



深圳宝德科技集团股份有限公司

POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

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

(Stock code: 8236)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

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

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

* For identification purpose only

INTERIM RESULTS

The board of Directors (the “Board”) is pleased to report that the unaudited results of the Company for the three months and six months ended 30 June 2011 (“Six Months Period”) together with comparative unaudited figures for the corresponding periods in 2010 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Turnover	3	398,955	195,796	690,319	411,168
Cost of sales		(358,049)	(167,499)	(613,769)	(366,728)
Gross profit		40,906	28,297	76,550	44,440
Other revenue	4	7,291	3,618	12,092	6,916
Distribution costs		(7,516)	(6,465)	(13,784)	(12,518)
Administrative and other expenses		(12,752)	(3,473)	(23,346)	(12,337)
Finance costs		(6,819)	(6,025)	(12,265)	(8,360)
Gain on deemed disposal of interest in an associate	5	—	—	—	98,952
Share of profit from an associate		578	2,313	1,592	4,529
Profit before taxation		21,688	18,265	40,839	121,622
Income tax expense	6	(2,865)	(304)	(6,135)	(845)
Profit for the year and total comprehensive income for the year		<u>18,823</u>	<u>17,961</u>	<u>34,704</u>	<u>120,777</u>
Profit and total comprehensive income attributable to:					
Owners of the Company		18,082	16,317	31,844	118,790
Non-controlling interests		741	1,644	2,860	1,987
		<u>18,823</u>	<u>17,961</u>	<u>34,704</u>	<u>120,777</u>
Dividend	7	—	—	—	—
Earnings per share Basic and diluted	8	<u>RMB0.80 cent</u>	<u>RMB0.72 cent</u>	<u>RMB1.41 cent</u>	<u>RMB5.26 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	234,109	260,423
Prepaid lease payments		1,518	1,518
Deferred development costs	10	32,654	36,471
Investment in an associate	11	134,782	137,167
Available-for-sale investment		18,000	18,000
		<hr/> 421,063 <hr/>	<hr/> 453,579 <hr/>
Current assets			
Prepaid lease payments		36	36
Inventories		226,132	148,844
Finance lease receivables		106	141
Amount due from a related company		2,268	1,977
Trade and bills receivables	12	339,472	384,983
Other receivables, deposits and prepayments		95,013	84,152
Fixed bank deposits		—	100,000
Pledged bank deposits		23,479	30,689
Restricted bank balances		16,691	11,990
Cash and cash equivalents		291,042	199,059
		<hr/> 994,239 <hr/>	<hr/> 961,871 <hr/>
Assets held for sale	13	46,880	46,880
		<hr/> 1,041,119 <hr/>	<hr/> 1,008,751 <hr/>
Current Liabilities			
Trade and bills payables	14	205,081	178,257
Other payables and accrued charges		33,626	38,917
Receipts in advance		8,192	10,199
Taxation payable		19,561	17,104
Derivative financial instruments		681	681
Amount due to an associate		—	1,693
Bank and other borrowings — due within one year	15	560,528	607,449
Obligations under a finance lease — due within one year		82	124
		<hr/> 827,751 <hr/>	<hr/> 854,424 <hr/>
Net current assets		<hr/> 213,368 <hr/>	<hr/> 154,327 <hr/>
Total assets less current liabilities		<hr/> 634,431 <hr/>	<hr/> 607,906 <hr/>

		As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)
Capital and reserves			
Share capital	16	225,750	225,750
Reserves		<u>330,615</u>	<u>298,114</u>
Equity attributable to owners of the Company		556,365	523,864
Non-controlling interests		<u>15,039</u>	<u>21,015</u>
Total equity		<u>571,404</u>	<u>544,879</u>
Non-current liabilities			
Deferred tax liabilities		3,361	3,361
Bank and other borrowings — due after one year	15	<u>59,666</u>	<u>59,666</u>
		<u>63,027</u>	<u>63,027</u>
Total equity and non-current liabilities		<u><u>634,431</u></u>	<u><u>607,906</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company				Non- controlling interests	Total
	Share capital	Statutory surplus reserve	Retained profits	Sub-total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2010	225,750	38,478	129,400	393,628	15,701	409,329
Profit for the period	—	—	118,790	118,790	1,987	120,777
Dividend distributed to non-controlling shareholders	—	—	—	—	(1,736)	(1,736)
As at 30 June 2010	<u>225,750</u>	<u>38,478</u>	<u>248,190</u>	<u>512,418</u>	<u>15,952</u>	<u>528,370</u>
As at 1 January 2011	225,750	49,921	248,193	523,864	21,015	544,879
Profit for the period	—	—	31,844	31,844	2,860	34,704
Acquisition of equity interest from non-controlling shareholders of subsidiaries	—	—	657	657	(5,936)	(5,279)
Contribution by non-controlling shareholders of subsidiaries	—	—	—	—	300	300
Dividend distributed to non-controlling shareholders	—	—	—	—	(3,200)	(3,200)
As at 30 June 2011	<u>225,750</u>	<u>49,921</u>	<u>280,694</u>	<u>556,365</u>	<u>15,039</u>	<u>571,404</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2011*

	For the six months ended 30 June 2011 RMB'000 (unaudited)	For the six months ended 30 June 2010 RMB'000 (unaudited)
Net cash generated from/(used in) operating activities	41,480	(61,172)
Tax paid	(2,867)	(900)
Net cash generated from/(used in) investing activities	94,131	(27,094)
Net cash (used in)/generated from financing activities	(40,761)	107,766
	<hr/>	<hr/>
Increase in cash and cash equivalents	91,983	18,600
Cash and cash equivalents at 1 January	199,059	204,028
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	291,042	222,628
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL

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

The Group is a cloud computing products, solutions and service provider in the PRC. It is engaged in (i) Cloud Infrastructure as a Service (IaaS) — the design and development, manufacturing and sales of server system solutions related hardware; (ii) Cloud Module as a Service (MaaS) — cloud computing equipment related components value-added agency distribution; (iii) Software and Platform as a Service (SaaS and PaaS) — the development and services of cloud computing related software and platform businesses in the PRC and Hong Kong.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

During the period, the Group has adopted the new or revised standards, amendments or interpretations issued by HKICPA that are in effect ("New HKFRSs"). The accounting policies, presentation and calculations used in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the Group's financial statements for the year ended 31 December 2010.

3. TURNOVER

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

Operating segments

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

The Group's operating segments are as follows:

Infrastructure as a Service (IaaS)	—	Design and development, manufacturing and sales of servers and related solutions
Module as a Service (MaaS)	—	Cloud computing equipment related components value-added agency distribution
Software and Platform as a Service (SaaS & PaaS)	—	Development and services of cloud computing related software

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

	For the three months ended		For the six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover				
Infrastructure as a Service	122,824	46,178	225,877	120,796
Module as a Service	275,682	149,270	463,551	289,729
Software and Platform as a Service	449	348	891	643
	398,955	195,796	690,319	411,168
Turnover				
Infrastructure as a Service	15,483	13,365	27,961	15,771
Module as a Service	12,688	8,858	23,931	11,275
Software and Platform as a Service	(242)	(246)	(380)	(545)
	27,929	21,977	51,512	26,501
Finance costs	(6,819)	(6,025)	(12,265)	(8,360)
Gain on deemed disposal of interest in an associate	—	—	—	98,952
Share of profit from an associate	578	2,313	1,592	4,529
Profit before taxation	21,688	18,265	40,839	121,622
Income tax expense	(2,865)	(304)	(6,135)	(845)
Profit for the period	18,823	17,961	34,704	120,777

4. OTHER REVENUE

	For the three months ended		For the six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income from bank deposits	1,531	1,028	1,988	1,653
Government subsidies	1,740	1,128	2,662	2,992
Exchange gain	1,539	97	1,699	121
Supply chain service income	1,582	804	3,940	1,427
Sundry income	899	561	1,803	723
	7,291	3,618	12,092	6,916

5. GAIN ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

On 11 February 2010, 深圳中青宝互动网络股份有限公司(“Zqgame”), an associated company of the Group was listed on ChiNext board of the Shenzhen Stock Exchange. Powerleader Network made a public offering of 25,000,000 ordinary shares of RMB1 each at an offer price of RMB30. After deducting issuance consideration, an aggregate proceeds of approximately RMB704,246,000 were raised, as a result the equity in Powerleader Network held by the Group was diluted from 20.4% to 15.3%. A gain of approximately RMB98,952,000 arising from the deemed disposal by the Group of partial interest in Powerleader Network during the six months period ended 30 June 2010 was recorded.

6. TAXATION

	For the three months ended		For the six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge comprise:				
PRC Enterprise Income Tax (“EIT”)	1,893	222	3,280	641
Hong Kong Profits Tax	972	869	2,855	940
	<u>2,865</u>	<u>1,091</u>	<u>6,135</u>	<u>1,581</u>
Deferred tax	—	(787)	—	(736)
	<u>2,865</u>	<u>304</u>	<u>6,135</u>	<u>845</u>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was regarded as a national high-tech enterprise by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau in 2009, and was subject to EIT at a rate of 15% from the year 2009. In accordance with the relevant rules and regulations of the PRC, except for Shenzhen Powerleader Computer System Co., Ltd. (深圳市宝德计算机系统有限公司) (“Powerleader Computer”) as well as Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (“Powerleader Software”), all other PRC subsidiaries were subject to EIT at a rate of 25% during the period ended 30 June 2011 (during the period ended 30 June 2010 : 25%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the PRC for unified tax rate arrangements among different types of the PRC entities which results in a reduction of income tax rate from 33% to 25% with effect from 1 January 2008 (the “New Tax Law”). The State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, there will be a transitional period of five years for the Company and its PRC subsidiaries, whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22%, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively.

Powerleader Computer has been regarded as a national high-tech enterprise since 2008 by Shenzhen Science and Technology Bureau, Shenzhen Financial Bureau, Shenzhen State Tax Bureau and Shenzhen Local Tax Bureau. Powerleader Computer was subject to EIT at a rate of 15% during the period ended 30 June 2011 (during the period ended 30 June 2010: 15%).

Pursuant to an approval document (Shen Guo Shu Bao Guan Jian Mian Bei An 2009 no. 4) (《深国税宝观减免备案2009第4号》) dated 11 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, Powerleader Software is qualified to enjoy a tax relief for software enterprise and entitled to an exemption from EIT for the years 2009 and 2010 and a 50% relief from EIT from 2011 to 2013.

Hong Kong Profits tax is calculated at 16.5% (the six months ended 30 June 2010 : 16.5%) of the estimated assessable profit for the Six Months Period.

7. DIVIDEND

At a meeting held on 12 August 2011, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2011.

8. EARNINGS PER SHARE

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

	For the three months ended		For the six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit for the period attributable to owners of the Company	<u>18,082</u>	<u>16,317</u>	<u>31,844</u>	<u>118,790</u>
Number of share				
Weighted average number of issued shares for the purpose of basic earnings per share	<u>2,257,500,000</u>	<u>2,257,500,000</u>	<u>2,257,500,000</u>	<u>2,257,500,000</u>

As the Company did not have any potential diluted shares during the Six Months Period (six months ended 30 June 2010: nil), the diluted earnings per share were the same as the basic earnings per share.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB6,362,000 (the corresponding period of 2010: RMB7,389,000) on acquisition of property, plant and equipment.

10. DEFERRED DEVELOPMENT COSTS

During the period, the Group spent approximately RMB1,816,000 (the corresponding period of 2010: RMB8,432,000) on deferred development costs.

11. INVESTMENT IN AN ASSOCIATE

	As at	As at
	30 June	31 December
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Cost of investment in a listed associate	7,166	7,166
Share of post acquisition profits and reserves, net of dividend received	<u>127,616</u>	<u>130,001</u>
	<u>134,782</u>	<u>137,167</u>
Fair value of listed investments	<u>291,189</u>	<u>429,822</u>

12. TRADE AND BILLS RECEIVABLES

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

	As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)
Within 1 month	138,985	192,551
Over 1 month but within 3 months	127,493	103,212
Over 4 months but within 6 months	10,924	14,901
Over 6 months	20,483	25,960
	<hr/>	<hr/>
	297,885	336,624
Discounted Bills receivables with recourse	41,587	48,359
	<hr/>	<hr/>
	339,472	384,983
	<hr/> <hr/>	<hr/> <hr/>

13. ASSET HELD FOR SALE

On 11 January 2010, the Company and other independent third parties entered into the articles of association in relation to the formation of an associate 深圳市潮商小額貸款有限公司 (Mini Credit of Shenzhen Chaoshang Commence Chamber Co., Limited), which was owned by the Company and the JV Partners as to RMB46,880,000 (30.07%) and RMB109,000,000 (69.93%) respectively. Mini Credit is principally engaged in micro-financing and consultancy services for the development, management and financial affairs of small and medium enterprises (SME).

On 17 February 2011, the Company entered into a share transfer agreement to dispose of all its equity interest in Mini Credit to Powerleader Investment at a consideration of approximately RMB56,880,000. The agreement has been approved at the Extraordinary General Meeting held on 20 May 2011, and was completed in July 2011. The net proceeds of the disposal exceed the carrying amount of related cost of investment. Accordingly, at the time when the business was re-classified as held for sale or in the reporting period, no impairment loss was recognised.

14. TRADE AND BILLS PAYABLES

The aging of the accounts payable as at the Reporting Date is analysed as follows:

	As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)
Within 1 month	84,717	72,510
Over 1 month but within 3 months	64,925	44,884
Over 4 months but within 6 months	10,486	8,597
Over 6 months	5,371	6,623
	<hr/>	<hr/>
	165,499	132,614
Bills payables	39,582	45,643
	<hr/>	<hr/>
	205,081	178,257
	<hr/> <hr/>	<hr/> <hr/>

15. BANK AND OTHER BORROWINGS

	As at 30 June 2011 RMB'000 (unaudited)	As at 31 December 2010 RMB'000 (audited)
Bank loans	574,435	626,005
Other borrowings	45,759	41,110
	<u>620,194</u>	<u>667,115</u>
Secured loans	71,666	99,146
Unsecured loans	548,528	567,969
	<u>620,194</u>	<u>667,115</u>
Carrying amount repayable:		
On demand or within one year	560,528	607,449
More than one year, but not exceeding two years	47,333	47,333
More than two years, but not exceeding five years	12,333	12,333
	<u>620,194</u>	<u>667,115</u>
Less: Amount due within one year shown under current liabilities	<u>(560,528)</u>	<u>(607,449)</u>
Amount due after one year	<u>59,666</u>	<u>59,666</u>

Details of securities and guarantees in respect of the bank loans of the Group at 30 June 2011 were as follows:

- (a) The loans with an aggregate principal amount of approximately RMB15,000,000 were guaranteed by 深圳市宝德投資控股有限公司 (Powerleader Investment Holding Company Limited*) (“Powerleader Investment”) (a company in which Mr. Li Ruijie (“Mr. Li”) and Ms. Zhang Yunxia (“Ms. Zhang”) have beneficial interests), and personal guarantees given by Mr. Li and Ms. Zhang.
- (b) The loans with an aggregate amount of RMB290,000,000 was guaranteed by Powerleader Investment, and a personal guarantee given by Mr. Li.
- (c) The loan with a principal amount of RMB30,000,000 was secured by a deposit of RMB1,800,000 and was guaranteed by Powerleader Investment and Ex-Channel Group Limited (宝通集團有限公司) (“Ex-channel”), and a personal guarantee given by Mr. Li.
- (d) The loan with a principal amount of RMB24,000,000 was secured by a deposit of RMB23,000,000 and was guaranteed by the Company and Powerleader Computer.
- (e) The loans with an aggregate amount of RMB95,000,000 was guaranteed by Powerleader Investment, Powerleader Computer and Ex-channel, and a personal guarantee given by Mr. Li.
- (f) The loans with an aggregate amount of RMB20,000,000 was guaranteed by Powerleader Investment.
- (g) The loans with an aggregate amount of RMB58,000,000 was secured by discounted bills receivables of RMB58,000,000.

At 30 June 2011, the bank loans of approximately RMB12,744,000 were subject to variable annual interest rates ranging from 5.00% to 6.00% and the bank loans of RMB561,691,000 were subject to fixed annual interest rates ranging from 5.56% to 10.00%.

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

Details of securities and guarantees in respect of the bank loans of the Group at 31 December 2010 were as follows:

- (a) The loans with an aggregate principal amount of approximately RMB15,000,000 were guaranteed by Powerleader Investment (a company in which Mr. Li and Ms. Zhang have beneficial interests), and personal guarantees given by Mr. Li and Ms. Zhang.
- (b) The loans with an aggregate amount of RMB290,000,000 was guaranteed by Powerleader Investment, and a personal guarantee given by Mr. Li.
- (c) The loan with a principal amount of RMB30,000,000 was secured by a deposit of approximately RMB1,800,000 and was guaranteed by Powerleader Investment and Ex-channel, and a personal guarantee given by Mr. Li.
- (d) The loan with a principal amount of RMB54,000,000 was guaranteed by Powerleader Investment, Powerleader Computer and Ex-channel, and a personal guarantee given by Mr. Li.
- (e) The loan with a principal amount of RMB24,000,000 was secured by bank deposits of approximately RMB23,000,000 and guaranteed by the Company and Powerleader Computer.
- (f) The loan with an aggregate amount of RMB95,000,000 was guaranteed by Powerleader Investment, Ex-Channel and Powerleader Computer, and a personal guarantee given by Mr. Li.
- (g) The loan with an aggregate amount of RMB20,000,000 was guaranteed by Powerleader Investment.
- (h) The loan with an aggregate amount of RMB48,000,000 was secured by discounted bills receivables of RMB48,000,000.

At 31 December 2010, the bank loans of approximately RMB257,300,000 were subject to variable annual interest rates ranging from 5.00% to 7.20% and the bank loans of RMB368,700,000 were subject to fixed annual interest rates ranging from 4.99% to 5.58%.

16. SHARE CAPITAL

	As at 30 June 2011 <i>Number of Shares</i> (unaudited)	As at 31 December 2010 <i>Number of Shares</i> (audited)	As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)
Authorised, issued and fully paid				
Domestic shares of RMB0.1 each	1,650,000,000	1,650,000,000	165,000	165,000
H Shares of RMB0.1 each	607,500,000	607,500,000	60,750	60,750
	<u>2,257,500,000</u>	<u>2,257,500,000</u>	<u>225,750</u>	<u>225,750</u>

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

17. COMMITMENTS

(a) Commitments under operating leases

At 30 June 2011, the Company had future aggregate minimum lease payments in respect of office premises and warehouse under non-cancellable operating leases as follows:

	As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)
Not later than one year	2,381	3,082
In the second to fifth year inclusive	893	932
Total	<u>3,274</u>	<u>4,014</u>

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

	As at 30 June 2011 <i>RMB'000</i> (unaudited)	As at 31 December 2010 <i>RMB'000</i> (audited)
Construction-in-progress	<u>98,812</u>	<u>98,812</u>

18. RELATED PARTY TRANSACTIONS

In addition to the personal guarantees provided by Mr. Li and Ms. Zhang and the corporate guarantee provided by Powerleader Investment as set out in Note 15, the Group paid rent amounting to approximately RMB140,000 (2010: RMB140,000) to Ms. Zhang for office premises.

19. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2011, Powerleader Technology Group continued to make active efforts on the planning and implementation of its strategic move, in order to blossom from “China’s leading supplier of server solutions” to “China’s leading provider of cloud computing products, solutions and services”. Over the years, the Group has capitalized on its edges in profound R&D technology, extensive in-house R&D experience, competent R&D team and strict R&D management system, and wide customer base to put forward the “cloud” strategy. On the basis of the five key business sectors engaged by a provider of cloud computing products, solutions and services, namely, Cloud Infrastructure as a Service (IaaS), Module as a Service (MaaS), Software as a Service (SaaS), Platform as a Service (PaaS), Client as a Service (CaaS), the Group endeavoured to extend its reach from a traditional distributor of server system solutions, platforms and accessories to a niche provider of cloud computing products, solutions and services that are blessed with immense market opportunities. First and foremost, through the development of Cloud Infrastructure as a Service, including a wide variety of products and solutions such as navigation system servers, HPC system management, virtualization and cloud computing, the Group strived to promote the widespread application of those services throughout the industries including IPDC, security, surveillance, education, government, healthcare, taxation, transport, and energy sectors. Secondly, we continued to expand the Module as a Service, cloud computing products-related components value-added agency distribution business. Thirdly, we strengthened the development of cloud computing software and platform to vigorously foster the Internet value-added services. To enhance the independent R&D capabilities of cloud computing and business competitive strengths, and to fetch a higher level of profits for the Company, we expanded the scale of cloud computing business. According to the annual strategic investment plan, the Company set up R&D headquarters in East China through the establishment of Nanjing Powerleader Cloud Computing Technology Company Limited (南京宝德雲計算技術有限公司) in 8 March 2011 with an intended investment of RMB500,000,000. Upon commission, the output value of the project is expected to reach about RMB700,000,000. Meanwhile, in relation to the strategic integration of the upstream and downstream industry chains of cloud computing including Internet, video storage, and regional healthcare, an initial success has been made. In the future, the Company will integrate cloud computing technology, markets, channels and customer resources through a strategic investment approach, in order to establish a presence in the sub-sectors of cloud computing. This initiative will help the Company improve its voice in the field, and carve out a niche in each sub-sector of the market, thereby greatly boosting the operating profit level of the Company. Given the global wave of cloud computing, the unique competitive edge of Powerleader was attributed to its capability of playing five multiple roles, ranging from cloud equipment provider, cloud software solution provider, cloud platform provider, cloud application service provider, to cloud modular terminal provider.

FINANCIAL REVIEW

The Group’s turnover for the Six Months Period amounted to approximately RMB690,319,000. The turnover registered a substantial increase of 68% when compared to RMB411,168,000 for the same period of 2010. The increase was attributable to the significant growth in both of the main business segments of the Group, namely cloud infrastructure — server system solutions business, and cloud infrastructure module — cloud computing equipment related components value-added agency distribution. In particular, server system solutions business rose by 87%, and cloud computing equipment related components value-added agency distribution business grew by 60%.

The consolidated gross profit margin of the Group for the Six Months Period was approximately 11.1%, representing a slight increase when compared to the gross margin of about 10.8% for the same period of 2010. The increase was mainly attributable to the improvement in gross margin following the implementation of the cloud strategy by the Company to enhance the added value of the products.

The Group's marketing expenses and administrative and other expenses rose by 49.4% over the figure of RMB24,855,000 for the same period last year to approximately RMB37,130,000. The rise was mainly due to increased personnel costs and marketing expenses as a result of the substantial growth in business volume. On the other hand, as the Company has made greater R&D efforts on cloud computing, the Company's R&D costs rose at a relatively higher degree.

BUSINESS REVIEW AND PROSPECT

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

In the first half of 2011, to keep abreast of the prevailing market features, the business team of Powerleader Server strengthened sales management internally and focused on each sub-sector of the market externally. The supply of products was adhered to a differentiated customisation principle. Efforts were made to reinforce sales team building and increase sales incentives, so as to boost the regional sales volume. The performance of some of the weak regions was improved significantly. To maintain stronger customer relationships, resources maintenance systems at corporate level were made available for VIP customers to improve the output of quality customers. Through the launch of regional VIP customers networking activity and product promotion fair, the publicity and promotion towards industries and channels have been enhanced. We horizontally formed partnerships in the regional markets to jointly take part in the regional government educational programs. Teams were set up to expand into a number of industries including government, education, healthcare, security surveillance, rail transportation, broadcasting, and telecommunications, with a view to vertically driving the sales growth in the industries. In the second quarter, we received orders from the court system of the prosecuting attorney. A breakthrough was achieved. At the same time, the Group actively framed the master plan relating to the building of the information systems of the regional non-3rd Level First Class hospitals, and well prepared itself for the sales in the second half of the year. In relation to rail transportation and security surveillance industries, close collaboration was established with partners to jointly promote high-definition surveillance storage, and DVR products. Widespread recognition was received from customers and partners in the rail transportation and security surveillance markets, thus promoting wider application. Fruitful results were attained for the vertical expansion into each sub-sector of the market and the horizontal regional integration strategy.

In relation to product differentiated customisation: with regard to cloud computing applications, high-capacity, high-density, and low-power product ranges have been introduced to provide Internet users with application-specific products, including instant messaging, e-commerce, video, search, downloads, and games. In connection with information centre applications, integrated cabinet solutions have been introduced to facilitate the tracking of economical applications at users' end. Moreover, hardware integrated solutions have been customized for software developers to improve the overall added value of their software products. Furthermore, to cater for the high-performance computing requirements of universities and institutes, a new generation of high-density and low-power products, namely "Gemini" and "Quadruplets Star" servers, have been designed. Close cooperation was established with a number of universities and research institutes including Shenzhen Research Institute of Peking University, Xiamen University, Jilin University, China University of Technology, and Fudan University in respect of the provision of cost-effective and high-availability solutions.

From 2010, the Company has transformed and positioned itself as China's leading provider of cloud computing solutions. A cloud computing sales team was set up to take up the initiative to explore sales opportunities for cloud computing, and product sales. In respect of cloud computing types, server team designed high-capacity, high-density and integrated cabinet solutions, stretching from three kinds of cloud servers to cloud storage series products. In the second quarter, total solutions were provided to customers from segments including cloud-based education, cloud-based healthcare, cloud-based security, cloud-based government animation park, and cloud-based corporate desktops, in order to provide Internet cloud computing users with the production and customisation of cloud servers. At the same time, a large public platform for operating the cloud computing-based games of the Company has been built and successfully put into operation. Cloud computing has become a module for booming the rapid growth in the sales volume of the server business.

Thanks to the above efforts, Powerleader Server achieved promising performance in the first half of 2011. When compared to the same period last year, sales performance grew significantly by 87% over the figure of the same period last year. Gross margins have also been improved at a relatively greater extent.

Looking ahead towards the second half of 2011, we will be unswervingly dedicated to the customisation and innovation of products according to the needs of customers; In relation to the seven major industries including government, education, healthcare, security surveillance, rail transportation, broadcasting, and telecommunications, intensive efforts will be made to explore into each sub-sector of the market. For regional markets, alliances will be formed with channels; Meanwhile, our focus will be placed on the emerging cloud computing markets, with a view to seeking for more sales opportunities and sales space; We believe the Company will continue to bring sustainable business growth in 2011. We are positively optimistic about the business outlook in the second half of 2011.

Marketing

With the gradual warming of the cloud computing market, Powerleader stepped up its efforts on cloud computing, and established a strategic direction for cloud computing by upholding the philosophy of "China Cloud, Powerleader Cloud; China wins, Powerleader wins". In the first half of 2011, marketing and brand promotion efforts of Powerleader were mainly made on the horizons including Powerleader cloud computing technology, cloud products, and cloud solutions.

On the industry level, "MIIT_CSIP — Powerleader Application Innovation Centre" and "C3RC — Powerleader Joint Laboratory" were jointly established by Powerleader and the Centre for Software and Integrated Circuit Promotion (CSIP) of the Ministry of Industry and Information Technology. A strategic partnership was formed with Shenzhen Cloud Computing Industry Association. In addition, with the membership into China Internet of Things Technology Application and Promotion Alliance (中國物聯網應用與推進聯盟), we vigorously built our own strategic alliances for cloud computing. In respect of marketing, at the Intel IDF Forum, the third China Cloud Computing Conference and the second Shenzhen Cloud Computing Industry Summit, Powerleader has demonstrated its industry-leading cloud computing products and solutions, including cloud server products, as well as solutions for game cloud, acceleration cloud, and desktop cloud.

Honours :

- January 2011: Powerleader-Northeast Normal University High Performance Computing Case was granted an outstanding practice award, namely the “2010 Outstanding Practice Award for High Performance Computing”, by Storage Online in 2010.
- January 2011: 宝德计算机系统有限公司(Powerleader Computer System Co., Ltd.) was granted the 2010 Most Promising Growth Award by Shenzhen Computer Industry.
- February 2011: 宝德计算机系统有限公司(Powerleader Computer System Co., Ltd.) won the “2010 Award for the Best Server Brand”.
- February 2011: Powerleader Science & Technology Group Limited (宝德科技集团股份有限公司) was named the “2010 Award for Most Popular IT Brand”.
- March 2011: Powerleader Science & Technology Group Limited (宝德科技集团股份有限公司) received the “2010 Award for the Best Cloud Computing Platform Solution Provider”.
- March 2011: Powerleader’s PR2760T received the “2010 Award for the Most Competitive Cloud Computing Server Platform” from Zdnet.
- March 2011: Powerleader Group was identified as a “2011 Key Enterprise in Strategic and Emerging Industry in Guangdong Province”.
- April 2011: Powerleader was appointed as an authorized dealer of hard drive products for Western Digital.
- April 2011: Powerleader was appointed as an authorized dealer of hard drive products for Seagate.
- June 2011: Powerleader Technology was elected as the entity that holds the office of the Vice Chairman of China Internet of Things Technology Application and Promotion Alliance (中國物聯網應用與推進聯盟).

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

Invigorated by the continued rapid growth in the domestic economy and the strong demand for cloud computing applications, both the overall operating revenue and gross profit of the value-added distribution business for the first half of 2011 reported a substantial growth over the previous year. In particular, a strong growth was recorded for the value-added distribution business relating to cloud computing server component module solution product clusters, which is based on the Intel server component module product lines. Both the total sales revenue and gross profit jumped by over 60% when compared to the figure of the same period last year. Meanwhile, a speedy growth was also maintained for the value-added distribution and service business relating to high-end cloud computing servers and storage platform solutions product clusters, which is mainly based on Fujitsu servers and storage products lines. Both the gross margin and net profit margin of the value-added distribution business for the first half of the year increased dramatically over last year. In June, we entered into an agreement which authorized us to be a dealer of the full range of product lines for Laxer Media of Micro, thereby further broadening the product lines and better meeting the one-stop purchase needs of customers. Accordingly, we have provided customers with more comprehensive solutions.

Entering into the second half of 2011, we will unwaveringly uphold our philosophy of further specialising, strengthening and enlarging the value-added distribution business relating to cloud computing server components and module solutions, as well as the value-added distribution and service business relating to high-end cloud computing servers and storage platform solutions. The product clusters of cloud computing server components module solutions, which are based on the product lines of Intel server components as a core, will also be polished and broadened, so as to satisfy the one-stop purchase needs of customers and channel cooperative partners. We will continue to increase investment, as well as expand and improve domestic sales and service network, in order to further enhance our core competitive capabilities. We have strived to build ourselves into the most professional and powerful provider of cloud computing server components module solutions, as well as high-end cloud computing servers and storage platform solutions in the PRC.

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

Based on technology accumulation and convergence for more than three years, the Company constantly develops new technologies, and is committed to providing high performance cloud computing products and solutions. In the first half of 2011, Powerleader Software has successfully transformed from the traditional Internet business to the cloud computing business, and has achieved notable success in external operations. This success can be mainly illustrated in the following areas:

Game Cloud Platform:

Game cloud platform was begun to be developed by Powerleader Software Development Limited in 2010. It provides on-line game industry players with a readily available game server platform to run their games on the basis of cloud computing applications, and facilitates them to make flexible resources planning in respect of products according to their operational requirements. According to the needs of the business model and based on cloud computing, a wide range of efficient and convenient management interface services are provided to game operators and developers, including reloading, login, marketing, and customer services. At the same time, huge hardware resources have been devoted to support the normal operation of the platform. From the commencement of the operations on 10 June 2011 to the end of June, cooperation relationships have already been formed with five game developers and operators in respect of the platform, pursuant to which, the games developed by those developers and operators were operated on Kai Kai Game Cloud Platform (開開遊戲雲平台) (www.kk8848.com); More than 20 game producers have expressed their intended cooperation in respect of the game cloud platform, and have entered into the testing phase of the integration of the games and the platform.

Business Model

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

Investment of Hardware Facilities

Over 50 units of Hardware Facilities as a Server were invested for the game cloud platform in the first half of the year. This investment provided a basic guarantee for the normal commencement of the business operations. The continued expansion of the game cloud platform business will drive a more significant increase in the demand for servers; Moreover, with the commencement of the game cloud platform business, CDN resources were efficiently used and were strongly enhanced.

Prospect of Game Cloud Platform

We continued to extend a further reach in the game cloud platform by capitalizing on the foundation of the cloud computing. Resources management interface has become increasingly friendly, and has made a perfect combination with the current management background of vendors and operators. This combination enables users to complete multiple functions and services ranging from resource allocation and interface integration to data analysis on a one-stop basis, thereby diminishing and reducing users' threshold. This represented a total solution for solving the interference problem among game vendors and operators.

Acceleration Cloud Platform:

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

Prospect of Acceleration Cloud Platform

We will increase the number of nodes of the speed travel, such that the nodes of the speed travel accelerators will reach 200; We will also cooperate with vendors to carry out the free promotion of speed travel accelerators, thereby lowering and reducing users' consumption; Brand new user friendly functions were added to enhance the loyalty of speed travel users; The roll out of a new user interface will bring new visual effects for game vendors and users.

Cloud Resources Management Platform System

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

Through the introduction of the self-developed PowerCloud cloud computing operating system, the Company will further help fill the existing gaps in the country. In addition, the roll out of the self-developed cloud computing hardware products will provide an industrial and technological base from which a solution for the self-control of the two key aspects of cloud computing can be worked out.

Cloud Storage System

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

Desktop Cloud Solutions

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

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

Fund Management

The fund management department actively integrated the advantageous resources of each sector in the first half of 2011, in order to attain better co-ordination and support business development, and more importantly, to meet the funding needs arising from the growth in server business and INTEL distribution business. New liquidity facilities of RMB60,000,000 were secured from China Resources Bank of Zhuhai (珠海華潤銀行). New credit line of short-term bonds in the amount of RMB40,000,000 was secured from the Industrial Bank (興業銀行). Good cooperation and mutual trust relationships have also been established with other major banks, thus creating a favorable financing environment for the long-term development of the Company. In the second half of 2011, the priority of the fund management task is to further improve capital efficiency and reduce financial costs, thereby offering financial backup to finance the Company's business operations and project implementation.

Group Associated Company

In the first half of 2011, 深圳中青宝互动网络科技股份有限公司 (“中青宝”) (the Group’s associated company) recorded a turnover of approximately RMB43,698,000, representing an increase of about 21% when compared to the same period of 2010. The increase was mainly attributable to the roll out of new products and the gradual fruits arising from the expansion of overseas markets. Net profit attributable to ordinary shareholders of the Company was about RMB10,408,000, which fell about 31% when compared to the figure of the same period last year. The decrease was mainly due to the investment of a huge sum of advertising and promotion costs in the roll out of new products, and the rise in other related costs and expenses. Moreover, the decrease was due to the fact that the gains from new products were not readily reflected in the reporting period. On the basis of a self-developed innovative and new economic model, and through constant introduction of new products, 中青宝 is set to achieve prominent business growth. The Group, as the second largest shareholder of 中青宝, will share the enormous benefits brought by the rapid growth of 中青宝.

Government Affairs

In the first half of 2011, greater efforts have been made by the Government Affairs unit to apply for government project funding and awards. With cloud computing as a core, a number of accreditations and project funding were applied. In addition, we continued to carry out research cooperation with universities including East China University of Science and Technology (華東理工) and Shenzhen Institute of Advanced Technology (深圳先進院).

In January 2011, Powerleader Computer was identified as an enterprise with harmonious labour relations in Shenzhen in 2010;

In January 2011, Powerleader Software’s “speed travel network accelerator” products were identified as high-tech products in Guangdong Province;

In January 2011, Powerleader Computer “Powerleader powerful cloud computing server technology and production line transformation” passed through the technological transformation filing and record procedures in Shenzhen;

In March 2011, Powerleader Software “Powerleader Powersoft Load Equalizer” was accepted as a National SME Technology Innovation Fund Project by the Ministry of Science and Technology;

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

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

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

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

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

In the second half of 2011, the Ministry of Public Service (公共事務部) will continue to apply for new funding and honour, and sum up the strengths and weaknesses of the tasks that were done in the first half of the year. Government information will be collected. Projects will be implemented on time and according to quality standards, so as to build an upgraded brand image for Powerleader. Technological cooperation with universities and R&D institutions was also further fortified, thus adding fresh impetus for the technological innovation of Powerleader.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, current assets of the Group amounted to about RMB994,239,000 (31 December 2010: RMB961,871,000) which mainly included deposits and cash of RMB331,212,000 (31 December 2010 : RMB341,738,000), inventory of RMB226,132,000 (31 December 2010: RMB148,844,000), and trade and bills receivables of RMB339,472,000 (31 December 2010: 384,983,000). On the other hand, current liabilities of the Group amounted to RMB827,751,000 (31 December 2010: RMB854,424,000), which mainly included bank loans and other borrowings of RMB560,528,000 (31 December 2010: RMB607,449,000) and trade and bills payables of RMB205,081,000 (31 December 2010: RMB178,257,000).

The gearing ratio, calculated on the basis of total liabilities of the Group over total assets value of the Group, was lowered from 62.73% as at 31 December 2010 to 60.92% as at 30 June 2011.

EMPLOYEE INFORMATION

As at 30 June 2011, headcount of the Company was approximately 635 (30 June 2010: approximately 580). The total staff costs amounted to RMB12,195,000 for the Six Months Period compared to RMB10,980,000 for that of the corresponding period in 2010.

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

CURRENCY RISK

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

CONTINGENT LIABILITIES

As at 30 June 2011, the Directors were not aware of any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

On 17 February 2011, the Company and Powerleader Investment entered into a share transfer agreement relating to 潮商小額貸款公司 (Mini Credit of Shenzhen Chaoshang Commerce Chamber Co., Ltd.*) (“Mini Credit”), pursuant to which the Company agreed to sell and Powerleader Investment agreed to purchase an approximately 30.07% equity interest in Mini Credit at a consideration of RMB56,880,000 subject to the terms of the agreement. The agreement was approved at the Extraordinary General Meeting held on 20 May 2011 and the share transfer was completed in July 2011. Upon completion of the share transfer, the Company will no longer have any shareholding interest in Mini Credit.

On 17 February 2011, Powerleader Science & Technology (H.K.) Limited (宝德科技 (香港) 有限公司) (“Powerleader HK”) (a wholly owned subsidiary of the Company) entered into a share transfer agreement relating to Ex-Channel with Mr. Dong Weiping (“Mr. Dong”) (a director of the Company), pursuant to which Mr. Dong agreed to sell a 10% equity interest in Ex-Channel to Powerleader HK at a consideration of HK\$8,800,000 subject to the terms of the agreement. The agreement was approved at the Extraordinary General Meeting held on 20 May 2011 and was completed in July 2011.

On 17 February 2011, Powerleader HK entered into the Ex-Channel Share Transfer Agreement with Top Pioneer Limited (“TPL”) (a controlled corporation of Mr. Li), pursuant to which TPL agreed to sell a 10% equity interest in Ex-Channel to Powerleader HK at a consideration of HK\$8,800,000 subject to the terms of the agreement. The agreement was approved at the Extraordinary General Meeting held on 20 May 2011 and was completed in July 2011.

INTERIM DIVIDEND

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

DIRECTORS' AND SUPERVISORS' INTERESTS OR SHORT POSITIONS IN EQUITY OR DEBT SECURITIES

At as 30 June 2011, the interests or short positions of the directors and supervisors of the Company in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under provisions of the FO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

(a) Shares of the Company

Name of director	Number of Domestic Shares held by a controlled corporation	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Mr. Li (<i>Note 1</i>)	1,021,845,000	45.26%	61.93%
Ms. Zhang (<i>Note 1</i>)	1,021,845,000	45.26%	61.93%

Note:

- (1) Mr. Li is the husband of Ms. Zhang. They hold in aggregate 1,021,845,000 Domestic Shares through Powerleader Investment Holding Company Limited which is held by Mr. Li and Ms. Zhang as to 87.5% and 12.5% respectively.

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

Name of director	Beneficial owner	Number of shares held by controlled corporation	Total	Approximate percentage of the issued share capital of Ex-channel Group Limited
Mr. Li	—	3,000,000	3,000,000	10%
Dong Weiping	3,000,000	—	3,000,000	10%

Note 1: Ex-channel Group Limited is a 80% indirectly owned subsidiary of the Company.

Note 2: On 17 February 2011, Powerleader HK (a wholly owned subsidiary of the Company) entered into a share transfer agreement relating to Ex-Channel Group Limited (宝通集团有限公司) ("Ex-Channel") with Mr. Dong (a director of the Company), pursuant to which Mr. Dong agreed to sell a 10% equity interest in Ex-Channel to Powerleader HK at a consideration of HK\$8,800,000 subject to the terms of the agreement. The agreement was approved at the Extraordinary General Meeting held on 20 May 2011 and was completed in July 2011.

Note 3: On 17 February 2011, Powerleader HK entered into the Ex-Channel share transfer agreement with Top Pioneer Limited (“TPL”) (a controlled corporation of Mr. Li), pursuant to which TPL agreed to sell a 10% equity interest in Ex-Channel to Powerleader HK at a consideration of HK\$8,800,000 subject to the terms of the agreement. The agreement was approved at the Extraordinary General Meeting held on 20 May 2011 and was completed in July 2011.

Note 4: Upon completion of the various Ex-Channel share transfer agreements, Ex-Channel will be wholly owned by Powerleader HK.

Save as disclosed above, as at 30 June 2011, none of the directors or supervisors of the Company had any interests or short positions in any shares, underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have 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 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS’ AND SUPERVISORS RIGHTS TO PURCHASE SHARES OR DEBENTURES

As at 30 June 2011, 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 and its subsidiaries, or had exercised any such right.

SHARE OPTION SCHEME

Up to 30 June 2011, the Company has not adopted any share option scheme nor granted any option.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2011, the Directors are not aware of any other interests and short positions in shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Long positions in Domestic Shares

	Number of Shares	Capacity	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Powerleader Investment Holding Company Limited (<i>Note</i>)	1,021,845,000	Beneficial owner	45.26%	61.93%

Note: Powerleader Investment Holding Company Limited, a limited liability company established in the PRC, which is held by Mr. Li and Ms. Zhang, as to 87.5% and 12.5% respectively, holds in aggregate 1,021,845,000 Domestic Shares.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Directors have confirmed that the Group was not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 15 of the Rules governing the listing of securities on the GEM for the six months period.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Six Months Period.

By order of the Board
Li Ruijie
Chairman

Shenzhen, PRC
12 August 2011

As at the date hereof, the Board comprises a total of 10 directors, including Mr. Li Ruijie, Mr. Dong Weiping, Ms. Zhang Yunxia and Mr. Ma Zhumao as executive directors, Mr. Sun Wei, Mr. Wang Lixin and Mr. Li Donglei as non-executive directors, Mr. Jiang Baijun, Dr. Guo Wanda and Mr. Chan Shiu Yuen, Sammy as independent non-executive directors.