



宝德科技集团股份有限公司

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

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

**(Stock code: 8236)**

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

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

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

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

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

\* For identification purpose only

## FIRST QUARTERLY RESULTS

The Board hereby announces the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2012 (“Three Months Period”) together with comparative unaudited figures for the corresponding period in 2011 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March	
		2012	2011
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	340,790	291,364
Cost of sales		(296,319)	(255,720)
Gross profit		44,471	35,644
Other income	4	8,987	4,801
Distribution costs		(7,731)	(6,268)
Administrative and other expenses		(10,388)	(10,594)
Finance costs		(11,015)	(5,447)
Share of profit from an associate		279	1,015
Profit before taxation		24,603	19,151
Taxation	5	(4,185)	(3,270)
Profit for the year and total comprehensive income for the year		20,418	15,881
Profit and total comprehensive income attributable to:			
Non-controlling interests		20,472	13,762
Owners of the Company		(54)	2,119
		20,418	15,881
Earnings per share			
Basic and diluted		RMB0.84 cent	RMB0.61 cent

## Notes:

### 1. GENERAL

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

The Group is a cloud computing solutions supplier in the PRC with self-innovation capability; it operates in the PRC and Hong Kong, and is mainly engaged in (i) Infrastructure as a Service (IaaS) — development, manufacturing and sale of server system solutions related hardware; (ii) Module as a Service (MaaS) — cloud computing equipments related components value added agency distribution; and (iii) Software and Platform as a Service (SaaS & PaaS) — development and services of cloud computing related software and platform.

### 2. PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, and are prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair values.

The accounting policies adopted in preparing the unaudited consolidated statement of comprehensive income for the three months ended 31 March 2012 are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31 December 2011.

### 3. TURNOVER

Turnover represents the amounts received and receivables for services provided and goods sold to customers, net of returns and allowances. Turnover recognised for the three months ended 31 March 2012 together with comparative unaudited figures for the corresponding period in 2011 are as follows:

	Three months ended 31 March	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
IaaS	119,482	103,053
MaaS	220,993	187,869
SaaS & PaaS	315	442
	<u>340,790</u>	<u>291,364</u>

### 4. OTHER INCOME

	Three months ended 31 March	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government subsidies for technology improvement on servers	5,166	922
Interest income from bank deposits	266	458
Exchange gain	—	79
Service income	2,045	2,405
Other income	1,510	937
	<u>8,987</u>	<u>4,801</u>

## 5. TAXATION

	Three months ended 31 March	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
PRC Income Tax	1,339	1,387
Hong Kong Profit Tax	2,846	1,883
	<hr/>	<hr/>
	4,185	3,270
Deferred tax	—	—
	<hr/>	<hr/>
	4,185	3,270
	<hr/> <hr/>	<hr/> <hr/>

The Company, being an enterprise established in Shenzhen Special Economic Zone in the PRC, was recognised as State High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal Office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2009 and is subject to EIT rate of 15% since year 2009. In accordance with the relevant rules and regulations in the PRC, except for Shenzhen Powerleader Computer System Co., Ltd. (深圳市宝德計算機系統有限公司) (“Powerleader Computer”) and Powerleader Software Development Limited (深圳市宝德軟件開發有限公司) (“Powerleader Software”), all other PRC subsidiaries are subject to the EIT at a rate of 25% for the period ended 31 March 2012 (for the period ended 31 March 2011: 25%).

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

Powerleader Computer was recognised as a State High and New Technology Enterprise by Shenzhen Bureau of Science Technology and Information, Shenzhen Bureau of Finance, Shenzhen Municipal Office of the State Administration of Taxation and Local Taxation Bureau of Shenzhen Municipality in 2008. The income tax rate of 15% is applied to Powerleader Computer for the period ended 31 March 2012 (for the period ended 31 March 2011: 15%).

Pursuant to an approval document “Shen Guo Shui Bao Guan Jian Mian Bei An 2009 No. 4” (深國稅寶觀減免備案2009第4號) dated 11 May 2009 issued by the State Tax Bureau of Baoan District, Shenzhen, Powerleader Software is qualified as a software enterprise and entitles to EIT exemption for the years 2009 and 2010 and a 50% reduction in EIT for the years from 2011 to 2013.

Hong Kong profit tax is calculated at 16.5% of the estimated assessable profit for the Three Months Period (three months ended 31 March 2011: 16.5%).

## 6. DIVIDEND

The Directors did not recommend the payment of an interim dividend for the Three Months Period.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to the owners of the Company of approximately RMB20,472,000 (three months ended 31 March 2011: approximately RMB13,762,000) and the weighted average number of 2,430,000,000 shares (2011: 2,257,500,000 shares) in issue during the three months.

Diluted earnings per share is the same as basic earnings per share because the Company had no dilutive potential shares for the Three Months Period (three months ended 31 March 2011: nil).

## 8. SHARE CAPITAL

	As at 31 March 2012 <i>Number of Shares</i>	As at 31 December 2011 <i>Number of Shares</i>	As at 31 March 2012 <i>RMB'000</i>	As at 31 December 2011 <i>RMB'000</i>
Authorised, issued and fully paid				
Domestic shares of RMB0.1 each	1,822,500,000	1,650,000,000	182,250	165,000
H Shares of RMB0.1 each	607,500,000	607,500,000	60,750	60,750
	<u>2,430,000,000</u>	<u>2,257,500,000</u>	<u>243,000</u>	<u>225,750</u>

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.

## 9. RESERVES

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2011	—	49,921	—	248,193	21,015	319,129
Profit for the period	—	—	—	13,762	2,119	15,881
Acquire equity from non- controlling Shareholders	—	(333)	—	—	(5,246)	(5,579)
As at 31 March 2011	<u>—</u>	<u>49,588</u>	<u>—</u>	<u>261,955</u>	<u>17,888</u>	<u>329,431</u>
As at 1 January 2012	25,875	53,786	(1,949)	318,584	211	396,507
Profit for the period	—	—	—	20,472	(54)	20,418
As at 31 March 2012	<u>25,875</u>	<u>53,786</u>	<u>(1,949)</u>	<u>339,056</u>	<u>157</u>	<u>416,925</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2012, Powerleader Technology Group has put forward a strategic positioning to grow into “a cloud computing solutions supplier in the PRC with self-innovation capability”. The Group carries out its businesses leveraging on its profound R&D technology, extensive R&D in-house experience, strong R&D team, rigorous R&D management system and wide customer reach over the years, and on the basis of the three major business scopes of cloud computing solutions, namely Cloud Infrastructure as a Service (IaaS), Module as a Service (MaaS) and Software and Platform as a Service (SaaS & PaaS). In respect of IaaS, the Group developed comprehensive server solutions including server navigation systems, HPC management systems, virtualisation and cloud computing. We strived to promote the industry-wide applications in IPDC, security, monitoring, education, government, healthcare, taxation, transportation and energy sectors. In relation to MaaS, the Group continued to expand the value-added cloud computing server related components agency distribution business. On front of SaaS & PaaS, we established a cloud computing platform to significantly enhance the online value-added business. The Company made a good start working the strategy of vertically integrating the cloud computing upstream and downstream industry chain, including the Internet, video storage and regional healthcare. Looking forward, the Company would consolidate cloud computing technology, marketing, channels and customer resources, and thus control various sub-sectors of cloud computing through strategic investment. We then could ensure our authority in the area and acquiring of dominant position in each sub-sector of the market by our group companies, so as to substantially improve the profitability of the Company’s principal business. Under the worldwide trend of cloud computing, Powerleader enjoys a unique competitive position by being able to serve different roles at the same time, namely, cloud infrastructural equipments provider, cloud module provider, cloud software and platform provider.

## FINANCIAL REVIEW

Turnover of the Group for the Three Months Period amounted to approximately RMB340,790,000, representing an increase of 17% as compared to RMB291,364,000 in the same period of 2011. The increase in turnover was attributable to the growth of the Group’s principal activities namely, IaaS, which grew by 16%; and MaaS, which grew by 18%.

Consolidated gross profit margin of the Group for the Three Months Period was approximately 13.05%, representing a slight increase compared to that of approximately 12.2% for the same period in 2011, which was mainly attributable to new products introduced by the Company commanded a relatively higher margin.

The Group’s distribution costs and administrative and other expenses increased by approximately 7.5% to RMB18,119,000 from RMB16,862,000 of the corresponding period last year, which was mainly attributable to the Company’s increased spending on distribution as well as research and development (R&D).

## **BUSINESS REVIEW AND PROSPECT**

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

The first quarter of 2012 saw mixed signals from the server market in general. While market demand remained strong as a whole (driven by purchases from government bodies and business expansion of Internet-based enterprises), revenue and earnings of the major server manufacturers suffered different degrees of decline due to shortage in hard disk supply and the fierce market competition that was further intensified by product assimilation. Under this background, Powerleader's server solutions business recorded a 17% year-on-year gain in operating income, with gross profit increased by more than 25%. Such remarkable results were attributable to our prompt response to market development by focusing on security monitoring and other new market segments with prominent prospects since as early as last year, and our sales performance in the first quarter was satisfactory. On the other hand, focusing on the original dominant industry like Internet and OEM Company. We successfully defended our leading position in a fiercely competitive market by deploying resources in a selective and discriminating manner into market segments where we had been able to compete to our strength the most.

On product front, we insisted on keeping ahead of user needs and catering for user applications. The customization of products was conducted according to this principle. With upgrades and innovations along with the differentiated customization, we continuously enhanced the competitive edges of Powerleader servers in the ferocious market.

In the first quarter of 2012, cloud computing business module of the Company rolled out the total solutions and exclusive products. Endeavours were made to promote sales training, increase market awareness, and strengthen sales promotion of education clouds, animation clouds and desktop clouds. We succeeded in building a cloud platform for users of the Guangdong education sector, thereby driving a growth in the overall sales of products.

Looking ahead into the second quarter, with overall market demand to eventually slow down, the operating environment of the IaaS business will become more challenging. As to market segments, the Company shall gear up its process to draw up blueprints of development for various industries, which will be divided into various divisions according to the regions they are submitted to, and to organise industry-focused teams which will co-ordinate closely with each others, and to take up the responsibility of implementing the Company's blueprint of development for the relevant industries. While consolidating our competitive edges in those markets where we have always been doing well, we shall also commit ourselves to markets with promising future such as security monitoring so as to ensure our sales revenue to continue to grow. Product-wise, Powerleader intends to capitalise on the opportunity arising from the ongoing introduction of the INTEL E5 series to the market to further enrich our product line, to create a lively environment for product evolution and innovation for enhancing our competitiveness, and make this to be in alignment with market development. In this way, we shall pave the way for sales revenue and profit growth in the second quarter.

## **Marketing**

For the first quarter of 2012, marketing effort for the server business had been chiefly conducted on the basis of the Group's underlying strategy on cloud computing, and in consistence with our position that Powerleader Servers shall form the IAAS layer in Powerleader's cloud computing framework. Accordingly, a comprehensive promotion campaign was launched to publicise the development and technological advancement of Powerleader Servers in the area of cloud computing.

Riding on the occasions of the presentation of Intel Romley platform and the Sandybridge CPU, the entire line of Powerleader Cloud Servers were upgraded to adopt the latest platform and CPU. We launched an extensive marketing campaign for the new server product, emphasizing on its intelligence, low energy consumption, high efficiency and expandability. On 8 March, Powerleader Servers hosted a grand presentation and conference in Shenzhen to announce the roll out of its self-developed server products, as well as to share about our marketing strategy for 2012. The conference title was “芯起雲湧，宝德自強”，(Introducing Powerleader's self-developed CPU and Cloud Computer Products). It was immediately followed by an exclusive product rollout and case study session on such visible products as PR2510V, PR2012SV, PR2750V etc.

Further effort were also dedicated to marketing activity targeting the video security monitoring industry, where Powerleader Servers had hosted several product-based training sessions specifically for the video monitoring industry. It also organised a marketing campaign in Shenzhen on 30 March with the title “攜手同行，引航安防” (Powerleader and the security monitoring business work together to steer the industry towards a bright future). The event was part of Powerleader's 2012 nationwide video monitors and solutions road show. The campaign received good response from the market. There will be other, similar promotion campaigns to be held in other major regional sales centres in the country.

In view of asserting our business partners and customers with greater confidence, and further enhancing the brand value of Powerleader, we had also run promotional activities in related solutions and case studies on successful application focusing on segments of government, Internet and education.

### **Honours:**

January 2012: Powerleader Computers was awarded “Most Admired Server Brand by Network Administrators 2011”

January 2012: Powerleader PR2012NS Server was awarded “Best Server on Innovation Aspect 2011”



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

Benefited from the growing popularity of cloud computing data centres in Mainland China and the gradual emancipation of demand in public and private cloud computing applications in various industries, demand for cloud computing infrastructure construction module solutions continued to be strong. During the first quarter of 2012, both the overall operating revenue and gross profit of the value-added distribution business reported reasonable year-on-year growth, with sale performance of the cloud computing data centre server component module solutions product cluster based on the Intel Server processors, and the value-added distribution business of cloud storage module solutions product cluster based on SSD solid state hard disk being the most spectacular. The total sales revenue increased by more than 18% year-on-year, and gross profit increased by more than 20% year-on-year. In the first quarter of 2012, we further improved and broadened the product lines and better met the one-stop purchase needs of customers. Accordingly, we had provided customers with more completed, comprehensive and more flexible cloud computing and cloud storage module solutions.

Adhering to our belief of becoming a specialized, stronger and bigger player of cloud computing and cloud storage module solutions value-added distribution business, in the second quarter of 2012, we have further polished and optimized the cloud computing server component module solutions product cluster based on the Intel Server processors, and the cloud storage module solutions product cluster based on SSD solid state hard disk, thereby better meeting the one-stop purchase needs of industrial customers and channel partners. We will continue to increase and improve the domestic sales and service outlets and further enhance our capability to solutions services. We will endeavour to grow Ex-Channel into the most professional and influential provider of cloud computing and cloud storage module solutions.

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

Compared to the fourth quarter of last year, in the first quarter of 2012, the three business segments in Powerleader Software did not see significant breakthroughs, but there were adjustments made in the major business segments. For the second quarter immediately followed, speed travel accelerators and, to a lesser extent, game cloud and solutions, will be the focus of development, striving for further development in the second quarter.

In 2012, focal point of promotion for the game cloud segment has been shifted from brand building to offering refined product selections. The concept of game cloud had risen to prominence and attracted greater media attention than the last quarter. Significant adjustments will be made to the game cloud platform in the second quarter. In addition to introducing new products, the Company will seek for cooperation with vendors in respect of sales and leases of cloud servers, and provide flexible resource deployment of products based on operational needs.

The speed travel segment raised its total number of nodes to 40, with 13 virtual nodes and 27 physical nodes. Starting from December 2011 up to 25 March this year, speed travel charges base on nodes, while the basis of charge was revised to time intervals since 26 March as the recharging result was unsatisfactory. As the number of downloads increased instead of decrease, recharge levels recorded remarkable improvements. The Company plans to upgrade 4 versions in the second quarter and introduce internet acceleration function in May so as to facilitate inter-network and cross-border access, and also to introduce certified servers version at the same time. As to business cooperation,

the Company will implement sharing cooperation with the vendors, focusing on customized versions and implanted in-depth cooperation, with an aim to enhancing proportion of recharge service users and raising revenues.

The Cloud computing development centre realised the 5 major functions in development on the virtualized platform during the first quarter. We completed the relevant product research and development report and prepared research and development documents according to the function requirements of different versions of the products so as to process the product research and development in accordance to the product development procedures. The centre had also developed a product sales system software for Powerleader Computer. In the second quarter, the centre will not only continue to virtualize all main functions of the platform, but also commence relevant cooperation focusing on cloud computing terminals. The centre will look for potential manufacturers for cooperation so as to develop and research the android version of remote connection tool and the wince version of remote desktop software.

### **Capital management**

In the first quarter of 2012, in order to cope with complicated financial and economic trends, the Company further enhanced its financing capabilities and efficiency of capital utilisation, actively consolidated the strength in resources, adjusted existing financing structure and currencies mix, and improved efficiency of trade finance facility utilisation, for the purpose of reducing the Company's finance cost. While expanding and maintaining external financing channels, the Company has maintained strict cost accounting and further promoted the consciousness of financial costs of its operating subsidiaries.

In the second quarter of 2012, the company will prepare the issue of debentures in order to optimize our debt structure.

### **Associates of the Group**

Shenzhen Zhongqingbao Interaction Network Co., Ltd. (深圳中青宝互动网络股份有限公司) ("Zqgame"), an associate of the Group, registered a turnover of approximately RMB30,723,000 and the net profit attributable to its common stock holders of approximately RMB1,821,000 during the first quarter of 2012, representing a decrease of 73% as compared to the corresponding period of last year. The decrease was mainly due to the substantial investment in advertising along with the roll out of new products and increase in other costs. However, the benefits of the new products were not yet reflected during the reporting period. With its original and innovative 'neo-economic' business model, Zqgame is set to attain promising growth in results with the continued roll out of new products.

## **Government Affairs**

In the first quarter of 2012, greater effort had been continuously made by the Company in application for government project funding and awards. It had secured a number of qualification accreditations and project funding, and successfully passed the inspection and acceptance procedures of various research project, with cloud computing as the core content. For external cooperation, the Company continued working with institutes like East China University of Science and Technology and Loongson Technology, and R&D institutions in the development of scientific and technology, introducing skilled professionals and advanced technology.

In January 2012, Powerleader Technology Group received a grant from Shenzhen SMEs domestic market.

In February 2012, Powerleader Computer passed the “Level-IV Computer Information System Integration Qualification” certification.

In February 2012, Powerleader Technology Group was awarded “Outstanding Contribution Award” by the Information Industry Association.

In March 2012, Powerleader Technology Group passed the “Guangdong Province Cleaner Production Enterprise” certification.

In the second quarter of 2012, the Company will continue to apply for new funding and honours, and to raise the passing rate of application. We will also conduct an overall review of the strengths and weaknesses on the tasks done in the first quarter. Government information will be collected. Project submissions will be implemented on time and up to standards, so as to build an upgraded brand image for Powerleader. Technological cooperation with universities and research institutions will also be fortified, thus adding fresh impetus for the technological innovation of Powerleader.

## **DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES AND DEBT SECURITIES**

As at 31 March 2012, the interests or short positions of the directors, supervisors and chief executive of the Company and their respective associates in the shares and debentures or underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), which were required 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 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 as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules notified to the Company and the Stock Exchange relating to securities transactions, underlying shares and debt securities were as follows:

## Shares of the Company

Name of Directors	Number of the Company's Domestic Shares held	Approximate percentage of the Company's issued share capital	Approximate percentage of the Company's issued Domestic Shares
Li Ruijie ( <i>Note</i> )	1,021,845,000	42.05%	56.07%
Zhang Yunxia ( <i>Note</i> )	1,021,845,000	42.05%	56.07%

*Notes:* Mr. Li Ruijie is the husband of Ms. Zhang Yunxia. 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.

Save as disclosed above, as at 31 March 2012, none of the directors, supervisors or chief executive and their respective associates had any interests or short positions in any shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which 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 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 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 and debt securities transactions.

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

As at 31 March 2012, the Company or any of the 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 corporates, and none of the directors or the supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## SHARE OPTION SCHEME

As at 31 March 2012, the Company has not adopted any share option schemes and did not grant any options.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2012, the Directors are not aware of any other interests or short positions in any shares and debentures or underlying shares of substantial shareholders of the Company and other persons, which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were 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 ( <i>Note</i> )	1,021,845,000	Beneficial Owner	42.05%	56.07%
深圳市恒通達遠電子有限公司	239,580,000	Beneficial Owner	9.86%	13.15%
哈爾濱世紀龍翔科技開發有限公司	159,637,500	Beneficial Owner	6.57%	8.76%
北京雅利安達科技發展有限公司	125,642,500	Beneficial Owner	5.17%	6.89%

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

## COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, initial management shareholders or any of their respective associates (as defined in GEM Listing Rules) of the Company had any interests in any businesses which compete or may compete with the businesses of the Group or any other conflicts of interest which any such person may have with the Group as at 31 March 2012.

## THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the three months ended 31 March 2012, with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

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

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

## AUDIT COMMITTEE

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

## PURCHASE OR REDEMPTION OF SECURITIES

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

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

Shenzhen, PRC, 10 May 2012

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