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 2012

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

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

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

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

This announcement, for which the directors (the "Directors") of Powerleader Science & Technology Group Limited (the "Company") collectively and individually accept 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 201

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	**2012** *RMB'000*	2011 *RMB'000*
Turnover	(3)	**1,737,219**	1,695,616
Cost of sales		**(1,529,417)**	(1,523,458)
Gross profit		**207,802**	172,158
Other income and gains	(4)	**23,640**	25,998
Distribution costs		**(39,637)**	(34,480)
Administrative and other expenses		**(76,766)**	(48,752)
Finance costs	(5)	**(45,994)**	(37,017)
Gain on disposal of investment classified as held for sale	(6)	**—**	10,000
Change in fair value of derivative financial instrument		**179**	53
Share of profit from an associate		**1,624**	2,837
Profit before taxation		**70,848**	90,797
Income tax credit (expense)	(7)	**7,842**	(16,162)
Profit for the year	(8)	**78,690**	74,635
Other comprehensive income for the year, net of income tax			
Share of other comprehensive income of an associate		**4**	8
Total comprehensive income for the year		**78,694**	74,643
Profit for the year attributable to:			
Owners of the Company		**78,744**	74,256
Non-controlling interests		**(54)**	379
		78,690	74,635
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**78,748**	74,264
Non-controlling interests		**(54)**	379
		78,694	74,643
Earnings per share	(10)		
Basic and diluted *(RMB)*		**3.24 cents**	3.26 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	NOTES	**2012** **RMB'000**	2011 *RMB'000*
Non-current assets			
Property, plant and equipment		**224,104**	220,801
Prepaid lease payments		**60,424**	35,569
Deferred development costs		**39,407**	38,759
Interest in an associate		**136,667**	136,034
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
Derivative financial instrument		**179**	—
		478,781	464,311
Current assets			
Prepaid lease payments		**966**	966
Inventories		**175,101**	133,418
Finance lease receivables		—	19
Amount due from a related company		—	185
Amount due from an associate		**8**	877
Amount due from a shareholder		—	12
Trade and bills receivables	(11)	**387,626**	350,226
Other receivables, deposits and prepayments		**141,665**	167,929
Fixed bank deposits		—	20,000
Pledged bank deposits		**26,801**	5,933
Restricted bank balances		**20,228**	19,004
Structured deposit		**4,808**	—
Bank balances and cash		**190,086**	331,226
		947,289	1,029,795

	NOTES	2012 RMB'000	2011 RMB'000
Current liabilities			
Trade and bills payables	(12)	**100,848**	125,822
Other payables and accrued charges		**18,047**	46,407
Receipts in advance		**17,039**	14,071
Tax payable		**11,787**	28,394
Amount due to a related company		**8**	—
Amount due to an associate		**135**	—
Amount due to a shareholder		**9**	—
Short-term financing bonds		**—**	40,000
Bank and other borrowings — due within one year		**563,834**	572,422
		711,707	827,116
Net current assets		**235,582**	202,679
Total assets less current liabilities		**714,363**	666,990
Capital and reserves			
Share capital	(13)	**243,000**	243,000
Reserves		**462,894**	396,296
Equity attributable to owners of the Company		**705,894**	639,296
Non-controlling interests		**157**	211
Total equity		**706,051**	639,507
Non-current liabilities			
Deferred income		**4,700**	3,800
Deferred tax liabilities		**3,612**	3,683
Bank and other borrowings — due after one year		**—**	20,000
		8,312	27,483
		714,363	666,990

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital *RMB'000* *(note 13)*	**Share premium** *RMB'000*	**Statutory surplus reserve** *RMB'000* *(note (a))*	**Translation reserve** *RMB'000*	**Other reserves** *RMB'000* *(note (b))*	**Retained profits** *RMB'000*	**Proposed final dividend** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 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 9)*	—	—	—	—	—	(12,150)	12,150	—	—	—
At 31 December 2011 and 1 January 2012	243,000	25,875	53,786	8	(1,957)	306,434	12,150	639,296	211	639,507
Profit for the year	—	—	—	—	—	78,744	—	78,744	(54)	78,690
Other comprehensive income for the year	—	—	—	4	—	—	—	4	—	4
Total comprehensive income for the year	—	—	—	4	—	78,744	—	78,748	(54)	78,694
Appropriation	—	—	3,482	—	—	(3,482)	—	—	—	—
Dividend recognised as distribution *(note 9)*	—	—	—	—	—	—	(12,150)	(12,150)	—	(12,150)
Proposed final dividend *(note 9)*	—	—	—	—	—	(12,150)	12,150	—	—	—
At 31 December 2012	243,000	25,875	57,268	12	(1,957)	369,546	12,150	705,894	157	706,051

Notes:

(a) In accordance with the relevant PRC laws and regulations, every year the Company and its PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with accounting principles and financial regulations applicable to the PRC enterprises to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any loss incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

(b) Other reserves mainly comprise of reserves from transactions with the non-controlling interests and contributions from owners of the Company.

1. GENERAL

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

The 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) provision of equipment such as cloud servers and cloud storage and their related solutions; (ii) research and development, design and manufacturing of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services; and (iii) development of cloud computing software and platforms and provision of related services.

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 ("HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The directors of the Company anticipate that the application of the above amendments to HKFRSs 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 HKFRSs	Annual Improvements to 2009–2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 1	Government Loan[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (International Financial Reporting Interpretations Committee) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

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 offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently 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 amendments to HKFRS 7 are effective 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.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification 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:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 reporting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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 statements. HK (SIC) — Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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) the 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. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 joint 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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company do not anticipate that the application of these five standards will have a significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

— obtain funds from one or more investors for the purpose of providing them with professional investment management services;

— commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

— measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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 instrument items 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 the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures 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.

Amendments to HKAS 1 Presentation of items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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 future accounting periods.

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. An analysis of the Group's revenue for the year is as follows:

	2012	2011
	RMB'000	RMB'000
Sales of goods	**1,737,101**	1,695,309
Leasing of servers	**—**	244
Provision of services	**118**	63
	1,737,219	1,695,616

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:

Cloud Infrastructure as a Service (IaaS)	—	Provision of equipment such as cloud servers and cloud storage and their related solutions
Cloud Module as a Service (MaaS)	—	Research and development, design and manufacturing of cloud computing equipment related components, agency distribution of key components of cloud computing equipment and provision of related value added services
Software and Platform as a Service (SaaS & PaaS)	—	Development of cloud computing software and platforms and provision of related services

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 2012

	Cloud Infrastructure as a Service	**Cloud Module as a Service**	**Software and Platform as a Service**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
TURNOVER	**360,550**	**1,376,580**	**89**	**1,737,219**
Segment profit	**34,531**	**81,154**	**102**	**115,787**
Finance costs				**(45,994)**
Change in fair value of a derivative financial instrument				**179**
Investment income from a financial derivative instrument				**36**
Net exchange losses				**(2,417)**
Share of profit from an associate				**1,624**
Unallocated interest income				**1,633**
Profit before taxation				**70,848**

For the year ended 31 December 2011

	Cloud Infrastructure as a Service *RMB'000*	Cloud 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 instruments				53
Net exchange gains				2,254
Share of profit from an associate				2,837
Unallocated interest income				2,774
Profit before taxation				90,797

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 differences, finance costs, change in fair value of a derivative financial instrument and investment income from a financial derivative instrument. 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	**2012** ***RMB'000***	2011 *RMB'000*
Cloud Infrastructure as a Service	**438,706**	495,272
Cloud Module as a Service	**608,145**	484,687
Software and Platform as a Service	**451**	1,951
Total segment assets	**1,047,302**	981,910
Unallocated	**378,768**	512,196
Consolidated assets	**1,426,070**	1,494,106

Segment liabilities	**2012** ***RMB'000***	2011 *RMB'000*
Cloud Infrastructure as a Service	**68,940**	82,981
Cloud Module as a Service	**71,334**	103,560
Software and Platform as a Service	**512**	486
Total segment liabilities	**140,786**	187,027
Unallocated	**579,233**	667,572
Consolidated liabilities	**720,019**	854,599

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, derivative financial instrument, fixed bank deposits, pledged bank deposits, restricted bank balances, structured deposit, 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, 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 2012

	Cloud Infrastructure as a Service *RMB'000*	**Cloud 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)*	**39,854**	**1,227**	**2**	**41,083**
Amortisation of deferred development costs	**16,153**	**—**	**—**	**16,153**
Depreciation of property, plant and equipment	**5,841**	**3,622**	**181**	**9,644**
Gain on disposal of property, plant and equipment	**(21)**	**—**	**—**	**(21)**
Amortisation of prepaid lease payments	**159**	**807**	**—**	**966**
Allowance for inventories	**283**	**840**	**—**	**1,123**
Reversal of allowance for inventories	**(447)**	**—**	**—**	**(447)**
Allowance for trade receivables	**5,241**	**2,023**	**—**	**7,264**
Allowance for prepayments	**2,921**	**—**	**—**	**2,921**
Reversal of allowance for trade receivables	**(10)**	**—**	**(11)**	**(21)**
Waiver of other payables	**1,600**	**—**	**—**	**1,600**

For the year ended 31 December 2011

	Cloud Infrastructure as a Service *RMB'000*	Cloud 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)*	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 trade receivables	277	480	—	757
Reversal of allowance for other receivables	(2)	—	—	(2)
Reversal of allowance for trade receivables	—	—	(119)	(119)

Note: Additions to non-current assets excluded interest in an associate and an available-for-sale investment.

Geographical information

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

	2012	2011
	RMB'000	*RMB'000*
PRC	**1,257,979**	1,392,656
Hong Kong	**449,810**	299,041
Others	**29,430**	3,919
	1,737,219	1,695,616

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

Information about major customers

Revenue from customer A from the Cloud Module as a Service segment contributed approximately RMB202,607,000 (2011: RMB233,958,000) revenue of which contributed over 10% (2011: 10%) of the total sales of the Group.

4. OTHER INCOME AND GAINS

	2012	2011
	RMB'000	*RMB'000*
Repair and network support, freight and logistics service income	**9,091**	12,782
Government subsidies for technology improvement on servers and development of new technologies *(note a)*	**4,944**	3,039
Value added tax ("VAT") refunds *(note b)*	**4,220**	2,662
Rental income	**1,762**	1,638
Interest income on bank deposits	**1,633**	2,774
Waiver of other payables	**1,600**	—
Investment income from a financial derivative instrument	**36**	—
Reversal of allowance for trade receivables	**21**	119
Gain on disposal of property, plant and equipment	**21**	2
Net exchange gains	**—**	2,254
Reversal of allowance for other receivables	**—**	2
Others	**312**	726
	23,640	25,998

Notes:

(a) Pursuant to the notices issued by the relevant government authorities, the Group 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

	2012	2011
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**45,344**	36,848
Interest on short-term financing bonds wholly repayable within five years	**361**	2,079
Interest on finance lease	**—**	2
Imputed interest on long-term other borrowings	**289**	601
Total borrowing costs	**45,994**	39,530
Less: amounts capitalised	**—**	(2,513)
	45,994	37,017

No borrowing costs were capitalised for the year ended 31 December 2012. Borrowing costs capitalised at a rate of 6.7% for the year ended 31 December 2011 arose on bank borrowings to finance expenditure on qualifying assets.

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

On 17 February 2011, the directors of the Company entered into a share transfer agreement to dispose of all its equity interest in 深圳市潮商小額貸款有限公司 Mini Credit of Shenzhen Chaoshang Commence Chambe Co., Limited 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.

7. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**3,988**	6,054
Hong Kong Profits Tax	**1,949**	9,786
	5,937	15,840
Over-provision in prior years:		
Hong Kong Profits Tax	**(13,708)**	—
	(7,771)	15,840
Deferred tax	**(71)**	322
	(7,842)	16,162

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 2012 (2011: 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% (2011: 25%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC for unified tax rate arrangements among different types of the PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1 January 2008 (the "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.

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 2012 (2011: 15%).

Pursuant to an approval document "深國税寶觀減免備案[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.

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

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

	2012	2011
	RMB'000	*RMB'000*
Profit before taxation	**70,848**	90,797
Tax at EIT rate of 15% (2011:15%) *(note)*	**10,627**	13,620
Tax effect of income not taxable for tax purpose	**(11,594)**	(2,228)
Tax effect of expenses not deductible for tax purpose	**986**	1,186
Tax effect of tax losses not recognised	**7,372**	2,804
Income tax on concessionary rate	**(817)**	(595)
Effect of tax exemption granted	**(1,211)**	—
Effect of different tax rate of subsidiaries	**747**	1,801
Tax effect of share of profit from an associate	**(244)**	(426)
Over-provision in prior years	**(13,708)**	—
Income tax (credit) expense for the year	**(7,842)**	16,162

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

8. PROFIT FOR THE YEAR

	2012	2011
	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 RMB3,639,000 (2011: RMB3,291,000)	**24,692**	20,729
— retirement benefits scheme contributions, net of amount capitalised in deferred development cost of RMB188,000 (2011: RMB132,000)	**3,003**	2,323
	27,695	23,052
Cost of inventories recognised as expenses	**1,528,741**	1,523,130
Research and development cost recognised as expenses	**3,466**	1,752
Auditor's remuneration	**770**	808
Depreciation of property, plant and equipment, net of amount capitalised in deferred development cost of RMB459,000 (2011: RMB362,000)	**9,644**	6,226
Amortisation of prepaid lease payments	**966**	139
Amortisation of deferred development costs (included in administrative expenses)	**16,153**	15,696
Allowance for inventories (included in cost of sales)	**1,123**	898
Allowance for trade receivables (included in administrative expenses)	**7,264**	757
Allowance for prepayments (included in administrative expenses)	**2,921**	—
Reversal of allowance for inventories (included in cost of sales)	**(477)**	(570)
Reversal of allowance for trade receivables (included in other income and gains)	**(21)**	(119)
Reversal of allowance for other receivables (included in other income and gains)	**—**	(2)
Waiver of other payables	**(1,600)**	—
Share of tax of an associate	**120**	46

9. DIVIDENDS

The final dividend of RMB0.5 cents in respect of the year ended 31 December 2012 (2011: RMB0.5 cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB78,744,000 (2011: RMB74,256,000) and the weighted average number of ordinary shares of 2,430,000,000 (2011: 2,274,514,000) 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.

11. TRADE AND BILLS RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**372,373**	330,956
Less: allowance for trade receivables	**(12,971)**	(6,126)
	359,402	324,830
Bills receivables	**28,224**	13,045
	387,626	337,875
Discounted bills receivables with recourse	**—**	12,351
	387,626	350,226

The bills receivables at 31 December 2012 and 2011 are aged within six and three months respectively.

The maturity date of discounted bills with recourse are less than four 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 an average credit period of three months to its trade customers. The following is an aged analysis of trade receivables and bills receivables, net of allowance for trade receivables, presented based on the invoice date, at the end of the reporting period:

	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**227,087**	150,459
1–3 months	**52,441**	129,830
4–6 months	**54,503**	36,508
Over 6 months	**53,595**	21,078
	387,626	337,875

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 RMB103,161,000 (2011: RMB50,643,000) 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 (2011: 180 days).

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

	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**16,582**	10,163
1–3 months	**33,041**	20,533
4–6 months	**22,814**	7,425
6 months–1 year	**26,642**	8,908
1–2 years	**4,082**	3,614
	103,161	50,643

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 trade receivables:

	2012	2011
	RMB'000	*RMB'000*
Balance at beginning of the year	**6,126**	5,488
Allowance recognised on receivables	**7,264**	757
Amount written off as uncollectible	**(398)**	—
Amount recovered during the year	**(21)**	(119)
Balance at end of the year	**12,971**	6,126

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB12,971,000 (2011: RMB6,126,000) 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:

	2012	2011
	RMB'000	*RMB'000*
USD	**237,602**	159,483

12. 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:

	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**43,218**	64,993
1–3 months	**19,591**	36,351
4–6 months	**25,552**	10,256
Over 6 months	**11,655**	11,210
	100,016	122,810
Bills payables	**832**	3,012
	100,848	125,822

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:

	2012	2011
	RMB'000	RMB'000
USD	**61,063**	92,092

13. 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 RMB0.1 each						
At 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 January 2012 and 31 December 2012	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 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.

14. OPERATING LEASE COMMITMENTS

The Group as lessee

	2012	2011
	RMB'000	*RMB'000*
Minimum lease payments in respect of rented premises paid under operating leases during the year	**2,503**	2,841

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:

	2012	2011
	RMB'000	*RMB'000*
Within one year	**2,567**	2,016
In the second to fifth year inclusive	**938**	756
	3,505	2,772

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

No rental income from leasing of computer servers was earned during the year as the tenant has terminated the contract with the Group (2011: RMB106,000). Only servers of a subsidiary of the Company are held for rental purposes. All of the servers hold 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:

	2012	2011
	RMB'000	*RMB'000*
Within one year	—	128

Property rental income earned during the year was approximately RMB1,817,000 (2011: RMB1,638,000). All of the premises held for rental purposes have committed tenants for the next three years.

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

	2012	2011
	RMB'000	*RMB'000*
Within one year	**1,821**	934
In the second to fifth year inclusive	**1,723**	1,585
	3,544	2,519

15. CAPITAL COMMITMENTS

Capital commitments contracted but not provided for in respect of:

	2012	2011
	RMB'000	*RMB'000*
Construction-in-progress and land use right	**5,610**	13,771

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 December 2012, the Group recorded a turnover of approximately RMB1,737,219,000 and profit attributable to owners of the Company of approximately RMB78,748,000 as compared to turnover and profit attributable to owners of approximately RMB1,695,616,000 and approximately RMB74,264,000, representing an increase of approximately 2.5% and 6.0% respectively. Earning per share was approximately RMB3.24 cents (2011: RMB3.26 cents) and net assets per share of the Company was approximately RMB0.29 (2011: RMB0.26).

Turnover

The turnover of the Group for the year ended 31 December 2012 and the comparative figures of 2011 can be classified by business as follows:

	2012		2011		**Change**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Turnover by business					
Cloud Infrastructure as a Service (IaaS)	**360,550**	**20.7**	461,849	27.2	(21.9)
Cloud Module as a Service (MaaS)	**1,376,580**	**79.2**	1,231,910	72.7	11.7
Software and Platform as a Service (SaaS & PaaS)	**89**	**0.1**	1,857	0.1	(95.2)
Total	**1,737,219**	**100.0**	1,695,616	100.0	2.5

The Group's sales were mainly derived from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS) business segments. With reference to the table above, for the year ended 31 December 2012, turnover from Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS) businesses amounted to approximately RMB360,550,000 and RMB1,376,580,000 respectively (2011: RMB461,849,000 and RMB1,231,910,000), accounting for 20.7% and 79.2% (2011: 27.2% and 72.7%) of total turnover respectively. Turnover of Cloud Infrastructure as a Service (IaaS) business dropped 21.9% as we moved to optimize the product mix during the year which had resulted at a decrease in sales in lower margin products. On the other hand, turnover of Cloud Module as a Service (MaaS) business grew 11.7% on the back of our effort in expanding the product lines and upgrade our value-added services. Further details of business analysis are set out in the "Business Review" section below.

Gross Profit

	Turnover		**Gross profit**		**Gross profit margin**	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	*%*	*%*
Turnover by business						
Cloud Infrastructure as a Service (IaaS)	**360,550**	461,849	**93,617**	97,176	**26.0**	21.0
Cloud Module as a Service (MaaS)	**1,376,580**	1,231,910	**114,114**	74,490	**8.3**	6.0
Software and Platform as a Service (SaaS & PaaS)	**89**	1,857	**71**	492	**79.8**	26.5
Total	**1,737,219**	1,695,616	**207,802**	172,158	**12.0**	10.2

The Group's gross profit increased from approximately RMB172,158,000 for the year ended 31 December 2011 to approximately RMB207,802,000 for the year ended 31 December 2012, representing an increase of approximately 20.7%.

The Group's overall gross profit margin slightly rose from 10.2% for the year ended 31 December 2011 to approximately 12.0% for the year ended 31 December 2012. Gross profit of both Cloud Infrastructure as a Service (IaaS) and Cloud Module as a Service (MaaS) increased considerably when compared with 2011. These were mainly attributable to the Group replaced cloud server and cloud data storage related equipment of lower margins with those of higher margins, and that we enhanced the variety in MaaS products, upgraded and expanded our cloud computing solutions and related value-added services. Further details of business analysis are set out in the "Business Review" section below.

Other income and revenue

Other operating income mainly included income derived from after-sale services and technical support services, proceeds from government subsidies and return of value-added tax, which in aggregate amounted to approximately RMB23,640,000 for the year ended 31 December 2012, which was roughly on level with the sum of these 3 items of approximately RMB25,998,000 for the year ended 31 December 2011.

Operating Expenses

The Group's distribution costs, administrative and other expenses for the year ended 31 December 2012 increased by approximately 39.9% to approximately RMB116,403,000 as compared to that of approximately RMB83,232,000 for the year ended 31 December 2011. This was mainly attributable to the enhancement of research and development by the Group during the year, as well as provision for bad debts and provision for impairment of inventory values.

Financial Resources and Working Capital

As at 31 December 2012, equity attributable to the Company owners was approximately RMB705,894,000 (2011: RMB639,296,000). Current assets amounted to approximately RMB947,289,000 (2011: RMB1,029,795,000) with ample cash in hand. It mainly comprised of unrestricted bank balances and cash of approximately RMB190,086,000 (2011: RMB331,226,000), inventories of approximately RMB175,101,000 (2011: RMB133,418,000), and trade and bills receivables of approximately RMB387,626,000 (2011: RMB350,226,000). Non-current liabilities mainly included deferred tax liabilities of approximately RMB3,612,000 (2011: RMB3,683,000), long-term bank and other borrowings of nil (2011: RMB20,000,000). Current liabilities mainly comprised bank and other borrowings of approximately RMB563,834,000 (2011: RMB572,422,000) and trade and bill payables of approximately RMB100,848,000 (2011: RMB125,822,000).

Changes in domestic shareholders

A share transfer agreement dated 11 July 2012 was entered into among the shareholders of the Company's domestic shares, namely 北京雅利安達科技發展有限公司 (Beijing Yali Anda Technology Development Co., Ltd.*) (Yali Anda), 深圳市綠恒科技有限公司 (Shenzhen Eternal Green Technology Co., Ltd*) (Eternal Green) and 天津誠柏股權投資合夥企業(有限合夥) (Tianjin Chengbai Capital Fund Investment Partnership (limited partnership)*) (Chengbai Capital), whereby 125,642,500 shares and 24,357,500 shares held by Eternal Green and Yali Anda would be transferred to Chengbai Capital. This shares transfer was approved by the passing of a resolution at the Company's extraordinary general meeting held on 31 August 2012. Upon the approval by the Shenzhen Economic and Trade and Information Technology Commission, on 29 October 2012, the procedures for the approval of the change of registration were completed with the Shenzhen Market Supervisory Authority.

Currency Risk

The Company and some of its subsidiaries conduct sales and procurement in foreign currencies, which expose the Group to foreign exchange risks. Approximately 67% (2011: 63%) of the Group's turnover was denominated in currencies other than the Group's functional currency, and approximately 19% (2011:20%) of the cost of the Group was denominated in the Group's functional currency.

Gearing Ratio

As at 31 December 2012, the gearing ratio of the Group was approximately 50.5% (2011: 57.2 %). It is defined as the percentage of the Group's total liabilities to total assets. The Group's gearing ratio lowered by 6.7 percentage points compared to last year, reflecting improved solvency on our part.

BUSINESS REVIEW

Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment as well as their related solutions

In 2012, China's cloud computing market maintained steady growth. With large-scale cloud infrastructure construction, there was a continued strong demand for cloud server and cloud storage related equipment as well as their related solutions. In the fierce market competition, on front of R&D efforts, the Company focused on the product development of cloud server and cloud storage related equipment as well as their related solutions. We also improved cloud computing solutions and introduced more competitive products and solutions; In relation to sales management, we established and optimized sales responsibility system based on large area units. Riding on our industry division, we enhanced the size of our sales force. We actively expanded into the emerging industry market. The Company provided many industries and customers with cloud server and cloud storage related equipment as well as their related solutions. With the ongoing transformation of the Company in the field of cloud computing, sales proportion of cloud server product rose, thus contributing to the substantial enhancement in gross margin.

In 2012, the Company continued to further expand in sectors including government, education, health care, security monitoring, Internet, rail transportation, broadcasting and telecommunications. We maintained steady growth in industry sales. In particular, riding on experience in product customization development and operation in the aspect of security monitoring industry products in recent years, the Company launched a flagship product for the security monitoring industry, and achieved major breakthrough in relation thereto. We maintained our leading position in the industry. With accumulation of edges in the Internet industry over multiple years, the Company has a large number of stable Internet customers. In connection with the application of cloud computing solutions, the Company's government affairs cloud, education cloud and desktop cloud were widely used in various regions. At the same time, we are actively involved in the construction of regional information technology, and reaped notable achievements in medical, rail transportation, broadcasting and telecommunications. Promising results were attained in 2012 for both the vertical exploration into each sub-sector of the industry and the horizontal expansion into the regional market.

In 2012, the marketing efforts made by us in respect of cloud server and cloud storage related equipment as well as their related solutions were fundamentally based on four major focuses, namely: cloud computing solutions, security monitoring, brand new highest-performance Xeon E5 processor cloud server based on Romley platform, and the completely autonomous quad-route fault-tolerant cloud server PR4840R, being the first of its kinds around the world. Cored on these four key products, we launched a comprehensive range of promotional activities covering advertising, public relation, and offline activities.

On front of cloud computing solutions, in 2012, a further breakthrough was made in cloud computing solutions. The breakthrough was attributed to our efforts on various means of publicity. In particular, detailed explanation and on-site demonstration were conducted at the desktop cloud computing conferences in Beijing, Chongqing, Qingdao, Xi'an and Guangzhou. The most direct promotion effects were attained. Through promotion and achievement of cloud computing, successive PR releases, desktop cloud solutions and cases, as well as cloud computing awards, the exposure and reputation of cloud computing solutions were fully enhanced, and the solutions won "2012 Award for the Best Domestic Cloud Computing Solutions".

In relation to the security monitoring horizon, in 2012, we organized security monitoring products and programs exhibitions, and hosted a couple of exhibitions in Shenzhen, Beijing and Shanghai. Meanwhile, in respect of Shenzhen where there is a concentration of security customers, we commenced specific technical training in the field of security monitoring. We participated in a number of fairs and exhibitions of the security monitoring industry. We also took an active part in the annual large-scale activity of the security industry — 2012 Security Expo, at which, Powerleader's security product series and solutions were showcased. Furthermore, we dedicated endeavours on placing advertisements in industry magazines and websites, preparing PR publicity releases, rolling out products and cases on an integrated basis, and cementing stronger partnership between Powerleader and security contractors, thereby reaping cooperation benefits for both of them.

In connection with cloud server products of brand new highest-performance Xeon E5 processors, three-dimensional promotion and marketing campaigns were carried out in a comprehensive range, stretching across news conference, media evaluation and release of new products, product manuscript releases, monthly release of EDM, participation in industry exhibitions, and door-to-door marketing.

In respect of the completely autonomous quad-route fault-tolerant cloud servers PR4840R, promotional activities were mainly based on press releases, product releases, advertising, product evaluation and EDM and weibo, and were carried out in a comprehensive and timely manner. By this means, the features of "completely autonomous R&D, with uniqueness across the world" were widely spread across the industry on a real-time basis, thereby building a renowned image of professionalism and technology leadership for Powerleader Server.

In addition, focused efforts were made on the publicity and promotion of Powerleader cloud storage, as well as Powerleader IPDC industry products and solutions. The widespread applications of Powerleader storage in the field of security monitoring and IPSAN storage products specifically tailored for the security industry have attracted extensive attention. Powerleader IPDC dedicated server series received overwhelmingly positive applauses and praise from IPDC customers. In particular, PR2000R was granted the "2012 IDC Application Server" Award.

In 2013, the promotion of Cloud Infrastructure as a Service (IaaS) will continue to be based on deepening Powerleader cloud computing strategy and expanding market opportunities. We will take full advantage of the market resources and diverse means of promotion in all aspects, so as to pave a way for Powerleader cloud computing to explore into larger scale of market, and to add effective fuels to the growth in sales.

Honours:

In January 2012:	Powerleader Group was granted the "Guangdong Province Innovation Enterprise Award";
In January 2012:	Powerleader was awarded as "Shenzhen Top Brand" again;
In January 2012:	Powerleader's PR2012NS server won the "2011 Most Innovative Server Award";
In July 2012:	Powerleader Science & Technology Group Limited (宝德科技集團股份有限公司) received the "2012 Award for Outstanding Cloud Computing Applications Provider in China";
In July 2012:	Powerleader Science & Technology Group Limited (宝德科技集團股份有限公司) won the "2011–2012 Award for Outstanding Cloud Computing Solutions";
In August 2012:	Powerleader's PR2760T\PR2310N was identified as autonomous innovation products in Guangdong Province;
In December 2012:	Powerleader's security and dependability servers were included as an industrialization demonstration project under the National Torch Program;
In December 2012:	Powerleader Technology was reputed as the "China Famous Brand";
In December 2012:	Powerleader's PR2000R servers was granted the "2012 IDC Application Server Award" by 賽迪集團; and
In December 2012:	Powerleader cloud computing was honoured the "2012 Award for the Best Domestic Cloud Computing Solutions" by 賽迪集團.

Cloud Module as a Service (MaaS) — providing R&D, design, manufacturing and sales of cloud computing equipment related components, as well as agency distribution and related value-added services of cloud computing equipment key components

Benefiting from the growth in demand for high-performance computing applications in Mainland China and the continued picking up of the cloud application market, in 2012, the segment recorded an overall revenue growth of 11.7% over the previous year. Meanwhile, a major breakthrough was attained in cloud computing equipment related components based on our autonomous R&D and design. In 2012, Cloud Module as a Service (MaaS) registered a growth in terms of both the overall gross profit and net profit. In 2012, we further broadened our product lines and improved the relevant value-added services, in order to better meet the one-stop purchase demand from our partners. We endeavoured to provide customers with a more comprehensive range of efficient solutions.

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

Based on our software development technology and experience over the years, the Company continued to step up R&D efforts to improve software and platform related to cloud computing technologies, thus providing customers with a complete range of private cloud planning and design programs. In 2012, the Company had developed Powerleader cloud platform which was put into commercial operation, thereby providing customers with cloud computing platform services with quantitative volume, flexible configuration and scalability according to their needs, thus helping Chinese enterprises enter the cloud computing era.

As an innovative software development company under Powerleader Group, by adhering to the Group's culture and tradition for more than a decade and capitalizing on the technical accumulation and precipitation for more than four years, the Company has been extending continued R&D efforts on the development of new technologies. The Company is committed to providing high-performance public cloud infrastructure facilities that can be used for commercial operation and offering private cloud solutions. In 2012, Powerleader Software has developed a platform that can be used for commercial operation — Powerleader cloud platform, which is mainly reflected in the following aspects:

Powerleader cloud platform

Powerleader cloud platform is a project aimed at facilitating the construction and management of public and private cloud. Its primary task is to simplify cloud deployment process and to bring good scalability in this respect. Its another task is to assist Powerleader data centre and enterprises in internally realizing cloud infrastructure services, including the composition of cloud platform management systems, technology infrastructure systems and storage infrastructure systems. Powerleader cloud platform provides resources rental business model. Customers can make flexible arrangements to hire computing storage and network resources according to their business needs. They can also flexibly carry out expansion and contraction, in order for them to make best use of their IT resources, to save up hardware maintenance and purchasing costs, and to create business value for customers.

Accelerated cloud platform

Speed travel accelerators, as a remarkable product line developed by the Company in early years, underwent product upgrades during the year. They are evolving towards cloud computing model. Higher-quality service experience is offered to users through cloud computing business. The business model is currently being revised, in order to quickly build a user market.

Bank financing and capital management

In 2012, in order to better coordinate and support the sustainable and positive business development of the Company, capital management was also adjusted accordingly. We actively integrated the advantageous resources of various banks. We established good relations and mutual trust with our major banks, thereby providing favourable financing environment for the Company's long term development. The Company planned and implemented the optimization of debt structure, and actively promoted of the issue of bonds. The transaction is still in the course of approval. While developing and maintaining external financing channels, the Company continued to strengthen the internal capital management, in order to strengthen the financial cost consciousness. Strict control was exercised over capital and cost, with a view to enhancing the efficiency of the use of capital.

Government support

In 2012, the Company took a positive part in responding to the policy unveiled by the government in relation to cloud computing industry strategy. With an emphasis on cloud computing, we received a number of accreditation and government support. In external research cooperation, we continued to tie up scientific and technological cooperative relationships with universities such as East China University of Science, Loongson Technology Corporation Limited (龍芯中科) and scientific research institutions. The Company also retained high-tech talents and advanced technology.

In 2012, the Group received a number of highly influential government support, which is detailed as follows:

In January 2012: Powerleader Group received the grants of the Shenzhen SME domestic market development funds;

In February 2012: Powerleader Group was issued the "Award for Outstanding Development and Contribution" by the Information Industry Association;

In March 2012: Powerleader Group passed through the accreditation of the "clean production enterprise in Guangdong Province";

In April 2012: Baoteng Internet (宝騰互聯) "cloud network monitoring and information management platform" project was included as a project under the Technology-based SME Innovation Fund of the Ministry of Science;

In May 2012: Powerleader Group was granted collective bond interest subsidies for SME in Shenzhen;

in September 2012: Powerleader Group passed through the national high-tech enterprise reexamination;

In September 2012: Powerleader Group and Powerleader Computer were granted the loans interest subsidies of the industrial development projects in Futian District;

In October 2012: Powerleader Group was granted the domestic market expansion capital subsidies of the SME development projects in Shenzhen;

In October 2012: Powerleader Software passed through the "registration of innovative medium, small and micro enterprises in Shenzhen", and was included as a member of the Shenzhen SME team with focused nurture;

In November 2012: Powerleader Group "cloud-based Powerleader security data storage services platform" project was included as a science and technology program in Futian District, Shenzhen;

In November 2012: Powerleader Group and Powerleader Computer were issued the "Intellectual Property Award for Science and Technology Programs in Futian District, Shenzhen";

In December 2012: Powerleader Group was identified as a "Postdoctoral Innovative Practice Base in Shenzhen";

In December 2012: Powerleader Software "Powerleader powersoft load equalizer" project was granted the capital subsidies of supporting provincial and municipal projects of Shenzhen Science and Technology Programs; and

In December 2012: Powerleader Computer "Loongson CPU-based Powerleader cloud storage server technology and production line renovation project" was included as a project of SME development programs of the Ministry of Industry.

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 the development and operation of online games. In 2012, Powerleader Network recorded a turnover of approximately RMB178,766,000, representing an increase of approximately 39% over the same period in 2011. The increase was mainly attributable to the prominent results arising from the roll out of new products and the expansion of overseas markets. The increase was mainly attributable to the further expansion of Powerleader Network's game R&D and operating scale, and the further enhancement of the company's game R&D capacity, operational capability and market development strength through the attempted and accumulated operations of more projects. At the same time, armed with relatively strong game operating strength, several excellent games were rolled out on the basis of agency operation. The company is actively looking for the agency operation of products with promising outlook. In line with its own development needs and market environment, the company has put in place a development strategy that is based on one vertical direction and four horizontal directions. The company's overseas business is developing at high speed. 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 2012, the tasks relating to the completion of organization restructuring and human quantification were performed. The HR annual plan was completed, thus facilitating the effective implementation of various HR tasks. The system in line with our business development needs is framed. 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; 2012 marked a year in which stepped up efforts were made on standardized. The training and promotion tasks relating to HR & AD system were carried out on a step-by-step basis. 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".

Building a talent team

In response to the needs of the implementation of Powerleader Group's development strategy, we perfected decision-making level and management level, and put vigorous efforts on the training of a talent team.

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 a wide variety of cultural and sports activities for employees. We also made promotion efforts. Various management measures were introduced to improve staff quality and nurture an "all-round people spirit" across Powerleader.

PROSPECT

During 2012, the governments at all levels in China had unveiled a number of relevant policies that favoured the development the cloud computing industry. The overview of these policies is set out below:

Policy of the State Council:

The "Industrial Transformation and Upgrading Plan (2011–2015)" was promulgated, whereby, stress was placed on the enhancement of the core competitiveness of the electronic information industry, the co-ordination and deployment of the R&D, industrialization and application of cloud computing technology and products. Active endeavours were delivered to promote the integration, innovation and interactive development of design, products, applications and services, to accelerate the R&D of mobile Internet terminals, to reinforce the construction of cloud computing platform, and to promote pilot deployment and application demonstration. Endeavours were also made to speed up the R&D and industrialization of key products including high-performance computers and servers, networking products, storage systems, and autonomous dependability security products. Efforts were dedicated to step up the construction of green intelligence data centres and business services platforms, and to expand the industry application market.

The "National Strategic Emerging Industry Development Plan under the "Twelfth Five-Year Plan"" was promulgated, whereby, focus was put on the implementation of innovation and development projects relating to the Internet of Things and cloud computing, the co-ordination of the layout of green data centres, as well as the acceleration of the R&D and industrialization of information key equipment such as high-performance computer, high-end servers, intelligent terminal, network storage, and information security. Reinforced efforts were extended to strengthen the development of a number of key software including fundamental software based on internet operating system and massive data processing software, cloud computing software, industrial software, intelligent terminal software, and information security software. Stepped up efforts were made to promote the construction of large-scale information resource library, and actively foster the development of emerging service sectors such as cloud computing services and e-commerce services.

Policy of the Ministry of Industry and Information Technology:

The "Electronic Information Manufacturing Industry Development Plan under the "Twelfth Five-Year Plan"" was issued. Focus was put on the tracking and grasping of the key direction and industry opportunities of the new-generation of information technology. On the basis of enterprises as the mainstay, stress was put on fostering the blended combination of production and research, and improving the innovation system, enhancing innovation capability, and concentrating strengths and resources on key breakthroughs in core technologies. Led by cloud computing applications demand as traction force, an emphasis will be put on key breakthroughs in a couple of cloud computing core technologies such as virtualization, load balancing, cloud storage, as well as green energy-saving. Support was given to the R&D and industrialization of key products such as server products suitable for cloud computing, network equipment, storage systems, and cloud services terminals. Cloud computing related industry chain equipped with comprehensive supporting facilities was establishment, in order to provide a full range of equipment solutions for scale demonstration applications for cloud computing, and to perfect the public service system for cloud computing.

The "Software and Information Technology Services Industry Development Plan under the "Twelfth Five-Year Plan"" was put forward, whereby, on the basis of the acceleration of the country's cloud computing services industry as a main line, focused efforts was to foster technological innovation driven by service innovation, to strength capability enhancement driven by demonstration applications, and to promote the development of cloud computing service model. With application demonstration and industrialization projects in focused areas as traction force, efforts were made to develop a number of cloud computing demonstration application in the fields of intelligent cities, intelligent transportation, health care, education, science, culture resources, manufacture and production, as well as small and medium-sized enterprises. Endeavours were made to promote typical experience in the aspects of the integration of computing resources, innovative service models, protection of information security, and promotion of energy conservation, so as to put in place a number of safe and reliable key technologies and products meeting needs of key areas, and to initially establish a more complete technical support system. Endeavours were also made to develop a number of important standards and norms, so as to flourish the development of the cloud computing industry in a pattern featured by more robust industrial chains and significantly improved international competitive edges in terms of related services.

The "Internet Industry Development Plan under the "Twelfth Five-Year Plan"" was promulgated, whereby, vigorous efforts were made to promote cloud computing key technologies and industrialization, cloud computing application demonstration, as well as cloud computing security, and to accelerate the construction of Internet applications infrastructure. By thoroughly taking into account a couple of factors including network infrastructure, market demand, supporting environment, geography energy, and information security, efforts were made to strengthen technical standards and industrial policy guidance, to optimize building layout of large-scale data centres, and to guarantee high-speed smooth operation of networks among various large-sized data centres. A great intensity of efforts were made on IDC transformation based on green energy-saving and cloud computing technology, in order to improve energy efficiency and resource utilization of data centres, and to enhance the level of intensive management operations.

Policy of the Ministry of Science and Technology:

The "China Cloud Technology Development Project Plan under the "Twelfth Five-Year Plan"" was promulgated, whereby, it was stated that efforts were made to achieve a number of breakthroughs of key technologies in the fields of major cloud computing device, core software and support platform at the end of the "Twelfth Five-Year" period. Efforts were also made to frame autonomous controllable cloud computing system solutions, technical systems as well as standards and norms. Typical application demonstration was carried out in a number of key areas and industries. Endeavours were extended to realize the industrialization of cloud computing products and services, to actively promote innovation of service model, to train up develop innovative technological talents, to build technology innovation systems, to lead in-depth development of the cloud computing industry. Given this scenario, cloud computing technologies and applications in the country had already reached the internationally advanced levels.

Policy of Guangdong Provincial People's Government:

According to the "opinions relating to the acceleration of the development of cloud computing in the province", efforts were made to promote the rational distribution of cloud computing data centres across the province, to step up the construction and use of some of the trans-regional cloud computing data centres on a sharing basis, and to o achieve large-scale operations of green cloud computing data centres. Endeavours were made to co-ordinate the construction of cloud computing data centres in Guangzhou, Shenzhen, Zhuhai, Dongguan and Foshan City, with a view to actively promoting application services of cloud computing data centres.

Policy of Shenzhen Municipal People's Government:

According to the notice on the issuance of the "Shenzhen Intelligent Plan (2011–2020) Outline", efforts were made to accelerate the construction cloud computing centre in Shenzhen. Operators were encouraged to expand the upgrade and transformation of the existing data centre on the basis of the cloud computing model, with an aim to provide a wide range of application services with strong processing power, vast storage capacity, safety and reliability functions, moderate scatter, and adaptation to different needs, and to create a reasonable layout of cloud computing environment, and to form a series of professional cloud systems in the fields of urban management, livelihood information and industry applications, thereby strengthening cloud computing infrastructure service capabilities across Southern China.

In 2013, in light of implementation of cloud computing-related policies by the governments at all levels, the Company will be well-poised to seize a flurry of opportunities and to usher in broader room for development. The associated prospects are as follows:

Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment, as well as their related solutions

Looking ahead to 2013, fuelled by the continued development of products and technologies and the continued spread of cloud computing and massive data-related applications, the demand for cloud infrastructure is set to maintain a sustained growth. On the management aspect, the Company will optimize management, expand elite sales teams, put in place more reasonable architecture in various sales regions, reinforce sales incentives, strengthen sales channels and tie up tighter partnerships; On front of R&D, armed with autonomous innovative capability, the Company will build a wide variety of superior products that are applicable to various relevant industry and are in line with different application needs. With our leading niche in the R&D of the completely autonomous quad-route fault-tolerant cloud server, which is the first of its kinds across the world, we have added fresh impetus to our further growth. In relation to branding and marketing efforts, through industry seminars, industry exhibitions, technical seminars and media campaigns, we will continue to penetrate and deepen our brand visibility and product influence in related industries. Meanwhile, the Company will leverage on its competitive advantages in monitoring as well as quad-route, high-end and micro-server products, and blended these advantages with its own edges in cloud computing and massive data applications. We will continue to tap into industries and markets in government, telecommunications, the Internet, rail transportation, security monitoring, medical care and education. While maintaining our own high-speed development on the one hand, we will continue to focus on industry hot spots and allocate increased resources to strengthen more targeted sales and product development teams on the other hand, thus consolidating the Company's advantages in Cloud Infrastructure as a Service. With our philosophy of "carving out Powerleader's niche across places where there are clouds", we will make positive contribution to bolster up the popularity of cloud computing in China.

Cloud Module as a Service (MaaS) — providing cloud computing equipment related components R&D, design, manufacturing and sales, as well as cloud computing equipment key components agency distribution and related value-added services

Looking ahead to 2013, the Company will step up the construction of sales websites, strengthen the management of sales teams, cement stronger strategic partnership with suppliers, provide value-added services with greater value, and strengthen the core competitiveness with its own advantages in brand products, with a vision to stay in the top spot as a provider of cloud computing equipment related components. In respect of cloud computing equipment key components agency distribution and related value-added services, the Company will further improve and broaden cloud computing equipment key components agency distribution and related value-added service product clusters, which are based on Intel server component module product lines. We will establish alliance cooperation with various channels, and enhance capabilities of value-added services, in order to better meet one-stop shop purchase demand from industrial customers and channel partners. In relation to self-brand cloud computing equipment related components, we will strengthen the R&D and design of cloud computing equipment related components, and to enrich our self-brand cloud module products.

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

Looking ahead to 2013, the Company's autonomously developed cloud platform will achieve commercial operation, thereby providing customers with cloud computing platform services with quantitative volume, flexible configuration and scalability according to their needs. This will become a new business growth driver for the Company. The Company will continue to develop cloud computing related management software, integrate related hardware developed with its autonomous R&D and design efforts, and optimize solutions for the Company's government affairs cloud, education cloud and desktop cloud, thus strengthening the Company's leading position in the horizon of cloud computing solutions.

Bank financing and funds management

In 2013, in line with our business development and in the face of the future uncertain economic landscape, on front of bank financing, our tasks are to continue to optimize the overall financing structure and adjust the proportion of long-term liquidity loans while maintaining and expanding external financing channels. In respect of capital management, we will further improve the scientific management of capital return relating to accounts receivable and inventories, etc. We will also continue to strengthen the awareness of financial cost control among personnel of our internal business modules. Strict cost accounting will be exercised over the use of capital, with a view to improving cash flow rate and maximizing the efficiency of the use of funds.

Human Resources

In 2013, the Company will formulate and put in place a scientific human resource planning, in order to continue to improve budget systems of human costs and to effectively control costs of human resources. Thanks to its reputable brand and corporate image, the Company will retain a team of elite talents. Focused efforts will be made on the training of competent personnel, in order to lay a solid base for the building of a talented team. We will endeavour to promote our amiable corporate culture, and explicitly define duties and responsibilities of various positions, and improve performance appraisal, thereby achieving new breakthroughs in effectiveness of human resource management.

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

As at 31 December 2012, 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 2012, 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 2012, 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 2012, 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	12%
— five largest customers combined	31%
Purchase	
— the largest supplier	64%
— five largest supplies combined	79%

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 2012.

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 2011, the quarterly reports of the first and third quarters of 2012 as well as the interim report of 2012. In addition, the Committee has also reviewed the annual results for the year ended 31 December 2012 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 is 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 2012.

On behalf of the Board
ZHANG YUNXIA
CHAIRMAN

Shenzhen, the PRC
27 March 2013

As at the date hereof, the Board comprises a total of 9 directors, including Mr. Dong Weiping, Ms. Zhang Yunxia and Mr. Ma Zhumao as executive directors, Mr. Sun Wei, Mr. Li Ruijie and Mr. Li Donglei as non-executive directors and Mr. Jiang Baijun, Dr. Guo Wanda and Mr. Chan Shiu Yuen Sammy as independent non-executive directors.

This announcement, for which the directors (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.

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