



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 2014**

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

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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 2014 (“Three Months Period”) together with comparative unaudited figures for the corresponding period in 2013 as follows:

CONSOLIDATED INCOME STATEMENT

Item	<i>Notes</i>	2014 <i>RMB</i> (Unaudited)	2013 <i>RMB</i> (Unaudited) (Restated)
I. Total operating revenue		254,056,307.10	330,017,738.96
Including: operating revenue	3	254,056,307.10	330,017,738.96
II. Total operating cost		238,194,634.45	315,782,068.20
Including: Cost of operation		204,552,137.61	285,466,497.75
Sales tax and levies		374,719.01	754,455.27
Selling expenses		9,413,282.71	9,431,742.74
Administrative expenses		10,236,955.24	10,744,857.11
Finance costs		13,617,539.88	9,384,515.33
Impairment loss of assets			
Add: Gain on fair value changes		—	(151,963.25)
Investment income		129,071.13	2,588,690.98
Including: Share of profit of associates and jointly controlled entity		21,558.21	588,690.98
III. Operating profit		15,990,743.78	16,672,398.49
Add: Non-operating income	4	6,824,042.74	7,142,141.09
Including: Gain on disposal of non-current assets			
Less: Non-operating expenses		15,272.83	26,303.95
Including: Loss on disposal of non-current assets		1,810.24	25,311.15
IV. Total Profit		22,799,513.69	23,788,235.63
Less: Income tax expenses	5	2,285,880.42	1,658,640.02
V. Net profit		20,513,633.27	22,129,595.61
Attributable to shareholders of the Company		20,352,348.61	22,153,839.71
Minority interests		161,284.66	(24,244.10)
VI. Earnings per share			
(1) Basic earnings per share	7	0.0838	0.0912
(2) Diluted earnings per share		0.0838	0.0912
VII. Other comprehensive income			
Other comprehensive income which cannot be recycled to profit or loss in subsequent accounting periods			
Other comprehensive income which can be recycled to profit or loss in subsequent accounting periods if conditions are satisfied			
VIII. Total comprehensive income		20,513,633.27	22,129,595.61
Total comprehensive income attributable to shareholders of the Company		20,352,348.61	22,153,839.71
Total comprehensive income attributable to minority interests		161,284.66	(24,244.10)

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. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared based on a going concern basis and in accordance with the requirements of "Accounting Standards for Business Enterprises — Basic Standard" and 40 Specific Standards issued by the Ministry of Finance (MOF) of the PRC (Including 5 new or revised standards issued January and February 2014), and Application Guidance for Accounting Standards for Business Enterprises, Interpretations to Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (collectively referred to as "Accounting Standards for Business Enterprises" or "CAS") and also comply with the applicable disclosure requirements of "Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15 — General Requirements for Financial Reporting (2010 revised)" issued by China Securities Regulatory Commission, Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

3. OPERATING INCOME

Operating income represents the amounts received and receivables for services provided and goods sold to customers, net of returns and allowances. Operating income recognised for the three months ended 31 March 2014 together with comparative unaudited figures for the corresponding period in 2013 are as follows:

	Three months ended 31 March	
	2014 RMB (Unaudited)	2013 RMB (Unaudited) (Restated)
Income from the principal business	252,309,925.41	328,658,697.20
Including: Cloud Infrastructure as a Service (IaaS)	84,083,595.45	106,536,625.16
Cloud Module as a Service (Maas)	167,078,534.83	221,633,692.70
Software and Platform as a Service (SaaS & PaaS)	1,147,795.13	488,379.33
Income from other business	1,746,381.69	1,359,041.77
Total	254,056,307.10	330,017,738.96

4. NON-OPERATING INCOME

	Three months ended 31 March	
	2014 RMB (Unaudited)	2013 RMB (Unaudited) (Restated)
Government grants	6,100,000.00	5,090,550.00
Other	724,042.74	2,051,591.09
Total	6,824,042.74	7,142,141.09

5. INCOME TAX EXPENSES

	Three months ended 31 March	
	2014 RMB (Unaudited)	2013 RMB (Unaudited) (Restated)
Current income tax (credit)/charge		
PRC	633,097.19	(87,478.21)
Hong Kong	1,652,783.23	1,746,118.23
Total	<u>2,285,880.42</u>	<u>1,658,640.02</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 2014 (for the period ended 31 March 2013: 25%).

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 2014 (for the period ended 31 March 2013: 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 2013: 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 net profit attributable to the shareholders of the Company of RMB20,352,348.61 (three months ended 31 March 2013: RMB22,153,839.71) and the weighted average number of 243,000,000 shares (2013: 2,430,000,000 shares; after the Share consolidation on the basis of every ten shares of RMB0.10 each consolidated into one Consolidated Share of RMB1.00 each was implemented by the Company on 27th December 2013, the corresponding earnings per share for 2013 was calculated on the basis of 243,000,000 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 2013: nil).

8. SHARE CAPITAL

	As at 31 March 2014 <i>Number of Shares</i>	As at 31 December 2013 <i>Number of Shares</i>	As at 31 March 2014 <i>RMB'000</i>	As at 31 December 2013 <i>RMB'000</i>
Authorised, issued and fully paid				
Domestic shares of RMB1.00 each	182,250,000	182,250,000	182,250	182,250
H Shares of RMB1.00 each	60,750,000	60,750,000	60,750	60,750
	<u>243,000,000</u>	<u>243,000,000</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. SHAREHOLDERS' EQUITY

	Attributable to shareholders of the Company					Total shareholders' equity RMB
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Minority interests	
	RMB	RMB	RMB	RMB	RMB	
(Unaudited)						
As at 1 January 2013	243,000,000.00	28,729,862.88	34,601,238.65	399,561,058.90	158,070.60	706,050,231.03
Net Profit for the period	—	—	—	22,153,839.71	(24,244.10)	22,129,595.61
As at 31 March 2013	243,000,000.00	28,729,862.88	34,601,238.65	421,714,898.61	133,826.50	728,179,826.64
(Unaudited)						
As at 1 January 2014	243,000,000.00	31,987,251.85	34,601,238.65	437,634,780.76	464,718.54	747,687,989.80
Net Profit for the period	—	—	—	20,352,348.61	161,284.66	20,513,633.27
As at 31 March 2014	<u>243,000,000.00</u>	<u>31,987,251.85</u>	<u>34,601,238.65</u>	<u>457,987,129.37</u>	<u>626,003.20</u>	<u>768,201,623.07</u>

10. RECONCILIATION OF PROFIT FOR THE THREE MONTHS ENDED 31 MARCH 2013 UNDER HK GAAP AND PRC GAAP

Item	Financial statements under HK GAAP	Reclassification	Financial statements under PRC GAAP (Restated)	Explanation of reclassification
Total operating revenue	327,749,404.18	2,268,334.78	330,017,738.96	Reclassified from other income and profit; reclassified to sales tax and levies
Total operating costs	315,486,338.05		315,782,068.20	
Cost of operation	285,311,365.86	155,131.89	285,466,497.75	Reclassified with other income and profit
Sales tax and levies	—	754,455.27	754,455.27	Reclassified from total operating revenue
Selling expenses	9,431,742.74	—	9,431,742.74	
Administrative and other expenses	11,510,144.29	(11,510,144.29)	—	Reclassified to administrative expenses, finance costs, non-operating expenses
Administrative expenses	—	10,744,857.11	10,744,857.11	
Finance costs	9,233,085.16	151,430.17	9,384,515.33	Reclassified with other income and profit, administrative costs
Other income and profit	9,088,441.77	(9,088,441.77)	—	Reclassified to total operating revenue, non-operating revenue
Gain on fair value changes	(151,963.25)	—	(151,963.25)	
Share of profit in joint ventures and associates	588,690.98	(588,690.98)	—	Reclassified to investment income
Other investment income	2,000,000.00	(2,000,000.00)	—	Reclassified to investment income
Investment income	—	2,588,690.98	2,588,690.98	
Operating profit	23,788,235.63	(7,115,837.14)	16,672,398.49	
Add: Non-operating income	—	7,142,141.09	7,142,141.09	Reclassified with other income and profit
Less: Non-operating expenses	—	26,303.95	26,303.95	Reclassified with administrative and other expenses
Total profit	23,788,235.63	—	23,788,235.63	
Less: Income tax expenses	1,658,640.02	—	1,658,640.02	
Net profit	22,129,595.61	—	22,129,595.61	
Net profit attributable to:				
Shareholders of the Company	22,153,839.71	—	22,153,839.71	
Minority interests	(24,244.10)	—	(24,244.10)	

MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2014, the Company has put forward a clear strategic positioning to grow into “China’s leading cloud computing solutions provider with the capability of autonomous innovation”. Over the years, edges were maintained in terms of solid technology, competent R&D team, strict management system, wide sales channels and quality customer service. On the basis of the five key business sectors engaged by 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), we provide a comprehensive range of cloud computing solutions and services.

Firstly, we vigorously develop Cloud Infrastructure as a Service (IaaS) and enrich our autonomous innovation capacity. Optimisation continues for products and solutions such as mid-to-high-end cloud servers, cloud storage, HPC and all-in-one PC for bulk data. Overall solution capacity for enterprise private cloud and public cloud will be strengthened so as to provide customers with direct, effective, flexible, expandable, safe and secure pay-per-use cloud services. The Company will also proactively participate in cloud computing infrastructure construction projects such as Intelligent City, E-Government Affairs, Secure City, Intelligent Transportation, Broadband China and 4G.

Secondly, we continue to expand Cloud Module as a Service (MaaS). With our brand advantage as the cornerstone of our core competitiveness, we will strengthen the building of sales system and raise the standard for sales management. Further cooperation with suppliers plays a crucial role in the expansion of product portfolio for agency distribution. A timely and sufficient component support and professional technical support will be provided to our channel partners and industry customers in an attempt to attract additional channel partners. Such efforts will assert our position as a leading supplier of cloud computing related components in the PRC.

Thirdly, we will accelerate the development of Software and Platform as a Service (SaaS & PaaS). With a focus on demands for the application of cloud computing and bulk data, we will provide quality, diverse and tailor-made software services to our customers.

Riding on the global development trend of cloud computing, the Company will seize the growth opportunities in the development of cloud computing, bulk data and mobile Internet, with a view to consolidating our core competitive strengths in the fields of IaaS, MaaS and SaaS and PaaS. Looking forward, the Company will continue to engage in autonomous innovation, cooperation and strategic investments. Our advantages in technology, resources and market attributed to our cloud infrastructure will be fully utilized in exploiting the market potential of cloud module and fuel the development of software and platform and catalyze the integration of advantageous resources in up-stream and down-stream of industrial chain. As we develop an all-round and professional integrated solution capacity that covers the entire cloud computing industry chain, we can maintain our leading position in the cloud computing industry in the PRC.

FINANCIAL REVIEW

For the three-month period, the Group recorded operating income of RMB254,056,307.10, which decreased by 23.02% when compared to that of RMB330,017,738.96 for the same period in 2013. The gross profit margin of the Group stood at 19.49%, which registered an increase as compared to the gross profit margin of 13.50% for the same period in 2013.

The sales expenses and administrative expenses of the Group were RMB19,650,237.95, representing a decrease of 2.61% when compared to RMB20,176,599.85 for the same period last year. The decrease was mainly attributable to strengthened cost control efforts made by the Group.

The Group’s finance costs for the period increased by 45.11% to RMB13,617,539.88, compared to RMB9,384,515.33 for the same period in last year. The increase was mainly attributable to rising interest rates for bank loans.

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 2014, China's cloud computing market continued to record steady growth and showed robust demands for cloud infrastructure. However, the intense competition has resulted in a decrease in the operating revenue of cloud Infrastructure as a Service compared to that of the corresponding period of last year. The Company continued to deploy further efforts in research and development of cloud servers and cloud storage related equipment, reinforcement of sales management system, and strengthening of segmental sales development. We also participated actively in development of Intelligent City projects and strived to expand the capacity of our cloud computing solutions. In the second quarter, in reliance on its computing solutions, the Company intends to work towards strengthening of the sales system where interconnection between region and industry is realised, and will continue to seek for further expansion in relation to sectors including government, education, military machineries, power generation, Internet, telecommunication and finance, by doing so it aims to contribute to the development of cloud computing business in the PRC.

Marketing

On front of marketing, in the first quarter of 2014, the Company continued its extensive promotion campaign emphasizing the successful cases of its cloud core products, new products and solutions through media promotion, marketing, We-Media. It will carry out promotion campaign more specifically on, among others, cloud computing, security and surveillance, and Intelligent City sectors, in an effort to expand the popularity and impact of Powerleader' brand.

In respect of cloud computing, the Company engaged in intensive promotional and marketing campaign on applications such as game cloud, desktop cloud and education cloud, to inform our customers of solutions with most up-to-date technical profiles, thereby raising customers' recognition of Powerleader's overall cloud computing solution package.

In terms of security and surveillance, the Group took part in the "Security, Monitoring and Storage Forum 2014" held on March 2014, during which it proposed to form an alliance of the industry of security, monitoring and storage technology innovation. It also involved in the publication of the "Standard Technical Specifications of Storage Products" by the alliance. In the same month, the Group hosted the successful "Powerleader-Seagate Seminar on Security and Monitoring Industry 2014" where it could share its achievements with a wide spectrum of business partners and propel the entire sector to further development and prosperity.

In the area of intelligent cities, the Company demonstrated to the audience in the inaugural China (Shenzhen) Intelligent Cities Annual Conference 2014 with case studies of intelligent city development and latest technology in cloud storage. The Company took part in the drafting and formulation of the intelligent city (zone) serial standards in a joint effort with related customers and partners to support and give advice to the development of intelligent cities in Shenzhen and even China.

During the first quarter of 2014, the Company developed and officially released a new server PR4860R based on the latest and most powerful server series E7V2 of Intel, a proof that the Company was keeping in the same pace with peers worldwide. The official launch of the Company's dual server-PR2730R which has been entirely developed on its own from board-level to whole frame system exemplified the will and strength of Powerleader in pursuing the goal of having its entire product line to be developed totally on its own R&D capacity.

Honours

In January 2014: Powerleader Technology was awarded the prize "Outstanding Performance on Brand Marketing 2013";

In February 2014: Powerleader PR4840R servers won the “Product Innovation Award of the Year in China Server Market 2013–2014”;

In February 2014: Powerleader was awarded the position of “Executive Board Member Entity of the Board of Directors of China Intelligent City Industry Alliance”;

In March 2014: Powerleader was awarded the position of “Executive Vice Chairman and Vice President Entity of China Intelligent City Development and Investment Alliance and Shenzhen Institute of Intelligent City”.

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

In the first quarter of 2014, the Cloud Module as a Service (MaaS) business segment recorded a decline in operating income over the same period of last year, as competition in China’s agency distribution of cloud computing equipment related components sector had intensified. Meanwhile, the Company will move forward to consolidating its sales system, enhancing sales management capability, forging stronger ties with suppliers and exploring collaboration possibilities. It will sharpen its competitive edge by leveraging on its self-developed brand advantage, so as to maintain its position as leading cloud computing equipment related components provider. In the second quarter, the Company will leverage on its experience in independent R&D and design of cloud computing equipment related components in perfecting the relevant cloud computing value-added services to better meet the one-stop purchase demand from our partners. We endeavoured to provide customers with a more comprehensive range of efficient solutions.

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

Capitalising on the growth in demands for the applications of massive data in Mainland China and the vibrant regional markets of cloud computing application, operating income of SaaS & PaaS increased by 135.02% compared to the same period last year in the first quarter of 2014. In the second quarter, the Company will speed up its development of the SaaS & PaaS business,, and provide its customers with simple and efficient cloud services with strong scalability, stability and safety on the basis of pay-per-use. Catering for the need of cloud computing and bulk data related application, the Group will capture market opportunities and provide its customers with quality, diversified, and tailor-made software services, and optimized cloud computing solutions, with a view to keep strengthening its position in PRC as a leading cloud computing solution provider.

Data Centres

With wide application of cloud computing, strong development of mobile Internet market, and the arriving of the age of bulk data, the IDC sector has been experiencing a time of rapid development in 2014. For the first quarter of 2014, the operating income of this business segment was significantly higher than that of the same period of last year. For the second quarter of 2014, the Group will strive to maintain closer working relationships with major operators, distributors and leading players in the industry, in view of generating a data centre environment of high quality, high applicability, compact and energy-saving with tailor made, modulized and highly scalable service mode. The Group also plans to bring in a group of marketing professionals with wealth of experience in the industry in an attempt to lift up the overall operating results of the Group and to swiftly extend its reach to new customers from different sectors, thereby achieving its business objective of “in-depth development in Guangdong with strong foothold in southern China, vision setting on whole country and serving customers all over the world”.

Fund Management

In the first quarter of 2014, the financial market in the PRC remained in a nervous state, following last year's development. In order to better cope with our strategic plan, we actively integrated advantageous resources. With our long-term cooperative relationship and mutual trust with our principal bankers, our corporate finance costs had been effectively lowered, thus providing stable funding support for our normal development.

In the second quarter of 2014, the Group will focus on ongoing adjustment of the financing structure and control over funding cost in accordance with our business development to stand poised for future uncertainties in the economic landscape. We will also continue to strengthen the internal management, while reinforcing the financial cost control awareness within the group in order to maximize the efficiency of the use of funds.

Principal Associated Company of the Group

For the first quarter of 2014, 深圳中青宝互动网络股份有限公司 (Shenzhen ZQ Game Co., Ltd) (“ZQ Game”), an associated company of the Group, recorded operating revenue of RMB100,941,631.34, representing an increase of 132.44% over the corresponding period of last year. Net profit attributable to ordinary shareholders of the Company increased by 94.82% to RMB7,496,111.19, when compared to the corresponding period of last year. The growth was mainly attributable to the further expansion of input and operating resources for mobile Internet, especially in mobile games by ZQ Game, along the with industrial development trend and under the guidance of “four horizontal and one vertical” strategy during the first quarter of 2014.

For the first quarter of 2014, ZQ Game started to record promising operating results in mobile game products. With regard to domestic production, mobile game products such as the “仙戰 (Warfare of Gods)” and “冰火王座 (Throne of Ice and Fire)”, surged to top three in major rankings of domestic related jointly operated platforms and App Store soon after their launch in the PRC's market. On overseas markets, “Pocket Knights” was the fifth best-selling arcade game on Google Play in North America. It was also the second most popular free game on T-store in Korea on the day following its launch. Moreover, 上海美峰 (Shanghai MoreFun) and 深圳苏摩 (Shenzhen Small), as crucial gateways in our expansion strategy, also posted improved operating results with strong momentum.

Looking forward, while maintaining its highly selective launch strategy for user-end games and web page games, ZQ Game is expected to release about 20 mobile Internet games products for its mobile games business. Once it obtains an extensive presence in domestic market, ZQ Game will step up its efforts on overseas operation and distribution business. With implementation of internal growth and external expansion strategies, ZQ Game will perfect its mobile content system and distribution system and will continue to create and optimize its user encircled system through product and operation correlation. Accordingly, the company will be fuelled to realize its quality growth in 2014.

Government Affairs

In the first quarter of 2014, with reference to the policies unveiled by the State and local governments in relation to relevant industries, great efforts were extended by the Group on making applications for government project funding and honours, with cloud computing as the core component. It has successfully passed the inspection and acceptance procedures of various research projects. The Company continued to keep close working relationship with institutes and R&D institutions, to establish a platform for cooperation, and recruited skilled professionals and introduces advanced technology.

In January 2014, 宝德计算机 (Powerleader Computing) was granted the funding (subsidies of loan interest) for Industrial Development Projects in Futian District;

In March 2014, 宝德软件 (Powerleader Software) was granted the first unit of funding under the Subsidy Scheme for Registration on Computer Software Copyrights of Shenzhen in 2014;

For the second quarter of 2014, the Group will consolidate our internal resources closely in line with the relevant industrial policy direction of the State and local government in preparing for making further application for project funding and honours, and raise our recognition and brand image amongst the relevant government authorities. We will also establish stronger cooperation with universities and research institutes, strengthen the cooperation between research personnel and corporation, thus creating an amicable environment for such cooperation, and eventually to build up our autonomous innovation capacity.

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

As at 31 March 2014, 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>)	102,184,500	42.05%	56.07%
Zhang Yunxia (<i>Note</i>)	102,184,500	42.05%	56.07%

Notes: Mr. Li is the husband of Ms. Zhang. They hold in aggregate 102,184,500 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 2014, 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 2014, 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 2014, 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 2014, 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>)	102,184,500	Beneficial owner	42.05%	56.07%
深圳市恒通達遠電子有限公司	23,958,000	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)	15,000,000	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 102,184,500 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 2014.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied, throughout the three months ended 31 March 2014, 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. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun. 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, 25 April 2014

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. Chan Shiu Yuen Sammy, Dr. Guo Wanda and Mr. Jiang Baijun as independent non-executive directors.