



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 2013**

**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 2013 (“Three Months Period”) together with comparative unaudited figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 31 March

	<i>Notes</i>	2013 RMB'000 (Unaudited)	2012 <i>RMB'000</i> (Unaudited)
Turnover	3	327,749	340,790
Cost of sales		(285,311)	(293,319)
Gross profit		42,438	44,471
Other income	4	9,088	8,987
Distribution costs		(9,432)	(7,731)
Administrative and other expenses		(11,510)	(10,388)
Finance costs		(9,233)	(11,015)
Gain on disposal of investment classified as held for sale		2,000	—
Change in fair value of derivative financial instrument		(152)	—
Share of profit from an associate		589	279
Profit before taxation		23,788	24,603
Taxation	5	(1,659)	(4,185)
Profit for the period and total comprehensive income for the year		22,129	20,418
Profit and total comprehensive income attributable to:			
Owners of the Company		22,153	20,472
Non-controlling interests		(24)	(54)
		22,129	20,418
Earnings per share			
Basic and diluted		RMB0.91 cent	RMB0.84 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) Cloud Infrastructure as a Service (IaaS) — providing cloud server and cloud storage related equipment as well as their related solutions; (ii) Cloud Module as a Service (MaaS) — providing cloud computing equipment related components R&D, design, manufacturing and sales, as well as cloud computing equipment key components agency distribution and related value-added services; 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 2013 are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31 December 2012.

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 2013 together with comparative unaudited figures for the corresponding period in 2012 are as follows:

	Three months ended 31 March	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cloud Infrastructure as a Service (IaaS)	105,924	119,482
Cloud Module as a Service (Maas)	221,573	220,993
Software and Platform as a Service (SaaS & PaaS)	252	315
	327,749	340,790

4. OTHER INCOME

	Three months ended 31 March	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government subsidies for technology improvement on servers	5,091	5,166
Interest income from bank deposits	67	266
Exchange gain	546	—
Service income	1,159	2,045
Other income	2,225	1,510
	<u>9,088</u>	<u>8,987</u>

5. TAXATION

	Three months ended 31 March	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Tax comprises:		
PRC Income Tax (credit)/charge	(87)	1,339
Hong Kong Profit Tax	1,746	2,846
	<u>1,659</u>	<u>4,185</u>
Deferred tax	—	—
	<u>1,659</u>	<u>4,185</u>

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. (深圳市宝德计算机系统有限公司) (“Powerleader Computer”) and Powerleader Software Development Limited (深圳市宝德软件开发有限公司) (“Powerleader Software”), all other PRC subsidiaries are subject to the EIT at a rate of 25% for the period ended 31 March 2013 (for the period ended 31 March 2012: 25%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the PRC for unified tax rate arrangements among different types of the PRC entities which results in a 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 2013 (for the period ended 31 March 2012: 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 2012: 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 RMB22,153,000 (three months ended 31 March 2012: approximately RMB20,472,000) and the weighted average number of 2,430,000,000 shares (2012: 2,430,000,000 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 2012: nil).

8. SHARE CAPITAL

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

Pursuant to the articles of association of the Company, except for the currency in which dividends are 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 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>
As at 1 January 2013	25,875	57,268	(1,945)	381,696	157	463,051
Profit for the period	—	—	—	22,153	(24)	22,129
As at 31 March 2013	<u>25,875</u>	<u>57,268</u>	<u>(1,945)</u>	<u>403,849</u>	<u>133</u>	<u>485,180</u>

MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2013, the Company set a clear strategic positioning goal of growing into “a leading cloud computing solutions provider of autonomous innovation capability throughout China”. Armed with our hallmarks in a number of aspects such as solid R&D technology of software and hardware, extensive experience in autonomous R&D, a competent team of R&D personnel and a strict R&D management system coupled with a wide customer base over the years, we offer an entire range of cloud computing solutions and services stretching across five key business sectors that are engaged by a cloud computing solutions and services provider: namely, Cloud Infrastructure as a Service (IaaS), Cloud Module as a Service (MaaS), Software as a Service (SaaS), Platform as a Service (PaaS), Client as a Service (CaaS).

Firstly, we vigorously developed Cloud Infrastructure as a Service (IaaS), including related equipment such as high-end cloud servers and cloud storage, server navigation system, HPC management system, virtualization solutions and services. We strived for promoting widespread applications across industry-wide spectrums including IPDC, security, surveillance, education, government, health care, taxation, transportation and energy.

Secondly, we continued to expand Cloud Module as a Service (MaaS). Efforts were made to strengthen the R&D and design of cloud computing equipment related components, and to enrich self-branded cloud module product offerings. We also strengthened sales management, expanded the varieties of cloud computing equipment key components agency distribution, while offering added services of higher value for our working partners.

Thirdly, we stepped up the development and improvement of Software and Platform as a Service (SaaS & PaaS). We also energetically promoted the sales of cloud platforms, and built software and platforms into cloud computing applications with strong influence across Mainland China.

In light of the global wave of cloud computing, the Company is blessed with a unique competitive strength by, amongst others, simultaneously playing five multiple roles as a cloud equipment provider, a cloud solution provider, a cloud software provider, a cloud platform provider, and a cloud customer-end provider. In the future, the Company will capitalize on its brand advantage as a “Famous Trademark in China”. Through strategic investment and intensive integration of resources including cloud computing technology, markets and channels, we are set to blossom into an unparalleled player with competitive edges across the industry chains, so as to stay in the top spot in the industry.

FINANCIAL REVIEW

For the three-month period, the Group recorded a turnover of approximately RMB327,749,000, which decreased slightly by 3.83% when compared to that of RMB340,790,000 during the same period in 2012. The consolidated gross profit margin of the Group stood at 12.95%, which remained basically flat as compared to the gross profit margin of 13.05% during the same period in 2012.

The operating expense and administrative and other expense of the Group was RMB20,942,000, representing an increase of 15.58% when compared to RMB18,119,000 during the same period last year. The increase was mainly attributable to the strengthened marketing efforts and enhanced R&D investment made by the Company.

BUSINESS REVIEW AND PROSPECT

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

In the first quarter of 2013, along with the slowdown in GDP growth of China's economy, there was a decrease in the Company's revenue from sales of cloud servers and cloud storage related equipment as well as their related solutions. The decrease was mainly due to the focused efforts extended by us to carry out product development of cloud servers and cloud storage related equipment as well as their related solutions, to enhance cloud computing solutions, to boost the competitiveness of products, to improve solutions, reinforce sales management system, to make a reasonable adjustment of the performance appraisal and incentive system, and to actively optimize internal office management model, so as to lead us ahead of the fierce market competition. We expect that all these efforts would be paying off for us to reap fruitful results in both vertical expansion and regional horizontal integration strategies for each of the sub-sectors of the market in the second quarter of the year.

Marketing Promotion

In the first quarter of 2013, the marketing efforts made for cloud servers and cloud storage related equipment as well as their related solutions were essentially based on three major aspects, stretching across cloud computing solutions, security monitoring through completely autonomous quad-route fault-tolerant cloud servers PR4840R (the world's pioneering launch), respectively. With these three major products as the cored focus, the Company has stepped up its marketing efforts by way of advertising, public relations, and offline campaigns.

In connection with cloud computing solutions, thanks to the successful applications of Powerleader Desktop Cloud/Education Cloud in promoting cases, we managed to retain the exposure and reputation of Powerleader cloud computing solutions.

On the front of security monitoring, the "Press conference for new products and surveillance carriers in security monitoring industry" was successfully held on 29 March 2013. Witnessed by customers, media and partners, Powerleader's surveillance carriers were officially put into commission, and enabled Powerleader to tie up working relationship with more partners, thus making a great step into the surveillance industry.

The promotion efforts made for completely autonomous quad-route fault-tolerant cloud servers PR4840R (the world's pioneering launch) was started with a press release in 2012, followed by a focus on the strengthening of their applications in the industry during the first quarter of 2013, in an effort to fully tap into the high-end applications of each sector of the industry.

Moreover, in the first quarter of 2013, taking advantage of the Group's cloud servers in the aspect of mass storage servers, we have made another success in dedicating emphasized promotion efforts. Company-wide efforts were made to thoroughly introduce and promote a family of the latest small giant products through updates of family products, releases of unique products in the industry and awards of products. All these moves have served Powerleader well for it to pursue for steady development of its cloud servers in the IPDC industry.

Honours:

In January 2013: Powerleader Technology was awarded the “Special Contribution Award of the Private Economy in Guangdong Province”

In February 2013: Powerleader PR2015RS servers won the “Product Innovation Award of the Year in China Cloud Computing Storage Product Market”

Cloud Module as a Service (MaaS) — providing cloud computing equipment related components R&D, design, manufacturing and sales, as well as cloud computing equipment key components agency distribution and related value-added services

Fuelled by the robust growth of the demand for high-performance computing applications in Mainland China and the continued development of cloud computing application markets across various regions, the overall operating revenue from this business segment in the first quarter of 2013 outperformed that of the same period last year in terms of more promising sales results and more desirable sales volume. In the second quarter of the year, the Company will enhance inventory management, optimize product structure, expand product mix and improve the relevant value-added services, in order to better meet the one-stop purchase demand from partners and provide customers with increasingly comprehensive and efficient solutions.

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

Building on our technology and experience in software development over the years, we are pursuing our R&D even further into the improvement of cloud computing technology-related software and platforms. During the first quarter of 2013, the Company has started to promote Powerleader’s cloud platforms and to provide customers with on-demand cloud computing platform services on a quantitative, flexible configuration and scalable basis, with a vision to assist the Chinese enterprises in entering the cloud era.

Fund Management

During the first quarter of 2013, in order to better cope with our strategic plan, we have made corresponding adjustment to capital management with a focus on optimizing the debt structure and safeguarding the fund security, thereby greatly improving the existing debt structure. Meanwhile, we actively integrated advantageous resources of each industry sector and established amicable cooperative relationship and mutual trust with major banks, thus creating a favourable financing environment and providing vigorous funding support for our long-term development.

In the second quarter of 2013, our capital management will continue to be stressed on the adjustment of the overall financing structure of the Group. We will continue to prepare for the issuance of corporate bonds and to cope with our business development, so as to stand poised for meeting the future uncertainties in the economic landscape. We will also strengthen the internal fund management of the Company, while reinforcing the awareness of financial cost control among personnel of the internal business modules. A strict cost accounting will be adopted for the use of funds, in order to maximize the efficiency of the use of funds.

An associate of the Group

深圳中青宝互动网络股份有限公司 (“Powerleader Network”), an associate of the Group, registered a turnover of approximately RMB43,428,000 in the first quarter of 2013. Net profit attributable to ordinary shareholders of the Company was approximately RMB3,848,000. Net profit jumped significantly by 111.27% when compared to that of the same period last year. Mainly driven by the stable operation of new game products including user-end game products and web game products in the first quarter of 2013 and the continued growth of overseas businesses, the turnover grew by 41.35% over the same period last year.

User-end game products that have been launched into online operations and are of higher contributions to Powerleader Network during the first quarter of 2013 included “兵王” (Soldier King), product series of classic revolutionary themes of “紅色遊戲” (Red Game) and the classic ethnic edition Q collection of “醉八仙” (Drunken Eight Immortals). Web game products mainly included “兵王傳奇” (Legend of Soldier King), “無雙三國” (Warriors in Three Kingdoms) and “驚天戰神” (Shaking God of War), etc. In relation to overseas businesses, “驚天戰神” (Shaking God of War) attained further notable achievement in Vietnam, Saudi Arabia and South Korea following its success in North America. We have basically completed the English version of the highly anticipated “全面回憶” (Total Recall), and are now intensively working on the roll out of the game across worldwide operation channels.

Looking ahead to the future, Powerleader Network will continue to stick to its “four horizontal and one vertical” development strategy on the basis of its user-end games and web games whose operations are becoming more and more stabilized. Through efficient integration on channel and product level, Powerleader Network will endeavour to take on a new dimension of explosive growth in the field of mobile internet. For various business lines, Powerleader Network will further uphold a “sophisticated operation” mode and rhythm, thus striving to achieve a highly optimized configuration of resources and to realize the most positive value of products.

Government Affairs

In the first quarter of 2013, great intensity of efforts was continuously extended by the Group on applying for government project funding and honours. It has secured a number of qualification accreditations and project funding, and successfully passed the inspection and acceptance procedures of various research projects, with cloud computing as the core content. For external cooperation, the Company continued to enter into scientific and technology cooperation with institutes and R&D institutions, retain skilled professionals and introduce advanced technology.

In January 2013, Powerleader Technology Group’s “R&D of safety reliable CPU-based Powerleader desktop project” was included as a technological project in Shenzhen Province;

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

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

In the second quarter of 2013, the Group will continue to apply for new funding and honours and further raise the rate of successful applications. Government information will be collected on a real-time basis. Project submissions will be implemented in a timely manner and up to standards, so as to carve out an enhanced brand presence for the Group. We will also establish stronger technological cooperation with universities and research institutions, thus adding fresh impetus to the technological innovation of the Group.

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

As at 31 March 2013, 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 ("Mr. Li") (<i>Note</i>)	1,021,845,000	42.05%	56.07%
Zhang Yunxia ("Ms. Zhang") (<i>Note</i>)	1,021,845,000	42.05%	56.07%

Notes: 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.

Save as disclosed above, as at 31 March 2013, 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 2013, 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 2013, 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 2013, 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%
天津誠柏股權投資合夥企業 (有限合夥)	150,000,000	Beneficial Owner	6.17%	8.23%

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 2013.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the three months ended 31 March 2013, with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the 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 2013

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