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深圳宝德科技集团股份有限公司
POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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 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 purpose only

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

| | Notes | 2009 RMB'000 | 2008 RMB'000 |
|---|-------|--------------------------|--------------------------|
| Turnover | (3) | 802,373 | 810,674 |
| Cost of sales | | <u>(721,486)</u> | <u>(723,049)</u> |
| Gross profit | | 80,887 | 87,625 |
| Other operating income | (4) | 29,218 | 19,892 |
| Distribution costs | | (25,932) | (26,016) |
| Administrative and other expenses | | (37,314) | (33,582) |
| Finance costs | (5) | (17,442) | (11,769) |
| Gain on deemed disposal of interest in an associate | (6) | — | 14,477 |
| Share of profit from an associate | | <u>7,765</u> | <u>5,998</u> |
| Profit before taxation | | 37,182 | 56,625 |
| Taxation | (7) | <u>(7,467)</u> | <u>(3,371)</u> |
| Profit for the year and total comprehensive income for the year | (8) | <u><u>29,715</u></u> | <u><u>53,254</u></u> |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 27,550 | 50,015 |
| Minority interests | | <u>2,165</u> | <u>3,239</u> |
| | | <u><u>29,715</u></u> | <u><u>53,254</u></u> |
| Earnings per share | (10) | | |
| Basic and diluted | | <u><u>1.22 cents</u></u> | <u><u>2.22 cents</u></u> |

Consolidated Statement of Financial Position

As at 31 December 2009

| | Notes | 2009 RMB'000 | 2008 RMB'000 |
|---|-------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | | 228,490 | 146,240 |
| Prepaid lease payments | | 1,554 | 1,590 |
| Deferred development costs | | 35,907 | 29,637 |
| Interest in an associate | | 34,730 | 29,260 |
| Available-for-sale investment | | 5,000 | 5,000 |
| Prepayment for acquisition of buildings | | 1,870 | — |
| Deferred tax assets | | — | 889 |
| | | <u>307,551</u> | <u>212,616</u> |
| Current assets | | | |
| Prepaid lease payments | | 36 | 36 |
| Inventories | | 103,794 | 88,034 |
| Finance lease receivables | | 173 | 114 |
| Amount due from a related company | | 3,194 | 1,831 |
| Amount due from an associate | | 467 | 356 |
| Amount due from a shareholder | | 77 | 504 |
| Trade and bills receivables | (11) | 327,440 | 229,497 |
| Other receivables, deposits and prepayments | | 89,467 | 39,536 |
| Pledged bank deposits | | 94,023 | 3,249 |
| Restricted bank balances | | 28,816 | 11,276 |
| Bank balances and cash | | 204,028 | 172,693 |
| | | <u>851,515</u> | <u>547,126</u> |
| Current liabilities | | | |
| Trade and bills payables | (12) | 190,875 | 80,871 |
| Other payables and accrued charges | | 35,652 | 47,196 |
| Receipts in advance | | 6,932 | 8,093 |
| Tax payable | | 12,330 | 8,042 |
| Bank and other borrowings | | | |
| — due within one year | | 383,382 | 121,863 |
| Obligation under a finance lease | | | |
| — due within one year | | 349 | 317 |
| | | <u>629,520</u> | <u>266,382</u> |
| Net current assets | | <u>221,995</u> | <u>280,744</u> |
| | | <u>529,546</u> | <u>493,360</u> |

| | <i>Notes</i> | 2009 RMB'000 | 2008 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| Capital and reserves | | | |
| Share capital | (13) | 225,750 | 225,750 |
| Reserves | | <u>167,878</u> | <u>135,528</u> |
| Equity attributable to owners of the Company | | <u>393,628</u> | <u>361,278</u> |
| Minority interests | | <u>15,701</u> | <u>12,196</u> |
| Total equity | | <u>409,329</u> | <u>373,474</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 4,220 | 2,425 |
| Bank and other borrowings | | | |
| — due after one year | | 115,873 | 116,988 |
| Obligation under a finance lease | | | |
| — due after one year | | <u>124</u> | <u>473</u> |
| | | <u>120,217</u> | <u>119,886</u> |
| | | <u>529,546</u> | <u>493,360</u> |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

| | Attributable to owners of the Company | | | | | Minority interests RMB'000 | Total RMB'000 |
|---|---------------------------------------|--------------------------------------|-----------------------------|----------------------|---------------|-------------------------------|------------------|
| | Share capital RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | Sub-total RMB'000 | | | |
| 1 January 2008 | 225,750 | 29,956 | 55,557 | 311,263 | 11,317 | 322,580 | |
| Total comprehensive income 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 and 1 January 2009 | 225,750 | 34,887 | 100,641 | 361,278 | 12,196 | 373,474 | |
| Total comprehensive income for the year | — | — | 27,550 | 27,550 | 2,165 | 29,715 | |
| Appropriation | — | 3,591 | (3,591) | — | — | — | |
| Capital contributed by minority shareholders of subsidiaries | — | — | — | — | 140 | 140 | |
| Deemed capital contributed by minority shareholders of a subsidiary | — | — | 4,800 | 4,800 | 1,200 | 6,000 | |
| At 31 December 2009 | <u>225,750</u> | <u>38,478</u> | <u>129,400</u> | <u>393,628</u> | <u>15,701</u> | <u>409,329</u> | |

Notes to the Financial Statements

For the year ended 31 December 2009

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

| | |
|--|---|
| Hong Kong Accounting Standard (“HKAS”) 1 (Revised 2007) | Presentation of Financial Statements |
| HKAS 23 (Revised 2007) | Borrowing Costs |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) — Interpretations (“INT”) 9 & HKAS 39 (Amendments) | Embedded Derivatives |
| HK(IFRIC) — INT 13 | Customer Loyalty Programmes |
| HK(IFRIC) — INT 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC) — INT 16 | Hedges of a Net Investment in a Foreign Operation |
| HK(IFRIC) — INT 18 | Transfers of Assets from Customers |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 |

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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

| | |
|--------------------------------|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹ |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 ² |
| HKAS 24 (Revised) | Related Party Disclosures ⁵ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ¹ |
| HKAS 32 (Amendment) | Classification of Rights Issues ⁴ |
| HKAS 39 (Amendment) | Eligible Hedged Items ¹ |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters ³ |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶ |
| HKFRS 1 (Revised) | First-time Adoption of HKFRSs ¹ |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions ³ |
| HKFRS 3 (Revised) | Business Combinations ¹ |
| HKFRS 9 | Financial Instruments ⁷ |
| HK(IFRIC) — INT 14 (Amendment) | Prepayments of a Minimum Funding Requirement ⁵ |
| HK(IFRIC) — INT 17 | Distribution of Non-cash Assets to Owners ¹ |
| HK(IFRIC) — INT 19 | Extinguishing Financial Liabilities with Equity Instruments ⁶ |

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

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2011.

⁶ Effective for annual periods beginning on or after 1 July 2010.

⁷ Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of 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.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. The chief operating decision maker of the Group has been identified as the Chief Executive.

The Group is currently organised its operations into three (2008: three) reportable segments — server system solutions, value-added platform and related components agency distribution and leasing of servers and network value-added business. The principal activities of the reportable segments are as follows:

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

Segment revenues and results

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

For the year ended 31 December 2009

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

For the year ended 31 December 2008

| | Server system solutions <i>RMB'000</i> | Value-added platform and related components agency distribution <i>RMB'000</i> | Leasing of servers and network value- added business <i>RMB'000</i> | Consolidated <i>RMB'000</i> |
|---|---|--|---|--------------------------------|
| TURNOVER | <u>250,750</u> | <u>557,456</u> | <u>2,468</u> | <u>810,674</u> |
| Segment profit (loss) | <u>16,308</u> | <u>19,280</u> | <u>(2,053)</u> | <u>33,535</u> |
| Finance costs | | | | (11,769) |
| Gain on deemed disposal of an associate | | | | 14,477 |
| Share of profit from an associate | | | | 5,998 |
| Net exchange gains | | | | 13,052 |
| Unallocated interest income | | | | <u>1,332</u> |
| Profit before taxation | | | | <u>56,625</u> |

Segment profit represents the profit earned by each segment without allocation of share of profit from an associate, investment income, net exchange gains and finance costs. This is the measure reported to the Chief Executive for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

| Segment assets | 31/12/2009 <i>RMB'000</i> | 31/12/2008 <i>RMB'000</i> |
|---|------------------------------|------------------------------|
| Server system solutions | 478,830 | 328,382 |
| Value-added platform and related components agency distribution | 313,970 | 209,162 |
| Leasing of servers and network value-added business | <u>4,142</u> | <u>5,162</u> |
| Total segment assets | 796,942 | 542,706 |
| Unallocated | <u>362,124</u> | <u>217,036</u> |
| Consolidated assets | <u>1,159,066</u> | <u>759,742</u> |
| Segment liabilities | 31/12/2009 | 31/12/2008 |

| | <i>RMB'000</i> | <i>RMB'000</i> |
|---|----------------|----------------|
| Server system solutions | 136,750 | 86,768 |
| Value-added platform and related components agency distribution | 78,784 | 45,831 |
| Leasing of servers and network value-added business | 533 | 1,376 |
| | <hr/> | <hr/> |
| Total segment liabilities | 216,067 | 133,975 |
| Unallocated | 533,670 | 252,293 |
| | <hr/> | <hr/> |
| Consolidated liabilities | 749,737 | 386,268 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

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

Other segment information

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

For the year ended 31 December 2009

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

For the year ended 31 December 2008

| | Server system solutions <i>RMB'000</i> | Value-added platform and related components agency distribution <i>RMB'000</i> | Leasing of servers and network value- added business <i>RMB'000</i> | Consolidated <i>RMB'000</i> |
|--|---|--|---|--------------------------------|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Additions to non-current assets | 86,519 | 9 | 190 | 86,718 |
| Amortisation of deferred development costs | 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 payments | 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 | <u>(383)</u> | <u>—</u> | <u>—</u> | <u>(383)</u> |

Geographical information

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

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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|----------------------|-------------------------------|------------------------|
| Geographical market: | | |
| PRC | 742,536 | 759,516 |
| Hong Kong | 53,597 | 50,940 |
| Others | <u>6,240</u> | <u>218</u> |
| | <u>802,373</u> | <u>810,674</u> |

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

Information about major customers

There was no customer of the corresponding years contributing over 10% of the total sales of the Group.

4. OTHER OPERATING INCOME

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Government subsidies for technology improvement on servers and development of new technologies (<i>Note a</i>) | 7,939 | 3,651 |
| Interest income on bank deposits, net of amount capitalised in construction in progress RMB15,000 (2008: Nil) | 1,750 | 1,332 |
| Net exchange gain | — | 13,052 |
| Value added tax (“VAT”) refunds (<i>Note b</i>) | 2,066 | — |
| Gain on disposal of property, plant and equipment | — | 447 |
| Reversal of bad and doubtful debt | 7,558 | 383 |
| Reversal of allowance for inventories | 5,738 | — |
| Fair value gain on financial assets held for trading | 517 | — |
| Others | <u>3,650</u> | <u>1,027</u> |
| | <u><u>29,218</u></u> | <u><u>19,892</u></u> |

Notes:

- (a) Pursuant to the notices issued by the relevant government authorities, the Company was entitled to enjoy subsidies for development of new servers and other new technologies.
- (b) VAT refunds represent the refund of VAT charged on qualified sales of software products by the PRC Tax bureau.

5. FINANCE COSTS

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Interest on bank and other borrowings wholly repayable within five years | 16,528 | 12,127 |
| Interest on finance lease | 62 | 58 |
| Imputed interest on long-term other borrowings | <u>1,134</u> | <u>783</u> |
| Total borrowing costs | 17,724 | 12,968 |
| Less: amounts capitalised | <u>(282)</u> | <u>(1,199)</u> |
| | <u><u>17,442</u></u> | <u><u>11,769</u></u> |

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, 深圳市中青寶網網絡科技股份有限公司 (“Powerleader Network”), as equity investment. As a result, the Group's equity interest in Powerleader Network was 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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current tax: | | |
| PRC Enterprise Income Tax (“EIT”) | 4,709 | 2,446 |
| Hong Kong Profits Tax | <u>74</u> | <u>206</u> |
| | <u>4,783</u> | <u>2,652</u> |
| Over-provision of current tax in prior years: | | |
| Hong Kong Profits Tax | <u>—</u> | <u>(4)</u> |
| | <u>4,783</u> | <u>2,648</u> |
| Deferred tax | | |
| Current year | 2,792 | 723 |
| Attributable to a change in tax rate | <u>(108)</u> | <u>—</u> |
| | <u>7,467</u> | <u>3,371</u> |

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was recognised as High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2009 and is subject to EIT rate of 15% for the year ended 31 December 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 深圳市寶德軟件發展有限公司 (“寶德軟件”), all other PRC subsidiaries are subject to the EIT rate of 25% (2008: 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 “EIT Law”). The State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, there will be a transitional period of five years for the Company and its PRC subsidiaries whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22 %, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively.

Pursuant to an approval document “Shen Guo Shui Fu Jian Mian 2005 No. 237” dated 22 September 2005 issued by the State Tax Bureau of Futian District, Shenzhen, 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 EIT Law has not altered the entitlement of 寶德計算機. 寶德計算機 was recognised as High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2008. 寶德計算機 the income tax rate of 10% is applied for the year ended 31 December 2009 (2008: 9%).

Pursuant to an approval document “深國稅寶觀減免備案[2009 4號]” dated 11 May 2009 issued by the State Tax Bureau of Futian District, Shenzhen, 寶德軟件 is qualified as a software enterprise and entitles to EIT exemption for the years 2009 and 2010 and a 50% reduction in EIT for the years from 2011 to 2013. The application of the EIT Law has not altered the entitlement of 寶德軟件.

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

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

| | 2009 | 2008 |
|--|----------------------|---------------|
| | RMB'000 | RMB'000 |
| Profit before taxation | <u>37,182</u> | <u>56,625</u> |
| Tax at EIT rate of 15% (2008: 18%) (<i>Note</i>) | 5,577 | 10,193 |
| Tax effect of income not taxable for tax purpose | (74) | (6,117) |
| Tax effect of expenses not deductible for tax purpose | 854 | 3,356 |
| Tax effect of tax losses not recognised | 2,841 | 79 |
| Income tax on concessionary rate | (451) | (3,042) |
| Effect of different tax rate of a subsidiary operating in other jurisdiction | (7) | (14) |
| Effect of changing in tax rate | (108) | — |
| Tax effect of share of profit from an associate | (1,165) | (1,080) |
| Over-provision in respect of prior year | <u>—</u> | <u>(4)</u> |
| Taxation for the year | <u>7,467</u> | <u>3,371</u> |

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

8. PROFIT FOR THE YEAR

| | Consolidated | |
|--|---------------------|------------|
| | 2009 | 2008 |
| | RMB'000 | RMB'000 |
| Profit for the year has been arrived at after charging (crediting): | | |
| Total staff costs, including directors' and supervisors' emoluments | | |
| — salaries and other benefits, net of amount capitalised in deferred development cost of RMB2,468,000 (2008: RMB2,070,000) | 16,817 | 14,318 |
| — retirement benefits scheme contributions, net of amount capitalised in deferred development cost of RMB108,000 (2008: RMB139,000) | <u>1,118</u> | <u>742</u> |
| | 17,935 | 15,060 |
| Cost of inventories recognised as expenses | 721,058 | 722,855 |
| Research and development cost recognised as expenses | 803 | — |
| Auditor's remuneration | 774 | 783 |
| Depreciation of property, plant and equipment, net of amount capitalised in deferred development cost of RMB226,000 (2008: RMB284,000) | 5,056 | 4,267 |
| Amortisation of prepaid lease payments | 36 | 36 |
| Amortisation of deferred development costs | 11,590 | 10,603 |
| Allowance for inventories (included in administrative expenses) | 19 | 1,430 |
| Allowance for bad and doubtful debts (included in administrative expenses) | 47 | 1,399 |
| Loss on disposal of property, plant and equipment | 883 | — |
| Written off property, plant and equipment | — | 89 |
| Bad debts written off | 478 | 173 |
| Net exchange loss | 1,350 | — |
| Share of tax of an associate | <u>612</u> | <u>436</u> |

9. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to the owners of the Company of approximately RMB27,550,000 (2008: RMB50,015,000) and the weighted average number of ordinary shares of 2,257,500,000 (2008: 2,257,500,000) in issue during the year.

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

11. TRADE AND BILLS RECEIVABLES

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Trade receivables | 256,153 | 241,613 |
| Less: allowance for doubtful debts | <u>(5,243)</u> | <u>(12,754)</u> |
| | 250,910 | 228,859 |
| Bills receivables | 1,523 | 638 |
| Discounted bills receivables | <u>75,007</u> | <u>—</u> |
| | <u><u>327,440</u></u> | <u><u>229,497</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, presented based on the invoice date, at the reporting date:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Within 1 month | 102,314 | 76,061 |
| 1–3 months | 44,219 | 38,427 |
| 4–6 months | 55,872 | 61,735 |
| Over 6 months | <u>48,505</u> | <u>52,636</u> |
| | <u><u>250,910</u></u> | <u><u>228,859</u></u> |

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately RMB97,963,000 (2008: RMB66,206,000) 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 180 days (2008: 210 days).

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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 1 month | 16,585 | 6,250 |
| 1–3 months | 40,279 | 942 |
| 4–6 months | 21,814 | 6,378 |
| 6 months–1 year | 13,881 | 32,533 |
| 1–2 years | <u>5,404</u> | <u>20,103</u> |
| | <u><u>97,963</u></u> | <u><u>66,206</u></u> |

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

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the 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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|-------------------------------------|-------------------------------|------------------------|
| Balance at beginning of the year | 12,754 | 12,255 |
| Allowance recognised on receivables | 47 | 1,399 |
| Amount written off as uncollectible | — | (517) |
| Amount recovered during the year | <u>(7,558)</u> | <u>(383)</u> |
| Balance at end of the year | <u>5,243</u> | <u>12,754</u> |

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB5,243,000 (2008: RMB12,754,000) which have been in financial difficulties.

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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|-----|-------------------------------|------------------------|
| USD | <u>214,842</u> | <u>154,017</u> |

12. TRADE AND BILLS PAYABLES

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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| Within 1 month | 87,987 | 31,472 |
| 1–3 months | 46,271 | 30,987 |
| 4–6 months | 3,791 | 2,763 |
| Over 6 months | <u>2,826</u> | <u>9,843</u> |
| | 140,875 | 75,065 |
| Bills payables | <u>50,000</u> | <u>5,806</u> |
| | <u>190,875</u> | <u>80,871</u> |

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.

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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|------|-------------------------------|------------------------|
| USD | 62,199 | 62,526 |
| HKD | — | 774 |
| Euro | <u>—</u> | <u>383</u> |

13. SHARE CAPITAL

| | <i>Number of shares</i> | <i>RMB'000</i> |
|---|-----------------------------|-----------------------|
| Domestic shares of RMB 0.1 each | 1,650,000,000 | 165,000 |
| Foreign invested shares (“H shares”) of RMB0.1 each | <u>607,500,000</u> | <u>60,750</u> |
| Total domestic shares and H shares of RMB0.1 each at 31 December 2008 and 31 December 2009 | <u><u>2,257,500,000</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.

14. OPERATING LEASES COMMITMENTS

The Group as lessee

| | 2009 | 2008 |
|---|---------------------|---------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Minimum lease payments in respect of rented premises paid under operating leases during the year | <u><u>1,888</u></u> | <u><u>1,942</u></u> |

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

| | 2009 | 2008 |
|---------------------------------------|---------------------|---------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within one year | 1,321 | 989 |
| In the second to fifth year inclusive | <u>552</u> | <u>80</u> |
| | <u><u>1,873</u></u> | <u><u>1,069</u></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 servers earned during the year was approximately RMB88,000 (2008: RMB1,013,000). Only servers of a subsidiary of the Company are held for rental purposes. They are expected to generate rental yields of 7% (2008: 7%) on an ongoing basis. All of the servers held for rental purpose have committed tenants for the next 1 year.

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

| | 2009 | 2008 |
|-----------------|------------------|-------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within one year | <u><u>11</u></u> | <u><u>109</u></u> |

15. COMMITMENTS

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

| | 2009 | 2008 |
|--------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Construction-in-progress | <u>6,276</u> | <u>40,834</u> |

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

| | 2009 | 2008 |
|------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 寶德軟件 (<i>Note 1</i>) | — | 4,950 |
| 寶德濱海 (<i>Note 2</i>) | <u>—</u> | <u>58,875</u> |
| | <u>—</u> | <u>63,825</u> |

Note 1: 寶德軟件 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 (2008: RMB5,000,000), of which RMB9,900,000 (2008: RMB4,950,000) was paid by the Company as at 31 December 2009. 寶德軟件 was engaged in software development for trading in 2009.

Note 2: 寶德濱海 was established in Tianjin, the PRC, on 1 March 2007. 寶德濱海 is wholly-owned by Powerleader HK and its registered capital is USD13,000,000 (equivalent to RMB88,673,000), of which USD13,000,000 (equivalent to RMB88,673,000) (2008: USD4,380,000, equivalent to RMB29,915,000) was paid by Powerleader HK as at 31 December 2009. 寶德濱海 was still at its pre-operating stage as at 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the financial year ended 31 December 2009, the Group recorded a turnover of approximately RMB802,373,000 and profit attributable to equity holders of the Company of approximately RMB27,550,000 as compared to turnover and profit attributable to equity holders of approximately RMB810,674,000 and approximately RMB50,015,000 respectively for the year ended 31 December 2008, representing a decrease of approximately 1% and 45% respectively. Earning per share is approximately RMB1.22 cents (2008: RMB2.22 cents) and net assets per share of the Company is approximately RMB0.17 (2008: RMB0.16).

Turnover

The turnover of the Group for the year ended 31 December 2009 and the comparative figures of 2008 can be classified by business as follows:

| | 2009 | | 2008 | | Change |
|---|-----------------------|-------------------|----------------|------------|---------------|
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | % |
| Turnover by business | | | | | |
| Server system solutions | 273,768 | 34.1 | 250,750 | 30.9 | 9.2 |
| Value-added platform and related components agency distribution | 527,016 | 65.7 | 557,456 | 68.8 | (5.5) |
| Leasing of servers and network value-added business | <u>1,589</u> | <u>0.2</u> | <u>2,468</u> | <u>0.3</u> | <u>(35.6)</u> |
| Total | <u>802,373</u> | <u>100</u> | <u>810,674</u> | <u>100</u> | <u>(1.0)</u> |

The Group's sales were mainly derived from server system solutions and value-added platform and related components agency distribution. With reference to the table above, for the year ended 31 December 2009, turnover from server system solutions and value-added platform and related components agency distribution business amounted to approximately RMB273,768,000 and RMB527,016,000 respectively (2008: RMB250,750,000 and RMB557,456,000), accounting for 34.1% and 65.7% of total sales respectively (2008: 30.9% and 68.8%). Sales of server system solutions rose. On the contrary, sales of value-added platform and related components agency distribution business dropped marginally. More business analysis is detailed in the "Business Review" section below.

Gross Profit

| | Turnover | | Gross profit | | Gross profit margin | |
|---|----------------|---------|---------------|---------|---------------------|------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | % | % |
| Turnover by business | | | | | | |
| Server system solutions | 273,768 | 250,750 | 56,432 | 53,039 | 20.6 | 21.2 |
| Value-added platform and related components agency distribution | 527,016 | 557,456 | 24,479 | 33,836 | 4.6 | 6.1 |
| Leasing of servers and network value-added business | 1,589 | 2,468 | (24) | 750 | (1.5) | 30.4 |
| Total | 802,373 | 810,674 | 80,887 | 87,625 | 10.0 | 10.8 |

The Group's gross profit decreased from approximately RMB87,625,000 for the year ended 31 December 2008 to approximately RMB80,887,000 for the year ended 31 December 2009, representing a decrease of approximately 7.7%.

The Group's overall gross profit margin fell from approximately 10.8% for the year ended 31 December 2008 to 10.0% for the year ended 31 December 2009. Under furious competition within the industry, gross profit of both the server system solutions and the value-added platform and related components agency distribution business showed a diminishing trend.

Other Operating Income

Other operating income mainly included government subsidies for technology improvement on servers and recovery of bad and doubtful debts, which amounted to approximately RMB7,939,000 and RMB7,558,000 for the year ended 31 December 2009 respectively, as compared to that of approximately RMB3,651,000 and RMB383,000 respectively for the year ended 31 December 2008. In addition, due to the devaluation of USD in 2008, the Group realized a significant exchange gain of approximately RMB13,052,000, whereas the Group did not have such significant exchange gain in 2009.

Operating Expenses

The Group's distribution costs, administrative and other expenses for the year ended 31 December 2009 have increased by 6.1% to approximately RMB63,246,000 as compared to that of approximately RMB59,598,000 for the year ended 31 December 2008. This was mainly attributable to the increase in number of employees of the Group and the rise in wages and salaries.

Financial Resources and Working Capital

As at 31 December 2009, the Group had shareholders' funds of approximately RMB393,628,000 (2008: RMB361,278,000). Current assets amounted to approximately RMB851,515,000 (2008: RMB547,126,000) with ample cash in hand. It mainly comprised of unrestricted bank balances and cash of approximately RMB204,028,000 (2008: RMB172,693,000), inventories of approximately RMB103,794,000 (2008: RMB88,034,000)

and trade and bill receivables of approximately RMB327,440,000 (2008: RMB229,497,000). Non-current liabilities included deferred tax liabilities of approximately RMB4,220,000 (2008: RMB2,425,000), long-term bank and other borrowings of RMB115,873,000 (2008: RMB116,988,000) and minority shareholders' interests of approximately RMB15,701,000 (2008: RMB12,196,000). Current liabilities mainly comprised bank and other borrowings of approximately RMB383,382,000 (2008: RMB121,863,000) and trade and bill payables of approximately RMB190,875,000 (2008: RMB80,871,000).

Currency Risk

The Group's purchase was predominantly denominated in USD, which represented approximately 87% of the Group's purchase for the year ended 31 December 2009 (2008: 86%). In 2009, the Group circumvented its foreign exchange risk through non-deliverable forward operations.

Gearing Ratio

As at 31 December 2009, the gearing ratio of the Group was approximately 43.1% (2008: 31.5%). It is defined as the Group's interest-bearing debts over the total assets.

Business Review

Over years of development, PowerLeader Technology Group has emerged as the dominant server solutions supplier in China, and has gradually formed three major business systems:

Server System Solution Business: Currently, the Group is ranked at the forefront of domestically-produced server solutions suppliers. Its products cover general-purpose servers, industrial control servers, high-performance servers and storage systems. The Company has complete servers and related solutions including servers navigation systems, HPC management systems, virtualization and cloud computing. Solutions for a variety of industries including IPDC, security, monitoring, education, government, health care, taxation, transportation and energy have been developed by the Company, and have been successfully applied to many industry-leading clients. At the same time, the Group has independent R&D capabilities in the aspects of chips, server motherboards, functional boards, server architecture parts, cases and cabinets. In addition, server software (such as systems like business data excavation software, Internet video services key technology, firewall software, load-balancing software), as a kind of solutions value-added business, will become new business development modules of the Company, so as to create broader spaces for the development of overall server solutions.

Value-added Platform and Related Components Agency Distribution Business: agency distribution of server CPU, motherboards, cases, memory, Fujitsu storage, LCD monitors and related software.

Leasing of Servers and Network Value-added Business: leasing of servers, development and operation of CDN network value-added services, IDC and cloud computing centre.

Server System Solution Business

Hardware aspects

In 2009, despite the fact that server market demand was increasing steadily, competition amongst industry peers has become increasingly ferocious. While international manufacturers were placing more weight on the domestic market, domestic manufacturers were also using

their own resources to compete for their market shares in the server sector. Armed with IPDC, HPC, partners, government and education conventional markets, the Company gave full play to advantages of two-pronged direct selling and flexible customization. We have built up tight communication ties and close cooperation relationship with our partners, and develop a key-customer support program. We offer customized products and customized services according to market demand and customers' needs. Significant progress was made in industries including digital TV, video surveillance, network security, transportation and military.

In 2009, the Company conducted more thorough study into IPDC customers' demand to introduce differentiated multi-node servers, low-power high-volume servers and customized feature servers, thereby securing sizable orders from important domestic IPDC clients. In the HPC industry, we integrated the upstream application software resources and rolled out overall solutions that meet specific application requirements of HPC. Widespread recognition was received from a host of colleges, universities and national laboratory users. To actively capture opportunities arising from the state's supportive policy for self-innovative domestic products, we participated in the government's education tendering and bidding projects. An important breakthrough has been made in the spectrums of health, national tax, cultural sharing and social security sector. Meanwhile, channel programs were introduced to reinforce our resources expansion into second and third tier markets. We set up solutions centers for seven industry sectors including IPDC, HPC, video surveillance, electricity, health care, education and government so as to speed up the promotion of PowerLeader products in the aforesaid industries in order to seek for more market opportunities. Through intensive market penetration, together with expansion of new industry users and introduction of brand new products, our market share was enhanced.

In early 2009, with the roll out of new products under Intel Xeon 5500 series, server products under Powerleader series were also upgraded, thus embracing us with new market opportunities. The most important marketing task of Powerleader in 2009 was to tap into new and existing markets with those new products under Xeon 5500-based servers.

Upon a first-mover grand release of new products under Xeon 5500 series on 2 April 2009, Powerleader has organized large-scale online and offline media promotional activities to highlight distinctive strengths of those new products, and is well positioned to uplift its leading position and product advantages in the server market.

In industries such as government, education, IPDC, HPC as well as regional markets throughout the nation, Powerleader has organized and launched special technology exchange activities for new products in order to introduce technological advantages of new products under Powerleader Xeon 5500 series to a number of important partners, thereby effectively promoting Powerleader's influence amongst customers in the industry and regional markets, and hence, enhancing the customers' confidence in the procurement and product replacement.

Throughout 2009, with a new product-focused marketing in place, 寶德服務器 has greatly fostered the development of its overall marketing sales, and has laid a solid foundation for further market development of 寶德服務器 in 2010.

Software aspects

In 2009, 宝德軟件 (“Powerleader Software”) demonstrated astounding development, and completed R&D for six major projects (load balancing, firewalls, VOIP, CDN, navigation software, data excavation). Through concerted efforts of the entire research and development team, version 2 of the server navigation system was successfully developed. A product channel

conference was successfully held in the Shenzhen headquarters, at which various well-known integrated system providers in the industry and network security service providers were invited to conduct in-depth exchange and communication of their mode of cooperation and to establish channel mechanisms such as general agents, core agents and cooperative partners. Three core server load balancing agents were signed, and fifteen letters of intent were signed with integrated providers. As a server solution supplier in China, we have reinforced collaborations and exchanges with applied server business department, and provided training on related products of Powerleader Software to the relevant members of the department. Through such platform, demand for server load balancing and firewall products was secured from a number of customers. The post-graduate project of Changchun Education Bureau has been successfully registered for online load balancing. Meanwhile, we have made greater move towards business expansion in two major spectrums, namely IDC and the CDN, and have successfully obtained a CDN server load balancing project. The load balancing products of Powerleader can withstand a peak test of nearly 1G flow and 1 million concurrent connections.

In light of burgeoning development of the Internet, Internet companies and governments are attaching more and more importance to network security and stability. Damage caused to corporations and governments by business interruption arising from a single point of server failure has become a pressing issue. All these factors have boosted robust market demand for load balancing products, and brought highly sophisticated requirements for load balancing products. Given this scenario, foreign giants (such as F5, REDWARE, ARRAY, etc.) have craved out their own niche in this arena, while domestic manufacturers have lower market share. As such, PowerLeader's load balancing products are confronted with challenges and opportunities. After more than a year of R&D, V2.0 of Powerleader's load balancing products has been successfully released. We have successfully launched online Powerleaders' load balancing products for users such as post-graduate examination registration system of Changchun Education Bureau and CDN server load balancing system of Shantou Telecom, thus providing Powerleader Software with richer commercial experience in the load balancing segment.

R&D investment

In 2009, with the release of a new generation of INTEL infrastructure products, Powerleader enhanced its R&D efforts and investment, and successfully developed a diverse range of the latest Intel architecture-based server products. While more attention is drawn to computing performance of products, a breakthrough is made in product stability and green energy-saving effects in order to promptly keep abreast of demand for products from large customers in industries like IPDC. In addition, we have researched and developed a variety of channel products to achieve reduction in product cost and to meet demand for server products from price-sensitive customers. To cope with customized demand from customers such as ISV, we have perfected R&D strengths and design processes in order to enable us to quickly meet and timely fulfill customers' needs. To suit needs from specific industries and customers, we have developed a variety of industrial computer products to achieve effective marketing and solid customer relationships. To cater for demand for technical support from large customers, we have established a large-customer technical support team composed of distinguished talent, so as to solve technical problems of our VIP clients on a face-to-face basis.

On the other hand, in relation to R&D capabilities, we have continuously improved development processes/norms and methods to achieve the standardization of R&D and to foster smooth implementation of all R&D projects in an orderly fashion. We have increased the magnitude of R&D incentives and implemented effective incentive programmes so as to

promote technological innovation. In 2009, we obtained 12 national patents. With enhanced product values and profit margins, combined with continued reduction in product cost, there was a substantial surge in profit from product sales in 2009.

Honours aspects:

- January 2009: Powerleader was named “2008 Statistically Advanced Unit in Annual Torch Program of Baoan New and High Technology Park” (“寶安高新園區2008年度火炬計劃統計先進單位”)
- January 2009: Powerleader won “2008 Excellent Service Provider in China’s Game Industry” (“2008年度中國遊戲產業優秀服務商”)
- January 2009: Powerleader’s high-density energy-efficient servers were awarded “Certificate for Self-innovative Products in Shenzhen City” (“深圳市自主創新產品認定證書”) from Shenzhen City
- January 2009: Powerleader brand was awarded “Prestigious Brand of Shenzhen” (“深圳市知名品牌”)
- February 2009: Powerleader’s PR1660T won “2008 Channel Latest Products” (“2008年度渠道最新產品”)
- February 2009: Powerleader’s products, such as PR2510D/PR2710DT, obtained “Certificate for Self-innovative Products in Shenzhen City” (“深圳市自主創新產品認定證書”)
- March 2009: Powerleader won “State New and High Technology Enterprise” Certificate (“國家級高新技術企業”認證)
- June 2009: Powerleader won “2009 Important Supplier Award for China’s Green Purchasing” (“2009中國綠色採購重要供應商大獎”)
- June 2009: Chairman Li Ruijie received the first “Outstanding talent in Futian District” Award (“福田區傑出人才”獎)
- June 2009: Chairman Li Ruijie was elected as Vice President of Shenzhen Business Association and Shenzhen Entrepreneur Association (深圳市企業聯合會，深圳市企業家協會副會長)
- June 2009: Powerleader Group became the unit of Vice President of Shenzhen Business Association and, Shenzhen Entrepreneur Association (深圳市企業聯合會、深圳市企業家協會副會長單位)
- July 2009: Powerleader won a number of patents: “server cabinet”, “server case”, “power sequence control circuit of chip-voltage” etc. (《服務器機櫃》《服務器機箱》《芯片電壓的上電順序控制電路》)
- September 2009: Chairman Li Ruijie was honoured as — “Executive Director” of the sixth Shenzhen General Chamber of Commerce (ACFIC) (深圳市總商會(工商聯)第六屆理事會“常務理事”)
- September 2009: Powerleader’s technical department obtained “a modular server patent” Certificate (一種模塊化服務器專利)證書)

- December 2009: Powerleader's PR2760T received ZOL 2009 Outstanding Product Award (ZOL 2009年度優秀產品獎)
- December 2009: Powerleader was awarded server online "annual growing business in China's servers" ("中國服務器年度成長企業")
- December 2009: Powerleader was awarded "Good Faith SME Title" ("誠信中小企業稱號") on the fourth SME Credit List

Value-added Platform and Related Components Agency Distribution Business

In 2009, there was a decline in overall turnover from value-added platform and related components agency distribution business as compared with the same period last year. However, the value-added distribution business of server component solutions product ranges, which were mainly Intel-based server component product lines, continued to grow dynamically and drastically, with an increase in total sales and gross profit of more than 30% over the same period last year. In 2009, by continuously exploring SI clients and strengthening channel partners, we have attained fruitful results. Moreover, encouraging performance was attained in the value-added distribution and services business of enterprise-class system solutions, which were mainly Fujitsu high-end servers and storage product lines, with an increase in yearly operating income of more than 50% over the previous year.

Leasing of Servers and Network Value-added Services

In 2009, amongst server sales, CDN business and finance leasing business, CDN business recorded the highest growth of 30%. However, as a result of the consolidation of the national trust market by the Ministry of Information Industry, there was a decline in IDC operations. 2009 represented a relatively vital year for the leasing of servers and network value-added services as it marked an era in which CDN technology rolled out by this segment with its own independent R&D capabilities was put into formal utilisation so that its business development was kept away from reliance upon other parties' technology.

In April 2009, we began to conduct an online testing for CDN technology which was rolled out with our independent R&D efforts. After 3 months of a variety of rigorous tests, such technology was officially put into operation in August. Then, after 4 months of perfection, CDN technology was built into a technology that is quite unrivalled in its industry. Through a diversity of marketing campaigns, business development and technological evolvement, it is believed that this business segment of the Group will become a more influential player within CDN industry in 2010. Therefore, the business development is blessed with good opportunities amidst intense market competition.

Server leasing sales and finance leasing industry were in general relatively stable in 2009. However, in light of reduction in hardware prices, the business may experience a slowdown. Under the fiercely competitive market environment, we will endeavour to march towards a growth in 2010.

IDC business has dropped somewhat. But, thanks to the consolidation by the Ministry of Information Industry, the market has become increasingly standardized. Given a high-speed growth in the Internet and servers, in particular, by capitalizing on 宝德計算機 which was mainly engaged in production and sales of servers, this business segment is set to enjoy a large room for growth in IDC business. The growth in IDC business will flourish the development of

CDN and the leasing business, and will create a huge market to promote the development of this business segment as a whole, thus laying a firm foundation for further development in 2010.

Banking Facilities and Capital management

In 2009, in order to further enhance operational capability and improve efficiency of capital utilization, the Company continued to carry out business restructuring. To better coordinate and support our business development, we have accordingly adjusted capital management, and actively consolidated resource advantages in various businesses. We cultivated a good mutual trust relationship with major banks, thus furnishing a favorable financing environment for the Company's long-term development.

In order to facilitate the construction and development of the Company's project relating to Tianjin Airport Northern Sales Headquarters, the Company has applied for development loans for fixed assets in the amount of RMB55 million from the Agricultural Bank of China, Tianjin Branch. All of the works were carried out smoothly. The loans were drawn down in November 2009.

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

Government Support

In 2009, the Group responded positively to campaigns organized by government departments at various levels and by various community groups. From a pragmatic point of view, we made full use of platforms provided by various government units and community groups to secure more social honours for the Group. The Group raised its awareness extensively, promoted its brand effect widely and enhanced its product competitive edges in the market greatly. As at the end of December 2009, the Group has received numerous highly acclaimed awards from the community. Details are shown in the following table:

Honours and qualifications received by the Company in 2009

| Name | Awarding institutions |
|--|--|
| State New and High Technology Enterprise (國家級高新技術企業) | Shenzhen Science, Industry, Trade and Information Technology Commission (深圳市科工貿信委等) |
| Innovation-oriented Pilot enterprise in Guangdong Province (廣東省創新型試點企業) | Guangdong Provincial Economic and Trade Commission (廣東省經貿委) |
| Critically Cultivating Equipment Manufacturing Enterprise in Guangdong Province (廣東省裝備製造業重點培育企業) | Guangdong Provincial Economic and Trade Commission (廣東省經貿委) |
| New and High Technology Products in Guangdong Province (廣東省高新技術產品) | Guangdong Provincial Science and Technology Department (廣東省科技廳) |

| Name | Awarding institutions |
|--|---|
| Practical Energy-saving and Emission-reduction Technologies and Products in Guangdong Province (廣東省節能減排實用技術及產品) | Guangdong Provincial Science and Technology Department (廣東省科技廳) |
| Critical Self-innovative Products in Shenzhen City (深圳市重點自主創新產品) | Shenzhen Science, Industry, Trade and Information Technology Commission (深圳市科工貿信委等) |
| Self-innovative Products in Shenzhen (深圳市自主創新產品) | Shenzhen Science, Industry, Trade and Information Technology Commission (深圳市科工貿信委等) |
| Self-innovative Products in Futian District (福田區自主創新產品) | Futian District Science and Technology Bureau, Shenzhen City (深圳市福田區科技局) |

Government Subsidies

During 2009, the Group obtained interest-bearing loans, subsidies for technologies and other subsidies from government organizations at various levels, which included Guangdong Provincial Science and Technology Department (廣東省科技廳), Shenzhen Science, Industry, Trade and Information Technology Commission (深圳市科工貿信委), Baoan District People's Government (寶安區人民政府), Futian District Trade and Industry Bureau (福田區貿工局) and Futian District Science and Technology Bureau (福田區科技局), etc. The total amount was more than RMB7 million.

In 2009, the Group received an industrial research prize in Guangdong Provincial Science and Technology Program organized by the Provincial Science and Technology Department. The Group was recognized as a "Privately-owned Leading Backbone Enterprise" (民營領軍骨幹企業) in Shenzhen City by the Shenzhen SME Service Centre (深圳市中小企業服務中心). It also obtained key funding for science and technology from the Futian District Science and Technology Bureau (福田區科技局). It was identified as a "Chief Enterprise" (總部企業) in Futian District, Shenzhen City by the Futian District Trade and Industry Bureau (福田區貿工局), etc.

In 2009, the Group received substantial support and assistance from government departments at various levels. It also developed friendly relations with different social communities and obtained their support and assistance.

Tianjin Powerleader Science and Technology Square Northern Sales Centre

PowerLeader Science and Technology Square Northern Sales Centre is located in West 2 Road, Business Centre, Tianjin Airport Logistics Processing Area. The project covers an area of seven acres, with a GFA of 23,000 square meters. The building is a commercial and business office. The construction of the project commenced from January 2009, and the main construction of the project proceeded to a smooth cap in accordance with scheduled progress at the end of September 2009. During the construction process, members of the entire project team strictly conducted construction management in accordance with standards in order to

achieve safe and civilised construction, so that the quality and duration of construction were ensured. The main structural work was awarded “Hai He Cup” (“海河杯”) as a high-quality project in Tianjin, and was honoured as a civilised hallmark in Tianjin.

At present, installation of complete sets of equipment for the project has begun. Glass curtain wall engineering, elevator engineering and fire prevention works are under construction. Elevator engineering is also ready to enter the project site.

In order to ensure full completion of project construction by June 2010, we have started design work for the renovation program. At the same time, commercial planning is progressing intensively. With respect to commercial planning, we have done a lot of market researches so as to equip ourselves with a better understanding of automotive after-market in Tianjin in order to build our confidence in automotive electronics market. We have also drawn up the overall operating plan and sub-objectives for 2010.

An Associate

深圳市中青寶網網絡科技股份有限公司 (中青寶網), an associate in which the Group held a 20.40% interest, is mainly engaged in online game development and operations. During the reporting period, benefiting from continued improvement in product development and operational capabilities, 中青寶網 posted a rapid growth in its business as it realized a year-round operating income of RMB77.4 million in 2009, an increase of 48% over the same period last year. It has contributed RMB7.77 million to the profit of the Group.

The application for initial public offering and listing on the ChiNext of the Shenzhen Stock Exchange made by 中青寶網 was reviewed and approved by the Public Offering Review Committee of the Growth Enterprise Market of China Securities Regulatory Commission on 25 December 2009. A formal license approval was issued by China Securities Regulatory Commission on 20 January 2010. On 5 February 2010, 25,000,000 shares at par value of RMB1.00 each were successfully issued at an offer price of RMB30 per share, which were finally listed on the ChiNext of the Shenzhen Stock Exchange on 11 February 2010.

In view of the rapid growth in China’s online game industry and the successful listing of 中青寶網, management expects that the future development prospects for 中青寶網 will remain optimistic, and the Group will also share its earning growth.

Human Resources

Recruitment

In 2009, through development of new recruitment channels, integration of external recruitment network resources and optimization of internal recruitment processes, etc., we promptly and effectively meet personnel deployment needs of the Group’s business development. 490 new positions were open for recruitment throughout the year. The actual number of employees joining the Group amounted to 431. Up to the end of the reporting period, a total of 486 employees held postgraduate degrees. This is in line with the Company’s recruitment eligibility requirements in respect of education background and professional qualifications

Training

To raise learning skills and knowledge levels and to polish career planning capacities of its staff, the Group stepped up its training efforts in staff re-education. Throughout the year, we organized and implemented a total of 50 internal training courses which can be divided into expertise category, product category and management category. Furthermore, a total of 3 sessions of external expansion training courses were held, and 12 sessions of training courses from external training institutes were conducted; We have newly developed 20 various types of training course materials, and formed an internal training team, thereby mapping out a training system with a team of internal trainers as a backbone, and external training, observation and staff exchange program as a supplementary device. The new staff train-up rate was 100%.

Corporate Culture

Powerleader has always committed itself to creating a safe, healthy and harmonious working environment for its staff. Through revision and reconstruction of the Group's various kinds of personnel administrative systems and forms, organization of staff birthday parties, launch of cultural exchange activities with external companies, as well as establishment of an internal newsletter — “Powerleader Windows” (寶德視窗), the Group's has effectively combined both external and internal software and hardware resources within the enterprise. Internally, excellence in cultural spirit is a cornerstone of the Group's philosophy. Externally, we present us with a corporate image that is renowned and respected for unwavering commitment and social contribution.

Prospect

In 2010, Powerleader Science & Technology Group will unswervingly uphold its strategic direction by positioning itself from “a leading supplier of server solutions in China” to “a top-notch supplier of cloud computing products and services in China”. The Group will rely on its profound R&D technology, extensive R&D in-house experience, strong R&D team, rigorous R&D management system and wide customer reach over the years so as to place emphasis on three major business scopes for cloud computing product and service suppliers: namely, infrastructure services, platform services and software services. We will also tap into cloud computing products and services blessed with prominent market opportunities by evolving from a traditional supplier engaged in the distribution of server system solutions and platforms and accessories. In addition, we have a strong foundation, a splendid team and more closely working partners. With this strategic positioning in place, each of us will be determined to perform in each area of responsibility and capacity. With regard to three major business systems surrounding server system solutions: Firstly, the Group will develop complete server solutions spanning across servers navigation systems, HPC management systems, virtualization and cloud computing, and will strive to successfully put those solutions into industry-wide applications including IPDC, security, monitoring, education, government, health care, taxation, transportation and energy. Secondly, we will continue to expand the value-added server platform and related components agency distribution business. Thirdly, we will establish a cloud computing platform to significantly vitalize the Internet value-added services. By focusing on these three major business systems, the Group will increase its R&D efforts and deepen its market penetration, so as to ensure that the operating income and profit will grow more energetically in 2010.

Server System Solution Business

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

In connection with software, in 2010, we will continue to increase development momentum in industries like Internet enterprises (such as portals, video sites, e-commerce sites, etc.), governments, universities, health care and broadcasting. We will strengthen our cooperation with integrators and related product corporations. We will capitalize on the nation's supportive policies for domestic equipment. We will also take part in a number of government tendering and bidding projects, and participate in cooperation in system integration projects. Meanwhile, we will reinforce our product promotional efforts via the Internet. At the same time, as for three other projects of Powerleader Software (寶德軟件公司): namely, speed travel accelerators, server navigation software, Internet projects, speed travel accelerators, the current online users have already exceeded 2,000 within a short period of time of less than 2 months. Currently, the development of version 3 is underway; Server navigation software has been made available for server users and positive feedback was received. Internet project team is mainly responsible for developing and operating Jiake Life (甲客生活) (vehicle advertising) platform. The current registered users of car owners have already exceeded 1,000, including users such as Shenzhen Wall Street (深圳華爾街), 中青寶網 and Wahaha (娃哈哈). Those users are advertising through this platform. In 2010, the business of Powerleader Software (寶德軟件公司) will brace a bigger growth.

Value-added Server Platform and Related Components Agency Distribution Business

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

Cloud Computing Products and Services

We will plan and implement cloud computing strategy of Powerleader Science & Technology. We will build standardized infrastructure specifically designed for cloud computing. We will make efforts to provide open architecture and framework which can promote cloud interaction; become a leader in the front of delivery of cloud services; provide support to the largest cloud computing event in China; apply our existing expertise to China's leading

private clouds; help customers upgrade from traditional dedicated data centers to next-generation cloud and data centers. We will also use extended clouds as a basis for adoption of green technology.

Leasing of Servers and Internet Value-added Business

Given a high-speed growth in the Internet and servers, in particular, by capitalizing on 寶德計算機 which was mainly engaged in production and sales of servers, this business sector is set to enjoy a large room for growth in IDC business. The growth in IDC business will flourish the development of CDN and leasing business, and will create a huge market to promote the development of the Internet as a whole, thus laying a good foundation for further development in 2010.

潮商小額貸款有限公司 (Mini Credit of Shenzhen Chaoshang Commence Chamber Co., Ltd.)

The Company, as a main promoter, has invested RMB46,880,000 to set up 深圳市潮商小額貸款有限公司, with a registered capital of RMB155,880,000. A business license was obtained on 4 February 2010, and formal business operation has commenced. This company has recruited a general manager, who was a professional manager with many years of experience in the management of bank credit. It will carry out legitimate business operations within the provisions of the “Interim Measures for Pilot Operation of Small Loan Companies in Shenzhen” (《深圳市小額貸款公司試點管理暫行辦法》). It is expected that such company will bring good investment returns for the Company in 2010.

Banking Facilities and Capital Management

In 2010, in relation to capital management, we will continue to integrate banking advantageous resources to provide financial support for the Company’s business and project undertaking. We will further strengthen the operational modules of financial cost accounting in order to improve capital efficiency and to reduce financial cost. We will logically select financial products and adjust financing structure so as to meet our long-term development needs.

Human Resources

In 2010, we will continue to develop a human resources management system for the Powerleader Group, in order to perfect our management efficiency.

Planning Principles:

- | | |
|----------------------------------|--|
| Principle of stable cycle: | In response to the Company’s mission to continuously improve its operational efficiency, human resources management team will base its prerequisite and basis for management on the Company’s stable development. |
| Principle of sustainable growth: | In line with expanding scale of the Company, based on vivid and dynamic development of the Company’s core team and sustainable growth of results performance, human resources team will be committed to talent selection, breeding, retention and succession planning. |

Strategic Planning:

Objective: This is aimed at searching for the right kind of talent in the right place, and selecting competent candidates endowed with ability and talent together with morality and conduct to assume professional tasks; while moral values will be put in the first place.

Methods: This is materialized by expanding recruitment channels, integrating talent selection approaches and improving the objectivity and reasonableness of assessment system of probation period.

Organization Planning:

This is to develop an organizational structure that combines flat and matrix management and to make continuous improvement.

System Planning:

With corporate culture as the ultimate driving force, by combining industry characteristics, various management rules, methods and detailed regulations for all HR and AD, including “employee handbook”, will be gradually established or improved according to quality system. Specific contents of SOP and performance appraisal will be formulated.

Staff Planning:

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

Training Aspect: We will cultivate spiritual leaders for our corporate culture by combining internal training and external training and making good use of instructors’ role; We will enhance business communication, and improve training course materials.

Appointment Aspect: We will establish talent promotion evaluation mechanism and tracking examination mechanisms, improve mentoring system, set up reward and punishment standards; We will promote and develop excellent talent while eliminating incompetent ones.

Labor Relation: We will gradually improve the implementation of discipline compliance and law obedience, and build a harmonious relation with our employees by blending our corporate values with employees’ moral values based on the unique corporate culture of Powerleader.

Cost Control:

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

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

As at 31 December 2009, 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 ("Mr. Li") (<i>Note</i>) | 1,021,845,000 | 45.26% | 61.93% |
| Ms. Zhang Yunxia ("Ms. Zhang") (<i>Note</i>) | 1,021,845,000 | 45.26% | 61.93% |

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

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

| 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 Weiping | 3,000,000 | — | 3,000,000 | 10% |

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

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

| 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 2009, 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 2009, 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 2009, 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 | 8% |
| — five largest customers combined | 22% |

Purchase

| | |
|----------------------------------|-----|
| — the largest supplier | 42% |
| — five largest supplies combined | 69% |

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 2009.

CODE OF CORPORATE GOVERNANCE PRACTICE

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

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the Group's auditors in matters coming within the scope of the Group audit and (ii) to review the effectiveness of the external audit and of internal controls and risk evaluation. At present, the Committee

comprises three independent non-executive Directors, namely Mr. Jiang Baijun, Dr. Guo Wanda and Mr. Chan Shiu Yuen Sammy. During the year, the Committee held four meetings for the purpose of reviewing the annual report of 2008 and the three quarterly reports of 2009. In addition, the Committee has also reviewed the annual results for the year ended 31 December 2009 and was of the opinion that the preparation of such results complied with the applicable standards and requirements of the Stock Exchange and other regulations.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDITOR

SHINEWING (HK) CPA Limited has acted as auditor of the Company for the three years ended 31 December 2009. 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, 30 March 2010

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

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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.

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.

* For identification purposes only