for the year ended 31 December 2009, representing an increase of approximately 38% and 374% respectively. Earning per share is approximately RMB5.79 cents (2009: RMB1.22 cents) and net assets per share of the Company is approximately RMB0.23 (2009: RMB0.17).

#### *Turnover*

The turnover of the Group for the year ended 31 December 2010 and the comparative figures of 2009 can be classified by business as follows:

	2010		2009		Change
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
<b>Turnover by business</b>					
Server system solutions	<b>432,023</b>	<b>39.1</b>	273,768	34.1	57.8
Value-added platform and related components agency distribution	<b>672,207</b>	<b>60.8</b>	527,016	65.7	27.5
Leasing of servers and network value-added business	<b>1,498</b>	<b>0.1</b>	1,589	0.2	(5.7)
Total	<b><u>1,105,728</u></b>	<b><u>100</u></b>	<b><u>802,373</u></b>	<b><u>100</u></b>	<b><u>37.8</u></b>

The Group's sales were mainly derived from server system solutions and value-added platform and related components agency distribution. With reference to the table above, for the year ended 31 December 2010, turnover from server system solutions and value-added platform and related components agency distribution business amounted to approximately RMB432,023,000 and RMB672,207,000 respectively (2009: RMB273,768,000 and RMB527,016,000), accounting for 39.1% and 60.8% (2009: 34.1% and 65.7%) of total sales respectively. Sales of server system solutions raised 57.8%, sales of value-added platform and related components agency distribution business raised 27.5%. More business analysis is detailed in the "Business Review" section below.

## Gross Profit

	Turnover		Gross profit		Gross profit margin	
	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
<b>Turnover by business</b>						
Server system solutions	<b>432,023</b>	273,768	<b>81,074</b>	56,432	<b>19.2</b>	20.6
Value-added platform and related components agency distribution	<b>672,207</b>	527,016	<b>30,249</b>	24,479	<b>4.5</b>	4.6
Leasing of servers and network value-added business	<b>1,498</b>	1,589	<b>316</b>	(24)	<b>21.1</b>	(1.5)
Total	<b><u>1,105,728</u></b>	<u>802,373</u>	<b><u>111,639</u></b>	<u>80,887</u>	<b><u>10.1</u></b>	<u>10.0</u>

The Group's gross profit increased from approximately RMB80,887,000 for the year ended 31 December 2009 to approximately RMB111,639,000 for the year ended 31 December 2010, representing an increase of approximately 38%.

The Group's overall gross profit margin rose from 10.0% for the year ended 31 December 2009 to approximately 10.1% for the year ended 31 December 2010. Gross profit margins of the server system solutions and the value added platform and related components agency distribution business drop slightly when compared with 2009. But the proportion of server system solutions in total revenue of the Group increased by 5%, makes the overall gross profit margin slightly increased as compared with 2009.

## Other operating income

Other operating income mainly included government subsidies for technology improvement on servers and return of value-added tax, which amounted to approximately RMB3,128,000 and RMB3,068,000 respectively for the year ended 31 December 2010, as compared to that of approximately RMB7,939,000 and RMB2,006,000 respectively for the year ended 31 December 2009.

## Operating Expenses

The Group's distribution costs, administrative and other expenses for the year ended 31 December 2010 have increased by approximately 10.6% to approximately RMB69,960,000 as compared to that of approximately RMB63,246,000 for the year ended 31 December 2009. This was mainly attributable to the enhancement of research and development of the Group and the rise in employee salaries.

## Financial Resources and Working Capital

As at 31 December 2010, the Group had shareholders' funds of approximately RMB523,864,000 (2009: RMB393,628,000). Current assets amounted to approximately RMB1,008,751,000 (2009: RMB851,515,000) with ample cash in hand. It mainly comprised of unrestricted bank balances and cash of approximately RMB199,059,000 (2009: RMB204,028,000), inventories of approximately RMB148,844,000 (2009: RMB103,794,000) and trade and bill receivables of approximately RMB384,983,000 (2009: RMB327,440,000). Non-current liabilities included deferred tax liabilities of approximately RMB3,361,000 (2009: RMB4,220,000), long-term bank and other borrowings of RMB59,666,000 (2009: RMB115,873,000) and non-controlling shareholders' interests of approximately

RMB21,015,000 (2009: RMB15,701,000). Current liabilities mainly comprised bank and other borrowings of approximately RMB607,449,000 (2009: RMB383,382,000) and trade and bill payables of approximately RMB178,257,000 (2009: RMB190,875,000).

#### *Currency Risk*

The Group's purchase was predominantly denominated in USD, which represented approximately 87% of the Group's purchase for the year ended 31 December 2010 (2009: 87%). In 2010, the Group circumvented its foreign exchange risk through non-deliverable forward operations.

#### *Gearing Ratio*

As at 31 December 2010, the gearing ratio of the Group was approximately 45.6% (2009: 43.1%). It is defined as the Group's interest-bearing debts over the total assets.

### **Business Review**

#### ***Server System Solution Business***

##### *Hardware aspects*

In general, the server market in 2010 is more competitive and also with opportunities. Government invest in the information construction, and the growing of cloud computing brings more growth points for the market. According to the characteristics of niche market segments, Powerleader server business team insists on three principles. Firstly, in response to the demand of internet cloud computing applications, develop tailor-made products with large capacity, high density and low consumption, therefore to provide internet customers, such as instant messaging, E-commerce, video, search, download and games, with satisfied products. Secondly, the team will customize an integrated hardware solution for software developers, thus to improve the additional value of software products. Following the integrated solutions, Powerleader will broadly provide its server to customers from various industries. Finally, in order to meet the high performance computing requirements of colleges and institutes, the team designed a new generation products of Gemini and PR2760T server with high density and low consumption. The team also expanded depth-cooperation with numerous universities and research institutes, such as Xiamen University, Jilin University, China University of Technology, South China University of Technology, South China Normal University, Northwestern Polytechnical University, Disease Prevention Center of Chinese Academy of Sciences and Beijing Genomic Institute, thus to provide them with cost-effective and high availability solutions. We will laterally develop partners in region markets, and jointly deal with influential regional government education projects. Meanwhile, the Company will build expansion teams in industries of government, education, medical, video surveillance, rail transportation, broadcasting and telecommunications to longitudinally promote the industry sale growth. In projects of Chongqing Rail Transit, the Shenzhen Metro, Xi'an subway, as well as broadcasting programs in Guangxi and Hubei provinces, we are highly appreciated by users and partners. In view of the three principles, combined with lateral and longitudinally development in industries and region, Powerleader recorded good results in 2010, with a growth of 57.8% in turnover as compared with 2009.

In 2010, Powerleader brand marketing activities mainly included releasing and promoting of new products, in conjunction with Powerleader cloud computing and cloud solution launching. Firstly, as long as Intel recently released its new processor and server platform series of Xeon 5600 and 7500, as one of the important partner of Intel, Powerleader simultaneously released and upgraded its server to new series of 5600 and 7500, and shared the latest server technologies and products with users and customers in the first place. Secondly, with the surging of cloud computing technology,

Powerleader released Power Cloud, an extremely conducive cloud computing structure solution. We suggested underlying cloud computing service module in accordance with different application requirements of enterprises and end-users in stages, which would enable customers to flexibly develop and apply cloud computing with the lowest cost. Furthermore, we exhibited our Power Cloud to externals in the aid of high-tech fair. During the period, against the two subjects of server products of 5600 and 5700 series as well as Powerleader cloud computing, the Company broadcast the information of brand and new products in the most extensive and accurate scope through the means of concentrated advertising, new products and new technology conference, document publishing of new product and technology and EDM. On 2 April, Powerleader hold a product release conference for its new servers of 5600 and 7500 series. Traditionally, the Company only releases its new products to the press, but this time we invited important local customers to share our achievements, which achieved a good result. Powerleader participated in the Twelfth China Hi-Tech Fair held at Shenzhen from November 16 2010 to November 21 2010 with a brand new image. Power Cloud, its own cloud computing integrated solution, has attract attention of plenty international and domestic visitors. The success on the Hi-Tech Fair has expanded influential scope of Powerleader products and enhanced Powerleader's international influence.

For the first half of 2010, in addition to basic product upgrading and correspond broadcasting, we also conduct brand promoting and industry interaction activities in key industries of 2010. Promoting in industries of IPDC, medical, government, rail transportation and HPC are top priorities in 2010. Through broadcasting with solutions and succeeded cases, promoting with industry seminars, authoritative industry events and other ways, Powerleader's brand influence in these industries will be enhanced, which may bring more customers and results. Among other things, target industry seminars held in Chongqing, Xi'an, Beijing and Shanghai have been recognized by the participants, and successively result in projects after the seminars. In addition, for business in other fields, such as government and energy industry, which Powerleader is seeking for, we will also gradually enter into and promote in according to situations. The Company appeared in those industries by means of brand advertising and third party activity participation, which would enhance the awareness of Powerleader in those fields.

In the second half of 2010, we launched a new wave of brand promotion for Powerleader with the focus on "Powerleader server, the intelligent IT infrastructure" and "Powerleader, a top-notch supplier of cloud computing products, solutions and services in China". The slogan of the business embodies all the existing business contents and highlights of Powerleader, and keeps up with the theme of the era of Intel computational intelligence and IT industry intelligence. By means of EDM, PR publicity, advertising and participation in events, we have created and uplifted the image of Powerleader as a maker of IT intelligence infrastructure, thereby securing a greater market share in cloud computing and virtualization hot spot applications. In the fourth quarter, we launched "China Cloud, Powerleader Cloud" and participated in Hi-Tech Fair, which broadcasted the image of China's leading cloud computing products, solution and service provider of Powerleader. Basing on the cloud structure of "Power Cloud", independently developed by Powerleader, the slogan included Powerleader's cloud technology, cloud product, cloud solution and future plans of cloud, meanwhile, Powerleader also established a cloud computing committee for its own. The Company will timely hold press conference, and will cooperate with Microsoft, CSIP, China Advanced Institute, Peking University Shenzhen Graduate School and other institutes to explore cloud computing technology and sign agreement of cloud computing strategic cooperation, which closely integrated Powerleader Cloud computing and the subjects of cloud computing age. Through EDM and media, Powerleader's "Power Cloud" has been spread out, which also enhanced the leading position of Powerleader in cloud computing field.

### *Software aspects*

As an innovative software development company under the Powerleader Group, Powerleader Software inherited the Group's over ten years of cultures and traditions. Leveraging on more than three years' profound technology, the Company constantly developing new technologies, and committed to provide internet products and cloud computing products with high performance. In 2010, Powerleader Software has successfully transferred its traditional software business into internet business, and achieved a breakthrough in external operations, which could be mainly demonstrated by followings:

After more than half a year's operation, speed-game accelerator has taken a good position in the market of on-line game accelerating industry, and it is among the top three in the industry by influence rate and positive feedback rate. Income from our players has continued to record new heights, and the number of members has exceeded 100,000, while the software has been downloaded for more than 200,000 times, and the brand image is widely spread over the on-line game players. Speed-game has become a major source of income for Powerleader Software.

Since its commercial operation in December 2010, E-commerce business has already completed two external orders.

In October 2010, the Company started a substantial research on cloud computing, for a cloud computing platform, Eucalyptus, we conducted a comprehensive in-depth analysis and research, and deployed a small private cloud platform. According to these, the Company has completed the feasibility study report on scheduling of virtualization resource and management platform systems.

In November 2010, the Company launched game cloud computing to the market. As a cloud platform with unique business model, the game cloud computing integrated all products and technologies of Powerleader Software, such as speed-game accelerator, CDN, load balance, VPN and firewall, and which formed a public cloud platform for games with huge capacity, full foundation and high industrialization.

### *R&D investment*

In 2010, Powerleader computer technical center continually increased research in cloud computing, and conducted depth research in many aspects in cloud computing infrastructure, such as high density server, green energy-saving server, virtualization, uniform deployment and management platform. At the same time, we carry out product customization service according to customer's specific requirements, thus to meet the application requirements of customers from various industries. Meanwhile, the Company sustained attention to product quality improvement, and continue to improve the quality control measures under the help of professional manufacturers. Through continuous quality improvement and cost reducing, Powerleader further promoted the competitive ability of the products and customer application experiences, and also strengthen the ability to sale the products.

*Honors aspects:*

- 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).
- June 2010: Powerleader's high-density energy-saving servers PR2760T/PR7014B/PR6000M were reputed as new products of self-innovation by Futian District, Shenzhen.
- June 2010: Powerleader's mass-capacity data storage servers GS99221/GS90161/GS5016/GS99201/GS99401 were reputed as new products of self innovation by Futian District, Shenzhen.
- June 2010: Powerleader's multi-function green servers were honored as new products of self innovation by Futian District, Shenzhen.
- June 2010: Powerleader's high-performance servers PR1750N/PR2750N/PR2760T/PR2850Q were honored as new products of self innovation by Futian District, Shenzhen.
- July 2010: Powerleader Investment Holding Company Limited won the "Top Hundred Private Enterprises in Guangdong Province for 2008 and 2009" title.
- July 2010: Powerleader won the "Top 100 Suppliers in the CPW500 in 2010" title.
- September 2010: Powerleader server won "Highest Customer Satisfaction in the Education Sector" in IT Customer Satisfaction Surveys X86 Server in China 2010".
- November 2010: Powerleader server PR2024NS obtained the "excellent product award" on the Twelfth China International Hi-Tech Fair.

On 22 November 2010, the following projects of SHENZHEN POWERLEADER COMPUTER SYSTEM CO.,LTD won the 2010 "Shenzhen Enterprise New Records":

Green energy-saving server PR2012NS — G, being the most energy efficient domestic storage server among counterparts with 2U high-capacity;

Six-core server PR2710N QPI, being the first national wide dual server which meet green environmental protection standard;

Six-core storage workstation PR4610N, being the only national wide rackmount storage workstation;

Gemini server PR1760T, being the national wide rackmount storage server with highest calculation accuracy among counterparts;

Blade Server PR6000M, recorded highest integration among domestic similar products;

Blade Server PR7014B recorded highest density among domestic similar products.

### ***Value-added Server Platform and Related Components Agency Distribution Business***

Benefited from economic resurgence in and abroad China, IT demands from middle and small enterprises is released in a reprisal. Coupled with the rapid growth of cloud computing market, the value-added platform and related components agency and distribution business achieved an astounding growth in overall operating income and gross profit in 2010 as compared to the corresponding period of last year. In particular, the value-added distribution business of cloud computing infrastructure components module solution products group, which mainly based on Intel server components module product line, recorded a strong growth, with total sales revenue increased by 27.5% as compared to the prior year. At the same time, the value-added distribution and service business of high-end cloud computing infrastructure solution products group, which mainly based on Fujitsu servers and storage products line, is also maintained steady growth. In the year of 2010, the overall average gross profit margin of value-added distribution business slightly decreased, however, the net profit margin is basically unchanged as compared with the previous year. In 2010, we also further optimized our distribution network and back-end operations support systems, which enabled us to support and serve our clients in prompt and better manner.

### ***Leasing of Servers and Network Value-added Services***

After the successively successful listing of ChinaNetCenter and ChinaCache principally engaged in CDN business, which has widely spread over China and recorded a great improvement in 2010, the industry competition has further intensified. For operations, benefited from talents introduction and improvements in management systems and principles, the Company has effectively controlled the operating costs, substantially increased the net profit margin of CDN products, and thus achieved the Group's substantial transformation in 2010. For products, the Company has comprehensively upgraded the CDN platform system, and a number of analysis systems have made great progress, such as monitoring systems, global load balance systems, log analysis, traffic analysis, caching systems and distribution systems. CDN system has successfully upgraded into V2.0 version, basically realized homogenizing with competitors on main functions, while some of the functions are distinctive. For teams, the Company has gradually completed sales team, R&D team, O&M team, customer service team, pre-sale team, marketing department, and established a new important client department and an O&M center providing service for 7 days a week and 24 hours a day, the establishment of new departments has made a great contribution to the increase of results and improvement of product quality. In 2010, the Company won a prize of "Internet Enterprise with Greatest Development Potential for Internet Service" on the 2nd China Internet Trading and Investment Fair (第二屆中國互聯網交易投資博覽會"網路服務"最具發展潛力互聯網企業).

### ***Banking Facilities and Capital management***

In 2010, in order to further enhance operational capability and improve efficiency of capital utilization, the Company continued to carry out business restructuring. To better coordinate and support our business development, we have accordingly adjusted capital management, and actively consolidated resource advantages in various businesses. We cultivated a good mutual trust relationship with major banks, thus furnishing a favorable financing environment for the Company's long-term development.

While expanding and maintaining external financing channels, we have further controlled capital utilization within the internal business modules by upholding strict cost accounting and steering up the consciousness of financial costs.

## *Government Support*

In 2010, the Group responded positively to campaigns organized by government departments at various levels and by various community groups. From a pragmatic point of view, we made full use of platforms provided by various government units and community groups to secure more social honors for the Group. The Group raised its awareness extensively, promoted its brand effect widely and enhanced its product competitive edges in the market greatly. In application for government project funding and awards, the Group will continue to make great effort, with the cloud computing as the core content, we have obtained a number of qualification accreditations and project funding. Various government grants, production-study-research, science and technology cooperation provided financial support and technical support for our technological innovation and product upgrading. Qualification accreditations are fully demonstrating that Powerleader Group's technological innovation and transfer ability and its leading position of innovation in the industry. In 2010, the Group has received numerous highly acclaimed awards from the community. Details are shown in the followings:

January 2010: Powerleader Computer'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;

January 2010: Powerleader Computer 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 Servers were 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 data storage servers, multi-function green servers and high-density energy-saving servers 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 in research and development of cloud computing projects;

April 2010: the expansion of capacity and area of Powerleader Science and Technology Park was granted the permit for the change of the planned land use, which means that Powerleader Science and Technology Park would be allowed to embark into an expansion and capacity enhancement plan;

May 2010: "GS9000 unified network storage data security device" (GS9000統一網路存儲資料安全保護器) was listed on the national plan for key new products;

May 2010: Powerleader Computer's "unified calculation storage modular technological transformation project based on SSI specification" (基於SSI規範的統一計算存儲模組化技術改造專案) was financed by the national special support fund for SME development;

June 2010: Powerleader Science and Technology Park won the "Demonstration Base for Innovative Industrialization of SMEs in Guangdong Province" title ("廣東省中小企業創新產業化示範基地"稱號);

June 2010: Powerleader’s green multi-function servers, high-density energy-saving servers, high-performance servers and mass-capacity data storage servers passed the certification of “Product of Independent Innovation in Futian District, Shenzhen” (深圳市福田區自主創新產品);

July 2010: Powerleader Computer “STAT UNIX V1.0” won the Sales Permit of Specialized Product for the computer information system of The Ministry of Public Security;

August 2010: Powerleader Software won The First Scientific Software R&D Subsidy in Baoan District of 2010;

September 2010: Powerleader’s software “speed swim internet accelerator (速遊網路加速器)” won special funds support for Biology, Internet and New energy sector development in Shenzhen;

October 2010: Powerleader obtained subsidies of Guangdong hi-tech industry development guide and matching funds;

October 2010: Powerleader, Powerleader Computer obtained intellectual property subsidies from Futian district government;

November 2010: Powerleader obtained identification of key enterprise in strategic emerging industry of Guangdong province;

November 2010: Powerleader established strategic cooperation relationship with CSIP;

December 2010: Powerleader obtained subsidies of science and technology plan development funds from Futian district government;

December 2010: Powerleader Computer obtained subsidies of science and technology plan development funds from Futian district government.

### ***Government Subsidies***

During the year of 2010, the Group obtained interest-bearing loans, subsidies for technologies and other subsidies from government organizations at various levels, which included Guangdong Provincial Science and Technology Department (廣東省科技廳), Shenzhen Science, Industry, Trade and Information Technology Commission (深圳市科工貿信委), Baoan District People’s Government (寶安區人民政府), Futian District Trade and Industry Bureau (福田區貿工局) and Futian District Science and Technology Bureau (福田區科技局), etc. The total amount was more than RMB4 million.

In 2010, the Group received substantial support and assistance from government departments at various levels. It also developed friendly relations with different social communities and obtained their support and assistance.

### ***An Associate***

深圳中青寶互動網絡股份有限公司 (“Powerleader Network”), an associate in which the Group held a 15.30% interest, is mainly engaged in developing and operating online games. On 5 February 2010, 25,000,000 shares at par value of RMB1.00 each were successfully public issued by Powerleader Network, the Company was subsequently listed on the Growth Enterprise Market of the Shenzhen Stock Exchange on 11 February 2010. During the reporting period, Powerleader Network business developed well, operating revenue amounted to RMB79,598,000 million in 2010, and recorded a net profit of RMB34,509,000.

In view of the rapid growth of China's online game industry and the successful listing of Powerleader Network, management expects that the future development prospects for Powerleader Network will remain optimistic, and the Group will also share its earning growth.

## ***Human Resources***

### *Human resources planning aspect*

We have amended the organizational structure of the Group, clarified personal establishment, and confirmed register personal, so as to provide effective information support to staff supplement. Up to the end of 2010, 370 new employees joined in the Group, and the recruiting arrival rate reached 93%. We have also revised the "Administration on training", built up a instructors' team, designed training courses systematically and organized 187 training courses in aggregate with 2,258 participants, we have also adjusted the compensation system of the Group, and carried out administrative measures to ensure institutionalization and routinization of the compensation, meanwhile, we have set up incentive goals and implemental plans for performance appraisal, application of compensation basing on performance system has improved efficiency and accuracy.

### *Building a talent team*

In response to the operating requirements of Powerleader Server and Powerleader Software, as well as the resolution in respective of proposal to adjust the senior management team, the Company have executed HR key service plans in stages. According to the performance improvement of each department, quality and working efficiency of staffs working in integrated management center have been improved, thereby to effectively support the development of the Group.

### *Implementation of corporate culture*

The Company regularly conducting advertising works, such as publishing "Powerleader Windows", releasing software related information on public columns and OA forums, what's more, we also organize birthday parties for staffs. In addition, we issued various management measures to improve employee quality and to build up the "Nice Guy Syndrome" of Powerleader.

## **Prospect**

In 2011, Powerleader Science & Technology Group will unswervingly uphold its strategic direction by positioning itself from "a leading supplier of server solutions in China" to "a top-notch supplier of cloud computing products, solutions 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 reached 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. In addition, we have a strong foundation, a splendid team and more closely working partners. With this strategic positioning in place, each of us will be determined to perform in each area of responsibility and capacity. With regard to three major business systems for server system solutions: Firstly, the Group will develop complete server solutions spanning across servers navigation systems, HPC management systems, virtualization and cloud computing, and will strive to successfully put those solutions into industry-wide applications including IPDC, security, monitoring, education, government, health care, taxation, transportation and energy. Secondly, we will continue 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. By focusing on these three major business systems, the Group will increase its R&D efforts and deepen its market penetration, so as to ensure that the operating income and profit will grow more energetically in 2011.

### ***Server System Solution Business***

In the year of 2011, the Company positioned itself as a top-notch supplier of cloud computing solutions in China, and launched the integrated solution of cloud computing, built a cloud application platform for CDN video games. We actively participated in the preparation of the cloud computing standards, make the joint development in cloud computing with Industry and Information Ministry, government of Shenzhen, Peking University Shenzhen Graduate School, Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences, and other government research institutions, to promote the commercialization of cloud computing. In 2011, Powerleader's server team will customize products for customers basing on cloud computing application types, which would enable us to become a customization expert in the area of cloud computing serves. We have leading advantages in customization of server products, and continuously conduct promoting in the industry and regional market, and combined with output of 2011 from investment in cloud computing division, meanwhile, we expand global strategic positioning, and actively explore overseas markets, and thus we have reasons to believe that we could hold an optimistic attitude on the business of 2011.

In the year of 2011, Powerleader Software has more opportunities and growth. With the support of three main business, namely online game accelerator, E-commerce, game cloud and related cloud computing, the Company could go on with a sustainable development concern. Online game accelerator is an innovation product generated from traditional ones, thus which would have a huge market. So far, user of online game accelerator is less than 10% of the total online game players, there is a great potential for future development. E-commerce will experience an explosive development in next three years, according to CNNIC, trading on E-commerce market is amount to RMB400 billion in China in the year of 2010, and will record a further strong growth in 2011. Our game cloud's operation model is unique in the industry, and we expect that it will bring a significant growth for the Company in 2011. The year of 2011 is the first year of cloud computing launching on the market, taking advantage of the Group's business advantages, the Company will play its own technological strength to share profits in each cloud computing project of the Group.

### ***Value-added Server Platform and Related Components Agency Distribution Business***

We will unwaveringly uphold our philosophy of further specializing, strengthening and enlarging the distribution business of value-added cloud computing server components module solutions, as well as the value-added distribution and service business of high-end cloud computing servers and storage platform solutions. We will further improve and broaden the product clusters of cloud computing server components module solutions which are based on the product lines of Intel server components as the core, and will also better meet one-stop purchase demand from customers and channel cooperative partners. We will continue to increase investment, as well as expand and improve domestic sales and service network to further enhance our core competitiveness. We will build Powerleader into the most professional and powerful provider of cloud computing server components module solutions, as well as high-end cloud computing servers and storage platform solutions in the PRC.

## ***Cloud Computing Products, Solutions and Services***

We will plan and implement Powerleader Cloud strategy, and to build standardized infrastructure specifically designed for cloud computing. We will make efforts to provide an open architecture and framework which can promote cloud interaction. The Company will become a leading manufacture in the field of cloud services delivering, thus we could provide support to the largest cloud computing in China; and apply our accumulated expertise to China's leading private clouds, which would enable customers upgrade from traditional private data centers to a new generation of cloud and data center. We will also use extended clouds as a basis for adoption of green technology.

## ***Leasing of Servers and Internet Value-added Business***

Given a high-speed growth in the Internet and servers, in particular, by capitalizing on Powerleader Computer which was mainly engaged in production and sales of servers, this business sector is set to enjoy a large room for growth in IDC business. The growth in IDC business will flourish the development of CDN and leasing business, and will create a huge market to promote the development of the Internet as a whole, thus laying a good foundation for further development in 2011.

## ***Banking Facilities and Capital Management***

In 2011, in relation to capital management, we will continue to integrate banking advantageous resources to provide financial support for the Company's business and project undertaking. We will further strengthen the operational modules of financial cost accounting in order to improve capital efficiency and to reduce financial cost. We will logically select financial products and adjust financing structure so as to meet our long-term development needs.

## ***Human Resources***

We will further complete budget system of the labor costs, and to control the irregular budget expenses derivate from decision change. Through vertical expanding in recruitment means, and with the continuous improvement of brand image, we will build a talent platform for the team of "cloud computing". We will make effort to improve the updated version of "Nice Guy Syndrome", and to extensively promote "The Win Culture". Through education and training, we will extend these enterprise cultures into spiritual realm of Powerleader's staffs. At the same time, the Company will create an objective and reasonable opportunity to expand the participation of staffs, so as to procure employees feel they are the owner of the Company. In the new year, we will math up the Group's Twelfth Five-Year Plan of "cloud computing", and to undertake decisions and instructions, thus to realize a good operation in each team of HR. In the year of 2011, we will constantly develop a human resources management system suitable for the Powerleader Group, which may help our management work become more thorough and efficient.

### ***Staff Planning:***

**Recruitment Aspect:** With established organizational structure in the circumstances, quantification of human resources will be carried out to make sure that employees are in suitable and stable positions. New posts will only be recruited on a unified basis after a sound basis is put forward.

- Training Aspect:** We will cultivate spiritual leaders for our corporate culture by combining internal training and external training and making good use of instructors' role; We will enhance business communication, and improve training course materials.
- Appointment Aspect:** We will establish talent promotion evaluation mechanism and tracking examination mechanisms, improve mentoring system, set up reward and punishment standards; We will promote and develop excellent talent while eliminating incompetent ones.
- Labor Relation:** We will gradually improve the implementation of discipline compliance and law obedience, and build a harmonious relation with our employees by blending our corporate values with employees' moral values based on the unique corporate culture of Powerleader.

*Cost Control:*

We will further improve examination standards and implementation methods for labor costs and human resources management costs of the enterprise, including budgeting, accounting, settlement and control of human resources costs.

**DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY AND DEBT SECURITIES**

As at 31 December 2010, the interests or short positions of the directors of the Company, supervisors and chief executive of the Company and their associates in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under relevant provisions of the SFO) 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by the directors of the Company were as follows:

**(a) Shares of the Company**

<b>Name of directors</b>	<b>Number of Domestic Shares held by a controlled corporation</b>	<b>Approximate percentage of the Company's issued share capital</b>	<b>Approximate percentage of the Company's issued Domestic Shares</b>
Mr. Li ( <i>Note</i> )	1,021,845,000	45.26%	61.93%
Ms. Zhang ( <i>Note</i> )	1,021,845,000	45.26%	61.93%

*Note:* Mr. Li is the husband of Ms. Zhang. They hold in aggregate 1,021,845,000 Domestic Shares through Powerleader Investment Holding Company Limited ("Powerleader Investment") which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

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

<b>Name of directors</b>	<b>Beneficial owner</b>	<b>Number of shares held by a controlled corporation</b>	<b>Total</b>	<b>Percentage of the issued share capital of Ex-channel Group Limited</b>
Mr. Li	—	3,000,000	3,000,000	10%
Mr. Dong	3,000,000	—	3,000,000	10%

*Note:* Ex-Channel Group Limited is an 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)**

<b>Name of directors</b>	<b>Number of shares held by a controlled corporation</b>	<b>Percentage of the issued share capital of 深圳市宝騰互聯科技有限公司</b>
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 December 2010, none of the directors of the Company, supervisors and chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares and debentures 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 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under relevant 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 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.

## **SHARE OPTION SCHEME**

Up to 31 December 2010, the Company has not adopted any share option scheme and not granted any option.

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

During the year, the Company or any of its subsidiaries was not a party to any arrangements to enable the directors of the Company 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 of the Company 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.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance, to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2010, the directors of the Company are not aware of any other interests and short positions in shares and underlying shares or debentures 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.

Name of Shareholders	Number of Domestic Shares Capacity	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Powerleader Investment Holding Company Limited ( <i>Note</i> )	1,021,845,000 Beneficial owner	45.26%	61.93%

*Note:* Powerleader Investment Holding Company Limited, a limited liability company established in the PRC, which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively, holds in aggregate 1,021,845,000 Domestic Shares.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	7%
— five largest customers combined	20%
Purchase	
— the largest supplier	40%
— five largest supplies combined	71%

None of the directors of the Company, supervisors, their associates or any shareholder of the Company (which to the knowledge of the directors of the Company and supervisors owns more than 5% of the Company's issued share capital) had an interest in any of the five largest suppliers or customers of the Group.

## **COMPETING BUSINESS AND CONFLICTS OF INTERESTS**

None of the directors of the Company, initial management shareholders or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group as at 31 December 2010.

## **CODE OF CORPORATE GOVERNANCE PRACTICE**

In the opinion of the Board, the Company had complied with the Code on Corporate Governance Practice (the “Code”) as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM for the year.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Committee”) on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the Group’s auditors in matters coming within the scope of the Group audit and (ii) to review the effectiveness of the external audit and of 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. During the year, the Committee held four meetings for the purpose of reviewing the annual report of 2009 and the three quarterly reports of 2010. In addition, the Committee has also reviewed the annual results for the year ended 31 December 2010 and was of the opinion that the preparation of such results complied with the applicable standards and requirements of the Stock Exchange and other regulations.

## **PRE-EMPTIVE RIGHTS**

There are no provision for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings and there was no restriction against such rights under the laws of the PRC.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year.

## **AUDITOR**

SHINEWING (HK) CPA Limited has acted as auditor of the Company for the four years ended 31 December 2010. A resolution will be submitted to the annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company.

By order of the Board  
**Li Ruijie**  
*Chairman*

Shenzhen, The PRC, 28 March 2011

*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.*

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

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