



深圳市宝德科技股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY COMPANY LIMITED*

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

**FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED 31 MARCH 2003**

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

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This announcement, for which the directors (the “Directors”) of Powerleader Science & Technology Company 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 of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: i. the information contained in this announcement is accurate and complete in all material respects and not misleading; ii. there are no other matters the omission of which would make any statement in this announcement misleading; and iii. All opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FIRST QUARTERLY RESULT

The board of directors (the “Board”) of Powerleader Science & Technology Company Limited (“Powerleader” or the “Company”) presents the unaudited results of the Company for the three months ended 31 March 2003, together with the comparative figures for the three months ended 31 March 2002 (“2002 Period”) as follows:

	<i>Note</i>	Three months ended 31 March	
		2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
Turnover	3	26,228	28,846
Cost of sales		<u>(20,263)</u>	<u>(23,086)</u>
Gross profit		5,965	5,760
Other revenues	3	1,564	2,216
Selling expenses		(2,384)	(1,724)
Administrative and other expenses		<u>(3,612)</u>	<u>(1,748)</u>
Operating profit		1,533	4,504
Finance costs		<u>(295)</u>	<u>(345)</u>
Profit before taxation		1,238	4,159
Taxation	4	<u>(183)</u>	<u>(375)</u>
Profit attributable to shareholders		<u>1,055</u>	<u>3,784</u>
Dividend	5	<u>—</u>	<u>6,355</u>
Earnings per share			
— basic	6	<u>RMB0.001</u>	<u>RMB0.006</u>

No segmental information has been presented as over 90% of the Company’s sales is derived from the sales of computer servers and related products in the PRC.

NOTES:

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 by converting its net assets as at 30 June 2001 into 66,000,000 shares of RMB1 each.

On 12 December 2002, the Company issued 220,000,000 H Shares to institutional investors by way of placement and these H shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the same date.

The Company is operated in the PRC and principally engaged in the design, manufacture and sales of computer servers and related products.

2. Principal accounting policies

The quarterly financial report has been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA") (collectively "HKGAAAP"). They have been prepared under the historical cost convention and the accounting policies adopted are consistent with those adopted in the preparation of the Company's annual financial statements for the year ended 31 December 2002.

3. Turnover and revenues

Turnover represents invoiced value of sales and is stated net of returns, discounts allowed or value-added taxes ("VAT") where applicable. Turnover and revenues recognised during the period are as follows:

		Three months ended 31 March	
		2003	2002
	<i>Note</i>	RMB'000	RMB'000
Turnover			
Sales of computer servers and related products		26,228	28,846
Other revenues			
Suppliers' incentives	(a)	1,510	2,186
Government award		30	—
		1,540	2,186
Interest income from bank deposits		24	30
		1,564	2,216
Total revenues		27,792	31,062

(a) Suppliers' incentives were received from suppliers for meeting their purchase requirements.

4. Taxation

	Three months ended 31 March	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
PRC income tax	<u>183</u>	<u>375</u>

Notes:

- (a) The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, is subject to an income tax rate of 15%. However, pursuant to an approval document Shen Di Shui [2001] No. 160 dated 14 December 2001 issued by Shenzhen Local Tax Bureau, the Company is qualified as a production enterprise with operating period over 10 years and is entitled to a further 50% reduction in income tax commencing from 2001 for two years. The applicable income tax rate for the three months ended 31 March 2002 and 31 March 2003 is 7.5% and 15% respectively.
- (b) No provision for Hong Kong profits tax has been made for the period as there was no profit assessable under Hong Kong profits tax (2002 Period: Nil).
- (c) As at 31 March 2003 and during the period, the Company did not have any significant unprovided deferred tax assets and liabilities (2002 Period: Nil).

5. Dividend

	Three months ended 31 March	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Final, paid, dividend of RMB0.0963 per share	<u>—</u>	<u>6,355</u>

By a resolution passed on 26 February 2002, the directors declared a dividend of RMB6,355,000 payable to shareholders of the Company in relation to the profit for the year ended 31 December 2001.

At a meeting held on 12 May 2003, the directors did not recommend the payment of an interim dividend for the three months ended 31 March 2003.

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2003 is based on the profit attributable to shareholders for the period of RMB1,055,000 (2002 Period: approximately RMB3,784,000) and 880,000,000 (2002 Period: 660,000,000) shares in issue for the three months ended 31 March 2003.

Diluted earnings per share amount is not presented as there were no dilutive potential ordinary shares in existence for the three months ended 31 March 2003 and 31 March 2002.

7. Share capital

	As at 31 March		As at 31 March	
	2003	2002	2003	2002
	<i>Number</i>	<i>Number</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorised, issued and fully paid				
Domestic shares of RMB1 each	—	66,000,000	—	66,000
Domestic shares of RMB0.1 each	660,000,000	—	66,000	—
H Shares of RMB0.1 each	220,000,000	—	22,000	—
	<u>880,000,000</u>	<u>66,000,000</u>	<u>88,000</u>	<u>66,000</u>

- (a) On 12 December 2002, the Company issued 220,000,000 H Shares of RMB0.1 each at an issue price of HK\$0.28 each for cash to institutional investors by way of placing and these H Shares were listed on the Growth Enterprise Market of the Stock Exchange.
- (b) On 12 December 2002, the issued domestic shares of the Company were sub-divided from 66,000,000 of RMB1 each into 660,000,000 shares of RMB0.1 each.
- (c) 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.

8. Reserves

	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2002	229	795	795	6,355	8,174
Profit for the 2002 Period	—	—	—	3,784	3,784
Dividends for 2001	—	—	—	(6,355)	(6,355)
As at 31 March 2002	<u>229</u>	<u>795</u>	<u>795</u>	<u>3,784</u>	<u>5,603</u>
As at 1 January 2003	29,003	2,469	2,469	13,391	47,332
Profit for the period	—	—	—	1,055	1,055
As at 31 March 2003	<u>29,003</u>	<u>2,469</u>	<u>2,469</u>	<u>14,446</u>	<u>48,387</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 March 2003, the Company's turnover was approximately RMB26,228,000, representing a decrease of 9.1% from the corresponding period in 2002. The decrease in turnover for the period was due to the change of sales strategy since 2003. The Company has shifted the sales mix to sell products with higher profit margin. It is the reason of the gross profit increased to approximately RMB5,965,000, representing an increase of 3.6% from the corresponding period in 2002. The Company's gross profit margin was approximately 22.7%, which increased from approximately 20.0% from the 2002 Period. Profit attributable to shareholders for the three months ended 31 March 2003 was approximately RMB1,055,000, representing a significant decreased by approximately RMB2.7 million as compared with the 2002 Period. The decrease in profit attributable to shareholders for the period was due to significant increase in staff cost and advertising and promotion expenses in the period because of the expansion of business and the implementation of business objective after listing in GEM.

As at 31 March 2003, the Company had shareholders' funds/net assets of approximately RMB136.4 million. Current assets amounted to approximately RMB158.4 million. It mainly comprised bank balances and cash amounted approximately RMB52.6 million, inventories of approximately RMB61.4 million and trade receivables amounted to approximately RMB32.7 million. The Company did not have any long-term liabilities. Current liabilities of the Company mainly comprised bank and other loans of approximately RMB20.0 million and trade payables of approximately RMB8.0 million. Net assets value per share of the Company is approximately RMB0.2.

As at 31 March 2003, the gearing ratio of the Company is 14.7%. (31 March 2002: 29.3%). It is defined as the Company's interest-bearing debt over the total equity interest.

Business review

In the period under review, the Company continuously engaged itself in research and development of as well as development of the PRC market. In this period, the Company was working with INTEL in the development of Module servers. The Module servers were launched in the period and they will generally be used as application servers such as telecommunication servers. In addition, the Company used the latest technology to improve the Company's products to meet customers' requirements.

Sales and marketing

The Company's marketing and promotion activities mainly focus on promotion in specific industries and in different provinces during the period. In the education sector, the Company has participated in a number of seminars and trade fairs in Changzhou, Guangxi and Hunan. In the field of e-government and corporates informational, the Company joined with the Association of Informational industry in Shenzhen and informational authority to organize a press conference of city informational projects. These activities had promoted the image of Powerleader as a professional server provider and its professional capability in solution services for informational construction.

Prospect

As the IT industry is dynamic and rapidly changing, the Company will look into opportunities whereby further develop the business of the Company and to promote the growth of the Group's business. The Company may extend its operations by investing in complementary businesses, which are expected to provide strategic benefits or to enhance its value.

The Company will continue to cooperate closely with INTEL to perform marketing and promotion activities including participating in INTEL's road show. In addition, Powerleader also plans to organize number of road shows in number of provinces in the PRC commencing in May 2003. The road shows will mainly promote Powerleader's new products and Powerleader distribution channel policy. The main objective of marketing activities in the second quarter of 2003 is to focus on strengthening the image of Powerleader's products and distribution channel.

Directors' and supervisors' interests in equity or debt securities

At 31 March 2003, the interests of the Directors and supervisors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Li Ruijie	357,654,000 ⁽¹⁾	51,084,000 ⁽¹⁾	—	—	408,738,000
Wang Lixin	95,832,000	—	—	—	95,832,000

Note:

1. Mr. Li Ruijie ("Mr. Li") and Ms. Zhang Yunxia ("Ms. Zhang") are a married couple. They therefore hold in aggregate 408,738,000 domestic shares of which 357,654,000 domestic shares are directly owned by Mr. Li and 51,084,000 domestic shares are directly owned by Ms. Zhang.

Save as disclosed above, as at 31 March 2003, none of the Directors, supervisors and their respective associates had any beneficial interests in the share capital of the Company or any of its associated companies as defined in the SDI Ordinance and to be recorded in the register required to be maintained pursuant to section 29 thereof or as otherwise notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules 5.40 to 5.59.

Directors' and supervisors' rights to purchase shares

At no time during the period, the Directors or supervisors (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance).

Advance to Mr. Li

As set out in the announcement of the Company dated 4 April 2003, the Company had made an advance of approximately RMB2.1 million to its shareholders on 1 November 2002, including approximately RMB1.4 million to Mr. Li, a Director and a connected person under GEM Listing Rules. The amounts due from Mr. Li are unsecured, interest free and repayable on demand. The advances represented payments to the tax authority on behalf of the respective shareholders which had been subsequently settled in full on 28 February 2003.

Share option scheme

Up to 31 March 2003, the Company has not adopted any share option scheme and not granted any option.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that as at 31 March 2003, the Company has been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares	Percentage of holding
Mr. Li	408,738,000 ^{(1), (2)}	46.45%
Jiangxi Wannianqing Cement Company Limited ("Jiangxi Cement")	127,710,000 ^{(1), (3)}	14.51%
Wang Lixin	95,832,000 ⁽¹⁾	10.89%

Notes:

- Such shares are domestic shares of the Company.
- Mr. Li and Ms. Zhang are a married couple. They therefore hold in aggregate 408,738,000 domestic shares of which 357,654,000 domestic shares are directly owned by Mr. Li and 51,084,000 domestic shares are directly owned by Ms. Zhang.
- Jiangxi Cement is a joint stock limited company established in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange and is one of the Promoters of the Company. It is principally engaged in the manufacture and sale of cement products in the PRC. The shareholders of Jiangxi Cement except for the public shareholders are state-owned enterprises.

Competing interests

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

Sponsor's interest

As at 31 March 2003, neither Core Pacific-Yamaichi Capital Limited (the "Sponsor") nor its directors, employees or associates (as referred to in Note 3 with Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or right to subscribe for or to nominate persons to subscribe for securities of the Company.

According to the Sponsor agreement entered into between the Company and the Sponsor on 28 November 2002, the Sponsor has received and will receive sponsorship fees as being the retained sponsor of the Company for the period up to 31 December 2004 or until the Sponsor agreement is terminated upon the terms and conditions set out therein.

Audit Committee

The Company established an audit committee (the "Committee") on 19 October 2002 in accordance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the Committee are (i) to provide an important link between the Board and the Company's auditors in matters coming within the scope of the company audit and (ii) to review the effectiveness of the external audit and of internal controls and risk evaluation. At present, the Committee comprises two independent non-executive directors, namely Dr. Liu James Juh and Mr. Lo Yu Tseng, Robert.

The Company's unaudited results for the three months ended 31 March 2003 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Purchase, sale or redemption of securities

The Company has not purchased, sold or redeemed any of the Company's shares during the period.

Board practices and procedures

From 12 December 2002 to 31 March 2003, the Company was in compliance with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

By order of the Board

Li Ruijie

Chairman

Shenzhen, PRC, 12 May 2003

* *For identification purpose only*