



宝德科技集團股份有限公司

**POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED\***

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

**(Stock code: 8236)**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This report, for which the directors (the “Directors”) of Powerleader Science & Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 report is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement herein misleading.*

\* For identification purpose only

## INTERIM RESULTS

The board of Directors (the “Board”) is pleased to announce that the unaudited results of the Company for the three months and six months ended 30 June 2013 (“Six Months Period”) together with comparative unaudited figures for the same periods in 2012 are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 30 June		Six months ended 30 June	
		2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Turnover	3	430,866	483,299	758,615	824,089
Cost of sales		(376,753)	(431,692)	(662,064)	(728,011)
Gross profit		54,113	51,607	96,551	96,078
Other revenue	4	6,174	1,029	15,262	10,016
Distribution costs		(9,957)	(10,220)	(19,389)	(17,951)
Administrative and other expenses		(18,044)	(12,039)	(29,554)	(22,427)
Finance costs	5	(12,060)	(12,684)	(21,293)	(23,699)
Share of profit from an associate		2,090	1,331	2,679	1,610
Change in fair value of derivative financial instrument		123	—	(29)	—
Gain on disposal of investment classified as held for sale		—	—	2,000	—
Profit before taxation		22,439	19,024	46,227	43,627
Income tax expense	6	(4,969)	(618)	(6,628)	(4,803)
Profit for the period and total comprehensive income for the period	7	17,470	18,406	39,599	38,824
Profit and total comprehensive income attributable to:					
Owners of the Company		17,479	18,439	39,632	38,911
Non-controlling interests		(9)	(33)	(33)	(87)
		17,470	18,406	39,599	38,824
Interim dividend	8	—	—	—	—
Earnings per share Basic and diluted	9	RMB0.72 cent	RMB0.76 cent	RMB1.63 cent	RMB1.6 cent

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2013</b>	As at 31 December 2012
	<i>Note</i>	<i>RMB'000</i> <b>(unaudited)</b>	<i>RMB'000</i> <b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	224,257	224,104
Prepaid lease payments		59,879	60,424
Deferred development costs	11	38,560	39,407
Interest in an associate	12	138,152	136,667
Available-for-sale investment		—	18,000
		—	18,000
Derivative financial instrument		—	179
		460,848	478,781
<b>Current assets</b>			
Prepaid lease payments		752	966
Inventories		298,230	175,101
Amount due from an associate		9	8
Trade and bills receivables	13	274,604	387,626
Other receivables, deposits and prepayments	14	368,526	141,665
Pledged bank deposits		26,664	26,801
Restricted bank balances		27,480	20,228
Structured deposit		—	4,808
Bank balances and cash		314,875	190,086
		1,311,140	947,289
<b>Current liabilities</b>			
Trade and bills payables	15	80,135	100,848
Other payables and accrued charges		8,170	18,047
Receipts in advance		21,857	17,039
Tax payable		11,734	11,787
Amount due to a related company		198	8
Amount due to an associate		260	135
Amount due to a shareholder		—	9
Bank and other borrowings — due within one year	16	698,446	563,834
		820,800	711,707
Net current assets		490,340	235,582
Total assets less current liabilities		951,188	714,363

		As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
Capital and reserves			
Share capital	17	243,000	243,000
Reserves		<u>502,526</u>	<u>462,894</u>
Equity attributable to owners of the Company		<u>745,526</u>	705,894
Non-controlling interests		<u>324</u>	<u>157</u>
Total equity		<u>745,850</u>	<u>706,051</u>
Non-current liabilities			
Deferred income		1,700	4,700
Deferred tax liabilities		3,638	3,612
Bank and other borrowings — due after one year	16	<u>200,000</u>	<u>—</u>
		<u>205,338</u>	<u>8,312</u>
		<u>951,188</u>	<u>714,363</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2013*

Attributable to owners of the Company

	share capital	share premium	statutory surplus reserve	translation reserve	other reserves	retained profits	proposed final dividend	sub-total	non- controlling interests	total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)										
1 January 2012	243,000	25,875	53,786	8	(1,957)	306,434	12,150	639,296	211	639,507
Profit for the period	—	—	—	—	—	38,911	—	38,911	(87)	38,824
30 June 2012	<u>243,000</u>	<u>25,875</u>	<u>53,786</u>	<u>8</u>	<u>(1,957)</u>	<u>345,345</u>	<u>12,150</u>	<u>678,207</u>	<u>124</u>	<u>678,331</u>
(Unaudited)										
1 January 2013	<b>243,000</b>	<b>25,875</b>	<b>57,268</b>	<b>12</b>	<b>(1,957)</b>	<b>369,546</b>	<b>12,150</b>	<b>705,894</b>	<b>157</b>	<b>706,051</b>
Profit for the period	—	—	—	—	—	<b>39,632</b>	—	<b>39,632</b>	<b>(33)</b>	<b>39,599</b>
Capital contributed by non- controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	<b>200</b>	<b>200</b>
30 June 2013	<u><b>243,000</b></u>	<u><b>25,875</b></u>	<u><b>57,268</b></u>	<u><b>12</b></u>	<u><b>(1,957)</b></u>	<u><b>409,178</b></u>	<u><b>12,150</b></u>	<u><b>745,526</b></u>	<u><b>324</b></u>	<u><b>745,850</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2013*

	<b>For the six months ended 30 June 2013 <i>RMB'000</i> (unaudited)</b>	For the six months ended 30 June 2012 <i>RMB'000</i> (unaudited)
Net cash (used in)/generated from operating activities	<b>(100,185)</b>	2,125
Tax paid	<b>(6,681)</b>	(4,538)
Net cash generated from/(used in) investing activities	<b>16,682</b>	(13,594)
Net cash generated from financing activities	<b>214,973</b>	14,743
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	<b>124,789</b>	(1,264)
Cash and cash equivalents at 1 January	<b>190,086</b>	331,226
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>314,875</b>	329,962
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

## 1. GENERAL

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

The Group is a cloud computing solutions supplier in the PRC with self-innovation capability; it operates in the PRC and Hong Kong, and is mainly engaged in (i) Cloud Infrastructure as a Service (IaaS) — Provision of equipment such as cloud servers and cloud storage and their related solutions; (ii) 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; and (iii) Software and Platform as a Service (SaaS & PaaS) — Development of cloud computing software and platforms and provision of related services.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited condensed interim financial statements has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM. The condensed consolidated financial statements have been prepared under the historical cost method, except for certain financial assets and liabilities that are stated at fair value.

During the period, the Group has adopted the new or revised standards, amendments and interpretations issued by HKICPA that are in effect ("New HKFRSs"). The accounting policies, presentation and calculations used in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the Group's financial statements for the year ended 31 December 2012.

## 3. TURNOVER

Turnover represents the amounts received and receivable for services provided and goods sold to customers, net of returns and discounts granted.

### Operating segments

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

The Group's operating segments are as follows:

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

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

	For the three months ended		For the six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover				
Cloud Infrastructure as a Service	<b>102,090</b>	134,945	<b>208,014</b>	254,427
Cloud Module as a Service	<b>328,499</b>	347,921	<b>550,072</b>	568,914
Software and Platform as a Service	<b>277</b>	433	<b>529</b>	748
	<b>430,866</b>	483,299	<b>758,615</b>	824,089
Results				
Cloud Infrastructure as a Service	<b>17,094</b>	17,475	<b>36,706</b>	34,976
Cloud Module as a Service	<b>15,483</b>	13,108	<b>28,541</b>	31,102
Software and Platform as a Service	<b>(168)</b>	(206)	<b>(406)</b>	(362)
	<b>32,409</b>	30,377	<b>64,841</b>	65,716
Finance costs	<b>(12,060)</b>	(12,684)	<b>(21,293)</b>	(23,699)
Share of profit from an associate	<b>2,090</b>	1,331	<b>2,679</b>	1,610
Profit before taxation	<b>22,439</b>	19,024	<b>46,227</b>	43,627
Income tax expense	<b>(4,969)</b>	(618)	<b>(6,628)</b>	(4,803)
Net profit for the period	<b>17,470</b>	18,406	<b>39,599</b>	38,824

#### 4. OTHER REVENUE

	For the three months ended		For the six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income from bank deposits	<b>169</b>	850	<b>236</b>	1,116
Government subsidies	<b>3,145</b>	1,781	<b>8,236</b>	6,947
Exchange gain/(loss)	<b>2,977</b>	(830)	<b>3,523</b>	(830)
Supply chain service income/(charges)	<b>290</b>	(860)	<b>1,449</b>	1,185
Sundry (expenses)/income	<b>(407)</b>	88	<b>1,818</b>	1,598
	<b>6,174</b>	1,029	<b>15,262</b>	10,016



## 5 FINANCE COSTS

	For the three months ended	
	30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on bank and other borrowings wholly repayable within five years	21,293	23,145
Interest on short-term financing bonds wholly repayable within five years	—	361
Interest on finance lease	—	—
Imputed interest on long-term other borrowings	—	193
	<hr/>	<hr/>
Total borrowing costs	21,293	23,699
Less: amounts capitalised	—	—
	<hr/>	<hr/>
	<b>21,293</b>	<b>23,699</b>

## 6. INCOME TAX EXPENSE

	For the three months ended		For the six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge comprises:				
PRC Enterprise Income Tax (“EIT”)	4,706	507	4,619	1,846
Hong Kong Profits Tax	263	111	2,009	2,957
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>4,969</b>	<b>618</b>	<b>6,628</b>	<b>4,803</b>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau in 2009, and was subject to EIT at a rate of 15% from the year 2009. The Company passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau on 12 September 2012, and continued to be regarded as a national high-tech enterprise, and was subject to EIT at a rate of 15%. According to the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computer System Co., Ltd. (深圳市宝德计算机系统有限公司) (“Powerleader Computer”) as well as Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (“Powerleader Software”), all other PRC subsidiaries of the Company were subject to EIT at a rate of 25% during the period ended 30 June 2013 (during the period ended 30 June 2012: 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 State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, there will be a transitional period of five years for the Company and its PRC subsidiaries, whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22%, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively.

Powerleader Computer has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. On 31 October 2011, Powerleader Computer passed the reassessment conducted by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau, and continued to be regarded as a national high-tech enterprise. Powerleader Computer was subject to EIT at a rate of 15% during the period ended 30 June 2013 (during the period ended 30 June 2012: 15%).

Pursuant to an approval document (Shen Guo Shu Bao Guan Jian Mian Bei An 2009 no. 4) (《深國稅寶觀減免備案2009第4號》) dated 11 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, Powerleader Software is qualified to enjoy a tax relief for software enterprise and entitled to an exemption from EIT for the years 2009 and 2010 and a 50% relief from EIT from 2011 to 2013.

Hong Kong Profits tax is calculated at 16.5% (for the six months ended 30 June 2012: 16.5%) of the estimated assessable profit for the Six Months Period.

## 7. PROFIT FOR THE PERIOD

	For the three months ended	
	30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period 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 RMB1,940,000 (2012: RMB3,639,000)	16,920	13,629
—retirement benefits scheme contributions, net of amount capitalised		
in deferred development cost of RMB103,000 (2012: RMB188,000)	1,827	1,582
	<u>18,747</u>	<u>15,211</u>
Cost of inventories recognised as expenses	662,064	728,011
Research and development cost recognised as expenses	673	1,194
Auditor's remuneration	1,329	398
Depreciation of property, plant and equipment, net of amount capitalised		
in deferred development cost of RMB248,000 (2012: RMB459,000)	5,389	4,894
Amortisation of prepaid lease payments	545	483
Amortisation of deferred development cost (included in administrative		
expenses)	2,853	4,426
Allowance for inventories (included in cost of sales)	—	—
Allowance for trade receivables (included in administrative expenses)	—	—
Allowance for prepayments (included in administrative expenses)	—	—
Reversal of allowance for inventories (included in cost of sales)	—	—
Reversal of allowance for trade receivables (included in other income and		
gains)	—	—
Reversal of allowance for other receivables (included in other income and		
gains)	—	—
Waiver of other payables	—	—
Share of tax of an associate	—	—
	<u>                    </u>	<u>                    </u>

## 8. INTERIM DIVIDEND

At a meeting held on 13 August 2013, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

## 9. EARNINGS PER SHARE

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

	For the three months ended		For the six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit for the period attributable to owners of the Company	<u>17,479</u>	<u>18,439</u>	<u>39,632</u>	<u>38,911</u>
Number of share				
Weighted average number of issued shares for the purpose of basic earnings per share	<u>2,430,000,000</u>	<u>2,430,000,000</u>	<u>2,430,000,000</u>	<u>2,430,000,000</u>

As the Company did not have any potential diluted shares during the Six Months Period (for the six months ended 30 June 2012: nil), the diluted earnings per share were the same as the basic earnings per share.

## 10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB4,512,000 (the same period of 2012: RMB1,267,000) on acquisition of property, plant and equipment.

## 11. DEFERRED DEVELOPMENT COSTS

During the period, the Group spent approximately RMB3,294,000 (the same period of 2012: RMB2,048,000) on deferred development costs.

## 12. INTEREST IN AN ASSOCIATE

	As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
Cost of investment in a listed associate	7,166	7,166
Share of post acquisition profits and reserves, net of dividend received	<u>130,986</u>	<u>129,501</u>
	<u>138,152</u>	<u>136,667</u>
Fair value of listed investments	<u>650,005</u>	<u>223,763</u>

### 13. TRADE AND BILLS RECEIVABLES

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

	As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
Within 1 month	130,890	227,087
1–3 months	73,583	52,441
4–6 months	40,592	54,503
Over 6 months	29,539	53,595
	<u>274,604</u>	<u>387,626</u>

### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
Other receivables	335,733	117,336
Less: allowance for other receivables	(127)	(127)
	<u>335,606</u>	<u>117,209</u>
Prepayments	35,534	26,995
Less: allowance for prepayments	(2,921)	(2,921)
	<u>32,613</u>	<u>24,074</u>
Deposits paid	307	382
	<u>368,526</u>	<u>141,665</u>

The Company does not hold any collateral over these balances. At the end of each reporting period, the Company's other receivables of approximately RMB335,606,000 (2012: RMB117,209,000) were neither past due nor impaired.

In determining the recoverability of an other receivable, the Company considers any change in credit quality of the other receivable at the end of the reporting period. In view of the good settlement repayment history from those largest debtors of the Company, the directors of the Company consider that there is no further provision required in excess of the impairment loss recognised for the year.

## 15. TRADE AND BILLS PAYABLES

The aging of trade and bills payables is analysed as follows:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 month	30,231	43,218
1–3 months	17,474	19,591
4–6 months	21,948	25,552
Over 6 months	10,482	11,655
	<u>80,135</u>	<u>100,016</u>
Bills payables	—	832
	<u><u>80,135</u></u>	<u><u>100,848</u></u>

## 16. BANK AND OTHER BORROWINGS

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Bank loans	898,446	563,834
Other borrowings	—	—
	<u>898,446</u>	<u>563,834</u>
Secured loans	548,446	333,446
Unsecured loans	350,000	230,388
	<u>898,446</u>	<u>563,834</u>
Carrying amount repayable:		
On demand or within one year	698,446	563,834
More than one year, but not exceeding two years	80,000	—
More than two years but not exceeding five years	120,000	—
	<u>898,446</u>	<u>563,834</u>
Less: Amount due within one year shown under current liabilities	<u>(698,446)</u>	<u>(563,834)</u>
Amount due after one year	<u><u>200,000</u></u>	<u><u>—</u></u>

Details of securities and guarantees in respect of the bank loans of the Group at 30 June 2013 were as follows:

- (a) The loan with an aggregate principal amount of approximately RMB210,600,000, was secured by pledged bank deposits of approximately RMB26,700,000 and guaranteed by Powerleader Investment Holding Company Limited (“Powerleader Investment”) and Ex-Channel Group Limited (“Ex-Channel”), and personal guarantees given by Mr. Li Ruijie (“Mr. Li”) and Ms. Zhang Yunxia (“Ms. Zhang”).

- (b) The loan with an aggregate principal amount of appropriately RMB40,200,000 was secured by restricted bank balances of approximately RMB5,900,000 and guaranteed by Powerleader Investment and Powerleader Computer and a personal guarantee given by Mr. Li.
- (c) The loan with an aggregate principal amount of RMB150,000,000 was guaranteed by Powerleader Investment and a personal guarantee given by Mr. Li.
- (d) The loan with an aggregate principal amount of approximately RMB12,600,000 was secured by restricted bank balances of RMB12,700,000 and guaranteed by the corporate guarantee given by the Company.
- (e) The loan with an aggregate principal amount of RMB30,000,000 was secured by restricted bank balances of approximately RMB200,000 and guaranteed by Powerleader Investment and a personal guarantee given by Mr. Li.
- (f) The loan with an aggregate principal amount of RMB35,000,000 was secured by restricted bank balances of approximately RMB900,000 and guaranteed by Powerleader Investment, Powerleader Computer and a personal guarantee given by Mr. Li.
- (g) The loan with an aggregate principal amount of RMB40,000,000 was guaranteed by Powerleader Investment and the Company.
- (h) The loan with an aggregate principal amount of RMB20,000,000 was secured by fixed assets of approximately RMB152,000,000 and guaranteed by the Company. .
- (i) The loan with an aggregate principal amount of RMB100,000,000 was guaranteed by personal guarantees given by Mr. Li and Ms. Zhang.
- (j) The loan with an aggregate principal amount of RMB60,000,000 was guaranteed by Powerleader Investment and a personal guarantee given by Mr. Li.
- (k) The loan with an aggregate principal amount of RMB200,000,000 was secured by fixed assets of approximately RMB65,000,000, pledged by trade receivables and guaranteed by Powerleader Investment, Ex-Channel and personal guarantees given by Mr. Li and Ms. Zhang.

At 30 June 2013, the bank loans of approximately RMB615,000,000 were subject to variable annual interest rates ranging from 6.16% to 8.07% and the bank loans of RMB283,400,000 were subject to fixed annual interest rates ranging from 2.34% to 7.22%.

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

As at 31 December 2012, details of the securities and guarantees in respect of the bank loans of the Group are as follows:

- (a) The loan with an aggregate principal amount of approximately RMB189,500,000 was secured by pledged bank deposits of approximately RMB26,700,000 and guaranteed by Powerleader Investment and Ex-Channel and personal guarantees given by Mr. Li and Ms. Zhang.
- (b) The loan with an aggregate principal amount of approximately RMB55,200,000 was secured by restricted bank balances of approximately RMB6,400,000 and guaranteed by Powerleader Investment, Powerleader Computer and a personal guarantee given by Mr. Li.
- (c) The loan with an aggregate amount of RMB150,000,000 was guaranteed by Powerleader Investment and a personal guarantee given by Mr. Li.
- (d) The loan with an aggregate amount of approximately RMB12,600,000 was secured by restricted bank balances of RMB12,700,000 and guaranteed by a corporate guarantee given by the Company.

- (e) The loan with an aggregate principal amount of RMB30,000,000 was secured by restricted bank balances of approximately RMB200,000 and guaranteed by Powerleader Investment and a personal guarantee given by Mr. Li.
- (f) The loan with an aggregate principal amount of RMB35,000,000 was secured by restricted bank balances of approximately RMB900,000 and guaranteed by Powerleader Investment, Powerleader Computer and a personal guarantee given by Mr. Li.
- (g) The loan with an aggregate principal amount of RMB40,000,000 was guaranteed by Powerleader Investment and the Company.
- (h) The loan with an aggregate principal amount of RMB20,000,000 was secured by fixed assets of approximately RMB152,000,000 and guaranteed by the Company.
- (i) The loan with an aggregate principal amount of approximately RMB30,800,000 was guaranteed by Powerleader Science & Technology (H.K.) Limited and personal guarantees given by Mr. Li, Mr. Dong Weiping and Ms. Zhang.
- (j) The loan with an aggregate principal amount of approximately RMB700,000 was secured by bill receivables of approximately RMB700,000.

At 31 December 2012, the bank loans of approximately RMB275,000,000 were subject to variable annual interest rates ranging from 5.88% to 6.72% and the bank loans of RMB297,700,000 were subject to fixed annual interest rates ranging from 2.34% to 7.22%. All fixed rate bank loans have maturity within one year.

## 17. SHARE CAPITAL

	As at 30 June 2013 <i>Number of Shares</i> (unaudited)	As at 31 December 2012 <i>Number of Shares</i> (audited)	As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
Authorised, issued and fully paid				
Domestic shares of RMB0.1 each	1,822,500,000	1,822,500,000	182,250	182,250
H Shares of RMB0.1 each	607,500,000	607,500,000	60,750	60,750
	<u>2,430,000,000</u>	<u>2,430,000,000</u>	<u>243,000</u>	<u>243,000</u>

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

## 18. COMMITMENTS

### (a) Commitments under operating leases

At 30 June 2013, the Company as lessee had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancelable operating leases as follows:

	As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
Within one year	2,285	2,567
In the second to fifth year inclusive	782	938
Total	<u>3,067</u>	<u>3,505</u>

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

	As at 30 June 2013 <i>RMB'000</i> (unaudited)	As at 31 December 2012 <i>RMB'000</i> (audited)
Construction-in-progress	<u>7,040</u>	<u>5,610</u>

## 19. RELATED PARTY TRANSACTIONS

In addition to the personal guarantees provided by Mr. Li and Ms. Zhang and the corporate guarantee provided by Powerleader Investment as set out in Note 13, the Group paid rent amounting to approximately RMB140,000 (the same period of 2012: RMB140,000) to Ms. Zhang for office premises.

## 20. COMPARATIVE FIGURES

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



## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2013, Powerleader Technology Group strategically positioned itself as a top-notch cloud computing solution supplier with self-innovation capabilities in the Mainland. As a cloud computing solution supplier, the Group carries out business operations in three major scopes stretching from cloud computing solutions, namely Cloud Infrastructure as a Service (IaaS), Cloud Module as a Service (MaaS) to Software and Platform as a Service (SaaS & PaaS), leveraging on its solid R&D technology bases, extensive in-house R&D experience, strong R&D team, rigorous R&D management system and wide customer reach built up over the years.

In respect of IaaS, major offerings include cloud servers and cloud storage related equipment as well as their related solutions. The Company strived to promote industry-wide applications in IPDC, security, surveillance, education, government, healthcare, Internet, transportation and energy sectors. In relation to MaaS, the Group continued to step up cloud computing equipment related components R&D, design, manufacturing and sales, as well as to expand cloud computing equipment key components agency distribution and related value-added services. On the front of SaaS & PaaS, we established a cloud computing platform to significantly enhance the online value-added business. The Company made a good start for the strategy of vertically integrating the cloud computing upstream and downstream industry chains, including the Internet, video storage and regional healthcare. Going forward, we would consolidate cloud computing technology, marketing, channels and customer resources, and would thus distinguish ourselves as a leader in various sub-sectors of cloud computing through strategic investment. We then could enhance our presence in the area and secure a dominant position in each sub-sector of the market by our group companies, so as to substantially raise the profitability of the principal business activities of the Company.

## FINANCIAL REVIEW

Turnover of the Group for the Six Months Period amounted to approximately RMB758,615,000, representing a 7.95% decrease as compared to RMB824,089,000 in the same period of 2012. The decrease was attributable to an insignificant fall in turnover from the Group's principal activities, being Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment as well as their related solutions, and 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. In particular, turnover from Cloud Infrastructure as a Service (IaaS) was down 18.24%, whereas turnover from Cloud Module as a Service (MaaS) was down 3.31%.

Consolidated gross profit margin of the Group for the Six Months Period was approximately 12.73%, representing a minor increase against the figure of approximately 11.66% for the same period in 2012, mainly as a result of the implementation of the cloud strategy by the Company to enhance the added value of the products that continuously fetched higher margin.

The Group's distribution costs and administrative and other expenses rose by 21.21% to RMB48,943,000 from RMB40,378,000 during the same period last year, mainly due to the increase in personnel costs and marketing expenses along with the further implementation of the cloud strategy by the Company. What is more, given greater R&D efforts in cloud computing products and technologies, there was a bigger increase in R&D costs and other related expenses of the Company.

## **BUSINESS REVIEW AND PROSPECT**

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

The slowdown in the pace of economic growth in the Mainland since 2012 has been putting certain pressure on the growth rate of the Cloud Computing Infrastructure as a Service (IaaS) market. In the first half of 2013, the Company vigorously met the needs of major customers, while making active efforts to adjust product structure, optimize higher-margin products with stronger competitiveness and explore new markets. These efforts had enabled us to more effectively mitigate the risk associated with the fall in gross profit against the unfavourable backdrop of an overall 18.24% decrease in revenue from cloud servers as well as cloud storage related equipment and their related solutions.

In the second half of 2013, in order to capture the robust demand from customers in cloud computing industry, the Company will broaden its product lines and improve its sales accountability system as appropriate. In respect of R&D of products, we will extend increased efforts to build up our R&D team and meet users' applications by keeping abreast of users' needs for products. The customization of products was carried out on the basis of this principle. We will strive for the upgrade and innovation in the course of differentiated customization, thereby persistently bolstering up our core competitiveness amid the fierce competition in the market. In connection with team management, the Company will continue to optimize its existing sales accountability system, retain an elite team of pre-sales personnel and cater for customers' needs, so as to offer suitable solutions. In relation to our key sales tactics, we will be focused on expanding the coverage of cloud computing to include the government, military, HPC, Internet, security monitoring and corporate users, with a view to penetrating into and extending into a wider reach of targeted customers. In addition, the Company will actively stay ahead of the policies in the Mainland, while making strengthened endeavours in optimizing and upgrading its services, in an effort to pave a solid path for fuelling an astounding and spectacular growth across the entire cloud computing industry in the coming future.

### **MARKETING PROMOTION**

In the first half of 2013, the Company remained committed to enhancing its R&D capabilities in high-end products and promoting domestically-made autonomous controllable server products and their industry applications, as well as extending enhanced marketing efforts via new means of media platforms such as microblog and Wechat, thereby lifting up the brand visibility of Powerleader's servers at all-out efforts.

For cloud computing, the Company rolled out a wide range of solutions, such as desktop cloud, education cloud, healthcare cloud and cloud storage. We have taken active steps to work intensively on the marketing of some of our solutions that are remarkably successful. These steps have helped us effectively build us into a solid market presence and a well-respected brand image in the horizon of cloud computing, as marked by the application of Powerleader's desktop cloud by a Hainan college.

In respect of industry applications, the Company launched brand new upgraded security monitoring products via channels such as intra-industry media and fairs and seminars. Enhanced promotion efforts were made to beef up the applications of autonomous controllable server products in various sectors that are in hotter demand for higher security requirement. These efforts gave rise to a wider array of marketing opportunities for our controllable server products within the industry, and also enabled us to reinforce our role as a key player and pioneer in security fields including network safety and security monitoring.

In the aspect of the offering of new products, the Company had further expanded into a well-diversified product mix along with the successive launches of a wide variety of high-end products, ranging from quad-route server PR4840R (developed with our autonomous R&D efforts), “eight sub-satellite” server PR4780R, Internet-dedicated server PR2410R and PR1410R, vast-capacity cloud storage server PR2414RS to massive data-dedicated server. Each of these products is blessed with stronger leading niche in the market, and is also a testimony to the Company’s notable R&D strengths in high-end products and leading advantages in applications of products within the industry.

In the second half of 2013, the Company will continue to put into effect focused promotion efforts in a number of spectrums including new product launches as well as cloud computing and security industry. In line with the new introduction of Intel processor, the Company will roll out new server products accordingly. We will also launch massive data servers, low-power dissipation servers, brand new GPU servers, high-end storage products and massive data solutions in the second half of the year. As such, we will stand poised to tap into larger markets.

#### **Honours:**

- January 2013 : Powerleader was awarded the “Special Contribution Award of the Private Economy in Guangdong Province”
- February 2013 : Powerleader PR2015RS won the “2012-2013 Product Innovation Award of the Year in China Cloud Computing Storage Product Market”
- March 2013 : Powerleader Technology was awarded the “Shanghai Scientific Technology Award”
- April 2013 : Powerleader Technology was awarded the “National Brand in Guangdong”
- April 2013 : Powerleader Technology was awarded the “Superior Enterprise with Intellectual Property in Shenzhen in 2012”.

#### **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**

In the first half of 2013, the Company continued to strengthen cloud computing equipment key components agency distribution and related value-added services. Endeavours were made to broaden and optimize our product range, to reinforce inventory management and to step up efforts in R&D and industrialization of cloud computing equipment related components. Against the macro backdrop of a slowed pace of economic growth on the Mainland, we managed to grow Cloud Module as a Service (MaaS) segment at a steady rate, as noted from a 2.8% growth in gross margin over the figure of the same period last year, albeit a 3.31% decrease in sales income over that of the same period last year.

In the second half of 2013, with adherence to time-to-market principles, the Company will endeavour to meet market demand and further widen new product lines with distinct edges by eliminating slow-moving products, with a vision to better cater for the one-stop purchase demand from our industry partners and to offer customers access to Cloud Module as a Service (MaaS) in a more complete, more comprehensive and more flexible manner.

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

In the first half of 2013, in relation to Software and Platform as a Service (SaaS & PaaS), we were more determined than ever to continuously develop and optimize Powerleader’s cloud computing platform. We made great leaps in optimizing the overall design of Powerleader’s cloud computing platform. Such optimization had made it possible for Powerleader’s cloud computing platform to be integrated with cloud hosting, cloud drive, cloud database and to be added with software defined network (SDN) function. Powerleader’s cloud computing laboratory was set up with our self-owned server equipment and storage equipment, thus creating favourable conditions for the development and testing of Powerleader’s cloud computing platform and system. Besides, the Company has completed the process of commercialization for Powerleader’s cloud disaster backup system, one of the components whose structure is based on Powerleader’s cloud computing. The Company has also worked hard on the establishment of an official website for the promotion and tryout of the relevant product.

In the second half of 2013, the Company will continue to carry out the testing and optimization of Powerleader’s cloud computing platform in the second half of the year. Building on Powerleader’s advantages in self-owned server and data centre, we will strive to achieve the commercial sales of cloud hosting components on a large scale, thereby boosting Powerleader’s competitive edges in the cloud hosting market.

### **CAPITAL MANAGEMENT**

In the first half of 2013, against the background of financial and monetary tightening initiatives across the country, the Company had effectively mitigated the adverse impacts that might result from external factors by cementing long-term, well-established mutual trust relationship with major banks and integrating advantageous resources in various sectors, thus giving a boost to the financing environment and providing a stable funding support to the sustainable business growth of the Company.

In the second half of 2013, to promptly react to the ever-changing financial environment and to accommodate our business development, we will continue to optimize our debt structure, in order to well prepare us to meet myriad uncertainties that may result from the future economic landscape. Meanwhile, we will strengthen our internal capital management by exercising more reasonable controls over receivables and payables, with an aim to enhance the efficiency of the use of funds and stabilize internal cash flows.

### **AN ASSOCIATE OF THE GROUP**

深圳中青宝互动网络股份有限公司 (“Powerleader Network”), an associate of the Group, registered turnover of approximately RMB114,272,761 and net profit attributable to holders of ordinary shares of approximately RMB17,512,954 during the first half of 2013. Net profit jumped by 66.49% over that of the same period last year, mainly as a result of Powerleader Network’s coherence in implementing its “four horizontal and one vertical” medium-to-long-term development strategy, that it was able to maintain satisfactory growth trend on “user-end games”, “web page games”, “mobile games”, “mobile social platform” and “overseas business”. On operation front, it has adopted the “sophisticated operation” that helped to keep the cost on soliciting new subscribers under effective control, thus the revenue from product sales could be increased with good efficiency. With tremendous effort being placed on the development of user-end games, Powerleader Network is looking forward to strong growth in business performance.

## **GOVERNMENT AFFAIRS**

In the first half of 2013, greater intensity of effort was continuously made by the Company in applying for government project funding and awards. We secured a number of qualification accreditations and project funding, and successfully passed the inspection and acceptance procedures for a number of research projects, whose contents were cored on cloud computing. In connection with the cooperation with external working parties, the Company continued to work with institutes and R&D institutions in developing science and technology, as well as in introducing skilled professionals and advanced technologies.

In January 2013, Powerleader Group's "R&D of safety reliable CPU-based Powerleader desktop project" was included as a technological project in Shenzhen;

In February 2013, the project relating to the "R&D of Certain Major Technology and Exposure Warning System of Financial Information Safety", which was jointly researched and developed by Powerleader Technology Group and East China University of Science, received the First Class Award of Scientific & Technological Achievement in Shanghai;

In March 2013, Powerleader Technology Group received the subsidies of the Intellectual Property Awards of Shenzhen;

In March 2013, Powerleader Technology Group was recognized as a "Superior enterprise with intellectual property in Shenzhen";

In April 2013, Powerleader Software's "R&D of OpenStack-based Powerleader Cloud control system" was included as a technological project in Shenzhen;

In May 2013, Powerleader Technology Group's "Powerleader cloud computing data centres" was included in the Development Project of New Generation of Information Technology Industry in Shenzhen;

In June 2013, Powerleader Software was listed in the Top 50 Enterprises of six categories in Longhua New Zone.

In the second half year of 2013, the Group will conduct an overall review of the strengths and weaknesses on the tasks done in the first half of the year and continue to apply for new funding and honours and further raise the rate of successful applications.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2013, current assets of the Group amounted to about RMB1,311,140,000 (31 December 2012: RMB947,289,000) which mainly included pledged bank deposits, restricted bank balance, structured deposit and cash of RMB369,019,000 (31 December 2012 : RMB241,923,000), inventories of RMB298,230,000 (31 December 2012: RMB175,101,000), other receivables, deposits and prepayments of RMB368,526,000 (31 December 2012: RMB141,665,000) and trade and bills receivables of RMB274,604,000 (31 December 2012: RMB387,626,000). On the other hand, current liabilities of the Group amounted to RMB820,800,000 (31 December 2012: RMB711,707,000), which mainly included bank and other loans of RMB698,446,000 (31 December 2012: RMB563,834,000) and trade and bills payables of RMB80,135,000 (31 December 2012: RMB100,848,000).

The gearing ratio, calculated on the basis of total liabilities of the Group over total assets value of the Group, was increased from 50.5% as at 31 December 2012 to 57.9% as at 30 June 2013.



## EMPLOYEE INFORMATION

As at 30 June 2013, headcount of the Company was approximately 653 (30 June 2012: approximately 659). The total staff costs amounted to approximately RMB19,047,000 for the Six Months Period compared to approximately RMB13,679,000 for that of the same period in 2012.

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

## CURRENCY RISK

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

## CONTINGENT LIABILITIES

As at 30 June 2013, the Directors were not aware of any significant contingent liabilities.

## INTERIM DIVIDEND

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

## DIRECTORS', SUPERVISORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN SHARES AND DEBT SECURITIES

At as 30 June 2013, the interests or short positions of the directors, supervisors and the chief executive of the Company and their associates in the shares and debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions, underlying shares and debt securities by the Directors were as follows:

## SHARES OF THE COMPANY

Name of director	Number of the Company's Domestic Shares held	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li ( <i>Note</i> )	1,021,845,000	42.05%	56.07%
Ms. Zhang ( <i>Note</i> )	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 which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

Save as disclosed above, as at 30 June 2013, none of the directors, supervisors and chief executive of the Company and their associates had any interests or short positions in any shares, underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or the transactions of the securities and debt securities which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2013, the Company or any of its subsidiaries was not a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities, including debentures, of the Company or any other body corporate, and none of the directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## **SHARE OPTION SCHEME**

Up to 30 June 2013, the Company has not adopted any share option scheme nor granted any option.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, as at 30 June 2013, the Directors are not aware of any other interests and short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## **LONG POSITIONS IN DOMESTIC SHARES**

	<b>Number of Shares</b>	<b>Capacity</b>	<b>Approximate percentage of the Company's issued share capital</b>	<b>Approximate percentage of the Company's issued Domestic Shares</b>
Powerleader Investment ( <i>Note</i> )	1,021,845,000	Beneficial owner	42.05%	56.07%
深圳市恒通達遠電子有限公司	239,580,000	Beneficial owner	9.86%	13.15%
哈爾濱世紀龍翔科技開發有限公司	159,637,500	Beneficial owner	6.57%	8.76%
天津誠柏股權投資合夥企業 (Limited Partnership)	150,000,000	Beneficial owner	6.17%	8.23%

*Note:* Powerleader Investment, 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.

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

None of the Directors, initial management shareholders or any of their respective associates (as defined in GEM Listing Rules) of the Company had any interests in any businesses which compete or may compete with the businesses of the Group or any other conflicts of interest which any such person may have with the Group as at 30 June 2013.

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

The Company had complied, throughout the six months ended 30 June 2013, with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

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

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

## **AUDIT COMMITTEE**

The Company established an audit committee (the “Committee”) on 19 October 2002 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the Group’s auditors in matters coming within the scope of the Group’s audit and (ii) to review the effectiveness of the external audit, internal controls and risk evaluation. At present, the Committee comprises three independent non-executive directors, namely Mr. Jiang Baijun, Dr. Guo Wanda and Mr. Chan Shiu Yuen Sammy. The Group’s financial statements for the Six Months Period have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures were made.

## **PURCHASE OR REDEMPTION OF SECURITIES**

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

By order of the Board  
**Zhang Yunxia**  
Chairman

Shenzhen, PRC, 13 August 2013

*As at the date hereof, the Board comprises a total of 9 directors, including Ms. Zhang Yunxia, Mr. Dong Weiping and Mr. Ma Zhumao as executive directors, Mr. Li Ruijie, Mr. Sun Wei 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.*