

ANNUAL REPORT

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Powerleader Science & Technology Company Limited

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This report, for which the directors of Powerleader Science & Technology Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Powerleader Science & Technology Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Mr. Yim Hing Wah (*Member*)

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STOCK CODE

8236

On behalf of the board of Directors (the "Board") of Powerleader Science & Technology Company Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (together as the "Group") for the year ended 31 December 2004.

Financial Highlights

For the year ended 31 December 2004, the Group recorded a turnover of approximately RMB541,350,000, representing an increase of approximately 104.8% as compared to that for the year ended 31 December 2003. Audited profit attributable to shareholders amounted to approximately RMB37,394,000, representing an increase of approximately 23.5% as compared to that for the year ended 31 December 2003.

Business Review

During the last year, the Group continued its efforts in exploring potential market development of servers and online games and achieved eye-catching results. In the survey of "Satisfaction on quality, trustworthiness and services of well-known brands in the PRC market" undertaken in 2004, the "Powerleader" IA servers produced by the Group was awarded the "Ten well-known brands in the computer equipments manufacturing industry in China". In addition, the Company received a Best Model Innovation Award among the Top 500 Players of the Nation's IT Industry 2004 (二零零四年度中國電腦商500強) and was accredited as one of the Top 100 IT suppliers (電腦供應商100強) by an IT publication in the PRC.

In the server area, the Group continued to expand its business by adopting a two-prong approach of direct selling plus Server Associate Centre ("SAC") sales strategy. The "action as required" strategy (按需定制策略) allowed for prompt and flexible arrangements in response to market changes. The Group took the lead to launch the "Business Alliance Programme" early this year to deprive its competitors of resources for server distribution and continued its development programme in third and fourth tier cities and its "product experiencing centres" in major cities. These initiatives have proved to be effective and have laid solid foundation for the enhancement of the Group's results and its further development.

The Group continued to make progress in its collaboration with INTEL in various aspects, and took the lead to integrate INTEL 64-bit ITANIUM platform and 64-bit extended addressing NOCONA platform to the new generation of Powerleader IA server products, which were put to industry applications within a short time frame while keeping the technological advantage of its Powerleader server products one generation ahead of its competitors, and received positive market response.

According to the latest "PC server report 2004-2005" published by CCW (計算機世界) on 10 March 2005, the Company achieved a good result of being the third among the national brand names (representing 5.6% of its market share) and the sixth among all brand names (representing 4.3% of its market share) both in sales amount and sales volume in 2004, the two important standards.

Ensuring the development of its core server business, the Group continued its efforts in expanding online games business in 2004. The Group believed that there were ample business opportunities along with the development of the domestic online games market. Following the release of 大清帝國 (The Qing Empire), its self-developed and self-operated online game, at the end of 2003, the Group launched, during the period, another online game called 戰國英雄 (Heroes of Warrior States), which had had nearly 1,000,000 registered

players during its testing stage with over 10,000 players online at the same time on average. It was supported by 18 groups of game servers throughout China. It is expected that this game will officially begin commercial operation in early 2005 and become a new profit growth source for the Group.

Future Development Plan

1. *Development of New Business*

The Group believes that the online game industry in the PRC will develop rapidly in the years to come. The Group will continue to develop 戰國英雄 (Heroes of Warrior States), its self-developed online game, which is scheduled to begin commercial operation with the introduction of a payment system in the beginning of 2005. The Group plans to further develop its online game business, and seeks to release one or two new games within this year, thus becoming a major player in the domestic online game market and making contribution to the online game industry in the PRC.

2. *Distribution Business*

The Group will continue to develop its distribution business and diversify its operations. Apart from being qualified as a PRC distributor for INTEL's server accessories and having entered into a distribution agreement with Chi Mei Corporation in Taiwan, the Group was appointed as a PRC distributor for Hitachi hard disk products in March 2005. The directors believe that the distribution business will contribute to the development of the Group in the future.

3. *Capital management*

In the face of the intense competition in the market, on 21 March 2005, the Company entered into a definitive placing agreement with a placing agent to place an aggregate of 23,000,000 new H shares at a price of HK\$0.47 per share for the purpose of securing its market share in the PRC and expanding its businesses. Furthermore, the placing will not only enlarge the shareholder and capital base of the Group but also strengthen its financial condition.

Appreciation

Finally, on behalf of the Board of the Group, I would like to express my gratitude to all the management and the staff for their efforts and contribution to the development of the Group during the year, and extend my sincere thanks to the shareholders for their continuous support to the Company. The Group will continue to make every endeavor to bring satisfactory returns to shareholders.

Yours faithfully,

Powerleader Science & Technology Company Limited

Li Ruijie

Chairman

Shenzhen, the PRC, 24 March 2005

The following is a comparison of the business objectives as stated in the prospectus of the Company dated 29 November 2002 (the "Prospectus") with the actual business progress up to 31 December 2004:

Major business objective stated in the Prospectus

Actual business Progress

Major business objective stated in the Prospectus	Actual business Progress
(i) Joint operation of INTEL Solution Centre and strengthening of R&D capability	
Joint operation of INTEL Solution Centre ("ISC")	The Company had contributed approximately RMB6.5 million of the total commitment which amounted to approximately RMB7 million. The remaining balance will be contributed based on the necessity of ISC.
Development of PCs, notebooks and wireless networking products such as network interface cards	Production of PCs and notebook had been commenced at the end of 2002.
Strengthen the development of application servers mainly encompasses structural design, integration, testing and customisation	A few application servers were designed for applying in special projects.
Development of cluster system	Completed in the first quarter of 2003.
Collaborate with INTEL to provide technical services and market the solution centre for development of solution services	ISC was under normal operation and contributed profits to the Company.
Evaluate and enhance features on application servers with capable software developers	Cooperated with a number of online game providers such as China Union and 北京賽爾, who are independent third parties, to enhance the capability of the Company's application servers.
R&D on internet network cards and wireless application technologies	The projects were completed in the end of second half of 2003.
R&D on computer chipsets	The project was completed in the first half of 2004.
(ii) Expansion of distribution and service network in the PRC and the export markets	
Establish a sales and service centre in Hong Kong	Application to the relevant government department had been completed and has already commenced operation in the second half of 2003.
Establish two sales and service centres in Anhui and Jiangxi	The two service centres were established in the first quarter of 2003.

Major business objective stated in the Prospectus	Actual business Progress
Establish a sales and services centre in India	Due to the relevant laws and policies in India are unclear and commercial factors, the project was suspended and the Company is now planning to establish the sales and services centre in South Korea.
Strengthen and extend the coverage of the service network	Coverage of the Company's services has been extended to the whole sales network. The Company will continue to monitor its sales network and will further expand its service if necessary.
Appoint 20 server associate centres in Anhui and Jiangxi	Completed at the end of 2003.
Establish a sales and services centre in Poland	Due to the relevant laws and policies in Poland are unclear and commercial factors, the project was suspended and the Company is now planning to establish the sales and services centre in Russia.
Maintenance of the existing distribution and service network	The Company had already recruit additional staffs in our sales offices in order to expand the channel of distribution and service network.
(iii) Implementation of marketing, promotion and brand building activities	
Participate in information technology ("IT") seminars, trade fairs and exhibitions	The Company launched a series of marketing activities to promote its medical and health care information system. The Company also participated in 20 seminars organised by the ICC in 2004.
Market the Company's products via advertising on IT journals and professional magazines	The Company had constantly advertised on selected IT journals and professional magazines.
(iv) Enhancement and/or expansion of manufacturing capacity and capability	
Establish an additional assembly line for existing servers products and set up a new production line for the manufacture of server related accessories (such as server case, adaptors and power supply) and the manufacture of PCs, notebooks and wireless networking products such as network interface cards.	The Company had acquired a piece of land with a gross area of approximately 25,000 square meters for the purpose of building its own factory from the relevant PRC governmental department. Construction work is expected to commence in 2005.

USE OF PROCEEDS FROM LISTING

The net proceeds from the issue of H shares in 12 December 2002 were approximately HK\$47.9 million. Up to 31 December 2004, the Company had incurred the following amount to achieve the business objectives as set out in the Prospectus:

Major business objective stated in the Prospectus	<i>Note</i>	Planned use of proceeds stated in the Prospectus up to 31 December 2004 HK\$ million	Actual amount used up to 31 December 2004 HK\$ million	Unused balance HK\$ million
(i) Joint operation of INTEL Solution Centre and strengthening of R&D capability				
Joint operation of INTEL Solution Centre	<i>(1)</i>	3.1	3.1	—
Development of PCs, notebooks and wireless networking products such as network interface cards		0.9	0.9	—
Strengthen the development of application servers mainly encompasses structural design, integration, testing and customisation		1.0	1.0	—
Development of cluster system		1.0	1.0	—
Collaborate with INTEL to provide technical consulting services and market the solution centre for development of solution services		4.5	4.5	—
Evaluate and enhance features on application servers with software developers		2.5	2.5	—
R&D on internet network cards and wireless application technologies		0.5	0.5	—
R&D on computer chipsets		0.5	0.5	—
(ii) Expansion of distribution and service network in the PRC and the export markets				
Establish a sales and service centre in Hong Kong		1.5	1.5	—
Establish two sales and service centres in Anhui and Jiangxi		0.3	0.3	—
Establish a sales and service centre in India	<i>(2)</i>	1.5	—	1.5
Appoint 20 SACs in Anhui and Jiangxi		0.2	0.2	—
Strengthen and extend the coverage of the service network		2.0	2.0	—
Established a sales and services centre in Poland	<i>(3)</i>	1.5	—	1.5
Maintenance of the existing distribution and service network		1.0	1.0	—

Comparison of Business Objectives and Actual Business Progress

Major business objective stated in the Prospectus	Note	Planned	Actual	Unused balance
		use of proceeds stated in the Prospectus up to 31 December 2004	amount used up to 31 December 2004	
		HK\$ million	HK\$ million	HK\$ million
(iii) Implementation of marketing, promotion and brand building activities				
Participate in IT seminars, trade fairs and exhibitions	(4)	6.0	6.0	—
Market the Company's products via advertising on IT journals and professional magazines	(4)	9.0	9.0	—
(iv) Enhancement and expansion of manufacturing capacity and capability				
Establish an additional assembly line for existing servers products and set up a new production line for the manufacture of server related accessories such as server case adaptors, and power supply and the manufacture of PCs notebooks and wireless networking products such as networks interface cards	(5)	13.1	9.0	4.1
		50.1	43	7.1

Notes:

- (1) Based on the cooperation agreement, the total investment of INTEL Solution Centre ("ISC") by the Company amounted to approximately RMB7 million. For year ended of 31 December 2003, the Company contributed approximately RMB6.4 million in ISC. For the year ended 31 December 2004, the Company contributed an additional RMB0.1 million. The remaining balance will be contributed based on the necessity of ISC.
- (2) Due to the relevant laws and policies in India are unclear and commercial factors, the project was suspended and the Company is now planning to establish the sales and services centre in South Korea.
- (3) Due to the relevant laws and policies in Poland was unclear and commercial factors, the project was suspended and the Company is now planning to establish sales and services centre in Russia.
- (4) The Company participated in a number of exhibitions and fairs and organized several large-scale industry seminars in 2004. In particular, the Company introduced a series of national marketing and public relations activities target to government, telecommunications, education and small-medium enterprises. It is remarkable that the "South China Telecommunication Value-added Business Seminar" not only introduced the safe and highly efficient features and high performance/value ratio of blade servers, but also effectively drew the needs of clients in the industry to such servers. The Company organized a series "Powerleader — INTEL IA server certified engineer training programmes" in 10 major cities in the PRC and, by way of various functions, interpreted the brand attributes of "Powerleader" in 8 T3/T4 cities with a view to explore business opportunities arising from small and medium enterprises nationwide. In addition, the Company also advertised on various IT journals and professional magazines during the year to promote the "Powerleader" brand name in the PRC market to enhance the better understanding of numerous server users towards the Company and its related products.

Comparison of Business Objectives and Actual Business Progress

- (5) The Company's application to acquire a piece of land with a gross area of approximately 25,000 square meters for the purpose of building its own factory has been approved by the 深圳市規劃與國土資源局寶安分局 ("Land Department"). The land use right agreement has been signed and the title deed had been obtained. The design of the structure plan has been completed and is subject to approval. The Company plans to start construction progress in 2005. At that moment, the planned listed proceed will be fully used.
- (6) All unused proceeds have been deposited in banks for future use as set out in the business development plan in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 December 2004, the Group recorded a turnover of approximately RMB541,350,000 and profit attributable to shareholders of approximately RMB37,394,000 as compared to turnover of approximately RMB264,222,000 and profit of approximately RMB30,272,000 for the year ended 31 December 2003, representing an increase of approximately 104.8% and 23.5% respectively. Earning per share is approximately RMB4.2 cents and net assets per share of the Company is approximately RMB0.22.

Turnover

The turnover of the Group for the year ended 31 December 2004 and the comparative figures of 2003 can be classified by categories of the major products:

Turnover by products	2004		2003		Change
	RMB'000	%	RMB'000	%	
Servers	287,224	53.1	217,103	82.2	32.2
Sales of platform and accessory products	249,992	46.2	42,638	16.1	486.3
Software	4,134	0.7	4,481	1.7	(7.7)
Total	541,350	100.0	264,222	100.0	104.8

The Group's turnover was mainly derived from sales of servers and sales of platform and accessory products. With reference to the above table, turnover from sales of servers and trading of platform and accessory products for the year ended 31 December 2004 were approximately RMB287,224,000 and RMB249,992,000 (2003: RMB217,103,000 and RMB42,638,000) respectively, representing 53.1% and 46.2% of total sales (2003: 82.2% and 16.1%) respectively. The increase in sales of servers of 32.2% in 2004 was due to the growing demand from Internet data centres, network infrastructure, online game providers and e-commerce application companies. Moreover, the brandname "Powerleader" has gained higher recognition in the domestic market in the last few years. Therefore, the Group's product sales have been enjoying steady growth among the electronic government, education, IDC and small and medium enterprises ("SME") sectors. On the other hand, sales of platform and accessory products significantly increased in 2004, attributable to the first full year operation of the Company's subsidiaries in Hong Kong.

Gross Profit

	Turnover		Gross profit		Gross profit margin	
	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	%	%
Sales of servers and software	291,358	221,584	71,250	50,451	24.45	22.76
Sales of platform and accessories products	249,992	42,638	8,085	1,084	3.23	2.54
Total	541,350	264,222	79,335	51,535		

The Group's gross profit increased from approximately RMB51,535,000 for the year ended 31 December 2003 to approximately RMB79,335,000 for the year ended 31 December 2004, representing an increase of approximately 53.94%. The increase in gross profit was attributed to the demand of computer servers as a result of the expansion in the PRC market, building our brand successful and enhanced the sales and marketing capabilities.

The Group's gross profit margin of sales of servers for the year ended 31 December 2004 was approximately 14.6%, decreased from that of approximately 19.5% for the year ended 31 December 2003. Although the PRC market remain competitive, the gross profit margin for the Company core product maintained at about 24%. The decrease in the gross profit margin was mainly due to the increase in turnover in the platform and accessories products for 2004 compared to 2003.

Other Operating Income

Other operating income mainly included supplier incentive, income generated from ISC and government subsidies, which amounted to approximately RMB248,000, RMB837,000 and RMB400,000 for the year ended 31 December 2004 respectively, as compared to that of approximately RMB2,497,000, RMB1,029,000 and RMB430,000 respectively for the year ended 31 December 2003. Income from supplier incentives represents income from INTEL for the Group's participation in its promotion campaign. On the other hand, income from ISC as a result of its official launch at 2002, providing steady income thereafter. Government subsidies mainly represent VAT rebate for sales of software and for technology improvement on servers.

Operating Expenses

As a result of the Group's significant growth in sales, selling, administrative and other expenses for the year ended 31 December 2004 increased by approximately 62.3% to approximately RMB36,280,000, as compared to that of approximately RMB22,344,000 for the year ended 31 December 2003. The significant increase was mainly attributable to the increase in expenditure on salaries, rent, exhibition and promotion and research cost which was in line with the increase in turnover.

Financial resources and working capital

As at 31 December 2004, the Group had shareholders' funds of approximately RMB194,198,000. Current assets amounted to approximately RMB267,700,000 with ample cash in hand. It mainly comprised bank balances and cash of approximately RMB110,309,000, inventories of approximately RMB53,831,000 and trade receivables of approximately RMB83,405,000. Non-current liabilities included deferred tax liabilities of approximately RMB790,000 and minority shareholders' interests of approximately RMB2,784,000. Current liabilities mainly comprised bank and other loans of approximately RMB82,275,000 and trade payables of approximately RMB9,287,000.

Despite the expansion in the Group's business operations, the trade receivables remained relatively stable due to tighter control on credit policy of the Group. Accordingly, the Group's trade receivables turnover days decreased to approximately 56 days. The Group's trade payables turnover days significantly decreased to approximately 7 days which is mainly due to the short credit terms from suppliers on the sales of platform and accessories product business. In addition, the stock turnover days also improved significantly to 42 days as compared to approximately 85 days of last year due to stringent control on inventory system and the low inventory level for the sales of platform and accessories product business.

Currency risk

The Group's purchase were denominated in USD and RMB, which respectively represented approximately 46% and 54% for the year ended 31 December 2004 (2003: 55.0% and 45.0%). The Group did not make any arrangement to hedge against its exchange risk in both 2004 and 2003.

Gearing ratio

As at 31 December 2004, the gearing ratio of the Group was approximately 26.0% (2003: 21.8%). It is defined as the Group's interest-bearing debt over the total assets.

BUSINESS REVIEW

The Group is a professional server provider mainly engaged in the production and sales of IA servers under the "Powerleader" brandname and other related products, as well as the provision of solution services. The Group has established branches and representative offices covering 26 major provinces and cities in the PRC.

The Group's income generated from sales of servers and software amounted to RMB291,358,000 for the year ended 31 December 2004, representing an increase of 31.4% as compared to that for the year of 2003. According to the latest "PC server report 2004-2005" published by CCW (計算機世界) published on 10 March 2005, the Group's server sales represented approximately 4.3% of the total sales volume of the server market in the PRC in 2004, as compared to approximately 4.5% in 2003. In the survey of "Satisfaction on quality, trustworthiness and services of well-known brands in the PRC market" undertaken in 2004, the "Powerleader" IA servers produced by the Group was awarded the "Ten well-known brands in the computer equipments manufacturing industry in China". In addition, the Group garnered a Best Model Innovation Award among the "Top 500 Players of the Nation's IT Industry 2004" (二零零四年度中國電腦商500強) and was accredited as one of the "Top 100 IT suppliers" (電腦供應商100強) by an IT publication in the PRC.

During the year under review, the Group continued to expand its business by adopting a two-prong approach of direct selling plus Server Associate Centre ("SAC") sales strategy. The "action as required" strategy (按需定制策略) allowed for prompt and flexible arrangements in response to market changes. The Group took the lead to launch the "Business Alliance Programme" early this year to deprive its competitors of resources for server distribution and continued its development programme in third and fourth tier cities and its "product experiencing centres" in major cities. These initiatives proved effective, laying solid foundations for the enhancement of the Group's results and its further development. The Group continued to further explore the markets in such industries as education, government, medicine & health, transportation, energy, insurance, industry & commerce, taxation and public security, with a view to entering into the arena of traditional industries and achieving major breakthrough in the national "Thirteen Golden Projects" (十三金工程) by the way of establishing a specialized team and dedicating specific resources for the related popular industries.

The Group continued to make progress in its collaboration with INTEL in various aspects, as were collaborative efforts in the power supply testing laboratory, the heat radiation laboratory and the chassis thermal validation laboratory, with a view to expanding the product mix. During the period, the Group took the lead to integrate INTEL 64-bit ITANIUM platform and 64-bit extended addressing NOCONA platform to the new generation of Powerleader IA server products, which were put to industry applications within a short

time frame while keeping the technological advantage of its Powerleader server products one generation ahead of its competitors. Based on the dual channel structure, the Group's NOCONA platform server series were well received in the market. 15 models of different specifications were introduced into the 64-bit INTEL Architecture ("IA") market to be used in 9 application areas, namely high performance computer science modeling, management platform for business financial systems, largescale internal enterprise resources planning ("ERP") system, digital film production and playing function, e-design automation, telecom value-added QQ system, electronic books and literary resources centre for tertiary education, campus network resources platform for general education and core platform for offender arrest system of public security authorities.

The Group had implemented its globalisation strategy during the reporting period. In March 2004, Ex-Channel Group Limited ("Ex-Channel"), a subsidiary of the Company entered into a distribution agreement with INTEL, pursuant to which Ex-Channel had been appointed as a non-exclusive independent distributor in the PRC for INTEL Server central processing unit products and INTEL server boards. Later, on 22 July 2004 and 15 August 2004, the Group entered into a distribution agreement with Chi Mei Corporation in Taiwan and was appointed as the exclusive agent for Chi Mei's TV PANEL and LCD products in the PRC. The Group believes that the expansion of distribution business will enhance the overall competitive strength of the Group and lay a solid foundation for the Group to tap into the international market in the future.

The Group believes there are great business opportunities in the domestic online game market in the recent years. It will tap into the online game market this year. Following the release of 大清帝國 (The Qing Empire), its self-developed and self-operated, at the end of 2003, the Group launched, during the year, another online game called 戰國英雄 (Heroes of Warrior States), which had had nearly 1,000,000 registered players during its testing stage with over 10,000 players online at the same time on average. It was supported by 18 groups of game servers throughout China. In addition, the Group had entered into distribution agreements with a number of distributors across China in relation to distributing Powerleader online game products during the period. It is expected that 戰國英雄 (Heroes of Warrior States) will officially begin commercial operation in early 2005 and become a new profit growth source for the Group, thus having some influence over the online game market in the PRC.

The Group will improve its product designs and enhance its R&D capability to gain a competitive edge in the market of server products and server accessories. In the survey of "Satisfaction on quality, trustworthiness and services of well-known brands in the PRC market" undertaken in 2004, the "Powerleader" IA server products produced by the Group were awarded the "Ten well-known brands in the computer equipments manufacturing industry in China".

After releasing 大清帝國 (The Qing Empire), its self-developed three-dimensional online game in 2003, the Group launched 戰國英雄 (Heroes of Warrior States), its two-dimensional online game in 2004, which was open to the public for testing during the period and was highly rated during the testing stage. During the period, the Group was granted "Ten Best Theme of Domestic Online Games" (十佳國產網絡遊戲題材) and "2004 Fifteen Most Anticipated Online Games by Online Game Users in the PRC" (2004年度中國網絡遊戲用戶最期待的十五大網絡遊戲) in the survey held by a domestic reputable online game portal www.17173.com. It proved that the theme and content of the online games of the Group were supported by and well received in the industry and among the players.

NEW BUSINESS EXPANSION

The year 2004 saw the myth of network fortune coming true. Various "Fortune Rankings" and reports on Economy Person of the Year covered by CCTV have reflected the substantial increase of influence of the network economy on China's overall economy pattern. Online entertainment also became as one of the most important components of the network economy. The spurring effect of the online entertainment on the Internet and its peripheral economic circles also spread to the servers market in that more business opportunities and wider market have been waiting for Powerleader to capture. In 2004, Powerleader Network (寶德網絡), a company under Powerleader, upgraded its online game The Qing Empire (大清帝國) in respect of its content and its technical structure, and launched the Heroes of Warrior States (戰國英雄), another online game with the most striking Chinese characteristic. In addition to the top quality of its products, Powerleader also initiated a brand-new mode of online game operation, namely "Multi-server operating", which became a spotlight within the industry and has achieved incredible result. Along with all these successes in the online entertainment, some other long-awaited products also entered the R&D stage in the fourth quarter of 2004.

The 2D engine, which is much compatible with the domestically-made hardware, was adopted in developing the Heroes of Warrior States (戰國英雄), the online game which was introduced to the market in October 2004. The game features its high definition of frames and sophisticated system. More importantly, the theme of the game perfectly suits the taste of online game players in China. It not only provides entertainment but also plays an important role in preservation of history and the promotion of tradition and culture for the society, and consequently is well received by all walks of life.

Awards granted to the Powerleader Group for the year ended 31 December 2004 are as follows:

- In February 2004, "Powerleader" IA servers produced by the Group were accredited as the "Ten well-known brands in the computer equipments manufacturing industry" (計算機設備製造行業十大知名品牌) by China Quality Supervisory Committee and China Quality Research Center.
- In February 2004, Powerleader's desk-top computers won the "Significant Growth Award by government authorities" (政府部門成長顯著獎) in "The survey on market competitiveness in IT product industry of China in 2004" (2004中國IT產品行業市場競爭力調查) conducted by CNET Market Research Center and the newspaper of *Weekly Computer* (每周電腦報).
- In February 2004, Powerleader's PC servers won the "Significant Growth Award by government authorities" (政府部門成長顯著獎) in "The survey on market competitiveness in IT product industry of China in 2004" (2004中國IT產品行業市場競爭力調查) conducted by CNET Market Research Center and the newspaper of *Weekly Computer* (每周電腦報).
- In March 2004, Li Ruijie was awarded an honorable title as "2003 IT Economy Person of South China" (2003年度華南IT經濟人物) by the newspaper of *China Computer* (中國計算機報).
- In March 2004, Powerleader's PT2350R was accredited as "The 2003-2004 Highlight product" (2003-2004年度亮點產品) by CPW (Computer Partner World) and awarded The Year Prize.
- In July 2004, Powerleader won the "Best Model Innovation Award For Server Suppliers" (服務器供稱商最佳模式創新獎) in the "Top 500 Players in the Nation's IT Industry 2004-2005" (2004-2005中國電腦商500強) organized by CPW Group.

- In August 2004, Powerleader Science & Technology Company Ltd. was accredited an honorable title of "The Most Charitable Corporate" (最具愛心單位) by Lions Clubs International.
- In November 2004, Powerleader's PR4510 was awarded "The Award of Excellent Server Products for Education Industry" (教育行業優秀服務器產品獎) in the competition for best server products for education industry for 2004 organized by CPW (Computer Partner World).
- In November 2004, Powerleader's PT6520 was awarded "The Product of The Year Award" by the Testing Lab of The Microcomputer World (微電腦世界) in the cross testing of servers.
- In December 2004, Powerleader's servers were accredited as "The Most Popular Brand Among Users" (最受用戶歡迎品牌獎) in education and telecommunication industries in the survey on "The Most Popular Brandnames recognized by the Users in the Industry" (行業用戶渠道用戶最受歡迎品牌獎) conducted by CBI Research.
- In December 2004, Powerleader's PT2000RGJJ was awarded "The Most Reliable IT Product by Middle & Small Companies 2004" (2004最受中小企業信賴IT產品獎) by IT Purchases by Middle & Small Companies (中小企業IT採購).
- In December 2004, Powerleader's PR2510 was accredited as "Choice Of The Editors" (編輯選擇獎) by Personal Computers (個人電腦).
- In December 2004, Powerleader's PR2510 was awarded "The Wise Buyer Award" (聰明買家獎) by the Network World (網路世界) in the application of internet.
- In December 2004, Powerleader Science & Technology Company Ltd. was accredited as one of the "Top 100 Taxpayers Among Private Enterprises in Shenzhen" (深圳納稅百家民營企業獎).
- In December 2004, Powerleader's PT4900R was awarded "The 2004 Excellent Product Award" (2004年度精品獎) by China Computer (中國計算機報) in the competition "Server Products of the Year 2004" (2004年年度服務器產品) organized by China Computer.

MARKET ACTIVITIES

First Quarter:

- Seminar on the Training in Computer Network Foundation and Resources-sharing of Cultural Information for Anhui Provincial Library
- Seminar on Small-and-Medium-sized Enterprises, Beijing
- Engineer Accreditation Training Session, Taiyuan
- CEPA Conference in Guangzhou
- Education Technological Equipment Demonstration Conference, Hangzhou Branch

- Online Games Exhibition II, Jinan Branch
- Training Session for Engineers, Yantai, Jinan Branch
- Value-added Telecommunication Conference in Shanghai
- Tertiary Education Seminar, Shenzhen
- Seminar for Digital China and Department of Construction
- Engineer Accreditation Training Session, Shenyang
- Roadshow in Xi'an

Second Quarter:

- Training Session for Engineers, Jining
- The 47th Universal Education Conference, Shenyang
- Seminar for Telecommunication Value-added Industry, Shenzhen
- ZTE's TianMu Lake Seminar, Nanjing
- Xiaoxiaotong, Wuhu
- Staff Conference, Tianjin
- Promotion Conference, Xiamen

Third Quarter:

- Powerleader & Tencent Seminar
- Accreditation Training Session, Changsha
- Fuzhou Branch and Nannan Technology's Seminar
- Seminar for State Taxation Industry, Guizhou
- Technology Seminar on Old Industrial Bases
- Engineer Accreditation Training Session, Qiqiha'er
- Seminar on Razors, Shanghai
- Seminar on Education, Taizhou

- Equipment Fair for Education, Xi'an
- Equipment Fair for Agriculture and Farmers, Chongqing

Fourth Quarter:

- Meeting of Cernet Users from South China, Sanya 2004
- CBI Awarding Ceremony, Beijing
- Launching Ceremony of DELL (Chinese-Edition), Beijing
- Roadshow for Small and Medium Enterprises, Dongguan
- CCGP, Hangzhou
- CIIP, Shanghai
- Education Exhibition, Shanghai
- First Meeting on Prospect and Development of Cybercafes, Shenzhen
- Industry Seminar, Wuhan

MANAGEMENT

During year ended 31 December 2004, the Group revised the structure of its five major departments including sales, marketing, technology, operating and finance departments.

In the marketing aspect, the Group continued to promote its brandname, expand business and sales channels in the telecommunication and governmental sectors, and implement the adjustment and development of planning control at the product end.

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 9%
- five largest customers combined 34%

Purchase

- the largest supplier 15%
- five largest supplies combined 52%

None of the Directors, supervisors, their associates or any shareholder of the Company (which to the knowledge of the Directors 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.

HUMAN RESOURCES

As at 31 December 2004, the Group had a total of 376 employees, 135 of whom have bachelor degrees. The total staff costs paid by the Group to its staff was approximately RMB10,480,000 for the year ended 31 December 2004 (2003: approximately RMB8,810,000).

A breakdown of employees of the Group by their functions as at 31 December 2003 and 2004 is set out below:

Departments	2004	2003
Sales and Marketing	165	154
R&D	80	62
Production (including quality control)	68	53
Finance and administration	35	34
Technology and engineering	28	20
Total	376	323

The pay scale of the Company's employees is maintained at the competitive level and our employees are rewarded based on their performance according to the general framework of the Company's salaries and bonus policy, which is reviewed annually. The Company also participates in a pension scheme operated by the local government authorities in the PRC. Contributions are made to this scheme, which is defined contribution scheme in nature, based on 16% of the applicable payroll costs. The Company has not granted any options to its employees since its listing.

The pay scale of the directors of the Company was determined by the Board with reference to their contribution in terms of time, effort and their relevant experience which will be received on an annual basis.

MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT

For year ended 31 December 2004 and the corresponding period of previous year, the Group did not have any material acquisition and sale of subsidiaries and associated companies.

CHARGE ON ASSETS

As at 31 December 2004, save as the properties with net value of RMB4,426,000 (2003: RMB4,547,000) were pledged for its loan, the Group did not hold any material investment or pledge any assets.

OTHERS

As at 31 December 2004, the Group had no material investment save as the acquisition of capital assets set out in the section headed "Statement of business objectives" of the Prospectus. In addition, the Group had no material or contingent liabilities.

PROSPECTS

1. Development of new business

According to IDC ICMM 8.3, the Internet users in the PRC amounted to 68,300,000 in 2003 and grew to 142,000,000 by 2007, representing a compounded annual growth rate of 24.0% from 2002 to 2006. It is foreseeable that the online game industry in the PRC will develop rapidly in the years to come. The Group will continue to develop its online game business and 戰國英雄 (Heroes of Warrior States), its self-developed online game, has begun commercial operation with the introduction of payment system in February 2005. The Group will continue to expand and strengthen its online game business, and seek to release one or two new games within this year, thus becoming a major player in the domestic online game market and making contribution to the online game industry in the PRC.

2. Distribution Business

The Group will continue to develop its distribution business and diversify its operations. Apart from being qualified as a PRC distributor for INTEL's server accessories and having entered into a distribution agreement with Chi Mei Corporation in Taiwan, the Group was appointed as a PRC distributor of Hitachi hard disk products in March 2005. The directors believe that the distribution business will contribute to the development of the Group in the future.

3. Capital management

In the face of the intense competition in the market, on 21 March 2005, the Company entered into a definitive placing agreement with a placing agent to place an aggregate of 23,000,000 new H shares at a price of HK\$0.47 per share for the purpose of securing its market share in the PRC and expanding its businesses for future development. Furthermore, the placing will not only enlarge the shareholder and capital base of the Group but also consolidate its financial condition.

The following sets out the profile of the Directors, supervisors and senior management of the Company:

DIRECTORS

Executive Directors

Mr. Li Ruijie, aged 38, is the founder, chairman, and an executive Director of the Company. Mr. Li graduated from Nankai University in the PRC with double bachelor degrees in economics and electronics science. Mr. Li has over 10 years of experience in the PRC IT industry. Mr. Li has worked for Shenzhen Shanbao Electronics Co., Ltd. as engineer and then for Shenzhen Wan Tong Software Engineering Limited as sales manager during the period from 1989 to 1991. In 1991, he set up Shenzhen Xin Le He Electronics Limited to carry on IT-related business until July 1997. In recognition of Mr. Li's contribution to the PRC IT industry, he was appointed to be the General Secretary of Shenzhen Information Industry Association in December 2000. Mr. Li established the Company in August 1997. He is responsible for the strategic planning and the overall development of the Company.

Mr. Dong Weiping, aged 45, is an executive Director and general manager of the Company. Mr. Dong graduated from Jilin University in the PRC with a bachelor degree in computer system engineering. Since 1982, Mr. Dong has worked for a number of companies in the IT industry. Prior to joining the Company in August 2000, he has worked for Hong Kong Laser Computer Limited as sales manager for the China division. Mr. Dong is responsible for sales and marketing and the overall operation of the Company.

Non-executive Directors

Mr. Wei Xinan, aged 59, is a non-executive Director of the Company. Mr. Wei graduated from the Department of Chemical Engineering of Beijing Construction Industrial Institute. He joined the Company in March 2001 and has extensive experience in management and administration. Since 1982, he has been a member of the senior management of Jiangxi Provincial Construction Materials Group Limited, Jiangxi Cement Factory, Jiangxi Cement and their respective associated companies. Mr. Wei is currently the chairman of the board of directors of Jiangxi Cement and the general manager of Jiangxi Provincial Construction Materials Group Limited.

Mr. Wang Lixin, aged 36, is a non-executive Director of the Company. Mr. Wang graduated from Nankai University with a bachelor degree in law in 1991 and is a qualified lawyer. Prior to joining the Company in January 2001, he has been a legal consultant of Shenzhen International Economic Law Firm from 1994 to 1995 and a partner of Shu & Jin Solicitor, PRC Law Firm from 1995 to 2002. He is currently a partner of King & Wood, PRC Law Firm.

Mr. Ma Xin, aged 45, is a non-executive Director of the Company. Mr. Ma holds a bachelor degree in economics management. Prior to joining the Company in March 2002, he has taken up different positions in Jiangxi Cement Factory between 1991 and 1997 such as deputy manager and then deputy head of sales and distribution department. He has also been appointed to be the director and secretary to the board of directors of Jiangxi Cement between 1997 and 2002. He is currently the deputy general manager of Jiangxi Cement.

Independent non-executive Directors

Dr. Liu James Juh, aged 57, is the chairman and chief executive officer of Base Technology Group Inc.. Dr. Liu is one of the listing committee members of the Growth Enterprise Market of the Stock Exchange and is an independent non-executive director of Artel Solutions Group Holdings Limited, a company listed on the Main Board. Dr. Liu is also the visiting scholar of Cambridge University, the United Kingdom. Dr. Liu holds a doctor of philosophy degree from Syracuse University of the United States. Dr. Liu was appointed to be an independent non-executive Director on 25 February 2002.

Mr. Lo Yu Tseng, Robert, aged 54, is the chief executive officer of NetChina Communication Beijing China. Mr. Lo had worked in INTEL for over 10 years. Mr. Lo holds a master degree in business administration from the University of Puget Sound in the United States and a bachelor degree in arts from the University of Washington in the United States. Mr. Lo was appointed to be an independent non-executive Director on 25 February 2002.

Mr. Yim Hing Wah, aged 41, has more than 14 years of experience in auditing, accounting, taxation, business consulting and financial management. He had worked for Deloitte Touche Tohmatsu as manager for eight years from July 1992 to December 2000. After that, he was the financial controller of Jiangsu Nandasoft Company Limited and Chinasoft International Limited for one and a half years and two years respectively, both of which are companies listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"). Currently, he is a partner of Chan, Yim, Cheng & Co., an accounting firm in Hong Kong. Mr. Yim is a graduate of Hong Kong Polytechnic University and holds a bachelor degree in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Association of Chartered Certified Accountants and a member of the Hong Kong Securities Institute. Currently, he is an independent non-executive director of Jiangsu Nandasoft Company Limited, Launch Tech Company Limited and Artel Solutions Group Holdings Limited, the securities of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Yim was appointed to be an independent non-executive Director on 30 September 2004

SUPERVISORS

Ms. Shu Ling, aged 31, is a supervisor and assistant sales manager of the Company. Ms. Shu graduated from Guizhou Education University in the PRC with a bachelor degree in biology education. Ms. Shu joined the Company in November 1998 and is currently responsible for sales and marketing of the Company.

Mr. Chen Zhen Zhi, aged 29, is a product manager of the Company. Mr. Chen graduated from Fu Zhou University. Mr. Chen joined the Company in March 2001 and is currently responsible for products promotion of the Company. Mr. Chen was appointed to be a supervisor on 25 July 2003.

Ms. Li Xiaowei, aged 28, is an assistant manager of the sales and marketing division of the Company. Ms. Li graduated from Xian University of Technology in the PRC with a bachelor degree in electrical engineering. Before joining the Company, Ms. Li had worked with Jiangsu Yizheng Wellong Piston Ring Co., Ltd. as a equipment maintenance engineer for one year. Ms. Li joined the Company in February 2001 and is currently responsible for the administration of sales and marketing of the Company. Ms. Li was appointed to be a supervisor on 30 September 2004.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Lee Wai Yin resigned the position as qualified accountant, company secretary and authorized representative effective from 31 January 2005. The Company is looking for a replacement to fill the vacancy.

Mr. Dong Weiping had assumed the responsibility as the company secretary effective from 24 March 2005.

SENIOR MANAGEMENT

Ms. Jia Yun, aged 38, is the financial controller of the Company. Ms. Jia graduated from Jilin Finance and Trade Institute in the PRC with a bachelor degree in accounting. Prior to joining the Company in November 2000, she has worked for Jilin Provincial Labor Union as accountant and then for Shenzhen Shentong Information Technology Limited as finance manager. Ms. Jia is currently responsible for the overall finance and accounting matters of the Company.

Ms. Zhang Yunxia, aged 40, is the deputy general manager of the Company. Ms. Zhang graduated from the Faculty of Computer Engineering in Software of Nankai University in 1988 and then obtained a master degree in tourism business management from the same university. Ms. Zhang has extensive experience in computer engineering industry. Prior to joining the Company in August 1997, she has worked for Shenzhen Wan Tong Software Engineering Co, Ltd., Shenzhen Experiment School and Shenzhen Xin Le He Computer Co. Ltd. between 1990 and 1997. Ms. Zhang is the wife of Mr. Li and is responsible for administration and R&D of the Company.

Mr. Chen Songmin, aged 32, is a brandname controller of the Company. Mr. Chen graduated from Guangdong Industry University. Prior to joining the Company in September 2004, he worked for Apple Computer China as a solution marketing manager and Dell Computer China as an advance system manager.

Mr. Guan Jihong, aged 31, is a chief technical controller of the Company, Mr. Guan obtained his master-degree from Nankai University in 2000, he has worked for Lenovo Server department for 4 years, and join the Company in November 2004.

To all shareholders:

In compliance with the Company Law of the PRC, the relevant laws and regulations of Hong Kong and the Company's articles of association, Powerleader Science & Technology Company Limited Supervisory Committee ("Supervisory Committee") earnestly discharged its statutory supervisory duties of safeguarding the lawful interests of the shareholders of the Company.

The Supervisory Committee strictly based on planning of use of proceeds from placing stated in the Prospectus to perform an audit of the actual use of the proceeds. Moreover, the Supervisory Committee also provided the reasonable suggestions and suggested ideas for business and development plan to Board. In addition, the Supervisory Committee has performed tight inspection on the significant policies and decisions made by management of the Company. To ensure that they were in compliance with the relevant laws and regulations and the Company's Articles of Association and also maintain the benefit of shareholders.

The Supervisory Committee has examined the Report of the Directors and the financial statements of the Group for the year ended 31 December 2004 which is audited by Deloitte Touche Tohmatsu to be submitted by the Board at the annual general meeting. In the course of the Company's business operations, the members of the Board and other senior management of the Company observed their fiduciary duties and worked diligently while exercising their rights or discharging their duties. We did not find any Directors and other senior management abuse of power or infringement of the interests of shareholders and employees and not in compliance with relevant laws and regulations and the Company's Articles of Association.

The Supervisory Committee is satisfied with the accomplishments attained by the Company in its various tasks and feel confidence of the future development of the Company.

By the Order of the Supervisory Committee

Shu Ling

Chairman of the Supervisory Committee

Shenzhen, The PRC

24 March 2005

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the design, manufacture and sale of computer servers and related products and in the trading of platform and accessories products in the region of the People's Republic of China, other than Hong Kong (the "PRC") and Hong Kong. The principal activities of its subsidiaries are set out in note 14 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 32.

The Directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

DISTRIBUTABLE RESERVE

In accordance with the Company's Articles of Association, the net income for the purpose of appropriation will be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) International Financial Reporting Standards or the accounting standards of the places in which its shares are issued.

The Company's distributable reserve as at 31 December 2004 and 2003 is the retained profits computed under the PRC accounting standards which amounted to RMB46,788,000 and RMB32,008,000, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group and the Company are set out in note 13 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Li Ruijie ("Mr. Li")
Mr. Dong Weiping

Non-executive Directors:

Mr. Wei Xinan
Mr. Wang Lixin ("Mr. Wang")
Mr. Ma Xin

Independent non-executive Directors:

Dr. Liu James Juh
Mr. Lo Yu Tseng, Robert
Mr. Yim Hing Wah (appointed on 30 September 2004)

Supervisors:

Mr. Chen Zhen Zhi
Ms. Shu Ling
Ms. Zhu Xiaoyun (resigned on 30 September 2004)
Ms. Li Xiaowei (appointed on 30 September 2004)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including the executive, non-executive and independent non-executive Directors) has entered into a service contract with the Company, in each case, for an initial term of three years since the date of their appointment, subject to the right of termination as stipulated in the relevant service agreement. The basic annual salary of each of the Directors under the service contract is set out below:

Name of Director	Annual Salary RMB
<i>Executive Directors:</i>	
Mr. Li	180,000
Mr. Dong Weiping	327,410 (note)

Name of Director	Annual Salary RMB
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Non-executive Directors:

Mr. Wei Xinan	Nil
Mr. Wang	180,000
Mr. Ma Xin	180,000

Independent non-executive Directors:

Dr. Liu James Juh	48,000 (note)
Mr. Lo Yu Tseng, Robert	48,000 (note)
Mr. Yim Hing Wah	5,325

Other than the service contract with Mr. Yim Hing Wah which was entered into on 30 September 2004, the service contracts with all Directors, which were entered into on 12 October 2002, are exempt from shareholders' approval requirement.

Each of the supervisors has entered into a service contract with the Company, in each case, for a term of three years since the date of their appointment, subject to termination in certain circumstances as stipulated in the relevant service contract. The basic annual salary of each of the supervisors under the service contract is set out below:

Name of Supervisor	Annual Salary RMB
---------------------------	------------------------------

Mr. Chen Zhen Zhi	81,674 (note)
Ms. Shu Ling	92,072 (note)
Ms. Li Xiaowei	13,429 (note)

Save as disclosed herein, there are no existing or proposed service contracts with the Company which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Note: The basic annual salary of each of the relevant Directors and Supervisors is revised pursuant to supplemental agreements entered into during the year.

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

At as 31 December 2004, the interests or short positions of the directors, supervisors, chief executive and their associates of the Company 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO"), 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 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 5.48 to 5.67 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 were as follows:

(a) Shares of the Company

Name of Director	Number of Domestic Shares held				Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
	Personal interests	Family interests	Corporate interests	Aggregate interests		
Mr. Li (<i>Note</i>)	357,654,000	51,084,000	—	408,738,000	46.45%	61.93%
Mr. Wang	95,832,000	—	—	95,832,000	10.89%	14.52%

Note: Mr. Li is the husband of Zhang Yunxia. They hold in aggregate 408,738,000 Domestic Shares of which 357,654,000 Domestic Shares are beneficially owned by Mr. Li and 51,084,000 Domestic Shares are directly owned by Zhang Yunxia.

(b) Shares in an associated corporation — Ex-Channel Group Limited (*Note*)

Name of director	Beneficial owner	Number of shares held		Total	Approximate percentage of the issued share capital of Ex-channel Group Limited
		Held by a controlled corporation			
Mr. Li	—	300,000		300,000	10%
Dong Weiping	300,000	—		300,000	10%

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

Save as disclosed above, as at 31 December 2004, none of the directors, supervisors, chief executive nor their associates of the Company 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 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Up to 31 December 2004, 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 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.

CONNECTION TRANSACTIONS

During the year, Mr. Li and Mr. Dong Weiping, both directors of the Company, subscribed for shares of Ex-Channel Group Limited at par for a total consideration of approximately RMB0.6 million. At the same time, a wholly owned subsidiary of the Company subscribed for further shares of Ex-Channel Group Limited at par for a total consideration of approximately RMB2.4 million. These subscription are for the purpose of providing working capital to Ex-Channel Group Limited.

At 31 December 2004, advances made by the Group to Ex-Channel Group Limited, which a 80% indirectly owned by the Company, were outstanding in an aggregate amount of approximately RMB16 million. The advances are unsecured, interest-free and have no fixed terms of repayment, and are for the purpose of providing working capital to Ex-Channel Group Limited.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected transactions" above, 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 2004, the Directors 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

Name of Shareholders	<i>Notes</i>	Number of Domestic Shares	Capacity	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li	1	408,738,000	Beneficial owner and interest of spouse	46.45%	61.93%
Zhang Yunxia	1	408,738,000	Beneficial owner and interest of spouse	46.45%	61.93%
Jiangxi Wannianqing Cement Company Limited ("Jiangxi Cement")	2	127,710,000	Beneficial owner	14.51%	19.35%
Mr. Wang		95,832,000	Beneficial owner	10.89%	14.52%

Notes:

1. Mr. Li is the husband of Zhang Yunxia. They hold in aggregate 408,738,000 Domestic Shares of which 357,654,000 Domestic Shares are beneficially owned by Mr. Li and 51,084,000 Domestic Shares are beneficially owned by Zhang Yunxia.
2. Jiangxi Cement is a joint stock limited company established in the PRC 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 Jingxi 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 Group or any other conflicts of interest which any such person may have with the Group as at 31 December 2004.

SPONSORS' INTERESTS

Pursuant to the agreements dated 30 June 2004, respectively, between the Company and Hantec Capital Limited ("Hantec Capital") and Quam Capital Limited ("Quam Capital"), Hantec Capital and Quam Capital have been appointed as the sponsor and co-sponsor respectively of the Company under the GEM Listing Rules for the period from 1 July 2004 to 31 December 2004, for which Hantec Capital and Quam Capital respectively will receive a fee.

Neither Hantec Capital nor Quam Capital, their respective directors, employees nor their associates had any interests in any securities of the Company or any other company in the Group (including options or rights to subscribe such securities) as at 31 December 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Appendix 15 of the GEM Listing Rules throughout the year.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting the required standard of dealings set out in Rules 5.48 to 5.67 of the Rules Governing the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors are independent.

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 Dr. Liu James Juh, Mr. Lo Yu Tseng, Robert and Mr. Yim Hing Wah. During the year, the Committee held four meetings for the purpose of reviewing annual report of 2003 and three quarterly reports of 2004.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings and there was no restriction against such rights under the laws of the PRC.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

AUDITORS

Except for the period from 1 January 2002 to 31 December 2002, in which Messrs, PricewaterhouseCoopers, Certified Public Accountants acts as auditors of the Company, Messrs, Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board,

LI RUIJIE
CHAIRMAN

Shenzhen, the PRC
24 March 2005



**TO THE SHAREHOLDERS OF
POWERLEADER SCIENCE & TECHNOLOGY COMPANY LIMITED**

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

We have audited the financial statements on pages 32 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 March 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	NOTES	2004 RMB'000	2003 RMB'000
Turnover	4	541,350	264,222
Cost of sales		(462,015)	(212,687)
Gross profit		79,335	51,535
Other operating income	6	3,030	4,690
Distribution costs		(16,462)	(13,038)
Administrative and other expenses		(19,818)	(9,306)
Profit from operations	7	46,085	33,881
Finance costs	8	(3,482)	(1,709)
Profit before taxation		42,603	32,172
Taxation	10	(4,215)	(1,949)
Profit before minority interests		38,388	30,223
Minority interests		(994)	49
Net profit for the year		37,394	30,272
Dividend	11	8,800	—
Earnings per share — basic	12	RMB4.2 cents	RMB3.4 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2004

	NOTES	2004 RMB'000	2003 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	23,517	16,749
Deferred development costs	15	25,052	12,143
		48,569	28,892
CURRENT ASSETS			
Inventories	16	53,831	49,698
Trade receivables	17	83,405	43,582
Other debtors, deposits and prepayments		20,155	16,725
Bank balances and cash		110,309	104,729
		267,700	214,734
CURRENT LIABILITIES			
Trade payables	18	9,287	16,744
Other creditors and accrued charges		9,467	3,520
Dividends payable		5,171	—
Receipts in advance		8,061	1,959
Taxation payable		4,236	1,648
Bank loans — due within one year	19	82,275	50,000
		118,497	73,871
NET CURRENT ASSETS			
		149,203	140,863
		197,772	169,755
CAPITAL AND RESERVES			
Share capital	20	88,000	88,000
Reserves		106,198	77,604
		194,198	165,604
MINORITY INTERESTS			
		2,784	1,151
NON-CURRENT LIABILITIES			
Bank loans — due after one year	19	—	3,000
Deferred tax liabilities	22	790	—
		790	3,000
		197,772	169,755

The financial statements on pages 32 to 59 were approved and authorised for issue by the Board of Directors on 24 March 2005 and are signed on its behalf by:

Li Ruijie
DIRECTOR

Dong Weiping
DIRECTOR

BALANCE SHEET

At 31 December 2004

	NOTES	2004 RMB'000	2003 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	16,735	11,929
Interests in subsidiaries	14	27,982	19,049
Deferred development costs	15	15,675	12,143
		60,392	43,121
CURRENT ASSETS			
Inventories	16	51,085	49,698
Trade receivables		68,150	43,582
Other debtors, deposits and prepayments		19,487	11,642
Amounts due from subsidiaries		19,847	—
Bank balances and cash		99,690	93,653
		258,259	198,575
CURRENT LIABILITIES			
Trade payables		6,002	16,570
Other creditors and accrued charges		9,275	3,237
Amounts due to subsidiaries		15,389	—
Dividends payable		5,171	—
Receipts in advance		4,781	1,959
Taxation payable		3,070	1,540
Bank loans — due within one year	19	82,275	50,000
		125,963	73,306
NET CURRENT ASSETS			
		132,296	125,269
CAPITAL AND RESERVES			
Share capital	20	88,000	88,000
Reserves	21	103,898	77,390
		191,898	165,390
NON-CURRENT LIABILITIES			
Bank loans — due after one year	19	—	3,000
Deferred tax liabilities	22	790	—
		790	3,000
		192,688	168,390

Li Ruijie
DIRECTOR

Dong Weiping
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 <i>(note 21)</i>	Statutory surplus reserve RMB'000 <i>(note 21)</i>	Statutory public welfare fund RMB'000 <i>(note 21)</i>	Retained profits RMB'000	Total RMB'000
THE GROUP							
At 1 January 2003	88,000	28,774	229	2,469	2,469	13,391	135,332
Net profit for the year	—	—	—	—	—	30,272	30,272
Appropriation	—	—	—	2,327	2,327	(4,654)	—
At 1 January 2004	88,000	28,774	229	4,796	4,796	39,009	165,604
Net profit for the year	—	—	—	—	—	37,394	37,394
Appropriation	—	—	—	2,965	2,965	(5,930)	—
Dividend	—	—	—	—	—	(8,800)	(8,800)
At 31 December 2004	88,000	28,774	229	7,761	7,761	61,673	194,198

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004 RMB'000	2003 RMB'000
OPERATING ACTIVITIES		
Profit from operations	46,085	33,881
Adjustments for:		
Interest income	(776)	(489)
Bank charges	(407)	(290)
Depreciation of property, plant and equipment	2,039	2,059
Amortisation of product development expenditure	918	—
Allowance for bad and doubtful debts	2,031	839
Loss (gain) on disposal of property, plant and equipment	1	(20)
Operating cash flows before movements in working capital	49,891	35,980
(Increase) decrease in inventories	(4,133)	6,682
Increase in trade receivables	(41,153)	(9,922)
Increase in other debtors, deposits and prepayments	(4,131)	(11,069)
Decrease in amounts due from shareholders	—	2,069
(Decrease) increase in trade payables	(7,457)	7,344
Increase in other creditors and accrued charges	5,947	604
Increase in receipts in advance	6,102	679
Net cash generated from operations	5,066	32,367
Income tax paid	(837)	—
NET CASH FROM OPERATING ACTIVITIES	4,229	32,367
INVESTING ACTIVITIES		
Product development expenditure incurred	(13,315)	(12,143)
Purchase of property, plant and equipment	(9,326)	(8,346)
Interest received	776	489
Proceeds from disposal of property, plant and equipment	6	29
NET CASH USED IN INVESTING ACTIVITIES	(21,859)	(19,971)
FINANCING ACTIVITIES		
New bank loans raised	110,697	53,000
Capital contribution from minority shareholders	639	1,200
Repayment of bank loans	(81,422)	(18,850)
Dividend paid	(3,629)	—
Interest paid	(3,075)	(1,419)
NET CASH FROM FINANCING ACTIVITIES	23,210	33,931
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,580	46,327
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	104,729	58,402
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	110,309	104,729
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS, representing bank balances and cash	110,309	104,729

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1. GENERAL

Powerleader Science & Technology Company Limited (the "Company") was established in the People's Republic of China, other than Hong Kong (the "PRC") on 20 August 1997, as a private-owned company and became a joint stock limited company on 31 July 2001, the registered share capital of which was 66,000,000 domestic shares of RMB1 each.

On 12 December 2002, the issued domestic shares of the Company were sub-divided from 66,000,000 domestic shares of RMB1 each into 660,000,000 domestic shares of RMB0.1 each. On the same date, 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 on the same date.

The Company is principally operated in the region of the PRC and Hong Kong and engaged in the design, manufacture and sale of computer servers and related products and in the trading of platform and accessories products. The principal activities of its subsidiaries are set out in note 14.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS(s)") (herein collectively referred to as "new HKFRS(s)") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively the "Group") made up to 31 December each year.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Supplier's incentives are recognised when the right to receive them is established.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Income from repair services and network supporting services, is recognised when the services are provided.

Revenue from INTEL Solution Centre (*note 27*) is recognised when the right to receive the shared profit is confirmed.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Construction in progress is stated at cost which includes all construction costs and other direct costs attributable to such projects. Construction in progress is not depreciated until completion of construction. Costs of completed construction work are transferred to the appropriate categories of property, plant and equipment.

Depreciation is provided to write off the cost of other items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Buildings	2.38%
Leasehold improvements	33.33%
Plant and machinery	9.5%–19%
Furniture, fixtures and equipment	19%
Motor vehicles	19%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Foreign currencies

Transactions in currencies other than Renminbi are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations denominated in currencies other than Renminbi are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are reported separately as other operating income. Where grants are made for the purpose of giving immediate financial support with no future related costs or as compensation for expenses or losses already incurred in previous accounting periods, they are recognised as income in the period in which the right to receive them is established and are reported separately as other operating income.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due.

Notes to the Financial Statements

For the year ended 31 December 2004

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold, net of returns and allowances, by the Group to outside customers.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two major operating divisions — computer servers and platforms and accessories products. These divisions are the basis on which the Group reports its primary segment information.

- Computer servers — design, manufacture and sale of computer servers and related products
- Platform and accessories products — trading of platform and accessories products

INCOME STATEMENT

For the year ended 31 December 2004

	Computer servers RMB'000	Platform and accessories products RMB'000	Consolidated RMB'000
TURNOVER	291,358	249,992	541,350
RESULTS			
Segment results	39,136	6,173	45,309
Unallocated operating income			776
Profit from operations			46,085
Finance costs			(3,482)
Profit before taxation			42,603
Taxation			(4,215)
Profit before minority interests			38,388
Minority interests			(994)
Net profit for the year			37,394

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 31 December 2004

	Computer servers RMB'000	Platform and accessories products RMB'000	Consolidated RMB'000
ASSETS			
Segment assets	171,131	18,014	189,145
Unallocated corporate and other assets			127,124
Consolidated total assets			316,269
LIABILITIES			
Segment liabilities	25,227	2,901	28,128
Unallocated corporate and other liabilities			91,159
Consolidated total liabilities			119,287

OTHER INFORMATION

For the year ended 31 December 2004

	Computer servers RMB'000	Platform and accessories products RMB'000	Corporate and others RMB'000	Total RMB'000
Capital additions	16,166	—	6,987	23,153
Amortisation of product development expenditure	918	—	—	918
Depreciation of property, plant and equipment	1,390	—	649	2,039
Allowance for bad and doubtful debts	2,031	—	—	2,031

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

INCOME STATEMENT

For the year ended 31 December 2003

	Computer servers	Platform and accessories products	Consolidated
	RMB'000	RMB'000	RMB'000
TURNOVER	221,584	42,638	264,222
RESULTS			
Segment results	32,710	682	33,392
Unallocated operating income			489
Profit from operations			33,881
Finance costs			(1,709)
Profit before taxation			32,172
Taxation			(1,949)
Profit before minority interests			30,223
Minority interests			49
Net profit for the year			30,272

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 31 December 2003

	Computer servers	Platform and accessories products	Consolidated
	RMB'000	RMB'000	RMB'000
ASSETS			
Segment assets	128,994	35	129,029
Unallocated corporate and other assets			114,597
Consolidated total assets			243,626
LIABILITIES			
Segment liabilities	21,766	118	21,884
Unallocated corporate and other liabilities			54,987
Consolidated total liabilities			76,871

OTHER INFORMATION

For the year ended 31 December 2003

	Computer servers	Platform and accessories products	Corporate and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Capital additions	10,400	—	10,089	20,489
Depreciation of property, plant and equipment	1,791	—	268	2,059
Allowance for bad and doubtful debts	839	—	—	839

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in the region of the PRC and Hong Kong. The Group's division for computer servers is located in the PRC while the Group's division for platform and accessories products is located in Hong Kong.

The Group's operations by geographical analysis are as follows:

	Turnover	
	2004	2003
	RMB'000	RMB'000
<hr/>		
Geographical market:		
PRC	291,358	221,584
Hong Kong	249,992	42,638
	<hr/>	
	541,350	264,222
	<hr/>	

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment asset		Capital additions	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
<hr/>				
PRC	287,929	242,786	23,153	20,489
Hong Kong	28,340	840	—	—
	<hr/>		<hr/>	
	316,269	243,626	23,153	20,489
	<hr/>		<hr/>	

Notes to the Financial Statements

For the year ended 31 December 2004

6. OTHER OPERATING INCOME

	2004 RMB'000	2003 RMB'000
Supplier's incentives (<i>note (a) below</i>)	248	2,497
Government subsidies:		
— subsidy for development of new servers (<i>note (b) below</i>)	124	—
— Value added tax refund for sales of software products	276	430
Interest income	776	489
Income received from INTEL Solution Centre (<i>note 27</i>)	837	1,029
Gain on disposal of property, plant and equipment	—	20
Income from network supporting services	549	101
Others	220	124
	3,030	4,690

Notes:

- (a) Suppliers' incentives were received from a supplier for the Group's participation in its promotion campaign.
- (b) Pursuant to the notices issued by the relevant governmental authorities, the Company was entitled to enjoy subsidies for development of new servers.

7. PROFIT FROM OPERATIONS

	2004 RMB'000	2003 RMB'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	870	506
Depreciation of property, plant and equipment, net of amount capitalised in product development expenditure of RMB512,000 (2003: Nil)	2,039	2,059
Amortisation of product development expenditure (included in administrative and other expenses)	918	—
Research and development costs	4,368	379
Allowance for bad and doubtful debts	2,031	839
Loss on disposal of property, plant and equipment	1	—
Staff costs, including directors emoluments, net of amounts capitalised in construction in progress of RMB360,000 (2003: Nil) and in product development expenditure of RMB944,000 (2003: Nil)	10,480	8,810

Notes to the Financial Statements

For the year ended 31 December 2004

8. FINANCE COSTS

	2004 RMB'000	2003 RMB'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	3,075	1,419
Bank charges	407	290
	3,482	1,709

9. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments of the directors are as follows:

	2004 RMB'000	2003 RMB'000
Directors' fees	—	—
Other emoluments:		
Salaries and other benefits		
— Executive directors	507	502
— Non-executive directors	360	360
— Independent non-executive directors	101	272
Retirement benefit scheme contributions		
— Executive directors	2	2
	970	1,136

Details of emoluments of the supervisors are as follows:

	2004 RMB'000	2003 RMB'000
Other emoluments:		
Salaries and other benefits	181	224
Retirement benefit scheme contributions	6	9
	187	233

Notes to the Financial Statements

For the year ended 31 December 2004

9. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Of the five individuals with the highest emoluments in the Group, four (2003: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual are as follows:

	2004 RMB'000	2003 RMB'000
Salaries and other benefits	180	177
Retirement benefit scheme contributions	3	3
	183	180

The emoluments of the directors and supervisors are further analysed into:

	2004 RMB'000	2003 RMB'000
Director A	327	324
Director B	182	180
Director C	180	180
Director D	180	180
Independent non-executive director A	48	136
Independent non-executive director B	48	136
Independent non-executive director C	5	—
Supervisor A	92	73
Supervisor B	82	33
Supervisor C	13	—
Supervisor D	—	52
Supervisor E	—	75
	1,157	1,369

During both years, no emoluments were paid by the Group to the directors as an inducement to joint or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during both years.

Notes to the Financial Statements

For the year ended 31 December 2004

10. TAXATION

	2004 RMB'000	2003 RMB'000
The charge comprises:		
PRC income tax	2,367	1,842
Hong Kong Profits Tax	1,058	107
	3,425	1,949
Deferred tax (<i>note 22</i>)	790	—
	4,215	1,949

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, is subject to an income tax rate of 15%. Pursuant to an approval document Shen Di Shui 2004 No. 27 dated 12 February 2004 issued by Shenzhen Local Tax Bureau, as the Company is qualified as a High and New Technology Enterprise, it is entitled to a 50% tax rate reduction for three years from 2003 to 2005. In this respect, the applicable income tax rate for 2004 and 2003 is 7.5%.

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2004 RMB'000	2003 RMB'000
Profit before taxation	42,603	32,172
Tax at the income tax rate of 15% (<i>Note</i>)	6,390	4,826
Tax effect of income not taxable for tax purpose	(30)	—
Tax effect of tax losses not recognised	278	36
Income tax on concessionary rate	(2,885)	(2,413)
Effect of different tax rates of subsidiaries operating in other jurisdiction	150	67
Others	312	(567)
Tax expense for the year	4,215	1,949

Note: The domestic rate in the jurisdiction where a significant portion of the Group's operations is based is used.

Notes to the Financial Statements

For the year ended 31 December 2004

11. DIVIDEND

No dividend has been proposed by the directors for the year ended 31 December 2004.

Pursuant to the annual general meeting held on 18 May 2004, a final dividend of RMB0.01 per share proposed by the Directors in respect of the year ended 31 December 2003 was approved by and paid to the shareholders of the Company during the year. No final dividend was proposed for the year ended 31 December 2002.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year of RMB37,394,000 (2003: RMB30,272,000) and on 880,000,000 (2003: 880,000,000) shares in issue throughout the year.

No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue during either year.

Notes to the Financial Statements

For the year ended 31 December 2004

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP							
COST							
At 1 January 2004	5,028	209	12,678	883	3,123	—	21,921
Additions	—	—	2,897	226	167	6,036	9,326
Disposals	—	—	(8)	—	—	—	(8)
At 31 December 2004	5,028	209	15,567	1,109	3,290	6,036	31,239
DEPRECIATION							
At 1 January 2004	481	139	2,186	523	1,843	—	5,172
Provided for the year	121	70	1,878	163	319	—	2,551
Eliminated on disposals	—	—	(1)	—	—	—	(1)
At 31 December 2004	602	209	4,063	686	2,162	—	7,722
NET BOOK VALUES							
At 31 December 2004	4,426	—	11,504	423	1,128	6,036	23,517
At 31 December 2003	4,547	70	10,492	360	1,280	—	16,749
THE COMPANY							
COST							
At 1 January 2004	5,028	209	7,642	830	3,123	—	16,832
Additions	—	—	487	26	167	6,036	6,716
Disposals	—	—	(8)	—	—	—	(8)
At 31 December 2004	5,028	209	8,121	856	3,290	6,036	23,540
DEPRECIATION							
At 1 January 2004	481	139	1,917	523	1,843	—	4,903
Provided for the year	121	70	1,263	130	319	—	1,903
Eliminated on disposals	—	—	(1)	—	—	—	(1)
At 31 December 2004	602	209	3,179	653	2,162	—	6,805
NET BOOK VALUES							
At 31 December 2004	4,426	—	4,942	203	1,128	6,036	16,735
At 31 December 2003	4,547	70	5,725	307	1,280	—	11,929

The Group and the Company has pledged the buildings with a net book value of RMB4,426,000 (2003: RMB4,547,000) to secure a bank loan granted to the Group and the Company (*note 19*).

All buildings are located in the PRC and held under medium-term land use rights.

Notes to the Financial Statements

For the year ended 31 December 2004

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	RMB'000	RMB'000
Unlisted investments, at cost	27,982	18,982
Amounts due from subsidiaries	—	67
	27,982	19,049

The amounts due from subsidiaries at 31 December 2003 were unsecured, interest-free and fully settled during the year.

Details of the Company's subsidiaries at 31 December 2004, all of which are private limited companies, are:

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company	Principal activities
				%	
Powerleader Science & Technology (H.K.) Limited	Hong Kong	Ordinary	US\$990,000	100	Trading of platform and accessories products and investment holding
Ex-Channel Group Limited	Hong Kong	Ordinary	HK\$3,000,000	80	Trading of platform and accessories products
深圳市寶德網絡技術有限公司	PRC	Capital contribution	RMB10,000,000	99	Provision of on-line game services. Commercial operation not yet commenced.
深圳市寶騰計算機技術有限公司	PRC	Capital contribution	RMB1,000,000	90	Research, development and marketing of computer servers and related products
深圳市寶鼎電子技術有限公司	PRC	Capital contribution	RMB10,000,000	90	Manufacture and sales of computer servers and related products

Other than Ex-Channel Group Limited, all subsidiaries are directly held by the Company. None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Financial Statements

For the year ended 31 December 2004

15. DEFERRED DEVELOPMENT COSTS

	THE GROUP RMB'000	THE COMPANY RMB'000
COST		
At 1 January 2004	12,143	12,143
Additions	13,827	4,450
At 31 December 2004	25,970	16,593
AMORTISATION		
At 1 January 2004	—	—
Amortisation for the year	918	918
At 31 December 2004	918	918
NET CARRYING VALUES		
At 31 December 2004	25,052	15,675
At 31 December 2003	12,143	12,143

The amount represents product development expenditure incurred for certain computer server products and on-line games. Product development expenditure is amortised on a straight-line basis over a period not exceeding three years from the date of commencement of commercial operations of the underlying products.

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	36,959	36,877	36,959	36,877
Work in progress	3,747	1,812	3,747	1,812
Finished goods	13,125	11,009	10,379	11,009
	53,831	49,698	51,085	49,698

All inventories are stated at cost.

Notes to the Financial Statements

For the year ended 31 December 2004

17. TRADE RECEIVABLES

The Group allows an average credit period of two months to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2004	2003
	RMB'000	RMB'000
Within 1 month	59,401	37,703
1 to 3 months	13,188	4,490
3 to 6 months	6,190	837
Over 6 months	4,626	552
	83,405	43,582

18. TRADE PAYABLES

An aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	RMB'000	RMB'000
Within 1 month	7,502	12,929
1 to 3 months	1,105	2,994
3 to 6 months	314	137
Over 6 months	366	684
	9,287	16,744

Notes to the Financial Statements

For the year ended 31 December 2004

19. BANK LOANS

	THE GROUP AND THE COMPANY	
	2004	2003
	RMB'000	RMB'000
Secured	3,000	3,000
Unsecured	79,275	50,000
	82,275	53,000

The maturity profile of the above loans is as follows:

Within one year	82,275	50,000
More than one year, but not exceeding two years	—	3,000
	82,275	53,000
Less: Amounts due within one year shown under current liabilities	(82,275)	(50,000)
	—	3,000

Details of securities and guarantees in respect of the bank loans of the Group and the Company at 31 December 2004 were as follows:

- (a) Bank loan with a principal amount of RMB10 million was guaranteed by 深圳英捷迅實業發展有限公司 (Shenzhen Yingjiexun Industrial Development Co., Ltd.) (“深圳英捷迅”), an unrelated entity to the Group, and Mr. Li Ruijie (“Mr. Li”), a shareholder and a director of the Company, to the extent of RMB10 million each.
- (b) Bank loans with an aggregate principal amount of approximately RMB57 million were guaranteed by various personal guarantees given from Mr. Li, Ms. Zhang Yunxia and/or Mr. Wang Lixin, shareholders of the Company. Mr. Li and Mr. Wang Lixin are also directors of the Company.
- (c) Bank loan with a principal amount of RMB3 million was guaranteed by 深圳市中小企業信用擔保中心 (Shenzhen Small & Medium Enterprises Credit Guarantee Centre) (“CGC”), an unrelated entity to the Group. In return, the Group and the Company pledged the property interests with a net book value of approximately RMB4.4 million to CGC.
- (d) Bank loan with a principal amount of RMB12 million was guaranteed by CGC and Mr. Li to the extent of RMB12 million each.

Notes to the Financial Statements

For the year ended 31 December 2004

19. BANK LOANS (Continued)

Details of securities and guarantees in respect of the bank loans of the Group and the Company at 31 December 2003 were as follows:

- (a) Bank loan with a principal amount of RMB10 million was guaranteed by 深圳英捷迅 and Mr. Li to the extent of RMB10 million each.
- (b) Bank loan with a principal amount of RMB10 million was guaranteed by 深圳市高新技術產業投資服務有限公司 (Shenzhen Hi-Tech Investment Co., Ltd.) (“深圳高新”). In consideration of the guarantee provided by 深圳高新 for this loan, Mr. Li provided personal guarantee to 深圳高新 to the extent of RMB10 million.
- (c) Bank loan with a principal amount of RMB30 million was guaranteed by personal guarantees given from Mr. Li, Ms. Zhang Yunxia and Mr. Wang Lixin.
- (d) Bank loan with a principal amount of RMB3 million was guaranteed by CGC, an unrelated entity to the Group. In return, the Group and the Company pledged the property interests with the net book value of approximately RMB4.5 million to CGC.

20. SHARE CAPITAL

Registered, issued and fully paid:

	Number of shares	RMB'000
Domestic shares of RMB0.1 each	660,000,000	66,000
Foreign invested shares (“H shares”) of RMB0.1 each issued and listed on 12 December 2002	220,000,000	22,000
Total domestic shares and H shares of RMB0.1 each at 1 January 2003, 31 December 2003 and 31 December 2004	880,000,000	88,000

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.

Pursuant to the preliminary placing agreement entered between the Company and the placing agents on 9 January 2004, the placing agents agreed to place up to 200,000,000 new H shares of the Company at a price to be determined in accordance with the preliminary placing agreement. On 21 March 2005, the Company and one of the placing agents of the preliminary placing agreement entered into a definitive placing agreement, pursuant to which the placing agent agreed to place up to 23,000,000 new H shares of the Company at HK\$0.47 per share. The above placing has been completed as at 24 March 2005.

Notes to the Financial Statements

For the year ended 31 December 2004

21. RESERVES

	THE COMPANY					
	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2003	28,774	229	2,469	2,469	13,391	47,332
Net profit for the year	—	—	—	—	30,058	30,058
Appropriation	—	—	2,327	2,327	(4,654)	—
At 1 January 2004	28,774	229	4,796	4,796	38,795	77,390
Net profit for the year	—	—	—	—	35,308	35,308
Appropriation	—	—	2,965	2,965	(5,930)	—
Dividend	—	—	—	—	(8,800)	(8,800)
At 31 December 2004	28,774	229	7,761	7,761	59,373	103,898

Notes:

(a) Basis of appropriations to reserves

In accordance with the Company's Articles of Association, the net income for the purpose of appropriation will be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) International Financial Reporting Standards or the accounting standards of the places in which its shares are issued.

(b) Statutory surplus reserve

The Articles of Association of the Company requires the appropriation of 10% of profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provisions of the Articles of Association of the Company, the statutory surplus reserve can be used to (i) make up prior year losses; (ii) expand production operation; and (iii) convert into capital, provided such conversation is approved by a resolution at a shareholders' meeting and the balance of the statutory surplus reserve does not fall below 25% of the Company's registered share capital.

(c) Statutory public welfare fund

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Articles of Association of the Company and relevant laws and regulations in the PRC. In accordance with the Company's Articles of Association, the Company shall make allocation from profit after taxation at the rate of 10% to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the Company. The statutory public welfare fund forms part of the shareholders' equity but is not distributable other than in liquidation.

(d) Capital reserve

Capital reserve represents premium arising from new owners less amount capitalised as a result of the incorporation of the Company as a joint stock limited company.

Notes to the Financial Statements

For the year ended 31 December 2004

22. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised during the year and outstanding at the balance sheet date:

	THE GROUP AND THE COMPANY	
	2004	2003
	RMB'000	RMB'000
Deferred tax liabilities arising on deferred development costs	1,176	—
Deferred tax assets arising on general allowances for bad and doubtful debts	(386)	—
Deferred tax charge for the year and balance at the balance sheet date	790	—

At 31 December 2004, the Company's subsidiaries in the PRC have an aggregate amount of unused tax losses of RMB2,336,000 (2003: RMB486,000) available to offset against future profits. No deferred tax has been recognised in respect of these tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unutilised tax losses can be carried forward for a period of five years from the date of incurrence.

23. OPERATING LEASES COMMITMENTS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payments in respect of rented premises paid under operating leases during the year	2,689	2,054	2,580	2,005

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	991	1,520	654	1,485
In the second to fifth year inclusive	104	96	57	96
Over five years	—	38	—	38
	1,095	1,654	711	1,619

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for an average term of one year and rentals are fixed during the relevant lease period.

24. OTHER COMMITMENT

At 31 December 2004, the Group and the Company had commitment of RMB531,000 (2003: RMB652,000) in respect of cash, property, plant and equipment and certain expenses to be contributed to INTEL Solution Centre (*note 27*) which is jointly developed between the Group and a major supplier of the Group.

25. RETIREMENT BENEFITS SCHEME

The Group participate in a pension scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. No contributions were forfeited for the year.

The employees of the Group in the PRC are members of the state-sponsored pension scheme operated by the government of the PRC. The Group is required to contribute a certain percentage of its payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to income of RMB373,000 (2003: RMB342,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

26. RELATED PARTY TRANSACTIONS

During the year, two directors of the Company subscribed for shares of a subsidiary of the Company, Ex-Channel Group Limited, for a total consideration of approximately RMB600,000, which represents the nominal value of the shares subscribed and an approximately 20% interest in the subsidiary.

At 31 December 2004 and 2003, certain shareholders and directors of the Company provided personal guarantees to banks for loans granted to the Group and to the guarantors who provided guarantees for bank loans granted to the Group. Details of these are set out in *note 19*.

27. INTEL SOLUTION CENTRE

In January 2002, the Company entered into a co-operative agreement with a major supplier of the Group (the "Supplier") for the joint development of INTEL Solution Centre ("ISC") for an initial term of three years. In December 2004, the agreement was renewed for a further term of three years.

The principal objectives of ISC are to widen the application of the solution services of the Supplier and further expand the Company's server business in the PRC.

ISC is not a separate legal entity and its results are incorporated into those of the Supplier. Revenue less all operating costs of ISC is shared between the supplier and the Company on an equal basis. During the year, the Company contributed RMB121,000 (2003: RMB1,638,000) to ISC for administrative and other expenses and recorded income of RMB837,000 (2003: RMB1,029,000) from ISC.

At 31 December 2004, the Group had certain equipment and machinery with a net book value of RMB1,659,000 (2003: RMB2,217,000) located at the INTEL Solution Centre.

FINANCIAL SUMMARY

	Year ended 31 December				
	2004 RMB'000	2003 RMB'000	2002 RMB'000	2001 RMB'000	2000 RMB'000
Results					
Turnover	541,350	264,222	177,764	108,881	50,002
Profit before taxation	42,603	32,172	18,041	15,218	6,862
Taxation	(4,215)	(1,949)	(1,302)	(1,126)	(1,219)
Profit before minority interests	38,388	30,223	16,739	14,092	5,643
Minority interests	(994)	49	—	—	—
Net profit for the year	37,394	30,272	16,739	14,092	5,643
At 31 December					
	2004 RMB'000	2003 RMB'000	2002 RMB'000	2001 RMB'000	2000 RMB'000
Assets and liabilities					
Total assets	316,269	243,626	167,778	104,720	73,513
Total liabilities	(119,287)	(76,871)	(32,446)	(30,546)	(66,987)
Minority interests	(2,784)	(1,151)	—	—	—
Shareholders' funds	194,198	165,604	135,332	74,174	6,526