



深圳宝德科技集团股份有限公司

(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)

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2009**

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

\* For identification purposes only

## FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) is pleased to announce that the unaudited results of the Group for the three months ended 31 March 2009 (“Three Months Period”) together with comparative unaudited figures for the corresponding period in 2008 are as follows:

### Condensed consolidated income statement

	<i>Note</i>	<b>Three months ended 31 March</b>	
		<b>2009</b>	<b>2008</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover	3	<b>115,808</b>	288,644
Cost of sales		<u><b>(97,192)</b></u>	<u>(268,080)</u>
Gross profit		<b>18,616</b>	20,564
Other operating income	4	<b>2,315</b>	981
Distribution costs		<b>(5,007)</b>	(4,655)
Administrative and other expenses		<u><b>(7,614)</b></u>	<u>(9,532)</u>
Operating profit		<b>8,310</b>	7,358
Finance costs		<b>(2,307)</b>	(858)
Gain on deemed disposal of interest in an associate	6	—	14,477
Share of profit from an associate		<u><b>1,810</b></u>	<u>2,152</u>
Profit before taxation		<b>7,813</b>	23,129
Taxation	5	<u><b>(1,108)</b></u>	<u>(654)</u>
Profit for the period		<u><b>6,705</b></u>	<u>22,475</u>
Attributable to			
Equity holder of the Company		<b>5,939</b>	22,109
Minority shareholders		<u><b>766</b></u>	<u>366</u>
		<u><b>6,705</b></u>	<u>22,475</u>
Dividend	7	<u>—</u>	<u>—</u>
Earnings per share — Basic	8	<u><b>RMB0.26 cent</b></u>	<u>RMB0.98 cent</u>

Notes:

## 1. General

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

The Group operates in the region of PRC and Hong Kong and is engaged in the design, manufacture and sales of computer servers, sales and distribution of platform and accessories products and leasing of computer servers.

## 2. Principal accounting policies

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

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 31 March 2009 are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31 December 2008.

## 3. Turnover

Turnover represents the amounts received and receivable for services provided and goods sold, net of returns and allowances. Turnover recognised for the three months ended 31 March 2009 together with comparative unaudited figures for the period in 2008 are as follows:

	For the three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Computer servers and related products	45,984	47,792
Platform and accessory products	69,348	239,310
Leasing of computer servers	476	1,542
	<u>115,808</u>	<u>288,644</u>

## 4. Other operating income

	For the three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government subsidies for technology improvement on servers	745	—
Interest income from bank deposits	82	562
Exchange gain	807	—
Sundry income	681	419
	<u>2,315</u>	<u>981</u>

## 5. Taxation

	For the three months ended 31 March	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
PRC income tax	569	804
Hong Kong profits tax	<u>150</u>	<u>268</u>
	719	1,072
Deferred tax	<u>389</u>	<u>(418)</u>
	<u><b>1,108</b></u>	<u><b>654</b></u>

The Company being an enterprise established in Shenzhen Special Economic Zone in the PRC, is subject to EIT rate of 20% for the assessment year 2009 (2008: 18%). In accordance with the relevant rules and regulations in the PRC, except for 深圳市寶德計算機系統有限公司 (“寶德計算機”) and three subsidiaries which are newly established in the PRC, all other PRC subsidiaries are subject to the EIT rate of 20%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC for unified tax rate arrangements among different types of the PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1 January 2008. The State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, there will be a transitional period of five years for the Company and its PRC subsidiaries whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22%, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively. 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, 寶德計算機 is qualified as a production enterprise and entitles to EIT exemption for the years 2005 and 2006 and a 50% reduction in EIT for the years from 2007 to 2009. The application of the New Tax Law has not altered the entitlement of 寶德計算機.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the Three Months Period (three months ended 31 March 2008: 16.5%).

## 6. Gain on deemed disposal of interest in an associate

On 26 February 2008, three independent third parties had injected RMB83,200,000 into the Group's associate, 深圳市中青寶網網絡科技股份有限公司 (“寶網”), as equity investment. As a result, the Group's equity interests in 寶網 have been diluted from 30% to 20.4%.

The gain arising from the deemed disposal of partial investments in 寶網 is approximately RMB14,477,000.

## 7. Dividend

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

## 8. Earnings per share

The calculation of the basic 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 of approximately RMB5,939,000 (three months ended 31 March 2008: approximately RMB22,109,000) and the weighted average number of 2,257,500,000 ordinary shares (2007: 2,257,500,000 ordinary shares) in issue during the period.

No diluted earnings per share was presented as there were no diluting events existed during the Three Months Period and the three months ended 31 March 2008.

## 9. Share capital

	As at 31 March 2009 <i>Number of Shares</i>	As at 31 December 2008 <i>Number of Shares</i>	As at 31 March 2009 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>
<b>Authorised, issued and fully paid</b>				
Domestic shares of RMB0.1 each	1,650,000,000	1,650,000,000	165,000	165,000
H Shares of RMB0.1 each	<u>607,500,000</u>	<u>607,500,000</u>	<u>60,750</u>	<u>60,750</u>
	<u><u>2,257,500,000</u></u>	<u><u>2,257,500,000</u></u>	<u><u>225,750</u></u>	<u><u>225,750</u></u>

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

## 10. Reserves

	Statutory surplus reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2008	29,956	55,557	11,317	96,830
Profit for the period	<u>—</u>	<u>22,109</u>	<u>366</u>	<u>22,475</u>
As at 31 March 2008	<u>29,956</u>	<u>77,666</u>	<u>11,683</u>	<u>119,305</u>
As at 1 January 2009	34,887	100,641	12,196	147,724
Profit for the period	<u>—</u>	<u>5,939</u>	<u>766</u>	<u>6,705</u>
As at 31 March 2009	<u>34,887</u>	<u>106,580</u>	<u>12,962</u>	<u>154,429</u>

## 11. Comparative figures

Certain comparative figures had been reclassified in conformity with the presentation of the unaudited condensed consolidated results for the Three Months Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

Turnover of the Group for the Three Months Period was approximately RMB115,808,000, decreased significantly by 59.9% as compared to the same period in 2008. The decrease in turnover was mainly attributable to the substantial decline of 71% in sales of platform and accessory products which are the Group's principal business.

Consolidated gross profit margin of the Group for the Three Months Period was approximately 16.1%, representing a considerable increase compared to that of approximately 7.1% for the same period in 2008. The increase in gross profit margin was mainly effected from the success in exploring new customer base and the launch of new products.

In view of the effective control in costs and operating expenses by management, the Group's distribution costs and administrative and other expense decreased by 11% to RMB12,621,000 as compared to the same period of last year.

### **Server Business**

During the first quarter of 2009, market conditions were hampered by the drop in demand caused by the financial crisis as well as the keen competition within the industry. Powerleader leveraged on its established markets in IPDC, HPC, operation partners, government and education so as to fully capitalize its advantages in direct sales and flexible production and to further its communication and collaboration with partners, resulting in productions made on demand and it thereby achieved significant progress in sectors like digital television, call centre and security. During the first quarter, the Company broadened its research in respect of the demand from IPDC customers and launched diversified complex servers to meet their usage requirements, while bulk orders were received from major domestic IPDC customers. Meanwhile, the Company had capitalized on the State's policy for supporting innovative domestic products by participating in tender of the government education projects. Moreover, an industry solution centre for six major sectors like IPDC, video monitoring, electricity, medical, education and government was established in order to speed up the promotion of Powerleader's products in each of the above sectors, with an aim to seek for more market opportunities. Profit margin was effectively lifted up by the exploration of users from additional sectors and the launch of new products, despite the fact that turnover of Powerleader's server business in the first quarter of 2009 experienced a small reduction over the corresponding period of last year.

### **Marketing**

In 2009, with the leadership and guidance of the group companies, Powerleader's server business, amid current economic depression, took the role of a challenger and launched the "Dragon Tiger Program" under the mottos of "Mythical Dragon Over the Four Seas" and "Seizing Food From a Tiger's Mouth", which place emphasis on initiating and strengthening our efforts in the market.

During the first quarter, Powerleader's server business continued to strengthen its strategic and product collaboration with industry leading manufacturers. Full co-operation was reached with Novell in respect of Linux server operation system. Nvidia joined forces with us in developing personal desktop supercomputers that enabled us to be the first to unveil the GPU based personal supercomputer products in the PRC. All these raised the eyebrows of the domestic media and customers to the extent that various media made extensive and detailed coverage of such moves.

To further improve the promotion in industry market divisions, we sponsored and participated in the World Meteorological Day and Meteorological Technology Innovation Forum Meeting, actively invited leaders from different municipal governments and procurement centres to visit Powerleader. All these moves effectively encouraged customers from industry market divisions to know more about Powerleader and established trust in us.



## **Honors:**

- 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)
- January 2009 : Powerleader was awarded “China Game Industry Outstanding Service Provider in 2008” (2008年度中國遊戲產業優秀服務商)
- January 2009 : Powerleader’s high density and energy saving server was awarded the certificate for the “Product of Independent Innovation in Shenzhen” (深圳市自主創新產品認定證書)
- January 2009 : Powerleader’s brand was credited as “Prestigious Brand of Shenzhen” (深圳市知名品牌)
- February 2009 : Powerleader PR1660T was awarded the “Channel Latest Product in 2008” (2008年度渠道最新產品)
- February 2009 : Powerleader’s products PR2510D/PR2710DT were awarded the certificate for the “Product of Independent Innovation in Shenzhen” (深圳市自主創新產品認定證書)
- March 2009 : Powerleader was awarded the certificate for the “State New and High Technology Enterprise” (國家級高新技術企業)

## **Value-added Distribution Business**

During the first quarter, the overall turnover of the value-added distribution business was adversely affected by the LCD business and declined significantly over the same period of the previous year. This was mainly attributable to the severe scarcity of the supply of panels from Chi Mei Factory, resulting in an incapability to cater for the needs of the customers. Despite the fact that the global economy was affected by the financial crisis, Intel value-added distribution business still attained considerably good results. Its sales increased approximately 10% over the same period of the previous year, while the gross profit margin also achieved a noticeable increase. The server components product line continued to maintain its growth in number of channels and customers.

## **CDN Business**

The global CDN market grew rapidly in 2008 and so did Asia’s CDN market. Annual growth rates in CDN income of Korea, Japan and China were all higher than that of the United States. Domestic CDN service providers were equipped with stronger competitiveness. The CDN business continued the growing momentum from last year in the first quarter in 2009.

With the effort spent in the first quarter, we made remarkable advance in CDN technology as compared to last year. According to the survey from government website, the Company has become one of the top 5 CDN providers in China. The growth of existing CDN business is driven by the on-line game industry and we have approached 50% of the gaming companies advertising on the industry websites.

## **Software Business**

From establishment to the present, Powerleader Software had already come through the initial preparation and start-up phase within a relatively short time. During the first quarter, it completed research and development work of 6 major projects (load balancing, firewall, VOIP, CDN, navigating software and data excavation) and generated revenue from joint venture projects. Following the arrival of the newly-appointed sales director, the company has

organized and set up its marketing and distribution system, and a sales team comprising 6 members include sale, technical and business personnel had been formed in late April. It had also commenced preliminary planning in marketing and sales activities, as well as the design of the team structure for overall operation. So far, it had completed the initial work for commercialization of load balancing and firewall, which included products' colour promotional brochures and standardized technical supporting documents. As at the end of the first quarter, Powerleader Software had been awarded with accreditations for six software products and had substantially attained break-even financial results in the operation.

### **宝德電子 (Powerleader Electronic)**

The principal activities of Powerleader Electronic during the first quarter focused in the completion of operation framework, establishment of board research centre, sales and production departments, as well as recruitment of management staff, hiring and training of production personnel, production lines planning, and purchase of equipment. During the first quarter, it had completed the preparation work for netbook project and LCD television project. It had also released its own branded high-capacity SSD product.

### **宝鼎機械**

The principal tasks for 宝鼎機械 in the first quarter were the purchase, installation and testing of equipment, recruitment and training of employees, together with the trial operation so as to prepare for the commencement of the plant operation in the second quarter. In the first quarter, RMB2.1 million has been invested in equipment for an annual production capacity of 50,000 server cases.

### **天津空港北方銷售總部 (Tianjin Airport Northern Sales Headquarters)**

During the first quarter, construction work for Powerleader Technology Square Northern Headquarters Sales Centre (宝德科技廣場北方 (總部) 銷售中心) located at Tianjin Airport had commenced. Basic foundation and underground waterproofing works had completed. Excavation of foundation pits had commenced, and construction work of the foundation slab at first level of basement was in progress. Application for the grant of Construction Work Permit, Construction Land Planning Permit and Construction Work Planning Permit had been made.

### **Capital Management**

In the first quarter of 2009, although the domestic economic situation was still complicated, credit scale of each bank increased rapidly under the guidance of proactive fiscal policy and moderate monetary policy. The Company took the initiative to adjust its credit structure (such as reporting the new additional liquidity loan of \$70,000,000 from Bank of China) and bank loan structure, which provided funds to support the Company's long-term development.

In addition to exploring the external financing channels, the Company further regulated the usage of internal funds; shortened the period of funds used in the business models; improved the efficiency of fund usage and reduced the finance costs.

In the first quarter of 2009, the Company has commenced the financing arrangements of \$55,000,000 for the Tianjin Airport Northern Sales Headquarters, which are currently making good progress.



Since the CPI and PPI decreased by 0.6% and 4.6% respectively in the first quarter on a year-on-year basis, it is expected that the moderate monetary policy will continue to be adopted and the Company will further adjust its credit structure accordingly.

## Government Affairs

Being affected by the financial crisis, the Group fully utilized the existing resources and capitalized on the government policies; increased its efforts in the application of government projects fund and awards; and completed 16 applications of government projects in the first quarter of 2009. At the same time, the Group participated in the discussion on legislation of the industrial policies and local laws of Shenzhen. Certain advices made by us were accepted and adopted by the authority.

- On 19 January 2009, the Group was awarded “Shenzhen Top Brand (深圳知名品牌)” by Shenzhen Top Brand Nomination Council (深圳知名品牌評價委員會).
- On 21 January 2009, the “Server complementary related cards cases production line techniques improvement (服務器配套板卡機箱生產線技術改造)” of Powerleader passed the assessment of Shenzhen Bureau of Trade and Industry and was listed in Shenzhen Enterprises Technique Improvement Project (深圳市企業技術改造項目) and entitled to enjoy interest subsidies for technology improvement project loans.
- On 24 January 2009, the high density energy saving server of Powerleader was recognized by the Independent Innovation Products of Shenzhen (深圳市自主創新產品) and was listed in Shenzhen Government Purchasing List (深圳市政府採購產品目錄).
- In February 2009, “INTEL-Powerleader Joint R&D Centre (INTEL-宝德聯合研發中心)” has been approved by the Major Facilities Office of Shenzhen Development and Reform Bureau and been officially incorporated in the 2009 Projects for the Important Constructions (2009年度重大建設項目).
- In February 2009, the revised 2009 Catalogue for Shenzhen Industrial Structure Optimisation Adjustment and Industry Guide (《深圳市產業結構調整優化和產業導向目錄(2009年)》) has been issued formally and Powerleader’s energy-saving high-efficiency storage server has been included in the recycling economy catalogue for the encouraged items.
- In March 2009, the Company took part in the discussion on the legislation of the Regulation on Promotion and Development of Shenzhen Small and Medium Enterprises (《深圳市中小企業發展促進條例》) and a number of opinions have been highly valued by different departments such as the Trade and Industry Committee (經工委) of the Shenzhen Municipal People’s Congress, Shenzhen Legislative Affairs Office and Shenzhen Small and Medium Enterprises Service Bureau.
- In March 2009, the Company participated in the Shenzhen Municipal Hundred Persons Investigation and Research Service Activity (深圳市政府百人調研服務活動) and a number of suggested recommendations have been included in its project report.

## **OUTLOOK**

### **Server Business**

For the second quarter of 2009, the Company will remain focus in customized and differentiated development of its servers; further enhance the competitive edge of generic products by opportunities arising from the change of INTEL QPI structure; implement the plans of industry development projects; and realize further cooperation with customers in the industry. Also, the Company will explore new customers and gain further market share by making use of the special features of NEHALEM products. The Company will speed up the introduction of technology, products research and development, as well as industry promotion and marketing. In view of Powerleader's greater involvement in the analysis and promotion of the industry and increasing domestic demand in the second quarter, the server business in the second quarter and subsequent periods is expected to achieve more than 15% year-on-year growth on the basis of 10% growth in the first quarter of 2009. In addition, it is expected to achieve more than 30% increase in profit.

### **Value-added Distribution Business**

Effects from global financial crisis will create a tough scene for the second quarter. As supply from Chi Mei Panel improves, it is expected that LCD business will grow faster in the second quarter. We will continue the expansion of the solutions production line by introducing new competitive products to further enhance turnover and the level of operating profits. Exploration of new customers for the product line of server accessories will continue so as to advance the core competitiveness and the profit margin of the Company. We will also keep searching 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**

We will make use of our CDN technological platform in Q2. This will be a turning point in the pursue of income and profit growth in CDN business. The new technological platform is of great importance in statistical perspective for the development of CDN business. Besides, sales network will be further expanded in several major cities of the game segment, such as Beijing and Shanghai so as to step up the development of CDN business. It is believed that CDN business will make a big stride in Q2 and Q3.

### **Software Business**

We will, through our previously accumulated experience in research and development, market, product and user groups, speed up our product development. We will launch our load balancing and firewall products to the market, further enhance the maturity and fame of our products and continue to perfect our organization structure and internal control management in respect of research and development, marketing and sales. Meanwhile, more processing effort will be put in key software projects like CDN, server navigation, HPC and data excavation. Since software projects are of high value, our research and development team will dedicate to the research of core technologies, with the aim of realizing high value-added benefits. "Not advancing means taking a step backward" is the characteristic for both the software technology and industry. In light of this, our pre-research department, together with our research and development group for website operation, will conduct marketing research and develop rapid product models in respect of e-commerce, intellectual properties, video

monitoring to explore different business areas. Software project is a business model of high risk and rich profit, the stable development of which in the early stage will have tight control over its expenditure and lower its risks. Maintaining the overall operation at break-even level will allow products to generate profit in a shorter span of time from faster product promotion, and at the same time our solid foundation in technologies will be laid. Software project is then just a cost duplication at the advanced stage. Under the leadership of the Group the business operation will rapidly penetrate the domestic market and generate fruitful return.

#### **宝德电子 (Powerleader Electronic)**

Powerleader Electronic is in the process of selecting and purchasing bulk production facilities that are expected to be in place in the second and third quarters, upon which production capacity will be formed.

#### **宝鼎机械**

In the second quarter, we will continue our progress in production perfection; establish a centre for server case design, research and development; supplement with mould production facilities in order to generate independent development capability for component server cases. Pursuant to the server business development plan, it is intended to produce a total of 2,000–3,000 server cases for various models in the second quarter.

#### **天津空港北方銷售總部 (Tianjin Airport Northern Sales Headquarters)**

In the second quarter, the construction for the main building of Powerleader Technology Square Northern Headquarters Sales Centre is expected to complete eight levels of the main building.

#### **The Group's associated company**

The Group's associated company, 深圳市中青寶網網絡科技股份有限公司 (“Powerleader Network”) is in the process of preparing documentations in relation to application for the listing of A shares in the PRC. Recently, China Securities Regulatory Commission and the Shenzhen Stock Exchange have respectively issued comprehensive documents such as relevant administrative measures and listing rules for the Growth Enterprise Market. It signified that the establishment of the Growth Enterprise Market of the PRC has officially entered the commencement stage. Leveraging on its “new economy” business model with self-initiated innovation capability and satisfactory revenue growth, it is the ambition of Powerleader Network to become one of the first IPO issuers on the Growth Enterprise Market and also the first domestic company from the online game industry with its A shares to be listed on a stock exchange. As the second largest shareholder of Powerleader Network, the Group would also enjoy a share in the benefits derived from the successful listing of Powerleader Network's shares.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 March 2009, the interests or short positions of the directors and supervisors of the Company in the shares and debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules notified to the Company and the Stock Exchange relating to securities transactions were as follows:

### (a) Shares of the Company

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

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

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

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

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

### (c) Shares in an associated corporation — 深圳市宝腾互聯科技有限公司 (*Note 1*)

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

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

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

Save as disclosed above, as at 31 March 2009, none of the directors or supervisors of the Company had any interests or short positions in any shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions.

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

As at 31 March 2009, the Company or any of the subsidiaries was not a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporates, and none of the directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## **SHARE OPTION SCHEME**

Up to 31 March 2009, the Company has not adopted any share option scheme and did not grant any option.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, as at 31 March 2009, the Directors are not aware of any other interests and short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

### **Long positions in Domestic Shares**

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

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



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

None of the Directors, initial management shareholders or any of their respective associates (as defined in GEM Listing Rules) 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 March 2009.

## **THE CODE OF CORPORATE GOVERNANCE PRACTICES**

The Company had complied, throughout the three months ended 31 March 2009, with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of the Stock Exchange of Hong Kong Limited.

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

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

## **AUDIT COMMITTEE**

The Company 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, 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. The Group’s financial statements for the Three Months Period have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

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

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

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

Shenzhen, PRC, 14 May 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.*