



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)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Powerleader Science & Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) 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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to announce that the unaudited results of the Company for the three months and six months ended 30 June 2010 (“Six Months Period”) together with comparative unaudited figures for the corresponding periods in 2009 are as follows:

Condensed consolidated statement of comprehensive income

	Note	Three months ended 30 June		Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Turnover	3	195,796	144,207	411,168	260,015
Cost of sales		(167,499)	(122,778)	(366,728)	(219,970)
Gross profit		28,297	21,429	44,440	40,045
Other operating income	4	3,618	6,888	6,916	9,203
Selling expenses		(6,465)	(5,170)	(12,518)	(10,177)
Administrative and other expenses		(3,473)	(9,368)	(12,337)	(16,982)
Finance costs		(6,025)	(2,709)	(8,360)	(5,016)
Gain on deemed disposal of interest in an associate	5	—	—	98,952	—
Share of profit from an associate		2,313	2,083	4,529	3,893
Profit before taxation		18,265	13,153	121,622	20,966
Taxation	6	(304)	(693)	(845)	(1,801)
Profit for the period and total comprehensive income for the period		<u>17,961</u>	<u>12,460</u>	<u>120,777</u>	<u>19,165</u>
Profit for the period attributable to:					
Owners of the Company		16,317	12,216	118,790	18,155
Minority interests		1,644	244	1,987	1,010
Dividend	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings per share					
Basic and diluted	8	<u>RMB0.7 cent</u>	<u>RMB0.54 cent</u>	<u>RMB5.26 cents</u>	<u>RMB0.8 cent</u>

Condensed consolidated statement of financial position

		As at 30 June 2010 <i>RMB'000</i> (unaudited)	As at 31 December 2009 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	242,610	228,490
Prepaid lease payments		1,535	1,554
Deferred development costs	10	40,222	35,907
Investment in an associate	11	181,988	34,730
Available-for-sale investment		5,000	5,000
Prepayment for acquisition of properties		<u>1,870</u>	<u>1,870</u>
		<u>473,225</u>	<u>307,551</u>
Current assets			
Prepaid lease payments		31	36
Inventories		216,391	103,794
Finance lease receivables		192	173
Amount due from a related company		2,572	3,194
Amount due from an associate		—	467
Amount due from a shareholder		77	77
Trade and bills receivables	12	265,798	327,440
Other receivables, deposits and prepayments		71,469	89,467
Pledged bank deposits		75,186	94,023
Restricted bank balances		4,956	28,816
Cash and cash equivalents		<u>222,628</u>	<u>204,028</u>
		<u>859,300</u>	<u>851,515</u>
Current Liabilities			
Trade and bills payables	13	185,942	190,875
Other payables and accrued charges		37,947	35,652
Receipts in advance		23,040	6,932
Taxation payable		12,275	12,330
Bank and other borrowings			
— due within one year	14	424,863	383,382
Obligations under a finance lease			
— due within one year		<u>179</u>	<u>349</u>
		<u>684,246</u>	<u>629,520</u>
Net current assets		<u>175,054</u>	<u>221,995</u>
Total assets less current liabilities		<u>648,279</u>	<u>529,546</u>

Condensed consolidated statement of financial position (continued)

		As at 30 June 2010 <i>RMB'000</i> (unaudited)	As at 31 December 2009 <i>RMB'000</i> (audited)
	<i>Note</i>		
Capital and reserves:			
Share capital	15	225,750	225,750
Reserves		<u>286,668</u>	<u>167,878</u>
Equity attributable to owners of the Company		512,418	393,628
Minority interests		<u>15,952</u>	<u>15,701</u>
Total equity		<u>528,370</u>	<u>409,329</u>
Non-current liabilities			
Deferred tax liabilities		3,484	4,220
Bank and other borrowings			
— due after one year	14	116,262	115,873
Obligations under a finance lease		<u>163</u>	<u>124</u>
		<u>119,909</u>	<u>120,217</u>
Total equity and liabilities		<u><u>648,279</u></u>	<u><u>529,546</u></u>

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2010

	Share capital <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Attributable to owners of the Company <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2009	225,750	34,887	100,641	361,278	12,196	373,474
Profit for the period	<u>—</u>	<u>—</u>	<u>18,155</u>	<u>18,155</u>	<u>1,010</u>	<u>19,165</u>
As at 30 June 2009	<u>225,750</u>	<u>34,887</u>	<u>118,796</u>	<u>379,433</u>	<u>13,206</u>	<u>392,639</u>
As at 1 January 2010	225,750	38,478	129,400	393,628	15,701	409,329
Profit for the period	<u>—</u>	<u>—</u>	<u>118,790</u>	<u>118,790</u>	<u>1,987</u>	<u>120,777</u>
Interest distributed to minority shareholders of a subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,736</u>	<u>1,736</u>
As at 30 June 2010	<u>225,750</u>	<u>38,478</u>	<u>248,190</u>	<u>512,418</u>	<u>15,952</u>	<u>528,370</u>

Condensed consolidated statement of cash flows*For the six months ended 30 June 2010*

	For the six months ended 30 June 2010 <i>RMB'000</i> (unaudited)	For the six months ended 30 June 2009 <i>RMB'000</i> (unaudited)
Net cash used in operating activities	(61,172)	(98,283)
Tax paid	(900)	(64)
Net cash used in investing activities	(27,094)	(20,216)
Net cash generated from (used in) financing activities	<u>107,766</u>	<u>72,100</u>
Increase (decrease) in cash and cash equivalents	18,600	(46,463)
Cash and cash equivalents at 1 January	<u>204,028</u>	<u>187,218</u>
Cash and cash equivalents at 30 June	<u>222,628</u>	<u>140,755</u>

Notes to the condensed consolidated financial statements

For the six months ended 30 June 2010

1. GENERAL

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 of the Group has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation adopted in these Interim Accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2009.

In the current period, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards ("HKFRSs"): that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods.

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group.

HK(IFRIC) Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 9	Financial Instruments ³

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

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs in the period of their initial application.

3. TURNOVER

Turnover represents the amounts received and receivable for services provided and goods sold, net of returns and allowances.

Operating segments

The Group determines its operating segments based on the internal reports about components of the Group that are regularly reviewed by the chief operation decision maker in order to allocate resources to the segments and to assess their performance.

The Group's operating segments are as follows:

Server system solutions	—	Design, development, manufacture and sales of server 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 maintaining services for servers and internet value-added services

An analysis of the Group's turnover and results by operating segments is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2010 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (unaudited)
Turnover				
Server system solutions	46,178	47,149	120,796	93,133
Value-added platform and related components agency distribution	149,270	96,351	289,729	165,699
Leasing of servers and network value-added business	348	707	643	1,183
	<u>195,796</u>	<u>144,207</u>	<u>411,168</u>	<u>260,015</u>
Results				
Server system solutions	13,365	12,637	15,771	16,086
Value-added platform and related components agency distribution	8,858	1,399	11,275	6,147
Leasing of servers and network value-added business	(246)	(257)	(545)	(144)
	<u>21,977</u>	<u>13,779</u>	<u>26,501</u>	<u>22,089</u>
Finance costs	(6,025)	(2,709)	(8,360)	(5,016)
Gain on deemed disposal of interest in an associate	—	—	98,952	—
Share of profit from an associate	2,313	2,083	4,529	3,893
	<u>18,265</u>	<u>13,153</u>	<u>121,622</u>	<u>20,966</u>
Taxation	(304)	(693)	(845)	(1,801)
Profit for the period	<u>17,961</u>	<u>12,460</u>	<u>120,777</u>	<u>19,165</u>

4. OTHER OPERATING INCOME

	For the three months ended		For the six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income from bank deposits	1,028	207	1,653	289
Government subsidies	1,128	6,439	2,992	7,184
Exchange gain	97	80	121	887
Sundry income	1,365	162	2,150	843
	<u>3,618</u>	<u>6,888</u>	<u>6,916</u>	<u>9,203</u>

5. GAIN ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

In February 2010, 深圳市中青宝網網絡科技股份有限公司 (“Powerleader Network”), an associated company of the Group, made a public offering of 25,000,000 ordinary shares of RMB1 each at an offer price of RMB30 per share. After deducting issuance costs, net proceeds of approximately RMB704,246,000 were raised. The shares of Powerleader Network were then listed on ChiNext board of Shenzhen Stock Exchange (the “Listing of Shares”). Upon the Listing of Shares, the equity in Powerleader Network held by the Group was diluted from 20.4% to 15.3%. As a result of the public offering of Powerleader Network, a gain of approximately RMB98,952,000 arising from the deemed disposal by the Group of the interest in Powerleader Network during the six months ended 30 June 2010 was attributable to the owners of the Company.

6. TAXATION

	For the three months ended		For the six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge comprise:				
PRC Enterprise Income Tax (“EIT”)	222	121	641	690
Hong Kong Profits Tax	869	59	940	209
	<u>1,091</u>	<u>180</u>	<u>1,581</u>	<u>899</u>
Deferred tax	(787)	513	(736)	902
	<u>304</u>	<u>693</u>	<u>845</u>	<u>1,801</u>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau in 2009, and was subject to EIT at a rate of 15% from the year 2009. In accordance with the relevant rules and regulations of the PRC, except for 深圳市宝德計算機系統有限公司 (“宝德計算機”) as well as 深圳市宝德軟件開發有限公司 (“Powerleader Software”), all other PRC subsidiaries were subject to EIT at a rate of 25% during the period ended 30 June 2010 (during the period ended 30 June 2009: 25%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the PRC for unified tax rate arrangements among different types of the PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1 January 2008 (the “New Tax Law”). The State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, there will be a

transitional period of five years for the Company and its PRC subsidiaries whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22%, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively.

Pursuant to an approval document “Shen Guo Shui Fu Jian Mian 2005 No. 237” dated 22 September 2005 issued by the State Tax Bureau of Futian District, Shenzhen, 宝德计算机 is qualified as a production enterprise and entitles to EIT exemption for the years 2005 and 2006 and a 50% reduction in EIT for the years from 2007 to 2009. The application of the New Tax Law has not altered the entitlement of 宝德计算机. 宝德计算机 has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. 宝德计算机 was subject to EIT at a rate of 15% during the period ended 30 June 2010 (during the period ended 30 June 2009: 10%).

Pursuant to an approval document (Shen Guo Shu Bao Guan Jian Mian Bei An [2009] no. 4) (《深國稅寶觀減免備案 [2009第4號]》) dated 21 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, 宝德软件 is qualified to enjoy a tax relief for software and enterprise and entitled to an exemption from EIT for the years 2009 and 2010 and a 50% relief from EIT from 2011 to 2013.

Hong Kong Profits tax is calculated at 16.5% (the six months ended 30 June 2009: 16.5%) of the estimated assessable profit for the Six Months Period.

7. DIVIDEND

At a meeting held on 13 August 2010, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2010.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	For the three months ended		For the six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit for the period attributable to owners of the Company	<u>16,317</u>	<u>12,216</u>	<u>118,790</u>	<u>18,155</u>
Number of share	'000	'000	'000	'000
Weighted average number of issued shares for the purpose of basic earnings per share	<u>2,257,500</u>	<u>2,257,500</u>	<u>2,257,500</u>	<u>2,257,500</u>

As the Company did not have any potential diluted shares during the Six Months Period (six months ended 30 June 2009: nil), the diluted earnings per share were the same as the basic earnings per share.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB7,389,000 (the corresponding period of 2009: RMB8,042,000) on acquisition of property, plant and equipment.

10. DEFERRED DEVELOPMENT COSTS

During the period, the Group spent approximately RMB8,432,000 (the corresponding period of 2009: RMB9,322,000) on deferred development costs.

11. INVESTMENT IN AN ASSOCIATE

	As at 30 June 2010 <i>RMB'000</i> (unaudited)	As at 31 December 2009 <i>RMB'000</i> (audited)
Cost of investment in an unlisted associate	103,438	7,166
Share of post acquisition profits and reserves	<u>78,550</u>	<u>27,564</u>
	<u>181,988</u>	<u>34,730</u>

As at 30 June 2010, the Group had interest in the following associate:

Name of entity	Place of incorporation/ operation	Class of share held	Issued and fully paid registered capital	Proportion of nominal value of registered capital held by the Company	Principal activities
深圳市中青宝網網絡科技 股份有限公司	PRC	Capital contribution	RMB75,000,000	20.4%	Provision of on-line game services
深圳市潮商小額貸款有限 公司 (Mini Credit of Shenzhen Chaoshang Commerce Chamber Co., Limited)	PRC	Capital contribution	RMB155,880,000	30.07%	Provision of small loan services

12. TRADE AND BILLS RECEIVABLES

The Group allows sales credit period ranging from two to six months to its trade customers. The aging of trade receivables is analysed as follows:

	As at 30 June 2010 <i>RMB'000</i> (unaudited)	As at 31 December 2009 <i>RMB'000</i> (audited)
Within 1 month	126,706	102,314
Over 1 month but within 3 months	32,492	44,219
Over 4 months but within 6 months	57,483	55,872
Over 6 months	<u>49,117</u>	<u>48,505</u>
	265,798	250,910
Bills receivables	<u>—</u>	<u>76,530</u>
	<u>265,798</u>	<u>327,440</u>

13. TRADE AND BILLS PAYABLES

The aging of the accounts payable is analysed as follows:

	As at 30 June 2010 <i>RMB'000</i> (unaudited)	As at 31 December 2009 <i>RMB'000</i> (audited)
Within 1 month	81,716	87,987
Over 1 month but within 3 months	68,785	46,271
Over 4 months but within 6 months	9,394	3,791
Over 6 months	<u>26,047</u>	<u>2,826</u>
	185,942	140,875
Bills payables	<u>—</u>	<u>50,000</u>
	<u>185,942</u>	<u>190,875</u>

14. BANK AND OTHER BORROWINGS

	As at 30 June 2010 <i>RMB'000</i> (unaudited)	As at 31 December 2009 <i>RMB'000</i> (audited)
Bank loans	541,125	431,133
Other borrowings	<u>—</u>	<u>68,122</u>
	<u>541,125</u>	<u>499,255</u>
Secured loans	138,327	144,505
Unsecured loans	<u>402,798</u>	<u>354,750</u>
	<u>541,125</u>	<u>499,255</u>
Carrying amount repayable:		
On demand or within one year	424,863	383,382
More than one year, but not exceeding two years	60,826	60,437
More than two years, but not exceeding five years	<u>55,436</u>	<u>55,436</u>
	541,125	499,255
Less: Amount due within one year shown under current liabilities	<u>(424,863)</u>	<u>(383,382)</u>
Amount due after one year	<u>116,262</u>	<u>115,873</u>

Details of securities and guarantees in respect of the bank loans of the Group at 30 June 2010 were as follows:

- (a) The loan with an aggregate principal amount of RMB30 million was guaranteed by Powerleader Investment Holding Company Limited (“Powerleader Investment”), a company in which Mr. Li Ruijie (“Mr. Li”) and Ms. Zhang Yunxia (“Ms. Zhang”) have beneficial interests, and personal guarantees given by Mr. Li and Ms. Zhang.
- (b) The loan with a principal amount of RMB40 million was guaranteed by Powerleader Investment and personal guarantees given by Mr. Li.

- (c) The loan with a principal amount of RMB50 million was guaranteed by Powerleader Investment and Ex-channel and personal guarantee given by Mr. Li.
- (d) The loan with an aggregate principal amount of approximately RMB5.4 million was secured by a bank deposit of approximately RMB6.8 million and guaranteed by Powerleader Investment and Ex-channel and personal guarantee given by Mr. Li.
- (e) The loan with a principal amount of RMB85 million was guaranteed by Powerleader Investment, 宝德计算机 and Ex-channel, and personal guarantee given by Mr. Li and Ms Zhang.
- (f) The loan with a principal amount of RMB10 million was guaranteed by Powerleader Investment and the Company and personal guarantees given by Mr. Li and Ms Zhang.
- (g) The loan with an aggregate principal amount of RMB64.4 million was secured by a bank deposit of approximately RMB64.1 million.
- (h) The loan with an aggregate principal amount of RMB90 million were guaranteed by Powerleader HK and personal guarantees given by Mr. Li, Ms Zhang and Mr. Dong.

At 30 June 2010, the bank loans of approximately RMB117.24 million were subject to variable annual interest rates ranging from 2.1% to 4.83% and the bank loans of RMB423.885 million were subject to fixed annual interest rates ranging from 4.86% to 7.27%.

The above bank loans are all denominated in RMB and exposed to cash flow and fair value interest rate risk.

Details of securities and guarantees in respect of the bank loans of the Group at 31 December 2009 were as follows:

- (a) The loan with an aggregate principal amount of approximately RMB30 million was guaranteed by Powerleader Investment, a company in which Mr. Li and Ms. Zhang have beneficial interests, and personal guarantees given by Mr. Li and Ms. Zhang.
- (b) The loan with a principal amount of approximately RMB40 million was guaranteed by Powerleader Investment and personal guarantee given by Mr. Li.
- (c) The loan with a principal amount of RMB50 million was guaranteed by Powerleader Investment and Ex-channel and personal guarantee given by Mr. Li.
- (d) The loan with an aggregate principal amount of RMB21 million was secured by a bank deposit of approximately RMB8.4 million and guaranteed by Powerleader Investment and Ex-channel and personal guarantees given by Mr. Li.
- (e) The loan with a principal amount of RMB30 million was guaranteed by Powerleader Investment, 宝德计算机 and Ex-channel and personal guarantees given by Mr. Li and Ms. Zhang.
- (f) The loan with a principal amount of RMB10 million was guaranteed by Powerleader Investment and the Company and personal guarantees given by Mr. Li and Ms Zhang.
- (g) The loan with an aggregate principal amount of RMB55.4 million was secured by a bank deposit of approximately RMB55.1 million.
- (h) The loan with an aggregate principal amount of RMB75 million were guaranteed by Powerleader HK and personal guarantees given by Mr. Li, Ms Zhang and Mr. Dong.

At 31 December 2009, the bank loans of approximately RMB258.4 million were subject to variable annual interest rates ranging from 1.28% to 7.20% and the bank loans of RMB172.7 million were subject to fixed annual interest rates ranging from 1.144% to 5.310%.

15. SHARE CAPITAL

	As at 30 June 2010	As at 31 December 2009	As at 30 June 2010	As at 31 December 2009
	<i>Number of Shares</i>	<i>Number of Shares</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(unaudited)	(audited)
Authorised, issued and fully paid				
Domestic shares of RMB0.1 each	1,650,000,000	1,650,000,000	165,000	165,000
H Shares of RMB0.1 each	<u>607,500,000</u>	<u>607,500,000</u>	<u>60,750</u>	<u>60,750</u>
	<u>2,257,500,000</u>	<u>2,257,500,000</u>	<u>225,750</u>	<u>225,750</u>

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

16. COMMITMENTS

(a) Commitments under operating leases

At 30 June 2010, the Company had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	As at 30 June 2010	As at 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Not later than one year	836	1,321
In the second to fifth year inclusive	<u>483</u>	<u>552</u>
Total	<u>1,319</u>	<u>1,873</u>

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

	As at 30 June 2010	As at 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Construction-in-progress	<u>1,224</u>	<u>6,276</u>

17. RELATED PARTY TRANSACTIONS

In addition to the personal guarantees provided by Mr. Li and Ms. Zhang and the corporate guarantee provided by Powerleader Investment as set out in Note 14, the Group paid rent amounting to approximately RMB140,000 (same period of 2009: RMB140,000) to Ms. Zhang for office premises.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2010, Powerleader Technology Group actively planned and upheld its strategic direction by positioning itself from “a leading supplier of server system solutions in China” to “a top-notch supplier of cloud computing products and services in China”. The Group will rely on its profound R&D technology, extensive R&D in-house experience, strong R&D team, rigorous R&D management system and wide customer reach over the years so as to place emphasis on three major business scopes for cloud computing product and service suppliers: namely, infrastructure services, platform services and software services. We will also tap into cloud computing products and services blessed with prominent market opportunities by evolving from a traditional supplier engaged in the distribution of server system solutions and platforms and accessories. With regard to the three major business scopes for server system solutions: Firstly, the Group’s developments cover complete server solutions such as server navigation systems, HPC management systems, virtualization and cloud computing. We have strived to put those developments into successful industry-wide applications including IPDC, security, monitoring, education, government, healthcare, taxation, transportation and energy. Secondly, the Group has continued to expand the value-added server platform and related components agency distribution business. Thirdly, we will establish a cloud computing platform to significantly vitalize the Internet value-added services. To enhance the competitive strength of our cloud computing in-house R&D and business, improve our profitability levels and expand the scale of cloud computing business, the Company plans to establish regional R&D headquarters in developed cities of mainland China according to the annual strategic investment plan. On 6 March 2010, the Company has signed a 《南京雨花經濟開發區管委會與深圳寶德科技集團股份有限公司關於專案投資協議書》(Nanjing Yuhua Economic Development Zone Administration Committee — Powerleader Science & Technology Group Limited Agreement on Project Investment) in Nanjing Yuhua Economic Development Zone, pursuant to which the Company has contemplated to invest RMB500 million and establish East China R&D headquarters. At the same time, the Company made a good start in the strategy of vertically integrating the cloud computing industry chain, including the Internet, video storage and regional healthcare. In the future, the Company will consolidate and thus control various sub-sectors of cloud computing through strategic investment, which are technology, marketing, channels and customer resources. We will then have a louder voice in the area and acquire a dominant position in each sub-sector of the market, so as to massively improve the profitability of the Company’s principal business.

FINANCIAL REVIEW

Turnover of the Group for the Six Months Period amounting to approximately RMB411,168,000 represented a notable increase of 58% as compared to RMB260,015,000 in the same period of 2009. The increase in turnover was due to the growth of 30% in sales of server system solutions business, and the surge of 75% in sales of value added platform and related components agency distribution business, both of which are the Group’s principal businesses.

Consolidated gross profit margin of the Group for the Six Months Period was approximately 10.8%, representing a considerable decrease compared to that of approximately 15.4% for the same period in 2009. The relatively significant decrease in gross profit margin was mainly resulted from the price competition strategy used by the Company to seize the competitive market.

The Group's distribution costs and administrative and other expenses decreased by approximately 8.5% from RMB27,159,000 of the corresponding period last year to RMB24,855,000, which was mainly attributable to the Company's enhanced efforts on cost control.

Server System Solution Business

In the first quarter of 2010, server market was in bullish demand and fierce competition. To weather the ferociously competitive environment, the Company has kept itself abreast of each sub-sector of the industry market by introducing products of feature-specialized applications for each sub-sector of the market. For instance: second-generation high-density "four sub-satellite" servers have been launched for portal applications, high-capacity storage server products have been launched for video applications, and SSD servers have been launched for search applications. Individual application requirements were met. Overwhelming positive applauses were received from a lot of IPDC customers, with the customer mix of IPDC being widened. 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. In the first half of the year, the sales volume of the three main industries including IPDC, HPC and ISV soared sharply over the same period of the pervious year. At the same time, through the 3-way network convergence of rail traffic, security monitoring and urban rail transit, coupled with the introduction of a variety of products in seven major strategic sectors such as public security, health and education, as well as the establishment of a specialized business expansion department in the headquarters, the interaction of seven major industries was fostered throughout the country. Industry managers were stationed in the region and immense market efforts were delivered in the region. By taking advantage of our product differentiation and leading position, we focused on further reinforcing collaboration with our industry partnerships. We were in charge of World Expo security, Universiade security and Asian Games security, while obtaining orders for important projects such as Shenzhen Metro, CCTV, Hunan public security, Guizhou birth control and Chongqing track. All these will reap positive impact and effect for us in the industry, and will also benefit the industry promotion and fruitful harvest in the second half of this year. Benefited from the active product and market strategy in the first half of the year, the sales volume of the server business in the first half of the year grew by 30% over the figure of the same period of last year.

Marketing

In the first half of 2010, the main focus on brand promotion of Powerleader was placed on the release and promotion of brand new products. With the latest release of the most powerful processors and server platforms under Intel 5600 and 7500 series, Powerleader, being one of the most important strategic partners of Intel in China, synchronously released and upgraded the newest servers under 5600 series and 7500 series, in order to share the latest server technology and products with our customers and partners at first stance. In this regard, Powerleader conducted the dissemination of brand and product technical information through advertising of server products under 5600 series, launch of new product, releases of new products and EDM with the most extensive coverage. On 2 April, Powerleader organized the release of the new server products under the latest series of 5600 and 7500. Contrasting to its past practice of merely releasing products to the media, Powerleader has invited key local customers to witness the moment this time and achieved encouraging results.

In the first half of the year, in addition to the most basic product upgrades and dissemination, Powerleader also carried out brand promotion and industry interaction for key industries in 2010. The promotion of sectors including IPDC, medical, government, rail transportation and HPC was the most important. Through popularization of solutions and success stories, promotion of industry seminars and participation in authoritative industry events, Powerleader enhanced its brand influence in these sectors, so as to attract more customers and lure better results. In particular, industry seminars in regions such as Chongqing, Xi'an and Beijing have been unanimously recognized by participants, and a number of projects were gradually produced as a consequence of those seminars. In addition, in respect of other crucial areas of business in government and energy industries, Powerleader has made a progressive involvement or seized the occasion to make advancement in the arena in order to air a louder voice in the industry by means of enhancement of brand awareness and participation in third-party activities.

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

In the first half of 2010, Powerleader established its development strategy of “Powerleader Cloud”, which will further fortify Powerleader’s marketing and promotion effort in a deeper and wider perspective.

Honours:

- January 2010: Powerleader was awarded “annual growing business in China’s servers” (「中國服務器年度成長企業」) by Server Online.
- January 2010: Powerleader was awarded “Good Faith SME Title” (「誠信中小企業稱號」) on the fourth SME Credit List.
- January 2010: 宝德計算機 won “Server Eco-energy Conservation Technology Innovation Award” (「服務器綠色節能技術創新獎」).
- January 2010: Powerleader’s PR2012NS-G won “IT168 Product of the Year Award” (「IT168年度產品獎」).
- February 2010: Powerleader’s Ziqiang PR2760T was awarded “Outstanding Product of 2009 Award” by Zhongguancun Online (中關村線上).
- June 2010: Powerleader’s high-density energy-saving servers PR2760T/PR7014B/PR6000M were reputed as new products of self-innovation by Futian District, Shenzhen.
- June 2010: Powerleader’s mass-capacity data storage servers GS99221/GS90161/GS5016/GS99201/GS99401 were reputed as new products of self-innovation by Futian District, Shenzhen.
- June 2010: Powerleader’s multi-function green servers PR2510N/PR1750N/PR1510N/PR1310N/PR2310N/PR2750N/PR2012NS/PR3016NS/PR4024NS/PR2024NS were honoured as new products of self-innovation by Futian District, Shenzhen.
- June 2010: Powerleader’s high-performance servers PR1750N/PR2750N/PR2760T/PR2850Q were honoured as new products of self-innovation by Futian District, Shenzhen.

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

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

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

Value-added Platform and Related Components Agency and Distribution Business

Riding on revitalising economy in Mainland China, the value-added platform and related components agency and distribution business achieved an astounding growth in overall operating income during the first half of the year as compared to the corresponding period of last year. In particular, the value-added distribution business of cloud computing server components module solution products (principally featured Intel-based server components module product line) had recorded strong growth, with total sales revenue and gross profit increased by more than 70% over the corresponding period of last year. At the same time, the value-added distribution and service business of high-end cloud computing servers and storage platform solution product cluster, which comprised mainly Fujitsu servers and storage product line, also kept its growth momentum. In the second quarter, the overall average gross margin and the net profit rate of value-added distribution business increased substantially over the figure of the same period of last year, and grew steadily over the previous quarter. In the first half of the year, not only had we succeeded in tightening our relationship with the SI clients and channel partners from the existing sectors, but also added 5 sales and service network spots in Chongqing, Wuhan, Harbin, Fuzhou and Kunming, thereby further optimized our distribution network, which enabled us to support and serve our clients in prompt and better manner.

Tianjin Airport Northern Sales Headquarters

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

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

Capital management

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

The Group's associate companies

深圳市中青宝网络科技股份有限公司 (“Powerleader Network”), an associate of the Group, registered turnover of approximately RMB36,239,000 and net profit attributable to company ordinary shareholders of RMB20,791,000 during the first quarter of 2010, represented an increase in net profit of 17.62% as compared to the corresponding period of last year. With its original and innovative ‘neo-economic’ business model and a track record of remarkable growth, Powerleader Network had been admitted to list on the ChiNext board of Shenzhen Stock Exchange and became the first PRC A shares listed issuer from the online game industry. The Group, as its second largest shareholder, would share the plentiful earnings generated from the rapid growth of Powerleader Network.

The Group, as a main promoter, established 潮商小額貸款有限公司 (Mini Credit of Shenzhen Chaoshang Commerce Chamber Co., Ltd.), which had a registered capital of RMB155,880,000, with the Company's investment amounting to RMB46,880,000. That company obtained a business license on 4 February 2010, and had recruited a general manager, who was a professional manager with years of experience in the management of banking credit. It carried out legitimate business operations within the provisions of the “Interim Measures for Pilot Operation of Small Loan Companies in Shenzhen” (《深圳市小額貸款公司試點管理暫行辦法》). With 深圳市潮汕商會 (Shenzhen Chaoshang Association of Commerce) as its business platform, that company targeted to serve the large community of Chaoshang entrepreneurs and small-to-medium-sized enterprises. At present, the operation is making good progress, with realized profit amounting to RMB3.98 million in the first half of 2010.

Government Affairs

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

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

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

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

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

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

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

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

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

May 2010: 宝德計算機’s “unified calculation storage modular technological transformation project based on SSI specification” (「基於SSI規範的統一計算存儲模組化技術改造專案」) was financed by the national special support fund for SME development;

June 2010: Powerleader Investment Holding Company Limited won the “Top Hundred Private Enterprises in Guangdong Province” title (「廣東省民營百強企業」稱號);

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

June 2010: Powerleader's green multi-function servers, high-density energy-saving servers, high-performance servers and mass-capacity data storage servers passed the certification of "Product of Independent Innovation in Futian District, Shenzhen" (深圳市福田区自主创新产品).

PROSPECTS

Server System Solution Business

In the second half of 2010, we will continue to work closely with Intel to accelerate product development and innovation and to introduce solutions meeting requirements of market segments. We will offer more customized products to customers on a more in-depth basis. By taking advantage 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. We are positively optimistic about the server system solution business in the second half of the year. In connection with software, in the second half of the year, we will continue to increase development momentum in industries like Internet enterprises (such as portals, video sites, e-commerce sites, etc.), governments, universities, health care and broadcasting. We will strengthen our cooperation with integrators and related product corporations. We will capitalize on the nation's supportive policies for domestic equipment. We will also take part in a number of government tendering and bidding projects, and participate in cooperation in system integration projects. Meanwhile, we will reinforce our product promotional efforts via the Internet. At the same time, as for three other projects of Powerleader Software (宝德软件公司) namely, speed travel accelerators, server navigation software and Internet projects, the development of version 3 has completed. Server navigation software has been made available for server users and positive feedback was received.

In the second half of 2010, we will focus on "Powerleader, the intelligent IT infrastructure" to launch a new wave of brand promotion for Powerleader. The slogan of the business embodies all the existing business contents and highlights of Powerleader, and keeps up with the theme of the era of Intel computational intelligence and IT industry intelligence. By means of EDM, PR publicity, advertising and participation in events, the image of Powerleader as a maker of IT intelligence infrastructure will be created and uplifted, thereby securing a greater share in cloud computing and virtualization hot spot applications.

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 the value-added distribution and services business of enterprise-class system solutions. We will enhance integrated design, consultation and technical implementation capacities of industry application solutions, in order to provide customers with better services. We will also continue to increase our efforts in broadening major industry clients and market expansion, and to strive to achieve greater breakthroughs in government public sector and education

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

Leasing of Servers and Internet Value-added Business

Given a high-speed growth in the Internet and servers, in particular, 宝腾 relies on 宝德電腦／計算機 which produces and sells servers, and is set to enjoy a large room for growth in IDC business. The growth in IDC business will give impetus to the development of CDN and leasing business, and more prominent breakthrough will be achieved in the second half of 2010.

Cloud Computing Products and Services

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, current assets of the Group amounted to RMB859,300,000 (31.12.2009: RMB851,515,000) which comprised mainly of bank balances and cash of RMB302,770,000 (31.12.2009: RMB326,867,000), inventories of RMB216,391,000 (31.12.2009: RMB103,794,000) and trade and bills receivables of RMB265,798,000 (31.12.2009: 327,440,000). On the other hand, current liabilities of the Group amounted to RMB684,246,000 (31.12.2009: RMB629,520,000) which comprised mainly of bank loans and other borrowings of RMB424,863,000 (31.12.2009: RMB383,382,000) and trade and bills payables of RMB185,942,000 (31.12.2009: RMB190,875,000).

The gearing ratio, calculated on the basis of total bank and other borrowings over net worth, lowered from 93.7% as at 31 December 2009 to 80.4% as at 30 June 2010.

EMPLOYEE INFORMATION

As at 30 June 2010, headcount of the Group was approximately 580 (30.6.2009: approximately 600). The total staff costs amounted to RMB10,980,000 for the Six Months Period compared to RMB10,150,000 for that of the corresponding period in 2009.

The Group also participates in a pension scheme organized by local government in the PRC, which is a defined contribution scheme in nature. Contribution to the scheme is based on 16% of the applicable payroll costs.

CURRENCY RISK

The Company sales were substantially denominated in RMB and the purchases were denominated in USD and RMB. The Group did not make any arrangement to hedge against its exchange risk during the Six Months Period as it was considered that the exchange risk faced by the Group was minimal.

CONTINGENT LIABILITIES

As at 30 June 2010, the Directors were not aware of any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

The material acquisitions and disposals of investments by the Group during the Six Months Period are as follows:

1. On 4 February 2010, the Company, as a main promoter, set up 潮商小額貸款有限公司 (Mini Credit of Shenzhen Chaoshang Commerce Chamber Co., Ltd.), with a registered capital of RMB155,880,000. The Company has invested RMB46,880,000 and account for 30.07% of its equity interests.
2. In February 2010, the 深圳市中青寶網網絡科技股份有限公司 (“Powerleader Network”), an associate of the Company, was enlisted on the ChiNext board of Shenzhen Stock Exchange. Subsequent to the listing of Powerleader Network’s shares, the Group’s holdings of its equity interests was diluted from 20.4% to 15.3%.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Six Months Period.

DIRECTORS' AND SUPERVISORS' INTERESTS OR SHORT POSITIONS IN EQUITY OR DEBT SECURITIES

At as 30 June 2010, the interests or short positions of the directors and supervisors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which 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 provisions of the FO) 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 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 (<i>Note</i>)	1,021,845,000	45.26%	61.93%
Ms. Zhang (<i>Note</i>)	1,021,845,000	45.26%	61.93%

Note: Mr. Li is the husband of Ms. Zhang. They hold in aggregate 1,021,845,000 Domestic Shares through Powerleader Investment Holding Company Limited 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	Number of shares held		Total	Approximate percentage of the issued share capital of Ex-channel Group Limited
	Beneficial owner	Controlled corporation		
Mr. Li	—	3,000,000	3,000,000	10%
Dong Weiping	3,000,000	—	3,000,000	10%

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

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

Name of director	Number of shares held by a controlled corporation	Approximate percentage of the issued share capital of 深圳市宝騰互聯科技有限公司
Mr. Li (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 Ruijie and Ms. Zhang Yunxia as to 87.5% and 12.5% respectively.

Save as disclosed above, as at 30 June 2010, none of the directors or supervisors of the Company had any interests or short positions in any shares, underlying shares 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 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or 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.

DIRECTORS' AND SUPERVISORS RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 30 June 2010, 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 and its subsidiaries, or had exercised any such right.

SHARE OPTION SCHEME

Up to 30 June 2010, the Company has not adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2010, the Directors are not aware of any other interests and short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which 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

	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 Ruijie and Ms. Zhang Yunxia, as to 87.5% and 12.5% respectively, holds in aggregate 1,021,845,000 Domestic Shares.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, 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 Company or any other conflicts of interest which any such person may have with the Company.

RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Directors have confirmed that the Group was not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

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 six months period.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the company’s auditors in matters coming within the scope of the company 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 Dr. Guo Wanda, Mr. Jiang Baijun and Mr. Chan Shiu Yuen. The Audit Committee has reviewed the Company’s financial statements for the Six Months Period, and was of the opinion that such statements had complied with the applicable accounting standards, the requirements of the Stock Exchange and legal provisions, and that adequate disclosure had been made.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

By order of the Board
Li Ruijie
Chairman

Shenzhen, PRC
13 August 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, Mr. Jiang Baijun, Dr. Guo Wanda and Mr. Chan Shiu Yuen, Sammy as independent non-executive directors.