



深圳宝德科技集團股份有限公司

(前稱深圳市宝德科技股份有限公司)

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

(formerly known as Powerleader Science & Technology Company Limited*)

(a foreign 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 2008**

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.

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007.

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Continuing operations			
Turnover	(3)	810,674	1,137,795
Cost of sales		<u>(723,049)</u>	<u>(1,040,250)</u>
Gross profit		87,625	97,545
Other operating income	(4)	19,892	16,074
Distribution costs		(26,016)	(26,724)
Administrative and other expenses		(33,582)	(27,984)
Finance costs	(5)	(11,769)	(6,940)
Gain on deemed disposal of interest in an associate	(6)	14,477	—
Share of profit from an associate		<u>5,998</u>	<u>1,619</u>
Profit before taxation		56,625	53,590
Taxation	(7)	<u>(3,371)</u>	<u>(3,567)</u>
Profit for the year from continuing operations		53,254	50,023
Discontinued operations			
Profit for the year from discontinued operations	(8)	<u>—</u>	<u>8,161</u>
Profit for the year	(9)	<u>53,254</u>	<u>58,184</u>
Attributable to:			
Equity holders of the Company		50,015	52,950
Minority interests		<u>3,239</u>	<u>5,234</u>
		<u>53,254</u>	<u>58,184</u>
Dividends	(10)	<u>—</u>	<u>—</u>
Earnings per share	(11)		
From continuing and discontinued operations — Basic		<u>RMB2.22 cents</u>	<u>RMB2.35 cents</u>
From continuing operations — Basic		<u>RMB2.22 cents</u>	<u>RMB1.99 cents</u>
From discontinued operations — Basic		<u>N/A</u>	<u>RMB0.36 cent</u>

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		146,240	83,167
Prepaid lease payments		1,590	1,626
Deferred development costs		29,637	23,807
Interest in an associate		29,260	8,785
Available-for-sale investment		5,000	—
Finance lease receivables		—	315
Deferred tax asset		889	900
		<u>212,616</u>	<u>118,600</u>
Current assets			
Prepaid lease payments		36	36
Inventories		88,034	69,159
Finance lease receivables		114	1,165
Amount due from a related company		1,831	1,292
Amount due from an associate		356	—
Amount due from a shareholder		504	—
Trade and bills receivables	(12)	229,497	240,248
Other receivables, deposits and prepayments		39,536	55,228
Pledged bank deposits		3,249	3,739
Restricted bank balances		11,276	26,494
Bank balances and cash		172,693	137,914
		<u>547,126</u>	<u>535,275</u>
Current liabilities			
Trade and bills payables	(13)	80,871	120,779
Other payables and accrued charges		47,196	42,079
Receipts in advance		8,093	8,570
Taxation payable		8,042	6,420
Bank and other borrowings			
— due within one year		121,863	85,529
Obligations under a finance lease			
— due within one year		317	—
		<u>266,382</u>	<u>263,377</u>
Net current assets		<u>280,744</u>	<u>271,898</u>
Total assets less current liabilities		<u><u>493,360</u></u>	<u><u>390,498</u></u>

	<i>Notes</i>	2008 RMB'000	2007 <i>RMB'000</i>
Capital and reserves			
Share capital	(14)	225,750	225,750
Reserves		<u>135,528</u>	<u>85,513</u>
		<u>361,278</u>	<u>311,263</u>
Minority interests		<u>12,196</u>	<u>11,317</u>
Non-current liabilities			
Deferred tax liabilities		2,425	1,713
Bank and other borrowings			
— due after one year		116,988	66,205
Obligations under a finance lease			
— due after one year		<u>473</u>	<u>—</u>
		<u>119,886</u>	<u>67,918</u>
		<u>493,360</u>	<u>390,498</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	
1 January 2007	90,300	35,127	229	24,518	108,139	258,313	13,687	272,000
Profit for the year	—	—	—	—	52,950	52,950	5,234	58,184
Appropriation	—	—	—	5,438	(5,438)	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	(7,378)	(7,378)
Capital contributed by minority shareholders of subsidiaries	—	—	—	—	—	—	355	355
Disposal of a subsidiary	—	—	—	—	—	—	(581)	(581)
Capitalisation on issue of bonus shares	135,450	(35,127)	(229)	—	(100,094)	—	—	—
At 31 December 2007 and 1 January 2008	225,750	—	—	29,956	55,557	311,263	11,317	322,580
Profit for the year	—	—	—	—	50,015	50,015	3,239	53,254
Appropriation	—	—	—	4,931	(4,931)	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	(2,420)	(2,420)
Capital contributed by minority shareholders of subsidiaries	—	—	—	—	—	—	60	60
At 31 December 2008	225,750	—	—	34,887	100,641	361,278	12,196	373,474

Notes to the Financial Statements

For the year ended 31 December 2008

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 on 12 December 2002 by way of placement.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

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 operates in the region of the PRC and Hong Kong and is engaged in the design, manufacture and sale of computer servers, sale and distribution of platform and accessory products and leasing of computer servers.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Interpretation ("Int") 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective at 31 December 2008.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) — Int 9 and HKAS 39	Embedded Derivatives ⁷
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) — Int 18	Transfers of Assets from Customers ⁶

¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods beginning on or after 1 July 2008.

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for transfers of assets from customers received on or after 1 July 2009.

⁷ Effective for annual periods ending on or after 30 June 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning for the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the 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 BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Business segments

For management purposes the Group is currently organised into three (2007: three) major operating divisions — computer servers, platforms and accessory products and leasing of computer servers. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Computer servers	—	Design, manufacture and sales of computer servers and related products
Platform and accessory product	—	Trading of platform and accessory products
Leasing of computer servers	—	Leasing and provision of maintenance services on computer servers

Consolidated income statement*For the year ended 31 December 2008*

	Computer servers RMB'000	Platform and accessory products RMB'000	Leasing of computer servers RMB'000	Consolidated RMB'000
TURNOVER	<u>250,750</u>	<u>557,456</u>	<u>2,468</u>	<u>810,674</u>
RESULTS				
Segment results	29,360	19,280	(2,053)	46,587
Unallocated operating income				1,332
Finance costs				(11,769)
Gain on deemed disposal of an associate				14,477
Share of profit from an associate				<u>5,998</u>
Profit before taxation				56,625
Taxation				<u>(3,371)</u>
Profit for the year				<u>53,254</u>

Consolidated balance sheet*At 31 December 2008*

	Computer servers RMB'000	Platform and accessory products RMB'000	Leasing of computer servers RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	471,136	247,049	5,500	723,685
Interest in an associate				29,260
Unallocated corporate and other assets				<u>6,797</u>
Consolidated total assets				<u>759,742</u>
LIABILITIES				
Segment liabilities	86,768	45,831	1,376	133,975
Unallocated corporate and other liabilities				<u>252,293</u>
Consolidated total liabilities				<u>386,268</u>

Other information*For the year ended 31 December 2008*

	Computer servers <i>RMB'000</i>	Platform and accessory products <i>RMB'000</i>	Leasing of computer servers <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Capital additions	70,086	9	190	70,285
Amortisation of deferred development cost	10,603	—	—	10,603
Depreciation of property, plant and equipment	3,002	21	1,528	4,551
Gain on disposal of property, plant and equipment	—	—	(447)	(447)
Written off property, plant and equipment	89	—	—	89
Amortisation of prepaid lease payment	36	—	—	36
Allowance for inventories	654	776	—	1,430
Allowance for bad and doubtful debts	1,170	—	229	1,399
Reversal of bad and doubtful debt	(383)	—	—	(383)

Consolidated income statement*For the year ended 31 December 2007*

	Continuing operations			Discontinued operations		Consolidated <i>RMB'000</i>
	Computer servers <i>RMB'000</i>	Platform and accessory products <i>RMB'000</i>	Leasing of computer servers <i>RMB'000</i>	Total <i>RMB'000</i>	On-line games <i>RMB'000</i>	
TURNOVER	258,644	870,587	8,564	1,137,795	14,221	1,152,016
RESULTS						
Segment results	34,162	22,383	1,168	57,713	7,459	65,172
Unallocated operating income				1,198	2	1,200
Finance costs				(6,940)	—	(6,940)
Gain on disposal of a subsidiary				—	700	700
Share of profit from an associate				1,619	—	1,619
Profit before taxation				53,590	8,161	61,751
Taxation				(3,567)	—	(3,567)
Profit for the year				50,023	8,161	58,184

Consolidated balance sheet*At 31 December 2007*

	Computer servers <i>RMB'000</i>	Platform and accessory products <i>RMB'000</i>	Leasing of computer servers <i>RMB'000</i>	Consolidated <i>RMB'000</i>
ASSETS				
Segment assets	407,083	205,499	11,061	623,643
Investment in an associate				8,785
Unallocated corporate and other assets				<u>21,447</u>
Consolidated total assets				<u><u>653,875</u></u>
LIABILITIES				
Segment liabilities	16,425	138,481	8,996	163,902
Unallocated corporate and other liabilities				<u>167,393</u>
Consolidated total liabilities				<u><u>331,295</u></u>

Other information*For the year ended 31 December 2007*

	Continuing operations			Total <i>RMB'000</i>	Discontinued operations	Consolidated <i>RMB'000</i>
	Computer servers <i>RMB'000</i>	Platform and accessory products <i>RMB'000</i>	Leasing of computer servers <i>RMB'000</i>		On-line games <i>RMB'000</i>	
Capital additions	10,263	—	2,333	12,596	227	12,823
Amortisation of deferred development cost	9,935	—	—	9,935	253	10,188
Depreciation of property, plant and equipment	1,935	23	2,428	4,386	766	5,152
Loss on disposal of property, plant and equipment	—	—	7	7	—	7
Amortisation of prepaid lease payment	36	—	—	36	—	36
Allowance for inventories	1,700	—	—	1,700	—	1,700
Allowance for bad and doubtful debts	<u>2,000</u>	<u>—</u>	<u>—</u>	<u>2,000</u>	<u>—</u>	<u>2,000</u>

Geographical segments

The Group's operations are located in the region of the PRC and Hong Kong. The Group's computer servers and leasing of computer servers division are located in the PRC while the Group's platform and accessory products division is located in the PRC and Hong Kong.

The Group's continuing operations by geographical analysis are as follows:

	Turnover	
	2008	2007
	RMB'000	RMB'000
Geographical market:		
PRC	253,218	267,208
Hong Kong	<u>557,456</u>	<u>870,587</u>
	<u>810,674</u>	<u>1,137,795</u>

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
PRC				
Continuing operations	476,636	352,261	70,276	12,596
Discontinued operations	—	—	—	227
Hong Kong				
Continuing operations	<u>247,049</u>	<u>205,499</u>	<u>9</u>	<u>—</u>
	<u>723,685</u>	<u>557,760</u>	<u>70,285</u>	<u>12,823</u>

4. OTHER OPERATING INCOME

	2008	2007
	RMB'000	RMB'000
Continuing operations		
Government subsidies for technology improvement on servers (<i>Note</i>)	3,651	2,997
Interest income on bank deposits	1,332	1,200
Net exchange gain	13,052	10,765
Gain on disposal of property, plant and equipment	447	—
Reversal of bad and doubtful debts	383	—
Others	<u>1,027</u>	<u>1,112</u>
	19,892	16,074
Discontinued operations		
Others	<u>—</u>	<u>80</u>
	<u>19,892</u>	<u>16,154</u>

Note: Pursuant to the notices issued by the relevant government authorities, the Company was entitled to enjoy subsidies for development of new servers.

5. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings wholly repayable within five years	12,127	6,849	—	—	12,127	6,849
Interest on finance lease	58	—	—	—	58	—
Imputed interest on long term other borrowings	783	91	—	—	783	91
Total borrowing costs	12,968	6,940	—	—	12,968	6,940
Less: amounts capitalised	(1,199)	—	—	—	(1,199)	—
	<u>11,769</u>	<u>6,940</u>	<u>—</u>	<u>—</u>	<u>11,769</u>	<u>6,940</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.47% (2007: Nil) per annum to expenditure on qualifying assets.

6. GAIN ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

On 26 February 2008, three independent third parties had injected RMB83.2 million into the Group's associate, 深圳市中青宝網網絡科技股份有限公司 (formerly known as 深圳市宝德網絡技術有限公司) ("Powerleader Network"), as equity investment. As a result, the Group's equity interests in Powerleader Network have been diluted from 30% to 20.4%.

Gain arising from this deemed disposal of partial investment in Powerleader Network amounted to approximately RMB14,477,000.

7. TAXATION

	2008	2007
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	2,446	3,893
Hong Kong Profits Tax	<u>206</u>	<u>280</u>
	<u>2,652</u>	<u>4,173</u>
Overprovision of current tax in prior year:		
Hong Kong Profits Tax	<u>(4)</u>	<u>—</u>
	<u>2,648</u>	<u>4,173</u>
Deferred tax:		
Current year	<u>723</u>	<u>(606)</u>
	<u>3,371</u>	<u>3,567</u>

The Company being an enterprise established in Shenzhen Special Economic Zone in the PRC, is subject to EIT rate of 18% for the year ended 31 December 2008 (2007: 15%). 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 three subsidiaries which are newly established in the PRC, all other PRC subsidiaries are subject to the EIT rate of 18%.

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 "New Tax 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 would 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. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised and liability is settled.

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, 宝德计算机 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 宝德计算机 for the preferential tax rate.

Following the application of the New Tax Law, the three newly established PRC subsidiaries are subject to the EIT rate of 25%.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

	2008	2007
	RMB'000	RMB'000
Profit before taxation		
Continuing operations	56,625	53,590
Discontinued operations	<u>—</u>	<u>8,161</u>
	<u>56,625</u>	<u>61,751</u>
Tax at EIT rate of 18% (2007: 15%) (<i>Note</i>)	10,193	9,263
Tax effect of income not taxable for tax purpose	(6,117)	(647)
Tax effect of expenses not deductible for tax purpose	3,356	831
Tax effect of tax losses not recognised	79	18
Income tax on concessionary rate	(3,042)	(6,478)
Effect of different tax rate of a subsidiary operating in another jurisdiction	(14)	539
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	—	284
Tax effect of share of profit of an associate	(1,080)	(243)
Others	(4)	<u>—</u>
Taxation for the year	<u>3,371</u>	<u>3,567</u>

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

8. DISCONTINUED OPERATIONS

On 24 September 2007, the Company entered into an agreement to dispose of 69% equity interest in Powerleader Network, which carried out all of the Group's on-line games operations (the "Disposal"). The Board of Directors considered that the Disposal realigns the Group's business focus and resources in other businesses and is in line with the Group's business strategy. The Disposal was completed on 7 December 2007. Following the Disposal, the Company's equity interest in Powerleader Network decreased to 30% and became an associate.

The profit from the discontinued operation is analysed as follows:

	1/1/2007 to 7/12/2007 <i>RMB'000</i>
Profit of on-line games operations for the year/period	7,461
Gain on disposal of on-line games operations	<u>700</u>
	<u><u>8,161</u></u>

The results of the on-line games operations for the period from 1 January 2007 to 7 December 2007, which have been included in the consolidated income statement, were as follows:

	1/1/2007 to 7/12/2007 <i>RMB'000</i>
Turnover	14,221
Cost of sales	<u>(1,500)</u>
Gross profit	12,721
Other operating income	80
Distribution costs	(1,437)
Administrative and other expenses	<u>(3,903)</u>
Profit before taxation	7,461
Taxation	<u>—</u>
Profit for the period	<u><u>7,461</u></u>

In 2007, Powerleader Network generated RMB420,000 from the Group's net operating cash flows, paid RMB341,000 in respect of investing activities and generated RMB350,000 in respect of financing activities.

9. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):						
Total staff costs, including directors' and supervisors' remuneration						
— salaries and other benefits	16,388	16,977	—	1,780	16,388	18,757
— retirement benefit scheme contributions	881	772	—	82	881	854
	17,269	17,749	—	1,862	17,269	19,611
Cost of inventories recognised as expenses	722,855	1,035,546	—	—	722,855	1,035,546
Auditors' remuneration	1,009	880	—	—	1,009	880
Depreciation of property, plant and equipment, net of amount capitalised in deferred development cost of RMB284,000 (2007: RMB347,000)	4,267	4,039	—	766	4,267	4,805
Amortisation of prepaid lease payments	36	36	—	—	36	36
Amortisation of deferred development costs	10,603	10,188	—	—	10,603	10,188
Allowance for inventories	1,430	1,700	—	—	1,430	1,700
Allowance for bad and doubtful debts	1,399	2,000	—	—	1,399	2,000
Reversal of bad and doubtful debts	(383)	—	—	—	(383)	—
(Gain) loss on disposal of property, plant and equipment	(447)	7	—	—	(447)	7
Property, plant and equipment written off	89	—	—	—	89	—
Bad debts written off	173	—	—	—	173	—
Share of tax of an associate	436	—	—	—	436	—

10. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2007: Nil).

11. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the Group's profit attributable to equity holders of the Company for the year ended 31 December 2008 of approximately RMB50,015,000 (2007: RMB52,950,000) and the weighted average number of 2,257,500,000 ordinary shares (2007: 2,257,500,000 ordinary shares) in issue during the year.

Pursuant to the resolutions passed at the Extraordinary General Meeting and the Class Meeting held on 8 October 2007, the Company issued 364,500,000 H shares and 990,000,000 domestic shares to the holders of H shares and domestic shares respectively on the basis of 15 bonus shares for every 10 shares held on 22 October 2007. For the purpose of calculating the basic earning per share attributable to the ordinary equity holders of the Company for the year ended 31 December 2007, the number of shares as increased by the bonus issue is taken for the whole year, regardless of the date in the year when the bonus issue took place.

No diluted earnings per share was presented as there were no diluting events existed during the two years ended 31 December 2008.

From continuing operations

For the year ended 31 December 2008, the calculation of the basic earnings per share attributable to the ordinary equity holders of the Company from continuing operations is based on the Group's profit attributable to equity holders of the Company for the year ended 31 December 2008 of approximately RMB50,015,000 (2007: RMB44,857,000) and the theoretical number of 2,257,500,000 ordinary shares (2007: 2,257,500,000 ordinary shares) in issue during the year.

No diluted earnings per share was presented as there was no diluting events existed from continuing operations during the two years ended 31 December 2008.

From discontinued operations

For the year ended 31 December 2007, the calculation of the basic earnings per share attributable to the ordinary equity holders of the Company from discontinued operations is based on the Group's profit attributable to equity holders of the Company for the year ended 31 December 2007 of approximately RMB8,093,000 and the theoretical number of 2,257,500,000 ordinary shares in issue during the year.

No diluted earnings per share was presented as there were no diluting events from discontinued operations during the year ended 31 December 2007.

12. TRADE AND BILLS RECEIVABLES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade receivables	241,613	234,417
Less: allowance for doubtful debts	<u>(12,754)</u>	<u>(12,255)</u>
	228,859	222,162
Bills receivables	<u>638</u>	<u>18,086</u>
	<u><u>229,497</u></u>	<u><u>240,248</u></u>

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

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	76,061	109,823
1–3 months	38,427	56,936
4–6 months	61,735	36,722
Over 6 months	52,636	18,681
	<u>228,859</u>	<u>222,162</u>

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately RMB64,964,000 (2007: RMB20,910,000) which are past due at the reporting date 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 210 days (2007: 185 days).

Ageing of trade receivables which are past due but not impaired.

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	6,250	—
1–3 months	942	154
4–6 months	6,378	2,075
6 months–1 year	32,533	18,640
1–2 years	20,103	41
	<u>66,206</u>	<u>20,910</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.

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 reporting date. In view of the good settlement repayment history from those largest debtors of the Group, the directors 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

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at beginning of the year	12,255	10,290
Allowance recognised on receivables	1,399	2,000
Amount written off as uncollectable	(517)	(35)
Amount recovered during the year	(383)	—
	<u>12,754</u>	<u>12,255</u>

13. TRADE AND BILLS PAYABLES

The followings is an aged analysis of trade and bills payables at the balance sheet date:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Within 1 month	31,472	93,022
1–3 months	30,987	14,776
4–6 months	2,763	10,672
Over 6 months	9,843	1,345
	75,065	119,815
Bills payables	5,806	964
	80,871	120,779

The average credit period on purchases of goods ranging from 1 to 6 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Domestic shares of RMB0.1 each	660,000,000	66,000
Foreign invested shares (“H shares”) of RMB0.1 each	<u>243,000,000</u>	<u>24,300</u>
Total domestic shares and H shares of RMB0.1 each at 1 January 2007	<u>903,000,000</u>	<u>90,300</u>
Bonus issues		
Domestic shares of RMB0.1 each	990,000,000	99,000
H shares of RMB0.1 each	<u>364,500,000</u>	<u>36,450</u>
	<u>1,354,500,000</u>	<u>135,450</u>
Total domestic shares and H shares of RMB0.1 each at 31 December 2007 and 31 December 2008	<u>2,257,500,000</u>	<u>225,750</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.

Pursuant to the resolutions passed at the Extraordinary General Meeting and the Class Meetings held on 8 October 2007, bonus shares on the basis of 15 bonus shares for every 10 shares held by the shareholders of the Company whose name appear on the register of members of the Company on 8 October 2007 was approved for issue. On 22 October 2007, 364,500,000 H shares have been issued to the then H shares shareholders and, on 17 March 2008, 990,000,000 domestic shares have been issued to the then domestic shares shareholders.

The bonus issue was effected by conversion of share premium, capital reserve and retained profits amounted to RMB35,127,000, RMB229,000 and RMB100,094,000 respectively into paid-in capital.

15. OPERATING LEASES COMMITMENTS

The Group as lessee

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Minimum lease payments in respect of rented premises paid under operating leases during the year	<u>1,942</u>	<u>6,167</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Within one year	989	2,430
In the second to fifth year inclusive	<u>80</u>	<u>698</u>
	<u>1,069</u>	<u>3,128</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 server earned during the year was RMB1,013,000 (2007: RMB4,465,000). Only servers of a subsidiary of the Company are held for rental purposes. They are expected to generate rental yields of 7% on an ongoing basis. All of the servers held for rental purpose have committed tenants for the next 1 year.

At the balance sheet date, the Group had contracted with tenants for the following minimum lease payments:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Within one year	109	2,609
In the second to fifth year inclusive	<u>—</u>	<u>2</u>
	<u>109</u>	<u>2,611</u>

16. COMMITMENTS

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

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Construction-in-progress	<u>40,834</u>	<u>1,331</u>

(b) Other commitment in respect of capital contributions in subsidiaries in respect of:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
深圳市宝德软件有限公司 (“宝德软件”) (Note 1)	4,950	—
宝德滨海科技(天津)有限公司 (“宝德滨海”) (Note 2)	<u>58,875</u>	<u>—</u>
	<u><u>63,825</u></u>	<u><u>—</u></u>

Note 1: 宝德软件 was established in Shenzhen, the PRC, on 11 September 2008. 99% of its equity interests is held by the Company and its registered capital is RMB10,000,000, of which RMB4,950,000 was paid by the Company as at 31 December 2008. 宝德软件 was engaged in software development as at 31 December 2008.

Note 2: 宝德滨海 was established in Tianjin, the PRC, on 1 March 2007. 宝德滨海 is wholly-owned by Powerleader Science & Technology (H.K.) Limited (“Powerleader HK”) and its registered capital is USD13,000,000 (equivalents to RMB88,790,000), of which USD4,380,000 (equivalents to RMB29,915,000) was paid by Powerleader HK as at 31 December 2008. 宝德滨海 was still at its pre-operating stage as at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the financial year ended 31 December 2008, the Group recorded a turnover of approximately RMB810,674,000 and profit attributable to equity holders of the Company of approximately RMB50,015,000 as compared to turnover of approximately RMB1,152,016,000 and profit of approximately RMB52,950,000 for the year ended 31 December 2007, representing a decrease of approximately 30% and 6% respectively. Earning per share is approximately RMB2.22 cents and net assets per share of the Company is approximately RMB0.16.

Turnover

The turnover of the Group for the year ended 31 December 2008 and the comparative figures of 2007 can be classified by categories of the major products as follow:

Turnover by Products

	2008		2007		Change
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Sales of computer servers	250,750	30.9	258,644	22.5	3.1
Sales of platform and accessory products	557,456	68.8	870,587	75.6	36.0
Service income from online games	—	—	14,221	1.2	100.0
Leasing of computer servers	<u>2,468</u>	<u>0.3</u>	<u>8,564</u>	<u>0.7</u>	<u>71.2</u>
Total	<u><u>810,674</u></u>	<u><u>100.0</u></u>	<u><u>1,152,016</u></u>	<u><u>100.0</u></u>	<u><u>29.6</u></u>

The Group's turnover was mainly derived from sales of computer servers and sales of platform and accessory products. With reference to the above table, turnover from sales of computer servers and sales of platform and accessory products for the year ended 31 December 2008 were approximately RMB250,750,000 and RMB557,456,000 (2007: RMB258,644,000 and RMB870,587,000) respectively, representing 30.9% and 68.8% of total sales (2007: 22.5% and 75.6%) respectively. The reduction in sales of computer servers and platform and accessory products was attributable to the severe effect caused by the worldwide financial tsunami, the snowstorm and the earthquake in China occurred in 2008. More business analysis is detailed in the business review.

Gross Profit

	Turnover		Gross profit		Gross profit margin	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
Sales of computer servers	250,750	258,644	53,039	66,501	21.2	25.7
Sales of platform and accessories products	557,456	870,587	33,836	29,528	6.1	3.4
Service income from online games	—	14,221	—	12,721	—	89.5
Leasing of computer servers	2,468	8,564	750	1,515	30.4	17.7
Total	810,674	1,152,016	87,625	110,265	10.8	9.6

The Group's gross profit decreased from approximately RMB110,265,000 for the year ended 31 December 2007 to approximately RMB87,625,000 for the year ended 31 December 2008, representing a decrease of approximately 20.5%.

The Group's overall gross profit margin for the year ended 31 December 2008 was approximately 10.8% as compared to 9.6% for the year ended 31 December 2007. Thanks to the software solution products from platform and accessory products which were able to fetch higher gross profit margins. This would surely help to nullify the effect of the drop in gross profit margin for computer servers.

Other Operating Income

Other operating income mainly included interest income and government subsidies for development of new servers, which amounted to approximately RMB1,332,000 and RMB3,651,000 for the year ended 31 December 2008 respectively, as compared to that of approximately RMB1,200,000 and RMB2,997,000 respectively for the year ended 31 December 2007.

In addition, the Group realised a significant exchange gain of RMB13,052,000 (2007: RMB10,765,000) due to the downward revaluation of USD during the year.

Operating Expenses

The Group's distribution costs, administrative and other expenses for the year ended 31 December 2008 increased by approximately 9% to approximately RMB59,598,000 as compared to that of approximately RMB54,708,000 for the year ended 31 December 2007, which was mainly attributable to the increase in expenses related to the relocation of the Group's operations to Powerleader Industrial Park in Guan Lan, Shenzhen.

Gain on Deemed Disposal of Interest in an Associate

On 24 September 2007, the Company entered into an agreement to dispose of 69% equity interest in a former subsidiary, 深圳市中青宝網網絡科技股份有限公司 (formerly known as 深圳市宝德網絡技術有限公司) ("Powerleader Network"), which carried out all of the Group's on-line games operations (the "Disposal"). The Board of Directors consider that the Disposal realigns the Group's business focus and resources in other businesses and is in line with the Group's business strategy. The Disposal was completed on 7 December 2007. Following completion of the Disposal, the Company's equity interest in Powerleader Network decreased to 30% and Powerleader Network thereby became an associate of the Group.

In February 2008, Powerleader Network has successfully obtained capital injection of RMB83.2 million from independent third parties for further development of its on-line games business. These capital injections have diluted the Group's equity interest in Powerleader Network from 30% to 20.4% ("Deemed Disposal"), resulting in a profit of RMB14,477,000 arising from the Deemed Disposal.

Financial Resources and Working Capital

As at 31 December 2008, the Group had shareholders' funds of approximately RMB361,278,000. Current assets amounted to approximately RMB547,126,000 with ample cash in hand. It mainly comprised of unrestricted bank balances and cash of approximately RMB172,693,000, inventories of approximately RMB88,034,000 and trade and bill receivables of approximately RMB229,497,000. Non-current liabilities included deferred tax liabilities of approximately RMB2,425,000, long-term bank and other borrowings of RMB116,988,000 and minority shareholders' interests of approximately RMB12,196,000. Current liabilities mainly comprised bank and other borrowings of approximately RMB121,863,000 and trade and bill payables of approximately RMB80,871,000.

In light of the harsh economic environment, the Group had to suffer from a longer credit period for its receivables, resulting in an increase in the trade receivable turnover from 61 days in 2007 to 106 days in 2008.

Currency Risk

The Group's purchase was predominantly denominated in USD, which represented approximately 86% of the Group's purchase for the year ended 31 December 2008 (2007: 88%). The Group did not make any arrangement to hedge against its exchange risk in 2008.

Gearing Ratio

As at 31 December 2008, the gearing ratio of the Group was approximately 31.5% (2007: 23.3%). It is defined as the Group's interest-bearing debt over the total assets.

Business Review

Server Business

In 2008, the server industry, on one hand, encountered intensifying market competition while, on the other hand, suffered from the impact of the unfavorable factors like the snow storm disaster in southern region occurred during Chinese New Year, Wenchuan Earthquake and the financial crisis. The outbreak of financial crisis was particularly critical to the perception of international manufacturers towards the PRC market, under which they adopted a strategy to formulate more flexible preferential offers to the PRC market. Irrespective of industry and business, the country were hit by the low-price tactics adopted by the international manufacturers. Powerleader's server business, leveraging on its specialized features, has fully utilized its competitive edges like speedy product development and production on demand so as to survive under such tough challenges in 2008. Both the sales revenue and profit of Powerleader's server business in 2008 have declined when compared with that of 2007.

We have dedicated more effort in product research and development, to which Powerleader Technology Centre was named as "Shenzhen Technology Centre — Municipal Level", denoting the research and development facilities and standard of Powerleader's server have reached a leading position on domestic level. The unveil of a series of "Little Giant" storage servers and "Binary Star" products have further demonstrated the competitive edge of Powerleader's server in terms of production on customer demand and industry development. In respect of general server products, Powerleader successfully developed technology such as fan speed control, new heat-sink simulation and electricity dissipation management, therefore producing server products of leading quality among peers and broke the SPEC dissipation world record once again in 2008. As for high-end products, Powerleader is the first in the PRC to unveil its four-quad server products based on Intel six-core CPU.

In 2008, Powerleader's server has persistently furthered and maintained its established leading position in industries like education, IDC, on-line games, security and HPC while strengthening its effort in exploring into areas like government sourcing shortlist, electricity, 3G and video monitoring. Powerleader is one of the largest domestic supplier of security servers. We launched our cooperation with and providing servers to one of the largest domestic searching website, video website and on-line IM in 2008. Meanwhile, we are also the server supplier for the largest domestic gene analytical trunking system. In 2008, we have strengthened our effort in the research and development of HPC products as well as the integration of total solutions, under which we, through the use of different hardware products, created total solutions based on different application models. As such, we won HPC orders from certain renowned domestic high schools in fields like applied chemistry computing and biological science computing. In respect of the government, we successfully achieved breakthroughs in major fields like labour, social security and public security by leveraging on our competitive products together with the marketing plan in place so as to capture specific industry and end users.

Marketing Promotion

In 2008, Powerleader continued to strengthen its professional image through its leading server products and technology advantages, and at the same time aggressively promoted its strategic cooperation relationship with the major players in the industry including Intel, Microsoft and Novell, thus further strengthened its industry position. In addition, by organizing various strategic customer relations activities, reliance and dependence of partners and customers on our server products have been enhanced.

With respect to the hot events of Beijing Olympic Games, Powerleader promoted its servers by helping to relay the arrival of the Olympic flame on the peak of Mount Everest and to broadcast the Olympic Games live. For the life sciences research, Powerleader servers made significant contributions and applied in 華大基因繪製大熊貓基因圖譜, which again became a social focus. For information transmitting, Powerleader servers broke the world record again and created a new world record for SPECPOWER. Besides, diversified servers kept maintaining a unique position in the industry. Storage servers, Binary Star, module servers and 2U Core 4 Quad servers demonstrated our strength in innovation and research and development.

During the year, Powerleader actively procured the strategic cooperation among the market leaders in the server-related industry, which was widely publicised. Powerleader further cooperated with Intel by establishing the Powerleader-Intel experiencing training centre. Its devotion to cultivate the talents for servers and IT industry aroused the concern of Chinese media, customers and partners. Also, we partnered with Microsoft and invited media and customers to witness impressive events such as pre-installation of genuine server software — Windows Server and the opening of experiencing centre. In addition, Powerleader has also built up strategic partnership with Novell in 2008.

As for customer relations activities, Powerleader promptly delivered new products and corporate development to its partners and customers so as to enhance the loyalty from partners and reliance from customers through the training courses for distributors, industrial seminars, various large exhibitions and VIP gathering like 中國互聯網高峰論壇暨渠道大會 and 2008 HPC meeting. Those activities effectively increased the sales of Powerleader server products and simultaneously laid a solid foundation towards the cooperation in 2009.

Lastly, it should be highlighted that Powerleader Technology Centre commenced its full operation in 2008, which signalled a milestone in the development of Powerleader. Many customers, partners and media were invited to visit Powerleader Technology Centre, through which their understanding of Powerleader was enhanced, and have great confidence towards the future development of Powerleader.

Powerleader Awards in 2008:

- February 2008: Powerleader PR1310D was awarded “Choice of Low-end Server of the Year” (年度低端服務器首選產品) in 2007 by Server Online (《服務器在線》)
- March 2008: Powerleader was awarded “Best Employer in China IT Industry in 2007”(2007年度中國IT行業最佳僱主企業)
- April 2008: Powerleader was awarded “Green Information Centre Outstanding Solutions Provider” (綠色數據中心優秀解決方案提供商)
- June 2008: Powerleader was awarded “Top 100 Guangdong Manufacturing Enterprises” (廣東省製造業100強)
- June 2008: Powerleader was awarded “Top 50 Guangdong-based Listed Companies with Greatest Investment Value” (廣東省最具投資價值上市公司50強)
- June 2008: Powerleader was awarded “Privately-owned Leading Backbone Enterprise in Futian District” (福田區民營領軍骨幹企業)
- July 2008: Powerleader was awarded “Top 100 IT suppliers for the Top 500 Players of the Nation’s IT Industry in 2008” (2008中國電腦商500強之供應商100強)
- October 2008: Powerleader was awarded “The 5th China IT channels Champion Survey the Best Channel Management” (第五屆中國IT渠道冠軍調查優秀渠道管理獎)
- October 2008: Powerleader 1660T was awarded “Green IT Product in 2008–2009” (2008–2009年度綠色IT產品)
- October 2008: Powerleader was credited as “Vice-President Work Unit of Computer Association in Shenzhen City” (深圳市計算機協會副會長單位)
- November 2008: Powerleader 3015S was awarded “Guangdong Enterprises Top 10 Innovative Technology in 2008” (2008廣東省企業創新紀錄十大首創技術獎)
- November 2008: Powerleader was awarded “Guangdong Independent Innovative Outstanding Enterprise in 2008” (2008廣東省自主創新標桿企業)
- November 2008: Powerleader was awarded “Top 500 Global Chinese Merchant High Technology in 2008” (2008全球華商高科技500強)
- November 2008: Powerleader was awarded the certificate of the 7th “Shenzhen Enterprises New Record ” (深圳企業新紀錄)
- December 2008: Powerleader Technology Centre was credited as “Shenzhen Municipal Research and Development Centre” (深圳市市級研究開發中心)
- December 2008: Powerleader was credited as “Shenzhen Internet Most Influential Enterprise in 2008” (2008深圳互聯網最具影響力企業)
- December 2008: Powerleader was awarded “Chinese IT Service Innovation in 2008” (2008年度中國IT服務創新獎)

December 2008: Powerleader PR1660T was awarded “Editors’ Choice” (編輯選擇獎)

January 2009: Powerleader was credited as “Baoan High and New Technology Park Torch Program Statistics Advanced Work Unit in 2008” (寶安高新園區2008年度火炬計劃統計先進單位)

Appendix: Marketing Activities in 2008:

Date	City	Theme
11 January	Beijing	INTEL general modular system press conference
15–17 January	Shenzhen	2007 Game Industry Conference
29 January	Shenyang	Technology Exchange Seminar of Powerleader and Golden Abacus Technology (寶德與金算盤技術交流研討會)
12 March	Guangzhou	Network Technology Seminar (網通技術交流會)
18 March	Xi’an	Experiencing Genuine Products with Powerleader (正版體驗寶德呈現)
22–23 March	Beijing	Chinese Government Sourcing Seminar in 2007
25 March	Shenzhen	INTEL Clearbay Media conference
26 March	Suzhou	Powerleader Distributor Training Meeting
28 March	Shenzhen	Best Employer Awarding Ceremony 2007
7 April	Shenzhen	Contract signing ceremony of Vietnam-China (Shenzhen) Trade and Economic Cooperation Zone
11 April	Hangzhou	Oracle SME Exhibition Tour on Applied Products (Oracle 中小企業應用產品巡展)
15 April	Beijing	Second Green Information Centre Meeting
17 April	Shenzhen	Oracle SME Exhibition Tour on Applied Products (Oracle 中小企業應用產品巡展)
17–18 April	Beijing	China Egov Forum in 2008
22 April	Shanghai	Second Green Information Centre Meeting
22 April	Beijing	Next Generation Data Centre International Summit (下一代數據中心國際峰會)
25 April	Shenzhen	2008 Low Cost IT Application for Enterprises Seminar (2008年企業IT低成本快捷應用研討會)
8 May	Shenzhen	HPC Industry Analysis and Sales Training (HPC行業分析及銷售培訓)

Date	City	Theme
8–9 May	Shenzhen	Dongguan Electricity Industry Seminar (東莞電力行業研討會)
12 May	Shenzhen	Company Visit and Study from the leaders of Heilongjiang Public Security Network Monitoring System (黑龍江公安網監系統領導來公司參觀考察)
15–16 May	Shenzhen	PRC Internet Summit Forum and Meeting (中國互聯網高峰論壇暨管道大會)
29 May	Changsha	Changsha Product Launch and Distributors Training Workshop (長沙平台刀片新品推介會暨經銷商技術培訓會議)
4–7 June	Hefei	HPC Meeting 2008
26 June	Nanchang	Nanchang Product Launch and Distributors Training Workshop (南昌平台刀片新品推介會暨經銷商技術培訓會議)
27 June	Zhengzhou	Zhengzhou Product Launch and Distributors Training Workshop (鄭州平台刀片新品推介會暨經銷商技術培訓會議)
9 July	Shenzhen	Visit of Novell's East Asian Chief Executive Dr. Chang (Novell公司東亞區總裁張博士來訪)
10 July	Shenzhen	Sales Training for Novell Platform Products (Novell平台產品銷售培訓)
16 July	Beijing	Chinacache 10th Anniversary Ceremony (Chinacache十週年盛典)
19–21 July	Zhangjiajie	Hunan Province Computer Association Annual Meeting (湖南省計算機學會年會)
24–27 July	Lushan	Video Website Hardware Optimization Seminar (視頻網站硬件平台優化研討會)
6–8 August	Changsha	Powerleader Changsha Distance Learning Training Workshop (宝德長沙遠程教育培訓會議)
3 September	Shenzhen	The Establishment of Intel-Powerleader Enterprise Solution Joint Training Centre (英特爾 — 宝德企業解決方案聯合培訓中心成立)
9 September	Beijing	華大基因 Anniversary Ceremony
11–13 September	Changchun	The 9th China Changchun Education Exhibition (第九屆中國長春教育展覽會)

Date	City	Theme
11–13 September	Hefei	The 15th National Academic Seminar on Condensed Matter Theory and Statistical Physics (第十五屆全國凝聚態理論與統計物理學術會議)
16–18 September	Dalian	Software Manufacturer Summit (軟件商峰會)
22 September	Shenzhen	Beijing Intel Dunington Press Conference (北京英特爾Dunington發佈會)
23 September	Beijing	Powerleader and Microsoft's Virtual Cooperation and Six Core Server Press Conference (宝德與微軟虛擬化合作暨六核服務器發佈會)
26 September	Chengdu	Powerleader's Partners Training Seminar (clearbay) (宝德合作夥伴培訓交流會 (clearbay))
26–28 September	Xi'an	China Computer Association Sponsorship Meeting (中國計算機學會贊助會議)
10 October	Shenzhen	Company Visit of Key Customers from 北京華大與疾控所 (北京華大與疾控所重點客戶來公司訪問)
9–12 October	Shenzhen	The Fourth Quarter General Meeting and Training (第四季度區總會議及培訓)
12–17 October	Shenzhen	13th "Hi-Tech Products Convention" (第13屆高交會)
23–26 October	Tengchong	INTEL IPDC Summit
28 October	Shenzhen	Powerleader Updates Specpower Press Conference (宝德刷新Specpower新聞發佈會)
31 October	Shenzhen	Powerleader's Partners Training Seminar (clearbay + six core) (宝德合作夥伴培訓交流會 (clearbay + 六核))
5–6 November	Nanjing	2008 National Computer Architecture Academic Meeting (2008年全國計算機體系結構學術會議)
6–7 November	Kunshan	"Green IT • Energy Saving Government" Government Industry Summit (「綠色IT • 節能政府」政府行業高峰研討會)
10–13 November	Beijing	2008 Beijing Water Expo (2008北京水博會)
14 November	Guangzhou	Customer Training Meeting (7 days Inn, Six Core Introduction) (客戶培訓聯誼會議(七天酒店,六核介紹))
16–17 November	Nanning	2008 Plastic Mechanics Seminar (2008全國塑性力學研討會)

Date	City	Theme
18 November	Changsha	Hunan Agricultural University Library Opening Ceremony and Hunan Academic Libraries Chief Librarian Annual Meeting (湖南農業大學圖書館開館典禮及湖南省高校圖書館館長年會)
19 November	Shenzhen	Guan Lan Technology Park Scientific Development Perspective Implementing Meeting (觀瀾科技園落實科學發展觀會議)
22–23 November	Suzhou	Powerleader’s Partners Training Seminar (clearbay + six core) (宝德合作夥伴培訓交流會 (clearbay + six core))
3–4 December	Beijing	Microsoft WinHEC (General Meeting on Windows Hardware Technology)
14–15 December	Taizhou	Taizhou Education and Computerization Promotion Seminar (泰州教育及信息化推廣會)
19–21 December	Haikou	2008 Hainan Province College Computerized Education Seminar — China Education and Scientific Research Network Computer Users Meeting (2008海南省高校教育信息化研討會 — 中國教育與科研計算機網用戶大會)
23 December	Shenzhen	Microsoft Joint Experiencing Centre and Press Conference (微軟聯合體驗中心開幕暨新聞發佈會)

Value-added Distribution Business

Affected by the global financial crisis broken out in the fourth quarter and a shift of operation strategies initiated by the Company, there was a significant decline in operating income of the LCD product line, and as a result, a lower turnover in value-added distribution business as compared to that of the previous year. Nevertheless, all product lines other than LCD managed to maintain steady growth in operating income. This was in particular the case in software solution products, which saw its 2008 turnover and profit increased by more than 50% on the back of greater effort devoted to secure businesses from clients in major sectors like telecom, mobile communication and national tax. Trends of growth has also been maintained in channels and customer numbers of server component products.

CDN and Server Leasing Business

In 2008, with the competition in server network equipment becoming more severe and rapid development of the Internet, a great number of companies were attracted into the IDC market. At the same time, market competition reached white heat level due to the relatively low entry barrier to IDC business, the unregulated administration in telecom bandwidth resources, its uneven resource allocation and a surge in bandwidth price. Therefore, in the second half of 2008, many small players turned away from the IDC business segment or simply closed down, while some larger IDC operators had commenced other “sideline” businesses and value-added businesses (such as CDN). The mode of competition was such that by linking up the CDN points it could expand into the external IDC business, and such expansion would in turn support the development in the CDN business.

A new CDN application system was successfully developed during the year and its operation had already commenced. Without compromising even the smallest interest of customers, we adopted a parallel running of the 2 systems that was operating towards the stable and optimal level of the new system.

With continued upgrade to the CDN network system, the CDN business had been conducted with higher efficiency and stability. The main optimization exercises were as follow:

1. The upgrade of document synchronization of the CDN system that effectively resolves the issue of synchronization of the CDN system.
2. The upgrade of the monitor system of CDN that greatly reduces the rate of system malfunctioning.
3. The upgrade of database system that resolves the bottleneck problem in data storage and retrievals. It also enhances the speed in data storage and retrievals.
4. The upgrade of CDN nodes software that enhances the speed of getting access for clients.
5. The upgrade of distribution function for large-sized document upload that prevents extra workload of redistribution arising from post distribution data losses or incomplete data, thereby saves up the bandwidth resources.

Powerleader Software (深圳市宝德軟件開發有限公司)

Riding on the strength of the Group companies in server's brand building and sales, Powerleader Software had been able to realize swift exploration of resources, swift development process, swift setting up and swift launch of server-related software products to capture market share by utilizing all the available resources. Since its establishment in September 2008, 3 projects had been run under Powerleader Software, among which the CDN network pace-up project was completed at the end of 2008, with other projects being developed on schedule. Development of the navigating and load balancing software was completed in February 2009, and development of Powermail will be completed in May 2009.

On intellectual property rights, the company submitted application for the membership of Shenzhen Software Industry Association (深圳軟件企業行業協會) in November 2008 and was granted with the certificate for membership (《會員單位證書》). The company is currently focusing in obtaining the computer software copyright registration certificate (計算機軟件著作權登記認證), the software enterprise certificate (軟件企業認證) and software product certificate (軟件產品認證) (also known as the "dual software certificates" (雙軟認證)). The computer software copyright registration certificate was to be received at end of February 2009 by general express processing. The software enterprise certificate and CDN software product certificate could be obtained by the end of March, while the preparation work for the submission of patent application was also well underway.

Banking Facilities and Capital Management

2008 proved to be a year of extraordinary development for the PRC and the world economies. During the first half of the year, confronted with global inflationary pressure, the People's Bank of China ("PBOC") had increased 6 successive times the Renminbi deposit reserve ratio for deposit-taking financial institutions totaling 3 percentage points to 17.5% from January to June. As a result, amounts of credit made by commercial banks had been shrunk as they adopted much stricter lending policies. Entering the second half of the year, the real economy of the PRC had been considerably affected by the sub-prime mortgage crisis in the United States of America, which had also caused a significant slowdown in world economic growth. Against this background, from 15 September 2008 to the year end of 2008, PBOC had cut 3 times the deposit reserve ratio to 15.5%. It had also lowered 5 times the lending interest rate for financial institutions, with 1-year financial institutions lending rate being cut from 7.47% to 5.31%.

Notwithstanding the complicated financial and economic situations, the satisfactory progress achieved by the various business segments of the Group had led to a RMB25 million loan facility from Pudong Development Bank, a RMB65 million general credit line from the Bank of China, and a RMB60 million 3-year loan facility from the Construction Bank. In particular, the liquidity made available through the medium to long term loan facilities would allow the Group to adjust its financing structure to a greater effect and to be more well prepared in dealing with the uncertainties in the economic circumstances in 2009.

Furthermore, Industrial Bank had granted an additional RMB10 million in bank promissory trade bill facility to its existing line, and Shenzhen Development Bank had granted an additional RMB20 million in commercial promissory trade bill facility to its existing line. This, in conjunction with the Group's internal management rationalization commenced in 2008 and the reinforcement in cash flow and credit management for all product modules, had enabled a shorter capital utilization cycle and helped to effectively reduce the cost of funding of the Group.

Government Support

From a pragmatic standpoint, the Group actively responded to initiatives by government departments at various levels and by various civil organizations in 2008; took advantage of platforms provided by various government units and civil organizations in gaining social recognition; raised the publicity of the Group to a larger extent; promoted more widely the brand effect; and enhanced greatly the competitiveness of its products in the market. As of the end of December 2008, the Group had received numerous highly acclaimed awards from the community as shown in the following table:

Awards received by the Company in 2008

Names of honours and qualifications	Awarding institutions
World Top 500 Chinese High Technology Companies 2008 (2008全球華商高科技500強)	World Eminence Chinese Business Association (世界傑出華商協會)
Top 100 Guangdong Manufacturing Enterprises (廣東省製造企業100強)	Guangdong Association of Enterprises (廣東省企業聯合會), Association of Entrepreneurs (企業家協會)

Names of honours and qualifications	Awarding institutions
Top 50 Guangdong-based Listed Companies with Greatest Investment Value (廣東省最具投資價值上市公司50強)	Guangdong Association of Enterprises, Association of Entrepreneurs
Guangdong Record Breaking Award (廣東省創新記錄獎)	Guangdong Association of Enterprises, Association of Entrepreneurs
Guangdong Outstanding Enterprise in Independent Innovation (廣東省自主創新標桿企業)	Guangdong Association of Enterprises, Association of Entrepreneurs
Prestigious Trademark of Guangdong Province (廣東省著名商標)	Guangdong Provincial Administration for Industry and Commerce (廣東省工商行政管理局)
Shenzhen Product from Independent Innovation (深圳市自主創新產品)	Shenzhen Technology and Information Bureau (深圳市科技與信息局)
Leading Projects in Shenzhen 2009 (2009年深圳市重大項目)	Shenzhen Development and Reform Bureau (深圳市發改局)
Golden Prize in the 7th Shenzhen Enterprise Record Breaking Awards (第七屆「深圳企業新紀錄金獎」)	Shenzhen Enterprise New Records Organizing Committee (深圳市企業新紀錄組織委員會)
Municipal Technology Centre (市級技術中心)	Shenzhen Trade and Industry Bureau (深圳市貿工局)
Green Manufacturing Enterprise of Shenzhen (深圳市清潔生產企業)	Shenzhen Trade and Industry Bureau
Futian District Privately-owned Leading Backbone Enterprise (福田區民營領軍骨幹企業)	Shenzhen Futian District People's Government (深圳市福田區人民政府)
Chief Enterprise in Futian District (福田區總部企業)	Shenzhen Futian District People's Government
Prestigious Brand of Shenzhen (深圳市知名品牌)	Shenzhen Famous Brands Evaluation Committee (深圳市知名品牌評價委員會)

Note: The 7 records achieved by the Group in connection with the Golden Prize in the 7th Shenzhen Enterprise Record Breaking Awards were: the only Asia-Pacific dedicated manufacturer joining the global Itanium Solutions Alliance; the World first enterprise to launch the “green standard” Binary Star U double mother board server; a new world record in SPEC web 2005 for persistent connections per second; First ranking in the PRC in releases of innovative technology and application products in domestic server industry; First ranking in sales of rack servers among domestic servers for 6 successive years; First ranking in domestic sales of Itanium mini-servers for 5 successive years; the only PRC manufacturer of 8–32 Itanium high-end servers.

Government Subsidies

During 2008, the Group obtained interest-bearing loans, subsidies for research and development, and other subsidies from government organizations of various levels, which included the Ministry of Commerce, Shenzhen Science and Technology Bureau, Shenzhen Bureau of Trade and Industry, Shenzhen SME Service Centre (深圳市中小企業服務中心) and also Futian District Science and Technology Bureau (福田區科技局), etc. It is expected that such grants will aggregate to RMB16,490,000 in which RMB14,600,000 would be allocated to 宝德科技 while 宝德計算機 would obtain the remaining RMB1,890,000.

In June 2008, the Group was credited by the Futian District People's Government (福田區人民政府) as "Privately-owned Leading Backbone Enterprise" (民營領軍骨幹企業) and "Chief Enterprise" (總部企業) in Futian District. Being the leading privately-owned enterprise in Futian District, the Group would enjoy financial supports and subsidy policies from Futian District headquarter.

In December 2008, the Shenzhen Bureau of Trade and Industry recognized the Group's technology centre as "Shenzhen Municipal Enterprise Technology Centre" (深圳市級企業技術中心) by approving grants amounted to RMB3,000,000, which was beneficial to the technology innovation of the Group.

In 2008, the Group created a remarkable achievement in technology innovation and as a result, it secured subsidies for research and development from government organizations of various levels. Meanwhile, the Group was granted 6 patents, relevant allowance and honors such as "Guangdong Independent Innovative Outstanding Enterprise" etc.

In 2008, the Group received substantial supports and assistance from government departments of various levels. It also developed friendly relations with different social communities and earned their great favors and help.

Human Resources

Recruitment exercises

1. In 2008, the management had timely communicated with departments that employed workforce in order to understand their manpower requirement. Consequently, a recruitment plan with greater recruiting effort had been implemented. This included a multi-channel recruitment method combining on-line recruitment, on-site recruitment and head-hunting agencies.
2. The Group had posted a total of 400 vacancies during the whole year and 389 of them were filled, with a vacancy fill rate of 97%. 266 of the recruited staff remained in the positions after the initial period of employment, thus the newly recruited staff stability ratio was 71%. The recruitment served to establish a complete team of staff from the lowest level workers to management staff for the newly formed companies within the Group.
3. Among the newly recruited staff, there were one doctor degree holder, 11 graduates with master degrees, 259 undergraduates, and 73 with tertiary education background. A majority of the newly recruited staff were undergraduates, the number was 24% higher than that of 2007, indicating a considerable improvement in overall manpower quality and academic qualification mix.

Training programmes

1. Two major intensive training programmes for new staff had been organized, which formed the preliminary training process and structure of the Group. The new staff train-up rate was above 95% for the headquarter.
2. Course development
 - (1) In view of the fact that the newly recruited staff comprised mostly fresh graduates from schools, the Group had developed new courses such as “proper manner in business world”, “time management”, “awareness in confidentiality”, “fire safety” etc.
3. Internal training
 - (1) Five internal training courses, namely “the manager’s sword”, “communication skills over phone”, “customer communication skills”, “sales management” and “medium-to-high level management skills enhancement” had been conducted by external institutions.
 - (2) One training session for fire safety knowledge and fire drill had been organized.
 - (3) One Internet training session on “effective communication” had been held through on-line audio-visual medium.
 - (4) A team of internal trainers had been initially set up.

Tianjin Investment Project

The Tianjin Airport project of the Group are running smoothly. According to the project’s actual progress, completion is expected to take place in October 2009 and Tianjin Airport will be ready to use at the end of the same year. Currently, basic foundation works for piling, tangent pile and waterproofing curtain, etc. have been finished. Foundation testing (pressure resistant and anti-bomb experiment) was completed at the end of February.

Outlook

Server Business

The economic outlook for 2009 is gloomy and hardly optimistic, with numerous uncertainties lying ahead. Yet, following the implementation of the State’s RMB4 trillion investment programme, the domestic server market is still expected to register a 9% growth. As its first step in 2009, Powerleader will complete the development of a full range of new generation servers based on INTEL QPI rack, so as to secure the market leading position and competitiveness of its products. Thereafter, it shall strive to further reduce the cost of production and enhance its products’ reliability and competitiveness with the successful R&D and applications of its server case, spreading server backplane, storage control, cluster power consumption management software, HPC clustering software and navigation software, all of which will be developed with self-owned intellectual property rights. It will continue to explore opportunities for new growth in sectors where Powerleader enjoys an advantage through the building up and optimization of its country-wide industry development team, and also through its extra marketing effort in such areas which are the major investment spots of the State. As to marketing and promotion, greater emphasis will be placed on Powerleader Group’s

independent innovation capacity and integrated strength, and further collaboration with the Internet media sector will be pursued. Steps will be taken to improve operation efficiency and management quality through the progressive implementation of information system building and rationalization of internal management on the foundation of enhanced functions in OA, CRM, Call Centre and Sales Management System. With the above measures being implemented and the concerted effort from our staff, we believe that Powerleader's server business will perform at a level well above industrial average in 2009.

Value-added Distribution Business

Benefited from the consumption stimulus policies of the Central Government and "Home Appliances Subsidy Policy for Rural Villages", it is expected that the LCD business will recover very soon and achieve resumption growth. Internet solutions production line will continue to enlarge its involvement in big fields like communication, mobile communication, national tax and other public industries and further enhance turnover and the level of operating profits. The production line of server's accessories will continue to explore new business channels and new customers so as to further strengthen the core competition ability, and achieve stable growth in sales. We will also continue to search for suitable value-added distribution products and create our core competition advantages, so as to establish ourselves as a leading company in value-added distribution field of specific IT products.

CDN Business

The Group is currently working on the launch of its environmental-friendly, energy saving, high density new generation data centre, which include liaison with several telecom-class design houses like INTEL in the projects. It targets to complete this next generation data centre which embodies cloud computing platform, SAAS platform, environmental-friendly energy saving platform within 2009.

Powerleader Software

In 2009, Powerleader Software will remain its focus in developing new products for the server industry and enhance the server software and internet solutions abilities of the Group as a whole by relying on the Group's advantage in server industry. The opening projects includes IDC generator room management software, security server, disaster back up, online supervision management software, storage zipping, group management software, data storage management, server backup and recovery, security city supervision and channel express etc.

We will further develop the explored projects more deeply to provide more value-added services for customers and bring greater profits to the Company. For example, our next mission after we have finished phase I of network speed acceleration project is to make innovation on this base, considering the integration of PSP skill and considering the business of the provision of data mining and pop-up advertisements of ultimate users for customers etc.

Through the exploration of various projects, we have chosen a prospective project as the leading development of Powerleader Software, establishing its own sales team and forming its own brand.

Baoding (宝鼎)

To further enhance the competitiveness of the server products and to reduce the cost of component server cases, a subsidiary of the Group, Shenzhen Baoding Communication Equipments Company Limited (深圳市宝鼎通讯设备有限公司) was planned to establish. This marked the first step of setting up a sheet metal fabrication plant focusing in manufacture of server cases. The planned capacity of this sheet metal fabrication plant is 50,000 server cases per annum. The plant will be located at first floor, workshop no.1, Guanlan Research and Development Production Base (觀瀾研發生產基地) of the Group. The required investment on production machinery and equipments is approximately RMB4 million. It is intended to recruit around 30–40 workers for the operation of the plant.

Following the commencement of the plant's operation, cost on server cases can be lowered, with greater flexibility in product customization for customers and shorter response time, thus enhancing the strength in market competition of the server products.

Bank Financing and Capital Management

In 2009, the Group will further integrate the resources from different cooperating banks to provide sufficient funds for business development. Through optimisation of business operations, we will further shorten the capital utilization cycles and lift up the capital utilisation efficiency. On the basis of sufficient funds required for business development, we will make use of existing bank products so as to utilize the funds flexibly, and reduce finance cost. We will also adjust the structure of bank facilities appropriately so as to satisfy the needs of medium to long term development.

Human Resources

The human resources department will focus on building up the core strength and competing edge of the group through the effort dedicated to human resources management in 2009. On the human resources development and management system, we will establish the “4 pillars”, “4 mechanisms”, and “6 systems”.

Powerleader will consistently devote to the better performance on work of talent identification, usage, cultivation and retention. On picking up talents, a model in competency assessment will be in place that serves to provide useful reference in selection of the right person to a job. In cultivation aspect, a career development-based training system will be established to meet the strategic requirements of the enterprise in future. The system should be able to consistently cultivate employees so that they will be equipped with the enterprise core abilities as well as staff professional capacity, thereby integrating the ends of nurturing talents for the enterprise's strategic needs and resolving problems and “short slab” encountered by staff in actual day-to-day work, greatly removing the risks of wastefulness and rigidity in training. On usage of talents, it is intended that a performance management system based on KPI core benchmark will be established. The system will control and manipulate the operation efficiency and results of the organization through a range of management measures. In the aspect of retaining talents, it is planned to put in place a remuneration system based on performance and capability. The basis for such remuneration system will be a recruitment qualification system and a salary points system. The system will generate the mechanism as to how to determine salary level, bonus and adjustment in benefits of the staff.

In 2009, We shall work tirelessly to develop a human resources management system that will suit best to the Powerleader Group so as to further optimize and enhance the efficiency of our management system.

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

As at 31 December 2008, the interests or short positions of the directors, 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 were as follows:

(a) Shares of the Company

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

Note: Mr. Li Ruijie ("Mr. Li") is the husband of Ms. Zhang Yunxia ("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*)

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%
Mr. Dong	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 (Note 2)	2,500,000	25%
Ms. Zhang (Note 2)	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 2008, none of the directors, 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 2008, 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 or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the Directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

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 2008, the Directors 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.

Long positions in Domestic Shares

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 18%
- five largest customers combined 33%

Purchase

- the largest supplier 39%
- five largest supplies combined 78%

None of the Directors, supervisors, their associates or any shareholder of the Company (which to the knowledge of the Directors 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, 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 2008.

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. Yim Hing Wah. During the year, the Committee held four meetings for the purpose of reviewing the annual report of 2007 and the three quarterly reports of 2008. In addition, the Committee has also reviewed the annual results for the year ended 31 December 2008 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.

CLOSURE OF H SHARE REGISTER

The H share register of shareholders of the Company will be closed from 20 April 2009 to 20 May 2009 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming annual general meeting of the Company to be held on 20 May 2009, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 April 2009.

AUDITORS

SHINEWING (HK) CPA Limited has acted as auditor of the Company for the three years ended 31 December 2008. 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, 24 March 2009

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. Yim Hing Wah as independent non-executive directors.

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