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宝德科技集團股份有限公司
POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

Characteristics of the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

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

* *For identification purposes only*

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	**2011** *RMB'000*	2010 *RMB'000*
Turnover	(3)	**1,695,616**	1,105,728
Cost of sales		**(1,523,458)**	(994,089)
Gross profit		**172,158**	111,639
Other income and gains	(4)	**25,998**	19,014
Distribution costs		**(34,480)**	(29,658)
Administrative and other expenses		**(48,752)**	(40,302)
Finance costs	(5)	**(37,017)**	(24,910)
Gain on deemed disposal of partial interest in an associate	(6)	**—**	98,952
Gain on disposal of investment classified as held for sale	(7)	**10,000**	—
Change in fair value of derivative financial instruments		**53**	(681)
Share of profit from an associate		**2,837**	6,545
Profit before taxation		**90,797**	140,599
Income tax expense	(8)	**(16,162)**	(5,653)
Profit for the year	(9)	**74,635**	134,946
Other comprehensive income			
Share of other comprehensive income of an associate		**8**	—
Other comprehensive income for the year, net of income tax		**8**	—
Total comprehensive income for the year		**74,643**	134,936
Profit for the year attributable to:			
Owners of the Company		**74,256**	130,697
Non-controlling interests		**379**	4,249
		74,635	134,946
Total comprehensive income for the year attributable to:			
Owners of the Company		**74,264**	130,697
Non-controlling interests		**379**	4,249
		74,643	134,946
Earnings per share	(11)		
Basic and diluted *(RMB)*		**3.26 cents**	5.79 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**220,801**	260,423
Prepaid lease payments		**35,569**	1,518
Deferred development costs		**38,759**	36,471
Interest in an associate		**136,034**	137,167
Available-for-sale investment		**18,000**	18,000
Deposit paid for acquisition of a land use right		**12,572**	—
Deposit paid for acquisition of a building		**2,576**	—
		464,311	453,579
Current assets			
Prepaid lease payments		**966**	36
Inventories		**133,418**	148,844
Finance lease receivables		**19**	141
Amount due from a related company		**185**	1,977
Amount due from an associate		**877**	—
Amount due from a shareholder		**12**	—
Trade and bills receivables	(12)	**350,226**	384,983
Other receivables, deposits and prepayments		**167,929**	84,152
Fixed bank deposits		**20,000**	100,000
Pledged bank deposits		**5,933**	30,689
Restricted bank balances		**19,004**	11,990
Bank balances and cash		**331,226**	199,059
		1,029,795	961,871
Asset held for sale		**—**	46,880
		1,029,795	1,008,751

	NOTES	**2011** RMB'000	2010 RMB'000
Current liabilities			
Trade and bills payables	(13)	**125,822**	178,257
Other payables and accrued charges		**46,407**	38,917
Receipts in advance		**14,071**	10,199
Tax payable		**28,394**	17,104
Derivative financial instruments		**—**	681
Amount due to an associate		**—**	1,693
Short-term financing bonds		**40,000**	—
Bank and other borrowings — due within one year		**572,422**	607,449
Obligation under a finance lease — due within one year		**—**	124
		827,116	854,424
Net current assets		**202,679**	154,327
Total assets less current liabilities		**666,990**	607,906
Capital and reserves			
Share capital	(14)	**243,000**	225,750
Reserves		**396,296**	298,114
Equity attributable to owners of the Company		**639,296**	523,864
Non-controlling interests		**211**	21,015
Total equity		**639,507**	544,879
Non-current liabilities			
Deferred income		**3,800**	—
Deferred tax liabilities		**3,683**	3,361
Bank and other borrowings — due after one year		**20,000**	59,666
		27,483	63,027
		666,990	607,906

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital *RMB'000* *Note 14*	**Share premium** *RMB'000* *Note 14*	**Statutory surplus reserve** *RMB'000*	**Translation reserve** *RMB'000*	**Other reserves** *RMB'000*	**Retained profits** *RMB'000*	**Proposed final dividend** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
1 January 2010	225,750	—	38,478	—	—	129,400	—	393,628	15,701	409,329
Profit and total comprehensive income for the year	—	—	—	—	—	130,697	—	130,697	4,249	134,946
Deemed disposal of partial interest in a subsidiary	—	—	—	—	—	(461)	—	(461)	461	—
Appropriation	—	—	11,443	—	—	(11,443)	—	—	—	—
Capital contributed by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	2,340	2,340
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(1,736)	(1,736)
At 31 December 2010 and 1 January 2011	225,750	—	49,921	—	—	248,193	—	523,864	21,015	544,879
Profit for the year	—	—	—	—	—	74,256	—	74,256	379	74,635
Other comprehensive income for the year	—	—	—	8	—	—	—	8	—	8
Total comprehensive income for the year	—	—	—	8	—	74,256	—	74,264	379	74,643
Acquisition of additional equity interests in subsidiaries	—	—	—	—	(1,957)	—	—	(1,957)	(18,283)	(20,240)
Appropriation	—	—	3,865	—	—	(3,865)	—	—	—	—
Capital contributed by shareholders of the Company	17,250	25,875	—	—	—	—	—	43,125	—	43,125
Capital contributed by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	300	300
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(3,200)	(3,200)
Proposed final dividend *(Note 10)*	—	—	—	—	—	(12,150)	12,150	—	—	—
At 31 December 2011	243,000	25,875	53,786	8	(1,957)	306,434	12,150	639,296	211	639,507

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 (the "Stock Exchange") on 12 December 2002 by way of placement.

The addresses of the registered office is Room 43A, 43rd Floor, Block C, Electronics Science & Technology Building, Shennan Road Central, Futian District, Shenzhen, the PRC and principal places of business of the Company are 4th Floor, Research and Development Building, Powerleader Technology Research and Production Base, Guanlan Hi-Tech Industrial Park, Bao'an District, Shenzhen, the PRC and Unit 105, 1/F., Sunbeam Centre, 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

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, development, manufacture and sale of servers solutions; (ii) cloud computing equipment, related platform and components value-adding agency and distribution; and (iii) development and provision of leasing and maintenance services of cloud computing related software.

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) — Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

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

The directors of the Company anticipate that the application of these amendments to HKFRS 7 will affect on the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "current has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirement) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial information and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 — Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instruments for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments — Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

3. TURNOVER AND SEGMENT INFORMATION

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

Segment information

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

Principal activities are as follows:

Infrastructure as a Service (Iaas)	— Design, development, manufacture and sales of servers solutions
Module as a Service (MaaS)	— Cloud computing equipment, related platform and components value-adding agency and distribution
Software and Platform as a Service (SaaS & PaaS)	— Development and provision of leasing and maintenance services of cloud computing related software

Segment revenues and results

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

For the year ended 31 December 2011

	Infrastructure as a Service *RMB'000*	**Module as a Service** *RMB'000*	**Software and Platform as a Service** *RMB'000*	**Consolidated** *RMB'000*
TURNOVER	**461,849**	**1,231,910**	**1,857**	**1,695,616**
Segment profit (loss)	**48,759**	**61,450**	**(313)**	**109,896**
Finance costs				**(37,017)**
Gain on disposal of investment classified as held for sale				**10,000**
Change in fair value of derivative financial instrument				**53**
Net exchange gains				**2,254**
Share of profit from an associate				**2,837**
Unallocated interest income				**2,774**
Profit before taxation				**90,797**

For the year ended 31 December 2010

	Infrastructure as a Service *RMB'000*	Module as a Service *RMB'000*	Software and Platform as a Service *RMB'000*	Consolidated *RMB'000*
TURNOVER	432,023	672,207	1,498	1,105,728
Segment profit (loss)	32,738	26,362	(1,148)	57,952
Finance costs				(24,910)
Gain on disposal of available-for-sale investment				181
Fair value gain on financial assets held for trading				40
Gain on deemed disposal of partial interest in an associate				98,952
Change in fair value of derivative financial instruments				(681)
Net exchange gains				1,404
Share of profit from an associate				6,545
Unallocated interest income				1,116
Profit before taxation				140,599

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

Segment assets and liabilities

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

Segment assets	**2011** *RMB'000*	2010 *RMB'000*
Infrastructure as a Service	**495,272**	440,504
Module as a Service	**484,687**	492,640
Software and Platform as a Service	**1,951**	3,401
Total segment assets	**981,910**	936,545
Unallocated	**512,196**	478,905
Asset held for sale	**—**	46,880
Consolidated assets	**1,494,106**	1,462,330

Segment liabilities	**2011**	2010
	RMB'000	*RMB'000*
Infrastructure as a Service	**82,981**	79,367
Module as a Service	**103,560**	147,052
Software and Platform as a Service	**486**	523
Total segment liabilities	**187,027**	226,942
Unallocated	**667,572**	690,509
Consolidated liabilities	**854,599**	917,451

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

- all assets are allocated to operating segments other than interest in an associate, fixed bank deposits, pledged bank deposits, restricted bank balances, bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than payable for certain corporate office expenses, short-term financing bonds, bank and other borrowings, derivative financial instruments, tax payable 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 2011

	Infrastructure as a Service	**Module as a Service**	**Software and Platform as a Service**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (note)	**24,053**	**6,755**	**615**	**31,423**
Amortisation of deferred development costs	**15,696**	**—**	**—**	**15,696**
Depreciation of property, plant and equipment	**5,464**	**286**	**476**	**6,226**
(Gain) loss on disposal of property, plant and equipment	**(5)**	**—**	**3**	**(2)**
Amortisation of prepaid lease payments	**139**	**—**	**—**	**139**
Allowance for inventories	**—**	**898**	**—**	**898**
Reversal of allowance for inventories	**(570)**	**—**	**—**	**(570)**
Allowance for bad and doubtful debts	**277**	**480**	**—**	**757**
Reversal of allowance for other receivables	**(2)**	**—**	**—**	**(2)**
Reversal of allowance for bad and doubtful debts	**—**	**—**	**(119)**	**(119)**

For the year ended 31 December 2010

	Infrastructure as a Service *RMB'000*	Module as a Service *RMB'000*	Software and Platform as a Service *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets *(note)*	17,265	31,771	150	49,187
Amortisation of deferred development costs	10,032	—	—	10,032
Depreciation of property, plant and equipment	5,326	220	636	6,182
Gain on disposal of property, plant and equipment	(29)	—	—	(29)
Amortisation of prepaid lease payments	36	—	—	36
Allowance for bad and doubtful debts	1,759	—	—	1,759
Reversal of allowance for other receivables	(866)	—	—	(866)
Reversal of allowance for bad and doubtful debts	(1,489)	—	—	(1,489)

Note: Additions to non-current assets including additions of property, plant and equipment, deferred development costs and deposit for acquisition of a building.

Geographical information

The Group's operations are located in the region of the PRC and Hong Kong. The Group's Infrastructure as a Service segment and Software and Platform as a Service segment are located in the PRC while the Group's Module as a Service segment is located in the PRC and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

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

	2011 *RMB'000*	2010 *RMB'000*
PRC	**1,392,656**	788,240
Hong Kong	**299,041**	267,190
Others	**3,919**	50,298
	1,695,616	1,105,728

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

Information about major customers

Revenue from customer A from the Module as a Service segment contributed approximately RMB233,958,000 (2010: RMB133,289,000) revenue of which contributed over 10% (2010: 10%) of the total sales of the Group.

4. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Repair and network support, freight and logistics service income	**12,782**	5,733
Government subsidies for technology improvement on servers and development of new technologies *(Note a)*	**3,039**	3,128
Interest income on bank deposits	**2,774**	1,116
Value added tax ("VAT") refunds *(Note b)*	**2,662**	3,068
Net exchange gains	**2,254**	1,404
Rental income	**1,638**	1,506
Reversal of allowance of doubtful debts	**119**	1,489
Reversal of allowance for other receivables	**2**	866
Gain on disposal of available-for-sale investment	**—**	181
Fair value gain on financial assets held for trading	**—**	40
Gain on disposal of property, plant and equipment	**2**	29
Others	**726**	454
	25,998	19,014

Notes:

a) Pursuant to the notices issued by the relevant government authorities, the Company was entitled to enjoy subsidies for development of new servers and other new technologies. There are no other specific conditions needed to be fulfilled to retain the government subsidies.

b) VAT refunds represent the refund of VAT charged on qualified sales of software products by the PRC Tax bureau.

5. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**36,848**	27,114
Interest on short-term financing bonds wholly repayable within five years	**2,079**	—
Interest on finance lease	**2**	30
Imputed interest on long-term other borrowings	**601**	989
Total borrowing costs	**39,530**	28,133
Less: amounts capitalised	**(2,513)**	(3,223)
	37,017	24,910

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

On 11 February 2010, the Group's associate, 深圳中青宝互動網絡股份有限公司 ("Powerleader Network") were listed on the Growth Enterprise Market of the Shenzhen Stock Exchange. Powerleader Network made a public offer of 25,000,000 ordinary shares at par value of RMB1 each at an offer price of RMB30. A sum of approximately RMB704,246,000 was raised after deducting the issuing costs. As a result, the Group's equity interest in Powerleader Network was diluted from 20.4% to 15.3%. Since the controlling shareholders of Powerleader Network is Mr. Li Ruijie ("Mr. Li") and Ms. Zhang Yunxia ("Ms. Zhang") who is also the executive directors of the Company. Therefore the Group is able to have significant influence on Powerleader Network and the investment is classified as an interest in an associate even it does not have equity interest more than 20%.

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

7. GAIN ON DISPOSAL OF INVESTMENT CLASSIFIED AS HELD FOR SALE

On 11 January 2010, the Company and other independent third parties (the "JV Partners") entered into the articles of association in relation to a formation of an associate 深圳市潮商小額貸款有限公司 Mini Credit of Shenzhen Chaoshang Commence Chambe Co., Limited ("Mini Credit"). Mini Credit was owned by the Company and the JV Partners as to RMB47 million (30.07%) and RMB108 million (69.93%) respectively. Mini Credit is recognised at cost. Mini Credit was principally engaged in micro-financing and consultancy services for the development, management and financial affairs of small and medium enterprises.

During the fourth quarter of that year, the directors of the Company planned to dispose of Mini Credit and focus on the Group's activities in the cloud computing business.

On 17 February 2011, the directors of the Company entered into a share transfer agreement to dispose all of its equity interest in Mini Credit to Powerleader Investment at a consideration of approximately RMB56,880,000.

The transaction was completed in July 2011 and a gain on disposal of approximately RMB10,000,000 was recognised in the consolidated statement of comprehensive income.

8. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**6,054**	2,843
Hong Kong Profits Tax	**9,786**	3,799
	15,840	6,642
Over-provision of current tax in prior years:		
Hong Kong Profits Tax	**—**	(130)
	15,840	6,512
Deferred taxation	**322**	(859)
	16,162	5,653

The Company is an enterprise established in Shenzhen Special Economic Zone in the PRC. The Company was recognised as High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2009 and is subject to EIT rate of 15% for the year ended 31 December 2011 (2010: 15%). In accordance with the relevant rules and regulations in the PRC, except for 深圳市宝德計算機系統有限公司 ("宝德計算機") and 深圳市宝德軟件發展有限公司 ("宝德軟件"), all other PRC subsidiaries are subject to the EIT rate of 25% (2010: 25%).

宝德計算機 was recognised as High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2008. The income tax rate of 15% is applied to 宝德計算機 for the year ended 31 December 2011 (2010: 15%).

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

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's other PRC subsidiaries, whereby the applicable income tax rate will be progressively increased to 20%, 22%, 24% and 25% for the years 2009, 2010, 2011 and 2012 respectively.

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

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

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**90,797**	140,599
Tax at EIT rate of 15% (2010:15%) *(Note)*	**13,620**	21,090
Tax effect of income not taxable for tax purpose	**(2,228)**	(15,825)
Tax effect of expenses not deductible for tax purpose	**1,186**	911
Tax effect of tax losses not recognised	**2,804**	2,088
Income tax on concessionary rate	**(595)**	(2,570)
Effect of different tax rate of subsidiaries	**1,801**	1,071
Tax effect of share of profit from an associate	**(426)**	(982)
Over-provision in respect of prior years	**—**	(130)
Income tax expense for the year	**16,162**	5,653

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

9. PROFIT FOR THE YEAR

	2011	2010
	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 RMB3,291,000 (2010: RMB3,375,000)	**20,729**	18,590
— retirement benefits scheme contributions, net of amount capitalised in deferred development cost of RMB132,000 (2010: RMB121,000)	**2,323**	1,551
	23,052	20,141
Cost of inventories recognised as expenses	**1,523,130**	994,089
Research and development cost recognised as expenses	**1,752**	2,239
Auditor's remuneration	**808**	791
Depreciation of property, plant and equipment, net of amount capitalised in deferred development cost of RMB362,000 (2010: RMB378,000)	**6,226**	6,182
Amortisation of prepaid lease payments	**139**	36
Amortisation of deferred development costs (included in administrative expenses)	**15,696**	10,032
Allowance for inventories (included in cost of sales)	**898**	—
Allowance for doubtful debts (included in administrative expenses)	**757**	1,759
Bad debts written off	**—**	25
Reversal of allowance for inventories (included in cost of sales)	**(570)**	—
Share of tax of an associate	**46**	456

10. DIVIDENDS

The final dividend of RMB0.5 cents in respect of the year ended 31 December 2011 (2010: Nil) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in annual general meeting.

11. 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 RMB74,256,000 (2010: RMB130,697,000) and the weighted average number of ordinary shares of 2,274,513,699 (2010: 2,257,500,000) in issue during the year.

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

12. TRADE AND BILLS RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**330,956**	333,048
Less: allowance for doubtful debts	**(6,126)**	(5,488)
	324,830	327,560
Bills receivables	**13,045**	9,064
	337,875	336,624
Discounted bills receivables with recourse	**12,351**	48,359
	350,226	384,983

The bills receivables as at 31 December 2011 and 2010 are aged within four and three months respectively.

The maturity date of discounted bills with recourse are less than four (2010: three) months at 31 December 2011. Cash received from discounted bills with recourse are recognised as bank and other borrowings under current liabilities in the consolidated statement of financial position.

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**150,459**	192,551
1–3 months	**129,830**	103,212
4–6 months	**36,508**	14,901
Over 6 months	**21,078**	25,960
	337,875	336,624

The Group does not hold any collateral over these balances.

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately RMB50,643,000 (2010: RMB40,729,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 180 days (2010: 180 days).

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**10,163**	5,147
1–3 months	**20,533**	10,823
4–6 months	**7,425**	8,082
6 months–1 year	**8,908**	6,294
1–2 years	**3,614**	10,383
	50,643	40,729

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures.

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

Movement in the allowance for bad and doubtful debts:

	2011	2010
	RMB'000	*RMB'000*
Balance at beginning of the year	**5,488**	5,243
Allowance recognised on receivables	**757**	1,759
Amount written off as uncollectible	**—**	(25)
Amount recovered during the year	**(119)**	(1,489)
Balance at end of the year	**6,126**	5,488

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB6,126,000 (2010: RMB5,488,000) which have been in financial difficulties.

The Group's trade and bills receivables that are denominated in currencies other than RMB are set out below:

	2011	2010
	RMB'000	*RMB'000*
USD	**159,483**	149,708

13. TRADE AND BILLS PAYABLES

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**64,993**	72,510
1–3 months	**36,351**	44,884
4–6 months	**10,256**	8,597
Over 6 months	**11,210**	6,623
	122,810	132,614
Bills payables	**3,012**	45,643
	125,822	178,257

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

The Group's trade and bills payables that are denominated in currencies other than RMB are set out below:

	2011	2010
	RMB'000	*RMB'000*
USD	**92,092**	113,943

14. SHARE CAPITAL

	Domestic shares		**Foreign invested shares**		**Total**	
	Number of shares	*RMB'000*	*Number of shares*	*RMB'000*	*Number of shares*	*RMB'000*
Registered, issued and fully paid:						
Shares of RMB 0.1 each						
At 1 January 2010, 31 December 2010 and 1 January 2011	1,650,000,000	165,000	607,500,000	60,750	2,257,500,000	225,750
Addition during the year	172,500,000	17,250	—	—	172,500,000	17,250
At 31 December 2011	1,822,500,000	182,250	607,500,000	60,750	2,430,000,000	243,000

On 28 January 2011, the Company and Jinbo Litong, Jiachuang Lianhe and Zhizheng Lida (the "Subscribers") entered into a subscription agreement pursuant to which the Subscribers agreed to subscribe an aggregate of 172,500,000 new domestic shares at the subscription price of RMB0.25. The net proceeds from the subscription is approximately RMB43,125,000 which was received in November 2011.

The subscription shares represent approximately 7.64% of the existing issued share capital of the Company. Details are set out in the Company's announcement dated 28 January 2011.

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.

15. OPERATING LEASE COMMITMENTS

The Group as lessee

	2011	2010
	RMB'000	*RMB'000*
Minimum lease payments in respect of rented premises paid under operating leases during the year	**2,841**	2,236

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:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**2,016**	3,082
In the second to fifth year inclusive	**756**	932
	2,772	4,014

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

The Group as lessor

Rental income from leasing of computer servers earned during the year was approximately RMB106,000 (2010: RMB66,000). Only servers of a subsidiary of the Company are held for rental purposes. They are expected to generate rental yields of 7% (2010: 7%) on an ongoing basis. All of the servers held for rental purpose have committed tenants for the next one year.

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

	2011	2010
	RMB'000	*RMB'000*
Within one year	**128**	2

Property rental income earned during the year was RMB1,638,000 (2010: RMB1,506,000). All of the premises held for rental purposes have committed tenants for the next four years.

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

	2011	2010
	RMB'000	*RMB'000*
Within one year	**934**	1,989
In the second to fifth year inclusive	**1,585**	7,291
After five years	**—**	4,500
	2,519	13,780

16. CAPITAL COMMITMENTS

Capital commitments contracted but not provided for in respect of:

	2011	2010
	RMB'000	*RMB'000*
Construction-in-progress and land use right	**13,771**	20,817

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 December 2011, the Group recorded a turnover of approximately RMB1,695,616,000 and profit attributable to owners of the Company of approximately RMB74,264,000 as compared to turnover and profit attributable to owners of approximately RMB1,105,728,000 and approximately RMB130,697,000 (excluding a gain of approximately RMB98,952,000 arising from deemed disposal of interest in an associated company in 2010) respectively for the year ended 31 December 2010, representing an increase of approximately 53% and 134% respectively. Weighted average earning per share was approximately RMB3.26 cents (2010: RMB5.79 cents) and net assets per share of the Company was approximately RMB0.26 (2010: RMB0.23).

Turnover

The turnover of the Group for the year ended 31 December 2011 and the comparative figures of 2010 can be classified by business as follows:

	2011		2010		**Change**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Turnover by business					
Infrastructure as a Service (IaaS)	**461,849**	**27.2**	432,023	39.1	6.9
Module as a Service (Maas)	**1,231,910**	**72.7**	672,207	60.8	83.3
Software and Platform as a Service (SaaS & PaaS)	**1,857**	**0.1**	1,498	0.1	23.9
Total	**1,695,616**	**100**	1,105,728	100	53.3

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 2011, turnover from server system solutions and value-added platform and related components agency distribution business amounted to approximately RMB461,849,000 and RMB1,231,910,000 respectively (2010: RMB432,023,000 and RMB672,207,000), accounting for 27.2% and 72.7% (2010: 39.1% and 60.8%) of total sales respectively. Sales of server system solutions raised by 6.9%, sales of value-added platform and related components agency distribution business raised by 83.3%. More business analysis is detailed in the "Business Review" section below.

Gross Profit

	Turnover		Gross profit		Gross profit margin	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	*%*	*%*
Turnover by business						
Infrastructure as a Service (IaaS)	**461,849**	432,023	**97,176**	81,074	**21.0**	18.8
Module as a Service (Maas)	**1,231,910**	672,207	**74,490**	30,249	**6.0**	4.5
Software and Platform as a Service (SaaS & PaaS)	**1,857**	1,498	**492**	316	**26.5**	21.1
Total	**1,695,616**	1,105,728	**172,158**	111,639	**10.2**	10.1

The Group's gross profit increased from approximately RMB111,639,000 for the year ended 31 December 2010 to approximately RMB172,158,000 for the year ended 31 December 2011, representing an increase of approximately 54%.

The Group's overall gross profit margin slightly rose from 10.1% for the year ended 31 December 2010 to approximately 10.2% for the year ended 31 December 2011. Gross profit margin of Infrastructure as a Service (IaaS) rose by 2.2% when compared with 2010. The gross profit margin of Module as a Service (Maas) rose by 1.5% when compared with 2010.

Other operating income

Other operating income mainly included maintenance and technical support, government subsidies for technology improvement on servers and return of value-added tax, which amounted to approximately RMB12,782,000, RMB3,039,000 and RMB2,622,000 respectively for the year ended 31 December 2011, as compared to that of approximately RMB5,733,000, RMB3,128,000 and RMB3,068,000 respectively for the year ended 31 December 2010.

Operating Expenses

The Group's distribution costs, administrative and other expenses for the year ended 31 December 2011 increased by approximately 19% to approximately RMB83,232,000 as compared to that of approximately RMB69,960,000 for the year ended 31 December 2010. This was mainly attributable to the enhancement of research and development of the Group and the rise in employee salaries.

Financial Resources and Working Capital

As at 31 December 2010, the Group had shareholders' funds of approximately RMB639,296,000 (2010: RMB523,864,000). Current assets amounted to approximately RMB1,029,795,000 (2010: RMB1,008,751,000) with ample cash in hand. It mainly comprised of unrestricted bank balances and cash of approximately RMB331,226,000 (2010: RMB199,059,000), inventories of approximately RMB133,418,000 (2010: RMB148,844,000) and trade and bills receivables of approximately RMB350,226,000 (2010: RMB384,983,000). Non-current liabilities mainly included deferred tax liabilities of approximately RMB3,683,000 (2010: RMB3,361,000), long-term bank and other borrowings of RMB20,000,000 (2010: RMB59,666,000). Current liabilities mainly comprised bank and other borrowings of approximately RMB572,422,000 (2010: RMB607,449,000) and trade and bill payables of approximately RMB125,822,000 (2010: RMB178,257,000).

Significant acquisitions and disposals

On 17 February 2011, the Company and Powerleader Investment Holding Company Limited (深圳市宝德投資控股有限公司) (the "Powerleader Investment") entered into the Chaoshang Mini Credit Share Transfer Agreement, pursuant to which the Company agreed to sell and Powerleader Investment agreed to purchase approximately 30.07% equity interest in Mini Credit for a consideration of RMB56,880,000 subject to the terms of the agreement. The contract was approved by the shareholders at the extraordinary general meeting held on 20 May 2011, and the transfer of the equity interest was effected in July 2011. Upon completion of the transfer of the equity interest, the Company will cease to hold any equity interest in Mini Credit.

On 17 February 2011, Powerleader Science & Technology (H.K.) Limited ("Powerleader HK"), a wholly-owned subsidiary of the Company and Mr Dong, a director of the Company, entered into Ex-Channel Group Limited equity transfer contract, pursuant to which Mr. Dong agreed to sell 10% equity interest in Ex-Channel to Powerleader HK for a consideration of RMB8,800,000 subject to the terms of the agreement. The contract was approved by the shareholders at the extraordinary general meeting held on 20 May 2011, and the transfer of the equity interest was effected in July 2011.

On 17 February 2011, Powerleader HK and TPL, a company controlled by Mr. Li, entered into Ex-Channel equity transfer contract, pursuant to which TPL agreed to sell the 10% equity interest in Ex-Channel to Powerleader HK for a consideration of RMB8,800,000 subject to the terms of the agreement. The contract was approved by the shareholders at the extraordinary general meeting held on 20 May 2011, and the transfer of the equity interest was effected in July 2011.

Currency Risk

The Group's purchase was predominantly denominated in USD, which represented approximately 80% (2010: 87%) of the Group's purchase for the year ended 31 December 2011. In 2011, the Group circumvented its foreign exchange risk through non-deliverable forward operations.

Gearing Ratio

As at 31 December 2011, the gearing ratio of the Group was approximately 57.2% (2010: 62.7%). It is defined as the percentage of the Group's total debts to total assets.

BUSINESS REVIEW

Infrastructure as a Service (IaaS) — Servers and Solutions Business

In 2011, server market showed a growth in demand, whereas the competition remained fierce. Based on market characteristics, Powerleader server business teams reinforced sales management internally and focused on each sub-sector of the market externally. Product supply was adhered to a differentiated customization principle. We kept abreast of the market by responding to customer needs. We improved the output of the existing high-quality customers. We strengthened our sales team building and extended the headquarters' industry expansion sales team, in order to reinforce the regional sales force, and step up the regional industry expansion sales, and thus explore into customers in the emerging industries. We organized industry product release conferences and channel product promotion fairs, so as to enhance publicity and promotion efforts towards industries and channels. We horizontally established collaboration with the regional market partners to join hands with these partners to participate in the bidding for regional government education projects. In 2011, the development teams for seven industries including government, education, medical, security monitoring, rail transportation, radio and television and telecommunications have further expanded into the regional market. Industry sales increased substantially over last year. We have taken an active part in regional health and medical information construction, and have reaped fruitful results in areas ranging from regional education, health care, security monitoring, rail transportation as well as radio and television. To seize the opportunities arising from the transition of standard-definition technology to high-definition technology in the security surveillance industry, a full range of product offerings was introduced for security monitoring market. Close cooperation was formed with partners in the rail transportation and security surveillance industry to co-organize marketing campaign to promote DVR and high-definition surveillance storage products. In rail traffic and security surveillance market, widespread recognition was received from users and partners. We have secured rail transport surveillance projects in cities such as Shenzhen, Chongqing, Xi'an and Ningbo. Moreover, a large number of platform solution providers, integrators and software vendors have become part of the customer base of Powerleader. Promising results were attained in 2011 for the integrated strategies combining both vertical exploration into each-sector of the industry and horizontal expansion into the regional market.

On front of products, we kept up with the INTEL pace by speeding up product upgrades and new technology launches. We insisted on keeping ahead of user needs and catering for user applications. The customization of products was conducted according to this principle. With upgrades and innovations along with the differentiated customization, we continuously enhanced the competitive edges of Powerleader servers in the ferocious market. In 2011, cloud computing business module of the Company rolled out the total solutions and exclusive products. Endeavours were made to promote sales training, increase market awareness, and strengthen sales promotion of education clouds, animation clouds and desktop clouds. Discussions on and cooperation in the cloud computing industry was carried out with the local governments in the country. We made a success in building a cloud platform for users of the Guangdong education industry, thereby driving a gradual growth in the overall sales of products.

In 2011, cloud computing has become the most high-profile technology and trends in the industry. Under the background of the cloud era, Powerleader is unswervingly committed to enhancing its image as a leading niche provider of cloud computing products, programs and services in China, and upholding its strategic positioning of "Powerleader clouds, China clouds; Powerleader wins, China wins" throughout the country. As IaaS part in the overall cloud computing plan of Powerleader, the promotion of cloud servers and the related technologies have become a focused task of us in 2011.

In relation to our focused tasks, in 2011, Powerleader made dedicated efforts on the R&D of cloud computing products, the design and construction of cloud programs and the popularization of cloud applications. On this basis, a number of cloud servers including PR4048NS\PR2012NS\PR4036NS\PR6000M,PR2760T and PR3208R aroused attention from the industry and received good responses from the market, thus laying a solid foundation for cloud architecture. Game clouds, on which Powerleader Group made great intensity of efforts, were rolled out and released at the middle of the year. Widespread attention and prompt applause were received from customers. More than 100 customers were signed. Moreover, Powerleader put forward a sky strategy. This consolidated its image and position as a leading provider of cloud computing, and indicated its strong commitment and confidence in making successes in cloud computing technologies and programs. Powerleader desktop clouds, which are going to be released, will provide favourable opportunities for cloud application experience among end customers and SME customers. In addition, in respect of Powerleader Group's progress of cloud computing projects in certain regions, Powerleader Group's participation in some of the major cloud computing summits in the industry, and Powerleader Group's achievement of awards and recognition of cloud computing programs in the industry, all these developments and achievements of Powerleader have been publicized at the widest extent through strong network media, in an effort to enhance our brand reputation and maintain our brand visibility.

In respect of marketing promotion, in 2011, Powerleader continued to place a focus on face-to-face interaction with customers and target customers, in order to grasp these opportunities to convey Powerleader cloud computing strategic planning and operational progress among the targeted audience. Through different kinds of meetings such as industry seminars, cloud computing shows, forums and fairs, Powerleader cloud computing will be promoted. Important activities taken part or organized by Powerleader in 2011 included: the Third Shenzhen Cloud Computing Industry Summit, "A day in the cloud" and the IDF Technology Summit hosted by Intel, the Third China Cloud Computing Conference, the General Assembly of China International Multi-modal Transport and Internet of Things Application Exhibition cum China Internet of Things Technology Application and Promotion Alliance (中國物聯網應用與推進聯盟), Powerleader Cloud Strategy and Game Cloud News Conference, the ASEAN Expo, the IPDC Meeting of the Eastern Region, the VIP Meeting of the Southern Region, the Seminar and National Tour of the Security Surveillance Industry, and the Intel HPC Summit. By taking part in cloud computing professional and technical meetings, technology summits of the Internet data center industry and IT industry, the Thirteenth Fair, as well as meetings associated with the security industry and HPC fields, the products, programs, services and achievements of each module of Powerleader Group cloud computing architecture on a full range and at multiple levels. Through on-site interaction with guests and personal experience of guests, participants are offered chances for intuitive feelings and personal experience of Powerleader cloud computing products and solutions, thereby establishing a good foundation for the future business development and the long-term amiable cooperation.

Honours:

In January 2011:	Powerleader-Northeast Normal University High Performance Computing Case was granted an outstanding practice award, namely the "2010 Outstanding Practice Award for High Performance Computing", by Storage Online in 2010.
In January 2011:	宝德計算機系統有限公司 (Powerleader Computer System Co., Ltd.) was granted the 2010 Most Promising Growth Award by Shenzhen Computer Industry;
In February 2011:	宝德計算機系統有限公司 (Powerleader Computer System Co., Ltd.) won the "2010 Award for the Best Server Brand";
In March 2011:	Powerleader Science & Technology Group Limited (宝德科技集團股份有限公司) was named the "2010 Award for Most Popular IT Brand";
In March 2011:	Powerleader Science & Technology Group Limited (宝德科技集團股份有限公司) received the "2010 Award for the Best Cloud Computing Platform Solution Provider";
In April 2011:	Powerleader's PR2760T received the "2010 Award for the Most Competitive Cloud Computing Server Platform" from Zdnet;
In April 2011:	Powerleader Group was identified as a "2011 Key Enterprise in Strategic and Emerging Industry in Guangdong Province";
In June 2011:	Powerleader Technology was elected as the entity that holds the office of the Vice Chairman of China Internet of Things Technology Application and Promotion Alliance (中國物聯網應用與推進聯盟);

In August 2011:	Powerleader Kai Kai Game Cloud was classified as a "Cloud Computing Solutions Based on Security and Controllable Hardware and Software Products (基於安全可控軟硬體產品雲計算解決方案)";
In August 2011:	Powerleader Group was classified as a "Cloud Computing Solutions Based on Security and Controllable Hardware and Software Products (基於安全可控軟硬體產品雲計算解決方案)";
In October 2011:	Powerleader Group obtained the Certificate of the "Key High-tech Enterprise of the National Torch Plan";
In October 2011:	Powerleader Group was granted the "Guangdong Province Innovative Enterprise Award";
In December 2011:	Powerleader Computer was granted the "2011 Network Managers' Favourite Server Brand Award";
In December 2011:	Powerleader server PR2012NS was granted the "2011 Most Innovative Server Award".

Module as a Service (Maas) — Cloud Computing Equipments Related Components Value Added Agency Distribution

Benefiting from the rapid growth of the demand for high-performance computing applications in Mainland China and the continued heat up of the cloud computing application market, both the overall operating revenue and gross profit of the value-added distribution business reported a substantial growth over the previous year in 2011. In particular, a strong growth was recorded for the value-added distribution business relating to cloud computing server component module solution product clusters, which are based on the Intel server component module product lines. Both the total sales revenue and gross profit grew at the most robust growth rate of over 80% when compared to the figure of the same period last year. Meanwhile, a speedy growth was also maintained for the value-added distribution and service business relating to high-end cloud computing servers and storage platform solutions product clusters, mainly based on Fujitsu servers and storage products lines. Both the gross margin and net profit margin of the value-added distribution business for 2011 increased remarkably over the same period last year. In 2011, we further improved and broadened the product lines and better met the one-stop purchase needs of customers. Accordingly, we have provided customers with more comprehensive and more flexible solutions.

Software and Platform as a Service (SaaS & PaaS) — Development and Services of Cloud Computing Related Software and Platform

As an innovative software development company subordinated under Powerleader Group, by adhering to the Group's culture and traditions for over a decade and pivoting on the technology accumulation and convergence for more than three years, the Company constantly develops new technologies, and is committed to providing high-performance cloud computing products and solutions. In 2011, Powerleader Software has successfully transformed from the traditional Internet business to the cloud computing business, and has achieved notable success in external operations. This success can be mainly illustrated in the following areas:

Game Cloud Platform

Game cloud platform was begun to be developed by Powerleader Software Development Limited in 2010. It provides on-line game industry players with a readily available game server platform to run their games on the basis of cloud computing applications, and facilitates them to make flexible resources planning in respect of products according to their operational requirements. According to the needs of the business model and based on cloud computing, a wide range of efficient and convenient management interface services are provided to game operators and developers, including reloading, login, marketing, and customer services. At the same time, huge hardware resources have been devoted to support the normal operation of the platform. Currently, cooperation relationships have already been established with 50 game developers and operators as well as game cloud platforms. Cooperation has been extended to 80 kinds of game product. There are 50 models of products with online operations on kaikai game cloud platform (www.kk8848.com). So far, the number of registered users is over 800,000, whereas the number of active users is more than 20,000.

Business Model

The development of the game cloud platform is currently based on a business model that provides resources lease and resources exchange. Game operators and developers may, according to their operational needs, reasonably arrange and lease all the resources which are necessary for their game operations, including servers, CDN resources, and accelerator resources, etc.

Investment of Hardware Facilities

Over 80 units of Hardware Facilities (being servers and storages) were invested for the game cloud platform in 2011. This investment provided a basic guarantee for the normal commencement of the business operations. The continued expansion of the game cloud platform business will drive a more significant increase in the demand for servers. Moreover, with the commencement of the game cloud platform business, the use of CDN resources was brought into full play and showed growth.

Acceleration Cloud Platform:

Speed travel accelerators, as a very important product range developed by Powerleader Software Development Co., Ltd. (宝德軟件開發有限公司) in early years, are currently shifting toward a business model that is based on cloud computing, in order to provide users with better gaming experience services through cloud computing business. At present, in line with the demonstration of the acceleration cloud, free promotion to users was carried out in collaboration with game vendors, thus swiftly creating a user market. The current number of users of speed travel reaches 10,000,000. Looking forward towards future development, the number of users will grow by double through a change in the model.

Cloud Resources Management Platform System

Leveraging on the research of virtualization technology and open source cloud platform technology over the years, in 2011, Powerleader Software officially launched the first cloud resource management platform, namely PowerCloud V1.0. All of its system components are based on modular design. Each of the components performs different functions, and is independent of each other, thus ensuring system scalability. PowerCloud cloud platform principally includes six scalable modules: cloud management platform, template resource management, cluster resource management, storage resource management, network resource management, and physical node resource management.

Through the introduction of the self-developed PowerCloud cloud computing operating system, the Company will further help fill the existing gaps in the country. In addition, the roll out of the self developed cloud computing hardware products will provide an industrial and technological base from which a solution for the self-control of the two key aspects of cloud computing can be worked out. In 2011, with the further optimization of the platform functionality, and the increasingly user-friendly design of management interface, there is a perfect combination between the platform and the existing management background, thereby further reducing and lowering users' threshold.

Cloud Storage System

Based on the R&D of the existing popular open-source distributed file systems including Hadoop HDFS, KFS, MogileFS, FastDFS and TFS, we launched Powerleader PLCloud Storage Cloud Storage Management System BETA version, which has been initially applied to the Internet industry in 2011. Commercialization was achieved. The successive task is to further optimize the algorithm of the system through secondary development and improvement in the performance, management and security aspects. The cloud storage management system will be widely applied to industry applications such as the Internet, video surveillance, security city projects, and smart city projects.

Desktop Cloud Solutions

Desktop cloud platform provides a base from which desktop services can be provided to end users through Virtual Desktop Infrastructure (VDI). VDI is a combination of remote desktop connection and virtualization technology. Through server virtualization technology, the physical servers will be able to run multiple virtual machines. Each of the virtual machines is equipped with independent computing and Internet resources, and is installed with its own user operating system, such as Windows Vista, Windows XP or Linux. Each virtual machine is independent of each other, so that it will not influence each other. Users can create their desktop environment through the connection of the remote desktop transfer protocol to the virtual machine. From a local simple network terminal station or PC, a user is only required to run a user end program that is connected to a remote desktop.

Powerleader Desktop Cloud Solutions can help enterprises build their internal and private desktop cloud service platforms. The solutions can help achieve centralized management and on-demand allocation of corporate IT resources, thereby improving the responsiveness of the internal IT to business systems. They can also help enterprises streamline their IT deployment, thereby enhancing data protection and utilization of IT resources. This will in turn reduce energy consumption and achieve energy conservation. With virtual desktop infrastructure, administrators can manage and schedule all virtual desktops through a unified interface. End-users can access their own desktop environment by using remote desktop software from their PCs or simple network terminal stations. Virtual desktop infrastructure can fully address the challenges that are exposed to desktops, and can achieve suitability, manageability, as well as optimization of total cost of ownership and flexibility.

Bank financing and capital management

In 2011, in order to further enhance the company's business capabilities and improve the efficiency of the use of funds, the Company continued to carry out business restructure adjustment. In order to better coordinate and support business development, capital management was also adjusted accordingly. We actively integrated the advantages of resources of each industry sector. We established good relations and mutual trust with our major banks, thereby providing favourable financing environment for the Company's long-term development.

While developing and maintaining external financing channels, we continued to strengthen the use of funds for internal business modules. Strict cost accounting was adopted for the use of funds of the business modules, in order to strengthen the financial cost-consciousness.

Government support

In 2011, the Group played an active role in the activities of the government departments at all levels and social groups. From a practical point of view, we are well-positioned to take full advantage of each of the government departments at all levels and social groups as a platform from which the Group can secure more social honours. These honours can help us enhance our enterprise visibility at greater scope, promote our brand effect at wider extent and strengthen the competitiveness of our products in the market at larger degree. Greater effort had been continuously made by the government affairs unit in application for government project funding and awards. The unit had secured a number of qualification accreditations and project funding, with cloud computing as the core content. We took part in government funding and science and technology cooperation with research institutes, thus providing financial support and technical support for technological innovation and product upgrades. Cooperation in a number of accreditation was built with institutes like East China University of Science and Technology and Shenzhen Institutes of Advanced Technology. This is an indication that the Group has carved out a leading position in terms of the capacity of technical innovation and transformation and industry innovation.

In 2011, the Group was granted a number of highly influential social honours. The details are set out as follows:

In January 2011: Powerleader Computer was accredited as Harmonious Labour Relations Enterprise in Shenzhen of 2010;

In January 2011: Powerleader Software's "Suyou Internet Accelerator (速遊網路加速器)" was recognised as Guangdong high and new technology products;

In January 2011: Powerleader Computer's "technology and production line upgrade for Powerleader powerful cloud computing server" passed and filed for Shenzhen Technological Advancement;

In March 2011: Powerleader Software's "Powerleader Powersoft Load Equaliser" was approved by The Small and Medium-sized Technological and Scientific Enterprises Technology Innovation Fund under the Ministry of Technology and Science of the PRC;

In May 2011, Powerleader Software passed through the review relating to software R&D subsidies of science and technology program in Baoan District, Shenzhen;

In May 2011, Powerleader Software passed through the review relating to R&D investment subsidies of science and technology program in Baoan District, Shenzhen;

In May 2011, Powerleader Computer's "IDC online disaster recovery system based on tiered storage" project passed through the on-site review relating to city internet project;

In June 2011, Powerleader Computer's "Powerleader powerful cloud computing server technology and production line transformation" project passed through the panel review by the panel team composed of the experts of the City SME Service Centre;

In June 2011, Powerleader's game cloud project successfully passed through the panel review by the experts of the Ministry of Software and Integrated Circuit Promotion Centre (CSIP) as to the security and control solutions for cloud computing and model demonstration.

In August 2011, Powerleader Computer's "Powerleader powerful cloud computing server technology and production line transformation" project was subsidized by SME Development Special Funds of MIIT (工信部中小企業發展專項資金);

In September 2011, Powerleader Software's "Cloud safety network system platform (雲安全網絡系統平台)" project won strategic support for key technology areas of scientific development in Baoan District, Shenzhen;

In October 2011, Powerleader Group was identified as a "Key High-tech Enterprise of the National Torch Plan";

In October 2011, Powerleader Group was identified as an "Innovative Enterprise in Guangdong Province";

In October 2011, Powerleader Computer passed the review of the "National-level High-tech Enterprise";

In November 2011, Powerleader Computer's "high-density energy-saving servers" and "high-availability green servers" were identified as independent innovation products in Guangdong Province;

In November 2011, Powerleader Software's "firewall" products were identified as focused new products in Shenzhen City;

In December 2011, Powerleader Computer's "safe and reliable servers" was issued sales license for computer information systems security products by the State Ministry of Public Security;

In December 2011, Powerleader Computer's "R&D project on unified storage management software based on SAN technology" passed the inspection and acceptance procedures of the panel of science and technology experts in Futian District;

In December 2011, Powerleader Software was honoured as the "Top 100 Scientific and Technological Enterprises with Independent Innovation Advantages" in "Bao'an District.

An Associate

深圳中青宝互動網絡股份有限公司 ("Powerleader Network"), an associate in which the Group holds a 15.30% interest, is mainly engaged in developing and operating online games. On 5 February 2010, 25,000,000 shares at par value of RMB1.00 each were successfully public issued by Powerleader Network, the Company was subsequently listed on the Growth Enterprise Market of the Shenzhen Stock Exchange on 11 February 2010. In 2011, Powerleader Network recorded a turnover of approximately RMB132,011,000, representing an increase of approximately 66% over the same period in 2010. The increase was mainly attributable to the prominent results arising from the roll out of new products and the expansion of overseas markets. Net profit attributable to ordinary shareholders was approximately RMB18,543,000. Net profit decreased by about 48% over the same period of last year. The decrease was mainly due to the investment of a large amount of advertising fees along with the roll out of new products and the increase in other costs However, the benefits of the new product were not yet reflected during the reporting period. With a new economic model of innovation, Powerleader Network is set to attain promising growth in results performance with the continued roll out of new products. As the second largest shareholder of Powerleader Network, the Group will share the rich revenues brought by the growth of Powerleader Network.

Human Resources

Human resources planning aspect

Endeavours were made to put into place scientific human resources budget, and to revise and adjust the implementation of the budget. Strict control over audit was exercised, with a view to avoiding the waste of human costs. According to the annual HR data in 2010, the tasks relating to the completion of organization restructuring and human quantification in January 2011. The HR annual plan was completed, thus facilitating the effective implementation of various HR tasks;

We improved the existing training process by improving the personal teaching ability of teachers and expanding the teaching effect. We selected the "Outstanding Instructors" and developed the "Gold Medal Course". Throughout the year, training courses in 2 kinds, 5 items and 213 sessions were held with the attendance of 3,051 people. The attendance per capita was 4.8 times/year. The cumulative expenditure, including external training costs of executives and costs of staff seminars, amounted to RMB221,900. This indicated that the training had become more systematic;

We adjusted 宝計-based remuneration system. With the introduction of the management methods, the remuneration system was included in the systematic, process-oriented management. At the same time, the purpose and implementation proposal of the incentive performance-based remuneration was clearly specified. According to the wage standards and related regulations in Shenzhen, the overtime management was amended. This amendment can enable us to reasonably control overtime work and enhance production efficiency, while protecting us against legal risks and protecting the interests of employees;

Building a talent team

In response to the needs of the implementation of Powerleader Group's cloud strategy, we completed AT decision-making level and improved MT management level, in order to raise human resources management to the strategic level of the Group;

Implementation of corporate culture

We released software contents such as "Powerleader Windows" periodic journal, public billboards and OA forum on a regular basis, and organized staff birthday parties. We also made promotion efforts. The latest version of the "all-round people culture " was established, and this spirit will be cultivated throughout Powerleader through education and training. Various management measures were introduced to improve staff quality and nurture a "all-round people spirit" across Powerleader.

PROSPECT

In 2012, Powerleader Technology Group continued to put forward a clear strategic positioning to grow into "China's leading provider of cloud computing products, solutions and services". Over the years, the Group has capitalized on its edges in profound R&D technology, extensive in-house R&D experience, competent R&D team and strict R&D management system, and wide customer base. On the basis of the five key business sectors engaged by a provider of cloud computing products, solutions and services, namely, Cloud Infrastructure as a Service (IaaS), Module as a Service (MaaS), Software as a Service (SaaS), Platform as a Service (PaaS), Client as a Service (CaaS), the Group endeavoured to extend its reach from a traditional distributor of server system solutions, platforms and accessories to a niche provider of cloud computing products, solutions and services that are blessed with immense market opportunities. First and foremost, through the development of Cloud Infrastructure as a Service, including a wide variety of products and solutions such as navigation system servers, HPC system management, virtualization and cloud computing, the Group strived to promote the widespread application of those services throughout the industries including IPDC, security, surveillance, education, government, healthcare, taxation, transport, and energy sectors. Secondly, we continued to expand the Module as a Service, cloud computing products-related components value-added agency distribution business. Thirdly, we strengthened the development of cloud computing software and platform to vigorously foster the Internet value-added services. Meanwhile, in relation to the strategic integration of the upstream and downstream industry chains of cloud computing including Internet, video storage, and regional healthcare, an initial success has been made. In the future, the Company will integrate cloud computing technology, markets, channels and customer resources through a strategic investment approach, in order to establish a presence in the sub-sectors of cloud computing. This initiative will help the Company improve its voice in the field, and carve out a niche in each sub-sector of the market, thereby greatly boosting the operating profit level of the Company. Given the global wave of cloud computing, the unique competitive edges of Powerleader are attributed to its capability of playing five multiple roles as a cloud equipment provider, a cloud software solution provider, a cloud platform provider, a cloud application service provider and a cloud modular terminal provider.

Infrastructure as a Service (Iaas) — Servers and Related Solutions Business

Looking ahead towards 2012, we will be unswervingly dedicated to product customization and innovation of according to the needs of customers. In relation to the seven major industries including security surveillance, education and high-performance computing, government, health care, rail transportation, Radio and Television and telecommunications, intensive efforts will be made to explore into each sub-sector of the market. Regional industry sales force will also be strengthened. At the same time, alliance and cooperation with channels in the regional market will be promoted; We will take the initiative to move into the cloud computing field. We believe all these initiatives will bring a sustained business growth for the Company in 2012.

In 2012, Powerleader's branding efforts will still be focused on the publicity of products, programs and services under the cloud computing infrastructure. In 2012, cloud servers will usher in a new round of upgrading. With the introduction of new-generation processor and platform architecture, the applications of cloud servers of Powerleader will hit a new height, thereby providing brand new experience for industrial applications. These new experience will effectively spread through press conference scenes, wide range of network communication and targeted advertising. Meanwhile, in 2012, cloud computing programs relating to cloud-to-rain transitions will become more mature and grow in number. Park clouds, administrative clouds, enterprise clouds, education clouds, transport clouds and media clouds and so will be in place. Through cloud computing exhibitions, PR communications and advertising, the reach of clouds will be extended across every corner of the country. In addition, in 2012, Powerleader will be dedicated to expanding into six industries/fields including IPDC, video surveillance, OEMs, HPC, storage and industrial monitoring. Through industry seminars, trade and exhibitions and technical exchange seminars, we will continue to deepen the penetration of our influence in these sectors, in order to promote sales and consolidate the existing business basis, and to expand market share. Powerleader cloud servers and Powerleader cloud programs will be extended to these areas at a wider extent and at a deeper degree. Powerleader will then carve out a niche in places where there are clouds, thereby making positive contribution to the promotion and popularization of cloud computing across China.

Module as a Service (Maas) — Cloud Computing Equipments Related Components Value Added Agency Distribution

We always uphold a philosophy of becoming a specialized, stronger and bigger player of cloud computing server component module solutions value added agency distribution business and high-end cloud computing server and storage platform solutions value added agency distribution and service business. We have further improved and broadened cloud computing server component module solution product clusters, which are based on the Intel server component module product lines, thereby better meeting the one-stop purchase needs of industrial customers and channel partners. We will continue to increase and improve the domestic sales and service outlets and further enhance our core competitiveness. We will endeavour to grow Ex-Channel into the most professional, the most influential provider of cloud computing server component module solutions and provider of high-end cloud computing server and storage platform solutions.

Software and Platform as a Service (SaaS & PaaS) — Development and Services of Cloud Computing Related Software and Platform

By riding on cloud computing technology and integrating upstream and downstream resources, Powerleader Software is committed to providing customers with one-stop cloud computing system total solutions and fostering the entry of China's enterprises into the cloud era. At the same time, with the integration of cloud computing technology, next-generation networking technology and the Internet of Things technology, we provide complete planning and design programs, thus offering assistance in the construction of intelligent cities in China.

Prospects of game cloud platform

In 2012, game cloud platform will score a success with products. 300 models of products are expected to be launched. The operational qualifications of taking the lead in the release, testing and delivery of some products are obtained. Upon establishment of a certain testing scale, service charges (data analysis business, back-office operations, etc.) may be charged gradually according to market demand. Cross-industry cooperation in products will be cemented, in order to develop game cloud platform into a big "game" and into an integrated "cloud" game platform. Platform functionality will continue to be optimized on the basis of cloud computing. With increasingly user-friendly interface for resource management, there is a perfect combination between this interface and the current background management of manufacturers and operators. This will further reduce and lower users' threshold.

Prospects of accelerate cloud platform

The acceleration mode will be continuously upgraded to comprehensively improve the acceleration effect. The number of nodes of speed travel will be raised. As such, the number of nodes of speed travel accelerator will reach 200, covering various provinces and cities across the country, as well as Hong Kong, Macau, Taiwan, South Korea, the United States and Europe. Cooperation will be formed with game vendors to achieve free promotion of speed travel accelerators, thereby reducing and lowering users' consumption. Brand new user features will be added to enhance the loyalty of speed travel users. New user interface will be created to provide new visual effects for game vendors and users. The number of nodes will be enhanced to 200, whereas the number of registered users will reach more than 10 million. The node servers will employ virtualization technology, in order to reduce costs. And a conversion from "small-scaled distribution" to "large-scale distribution" will be reached. Given a mode of operation with the flows of income from enterprise version of speed travel, the charge of VIP fees of speed travel and the development of new products, speed travel will grow at an accelerated pace in 2012.

More in-depth research on cloud models cloud services and cloud engineering will be conducted for cloud platforms. Virtualization management platforms and desktop cloud systems will be optimized.

Banking Facilities and Capital Management

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

Human Resources

We will further complete budget system of the labor costs, and to control the irregular budget expenses derivate from decision change. Through vertical expanding in recruitment means, and with the continuous improvement of brand image, we will build a talent platform for the team of "cloud computing". We will make effort to extensively promote "The Win Culture". Through education and training, we will extend these enterprise cultures into spiritual realm of Powerleader's staffs. At the same time, the Company will create objective and reasonable opportunities for its staff to play more active part and take greater initiatives. In 2012, we will constantly develop a human resources management system that is suitable for the Powerleader Group, so that our management work will become more thorough and efficient.

Staff Planning

Recruitment Aspect:	With established organizational structure in the circumstances, quantification of human resources will be carried out to make sure that employees are in suitable and stable positions. New posts will only be recruited on a unified basis after a sound basis is put forward.
Training Aspect:	We will cultivate spiritual leaders for our corporate culture by combining internal training and external training and making good use of instructors' role; We will enhance business communication, and improve training course materials.
Appointment Aspect:	We will establish talent promotion evaluation mechanism and tracking examination mechanisms, improve mentoring system, set up reward and punishment standards; We will promote and develop excellent talent while eliminating incompetent ones.
Labor Relation:	We will gradually improve the implementation of discipline compliance and law obedience, and build a harmonious relation with our employees by blending our corporate values with employees' moral values based on the unique corporate culture of Powerleader.

Cost Control

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

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

As at 31 December 2011, the interests or short positions of the directors of the Company, supervisors and chief executive of the Company and their associates in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under relevant provisions of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by the directors of the Company were as follows:

Shares of the Company

Name of directors	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 *(Note)*	1,021,845,000	42.05%	56.07%
Ms. Zhang *(Note)*	1,021,845,000	42.05%	56.07%

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.

Save as disclosed above, as at 31 December 2011, none of the directors of the Company, supervisors and chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under relevant provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Up to 31 December 2011, the Company has not adopted any share option scheme and not granted any option.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2011, the directors of the Company are not aware of any other interests and short positions in shares and underlying shares or debentures of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

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 *(Note)*	1,021,845,000	Beneficial owner	42.05%	56.07%

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	14%
— five largest customers combined	31%
Purchase	
— the largest supplier	69%
— five largest supplies combined	88%

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the directors of the Company, initial management shareholders or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest which any such person may have with the Group as at 31 December 2011.

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 2010 and the three quarterly reports of 2011. In addition, the Committee has also reviewed the annual results for the year ended 31 December 2011 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 year ended 31 December 2011. 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.

On behalf of the Board
LI RUIJIE
CHAIRMAN

Shenzhen,the PRC
28 March 2012

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.