



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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



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## **EXECUTIVE DIRECTORS**

Liao Chao Ping  
Fan Ping Yi  
Yang Ching Shou  
Chen Shen Tien  
Chen Ming Chuan  
Yu Shih Pi

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Chiu Kam Hing, Kathy  
Chang Long Teng  
Cheong Chan Kei, Ernest

## **COMPANY SECRETARY**

Tse Kai Chung, Bobby

## **AUTHORISED REPRESENTATIVES**

Tse Kai Chung, Bobby  
Yang Ching Shou

## **COMPLIANCE OFFICER**

Fan Ping Yi

## **PRINCIPAL BANKERS**

*In The People's Republic of China:*  
Industrial and Commercial Bank of China

*In Hong Kong:*  
The Hong Kong and Shanghai Banking Corporation Limited,  
Shanghai Commercial Bank Limited

## **AUDITOR**

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## **AUDIT COMMITTEE**

Chiu Kam Hing, Kathy (*Chairman*)  
Chang Long Teng  
Cheong Chan Kei, Ernest

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
Fort Street, P.O.Box 705  
George Town  
Grand Cayman  
Cayman Islands





### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Central Registration Hong Kong Limited  
Shops 1901-1905  
19th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **REGISTERED OFFICE**

Ugland House  
P.O. Box 309  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Unit A, 25th Floor, Yardley Commercial Building, No.3 Connaught Road West, Sheung Wan, Hong Kong

### **PLACE AND DATE OF LISTING, NAME AND CODE OF ITS STOCKS**

The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited  
Listing Date: 17 December, 1999  
Stock Name: Qianlong Technology  
Stock Code: 8015

A summary of the audited results of Qianlong Technology International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009 together with the comparative figures for the corresponding period in 2008 and of the assets and liabilities of the Group as at 31 December 2009 and 2008 is set out as follows:

### GROUP RESULTS

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Turnover	<b>84,146</b>	71,200
Profit before income tax	<b>21,748</b>	19,554
Income tax	<b>(3,311)</b>	(2,768)
Profit for the year attributable to owners of the Company	<b>18,437</b>	16,786
Earnings per share - Basic and diluted (RMB)	<b>0.0730</b>	0.0762

## GROUP ASSETS AND LIABILITIES

	2009 RMB'000	2008 RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	<u>35,086</u>	<u>36,452</u>
<b>Current assets</b>		
Inventories	77	26
Trade and other receivables	4,363	3,641
Deposits and prepayments	5,277	1,990
Investments held for trading	8,000	14,073
Cash and cash equivalents	132,362	98,829
<b>Total current assets</b>	<u>150,079</u>	<u>118,559</u>
<b>Total assets</b>	<u>185,165</u>	<u>155,011</u>
<b>Current liabilities</b>		
Trade and other payables	44,897	33,768
Tax payable	1,851	2,964
<b>Total current liabilities</b>	<u>46,748</u>	<u>36,732</u>
<b>Net current assets</b>	<u>103,331</u>	<u>81,827</u>
<b>Total assets less current liabilities</b>	<u>138,417</u>	<u>118,279</u>
<b>Non-current liabilities</b>		
Deferred revenue	3,541	2,801
Deferred tax liabilities	1,291	—
<b>Total non-current liabilities</b>	<u>4,832</u>	<u>2,801</u>
<b>Total liabilities</b>	<u>51,580</u>	<u>39,533</u>
<b>Total net assets</b>	<u>133,585</u>	<u>115,478</u>
<b>Equity attributable to owners of the Company</b>		
Share capital	26,128	26,128
Reserves	107,457	89,350
<b>Total equity</b>	<u>133,585</u>	<u>115,478</u>



On behalf of the board of directors (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2009 to our shareholders and investors.

### **FINANCIAL REVIEW**

For the year ended 31 December 2009, the Group made great achievements and reported a turnover of RMB84,146,000, representing an increase of RMB12,946,000 as compared with RMB71,200,000 for the same period of the previous year. This increase is mainly due to increase in maintenance service and usage fees for the year.

For the year ended 31 December 2009, the Group has recorded revenue of RMB37,834,000 from maintenance service and usage fees representing an increase of 37.66% from the same period of last year (2008: RMB27,484,000). Income from information service fee was RMB35,016,000 representing an increase of 0.70% from the same period of last year (2008:RMB34,774,000). The income from sale of computer software was RMB10,507,000 representing an increase of 34.31% from the same period of last year (2008: RMB7,823,000). The other income was RMB789,000 (2008:RMB1,119,000).

The increase in revenue resulted in greater profit for the year. The Group recorded a net profit attributable to owners of the Company of RMB18,437,000 for the year ended 31 December 2009, representing an increase of 9.84% as compared with RMB16,786,000 for the same period of the previous year.

The basic and diluted earnings per share was RMB7.30 cents (2008: RMB7.62 cents).

### **BUSINESS SUMMARY AND PROSPECTS**

During the year of 2009, the securities market stepped out of the economic crisis. With this trend, the development of Qianlong products has made great achievements.

In the organizational users' market, the application of securities analysis system based on a new style of Linux platform for securities houses has achieved great advancement. The platform supporting the announcement of the securities houses has been completed and the Company has increased new products for goods futures information. The brand influence of Qianlong series of products was enhanced further and the market edge was strengthened. On financial data products, the specialized content of Longxun F10 targeting the growth enterprise market of mainland China achieved users' welcome. Qianlong information products has also caught up the market obviously. The consignment system continues to grow and be used stably in securities houses including Shenyin Wanguo Securities, Pacific Securities, Hualong Securities, Hexing Securities, Chenhao Securities, Xinshiji Securities, Guolian Securities, Xintai Securities, Yinhe Securities, West Securities, South-west Securities, Yinda Securities, Hongta Securities, Zhongyin International, Caifu securities or for online transaction.



## Chairman's Statement

On individual user products, with the launch of a higher version "Organizational version" of the Golden Eyes software, the Company has developed a series of products serving varied professional and other investors with high, middle or low level of consuming ability and a series of products specialized on "Research market's main force". Not only has the sales income increased stably, but the reputation in the whole investors' group has also increased, achieving a leading position on market.

The traditionally leading product Qianlong Gang Gu Tong continues to advance. High level data service such as Hong Kong Index futures has been added and the advanced version "Hand of Midas" has also been launched. Feedback from users were very good and the prospect of strengthening the competitive edge in the Hong Kong stock information services market increases.

At the same time, Qianlong continues to tract new product opportunities, obtaining information business license from China Financial Futures Exchange. Qianlong completed the development of professional analysis system targeting stock index and futures. Once the product formally launch to the market, the related professional analysis software will immediately bring significant revenue.

With continuous innovation and breakthrough, Qianlong owns the most complete product line in the industry without any doubt. From the line of software to tailored products, from system instruments to end user analysis software, from strengthened products to information platform, from data service to total resolution, Qianlong provides all areas of service including information, analysis, transaction and information platform.

With the continuous development with Qianlong Gang Gu Tong, Golden products, Organizational information, Index futures and other new style of information, Qianlong is keeping exploring the new articles.

### PROSPECTS

I would like to express my heartfelt gratitude to the staff of the Group for their tremendous efforts as well as to all business partners and shareholders for their kind support to the Group. I would like to express my appreciation to all members of the Board for their contributions.

**Liao Chao Ping**

*Chairman*

19 March 2010, Hong Kong



## **BUSINESS REVIEW**

During 2009, the Group's growth is excellent with increase in sales and continuous market expansion. As China's economy recovers, the equity market faces increased transactions and strong growth. During this market change, the Group's management team is launching new products and accelerating adjustments to product structure; increasing investment in research, actively developing new product and enhancing the quality of current product; expanding human resource team by combining outside recruitment and inside training to establish good human resources and technical reserve; improving current business structure, encouraging business innovation; strengthening sales team, building services structure and improving service standard.

During 2009, the Group has launched a set of even better end-user product, the Golden Eyes series. Based on Level-2 real-time information data authorized by Shanghai Securities Exchange, the Group has developed an information analysis software to monitor investment direction of market movers and disclosing the stock holding changes of such investors. The Group not only uses a highly efficient fund monitoring model and multi-element compound analysis technology but also combines the technology of trend analysis and market monitor. It uses the simplest style to show the complexity of the investment world. Currently, there are three products launched to the market. They are the standard, intermediate and advanced versions which meet different style of investors.

For the year ended 31 December 2009, the Group has recorded RMB32,101,000 on Gang Gu Tong and Level-2 products, representing 38.15% of the total turnover.

For the year ended 31 December 2009, the Group has recorded RMB28,571,000 on the traditional version for transaction in securities brokerages, representing 33.95% of the total turnover.

## **EQUITY TRANSFER AGREEMENT**

In March 2009, the Company has established a wholly owned subsidiary in Hong Kong, Qianlong Computers Company Limited. In August 2009, this company has signed an equity transfer agreement with a wholly owned subsidiary of the Company, Qianlong Computers Company Limited (incorporated in British Virgin Islands), to purchase all its equity interest in Shanghai Qianlong Advanced Technology Company Limited.

## **MAJOR INVESTMENT**

As at 31 December 2009, the Group's subsidiary Shanghai Qianlong Advanced Technology held unlisted investment fund of RMB8,000,000. The term of the investment fund is 6 months and matured on 10 March 2010.

## ADMINISTRATIVE EXPENSES

For the year ended 31 December 2009, administrative expenses increased from RMB23,091,000 in 2008 to RMB26,084,000 in 2009, representing an increase of 12.96%. The increase was mainly due to increase in staff costs and other administrative expenses as a result of the business expansion of two subsidiaries, Shanghai Qianlong Advanced Technology Company Limited and Shanghai Qianlong Network Technology Company Limited.

## WORKING CAPITAL AND FINANCIAL RESOURCES

For the year ended 31 December 2009, the Group's working capital and financial resources improved as compared to that in the previous year. As at 31 December 2009, the Group's cash and cash equivalents was RMB132,362,000 (2008: RMB98,829,000). Therefore, the Group's financial status is still stable.

## DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group as at 31 December 2009 was 318 (2008: 265). The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include a retirement benefit, a provident fund and a medical plan. In the year, the total cost for staff (including salary, bonus and other benefits) is approximately RMB26,923,000 (2008: RMB21,427,000).

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2009 and 31 December 2008.

## GEARING RATIO

Since its establishment, the Group has neither made any loan arrangements with nor obtained any credit facilities from any financial institutions. Therefore, the gearing ratio of the Group, which is net borrowings over shareholders' funds, has remained zero. At the same time, the Group's assets have never been subject to any securities or mortgages.

## EXPOSURE ON EXCHANGE RATE FLUCTUATION

Most of the income and expenditure of the Group were denominated in RMB and only a little is denominated in Hong Kong dollars. Therefore the Group considered the exchange rate fluctuation exposure is small and thus no financial instruments have been adopted for hedging purposes.

## MAJOR SUBSIDIARIES

### **Shanghai Qianlong Advanced Technology Company Limited**

Established in September 1994 and 100% controlled by the Group, Shanghai Qianlong Advanced Technology Company Limited is engaged in the development, production and distribution of financial information technology products. The company is high-tech enterprise, advanced technology and software enterprise recognised in the People's Republic of China (the "PRC") with the famous brand "Qianlong".

### **Shanghai Qianlong Network Technology Company Limited**

Established in February 2007 and 100% controlled by the Group, Shanghai Qianlong Network Technology Company Limited is engaged in the technology development, technology transfer, technology service and network system integration in the industry of computer network technology.

### **Shanghai Xin Long Information Technology Company Limited**

Established in March 2006 and 100% controlled by the Group, Shanghai Xin Long Information Technology Company Limited is engaged in the design of database development, the development and construction of technology platform and securities information services.

## EXECUTIVE DIRECTORS

Mr. Liao Chao Ping, aged 66 is the chairman of the Company and responsible for the Group's whole design. He is a director of Union Constriction Company Limited (a company incorporated in Taiwan). Mr. Liao joined the Group in October 2004 and been appointed the chairman of the Group in January 2005. Mr. Liao will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Fan Ping Yi, aged 51 is the vice-chairman and one of the founders of the Group. He is responsible for the Group's overall strategic planning and its implementation. Before joining the Group, Mr. Fan held senior management positions in various software houses in Taiwan.

Mr. Yang Ching Shou, aged 51, is the general manager of the Group and president of Shanghai Qianlong Advanced Technology Company Limited. He is one of the founders of the Group. He is responsible for the Group's overall strategic planning and its implementation. Before joining the Group, Mr. Yang held senior management positions in various computer software companies in Taiwan.

Mr. Chen Shen Tien, aged 52, is responsible for the Group's overall strategic planning and the relationship development of potential business opportunities.

Mr. Chen Ming Chuan, aged 45, has been engaged in the IT industry over 25 years with intensive experience in development of securities analysis software.

Mr. Yu Shih Pi, aged 47, held senior management positions in various computer companies before joining the Group. Mr. Yu will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy, aged 61, has over 38 years of banking experience in Canada and Asia Pacific region. Ms. Chiu was the senior vice-president at the Republic National Bank of New York and was responsible for the management and investment of third party clients' funds. Ms. Chiu is the chairman of the Company's audit committee and remuneration committee. Ms. Chiu is one of the executive directors of Prime Investment Holdings Limited (stock code: 721) and also the independent non-executive director of B&S Entertainment Holdings Limited (stock code: 8167).

Mr. Chang Long Teng, aged 50, has extensive experience in management and administration. He does not hold any directorship in other public listed companies. Mr. Chang will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Cheong Chan Kei, Ernest, aged 40, is an investment representative (HKSI). Mr. Cheong holds a bachelor degree of Arts from the University of Western Ontario. Mr. Cheong does not hold any directorship in other public listed companies.

## SENIOR MANAGEMENT

Mr. Du Hao, aged 41, is the vice president of Shanghai Qianlong Advanced Technology Company Limited. He joined the Group in 1993 and has over 16 years of product research and development experience. He holds a master of science degree in electronic engineering from Fudan University.

Mr. Song Li Qun, aged 42, is the general manager of Shanghai Qianlong Network Technology Company Limited. He is responsible for the daily operation of Shanghai Qianlong Internet Technology Company Limited. He holds a bachelor's degree from Shanghai University, and has 14 years of experience in the IT industry.

Mr. Zhou Xiang, aged 39, is the general manager of Shanghai Xin Long Information Technology Company Limited. He is responsible for the daily operations of Shanghai Xin Long Information Technology Company Limited. He holds a bachelor's degree from Hua Zhong Science and Technology University and has 15 years of experience in the IT industry.

Mr. Chen Gangliang, aged 37 is the deputy general manager of Shanghai Qianlong Advanced Technology Company Limited. He is responsible for the daily operations of Shanghai Qianlong Advanced Technology Company Limited. He holds a degree in Shanghai University and has more than 12 years of after sales experience.

Mr. Lu Ming Yuan, aged 34, is the technology director of Shanghai Qianlong Advanced Technology Company Limited. He holds a bachelor's degree in Computer from Gui Zhou University.

## COMPANY SECRETARY

Mr. Tse Kai Chung, Bobby, aged 50, is the secretary of the Group. He joined the Group in July 2005. Mr. Tse holds Bachelor degree in law from Warwick University. Mr. Tse is a member of the Hong Kong society and partner of Messrs. Bobby Tse & Company. Mr. Tse is certified attorney with 22 years' experience in law.

## COMPLIANCE OFFICER

Mr. Fan Ping Yi, aged 51 is the vice-chairman and executive Director of the Company. He is one of the founders of the Group. He is responsible for the Group's overall strategic planning and implementation. Mr. Fan held senior management positions in various software houses in Taiwan before joining the Group and has over 25 years of experience in the IT industry. Being a compliance officer, Mr. Fan will be advising on and assisting the Board in implementing procedures to ensure that the Group complies with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules") and other relevant laws and regulations applicable to the Company and responding promptly and efficiently to all enquiries directed at him by the Stock Exchange.



## **INTRODUCTION**

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Company. The Board is committed to maintaining and ensuring high standards of corporate governance. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules (the “Code”) during the year of 2009.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors’ securities transactions 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. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2009.

## **BOARD OF DIRECTORS AND BOARD MEETING**

The Board which comprises nine Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Directors’ Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There’s no relationship among the members of the Board.

To improve the transparency and independency of the corporate governance, Mr. Liao Chao Ping and Mr. Yang Ching Shou have been appointed as the chairman and chief executive officer of the Company respectively.





## Corporate Governance Report

The Company also appointed three independent non-executive Directors to comply with Rules 5.05 (1) and (2) of the GEM Listing Rules. Among them, at least one has appropriate and sufficient qualification or professional in accounting or related financial management.

The Company has received the annual claim from every independent non-executive director to confirm their independency and consider related directors are all independent according to every difference indicated on Rule 5.09 of the GEM Listing Rules.

The Board held a board meeting for each quarter in every year. Apart from the regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

Details of the attendance of the Board are as follows:

<b>Executive Directors</b>	<b>Attendance</b>
Mr. Liao Chao Ping ( <i>Chairman</i> )	4/4
Mr. Fan Ping Yi	4/4
Mr. Yang Ching Shou ( <i>Managing Director</i> )	4/4
Mr. Chen Shen Tien	4/4
Mr. Chen Ming Chuan	4/4
Mr. Yu Shih Pi	4/4
<b>Independent Non-executive Directors</b>	
Ms. Chiu Kam Hing, Kathy	4/4
Mr. Chang Long Teng	4/4
Mr. Cheong Chan Kei, Ernest	4/4

During the regular board meetings, the directors discuss and formulate the whole strategy of the Group, monitor the financial performance and discuss annual, interim and quarterly achievements and discuss and make important decisions.

For every board meeting, there are detailed meeting records to record related agenda including all the decisions made on board meeting and all the matters raised by directors and objections (if appropriate). After the conclusion of board meeting, the meeting agenda will be sent to all the directors immediately when it is feasible. Every director has the right to check all the meeting agenda within any reasonable period.

Under the code provision A4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. However, according to the Company's articles of association, the chief executive officer is not required to retire by rotation. Therefore at the date of this report, Mr. Yang Ching Shou, the chief executive officer is not required to retire by rotation.





## **CHAIRMAN OF THE GROUP**

The roles of the Chairman and Chief Executive Officer are separated and the positions are held by separate individuals to avoid the rights centralization. The chairman of the Group takes responsibility to lead and arrange operation of Board efficiently to make sure the Board can discuss all the important and operational business efficiently and in time. While the Chief Executive Officer's main responsibility is the operation of the Group's business and implementation of the Group's strategy to achieve the whole operation target.

The Chairman also encourages all the Directors including independent non-executive Directors to participate in the board meeting and committee meeting actively.

## **REMUNERATION OF DIRECTORS**

The remuneration committee was established in November 2005. The chairman of the committee is Ms. Chiu Kam Hing, Kathy, an independent non-executive Director, and other members include Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest, both being independent non-executive Directors.

The function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

## **AUDITOR'S REMUNERATION**

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately RMB483,000 to the external auditor for their services including audit and other advisory services.



## AUDIT COMMITTEE

The Company established an audit committee in 1999 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest, all of them are independent non-executive Directors. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

<b>Members</b>	<b>Attendance</b>
Ms. Chiu Kam Hing, Kathy	4/4
Mr. Chang Long Teng	4/4
Mr. Cheong Chan Kei, Ernest	4/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

## NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Company has not set up any nomination committee in 2009.

The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background. The decision of appointing a director must be approved by the Board.



## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statements of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 26 to 27 of this annual report.

## **INTERNAL CONTROL**

The Company has conducted a review of its system of internal control periodically to ensure it is effective and adequate. The Company convened meetings periodically to discuss financial, operational and risk management control.

## **INVESTOR RELATIONS**

The Company has disclosed all necessary information to the shareholders in compliance with the GEM Listing Rules. The Directors host an annual general meeting to meet the shareholders and answer their enquiries.

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2009.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the Group are the research, development and distribution of software, and the provision of related maintenance, usage and information services in the PRC.

The principal activities of the Company's subsidiaries are set out in Note 19 to the financial statements.

No geographical analysis is shown as the principal activities of the Group are mainly carried out in the PRC.

### **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for approximately 19% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 6% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 76% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 32% of the Group's total purchases.

None of the Directors, or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

### **RESULTS AND APPROPRIATIONS**

The profit of the Group for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 80.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the financial statements.

**SHARE CAPITAL**

Details of the movements in share capital of the Company during the year are set out in Note 26 to the financial statements.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**PRE-EMPTIVE RIGHTS**

There are no provisions for the pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

**RESERVES**

Details of movements in the reserves of the Group and the Company during the year are set out on page 32 and in Note 27 to the financial statements respectively.

**DISTRIBUTABLE RESERVES**

At 31 December 2009, the Company had accumulated losses of RMB53,577,000 (2008: RMB38,804,000), and after taking into consideration of the balance of share premium account, subject to the provisions of the Cayman Islands Companies Law (Revised) as detailed in Note 27(a) to the financial statements, the aggregate amount of reserves available for distribution to owners of the Company was RMBNil (2008: RMB6,135,000).

## DIRECTORS

The Directors of the Company during the year were as follows:

### Executive Directors

Liao Chao Ping	<i>(Chairman)</i>
Fan Ping Yi	<i>(Vice-chairman)</i>
Yang Ching Shou	<i>(Managing Director)</i>
Chen Shen Tien	
Chen Ming Chuan	
Yu Shih Pi	

### Independent non-executive Directors

Chiu Kam Hing, Kathy  
Chang Long Teng  
Cheong Chan Kei, Ernest

In accordance with article 116 of the Company's articles of association, Mr. Liao Chao Ping, Mr. Yu Shih Pi and Mr. Chang Long Teng will retire by rotation and, being eligible, will offer themselves for re- election at the forthcoming annual general meeting.

Biographical details of the Directors are set out on page 11 of this annual report. Details of the Directors' remuneration are set out in Note 11 to the financial statements.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules for the year ended 31 December 2009 and the Company considers the independent non-executive Directors are independent.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with the each of executive Directors for a term of two years and shall continue thereafter until terminated by either party giving to the other at least three months' prior notice in writing.

Details of the appointments of the independent non-executive Directors are set out in the Corporate Governance Report on pages 13 to 17 of this annual report.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Name of directors	Type of interests	Number of shares held	Percentage of the Company's issued share capital
Liao Chao Ping	Personal	5,000,000	1.979%
Chen Shen Tien	Corporate (Notes (1) and (2))	40,250,000	15.934%
Fan Ping Yi	Corporate (Notes (1) and (2))	24,500,000	9.699%
Yang Ching Shou	Corporate (Notes (1) and (2))	24,500,000	9.699%
Chen Ming Chuan	Corporate (Notes (1) and (2))	18,375,000	7.274%
Yu Shih Pi	Corporate (Notes (1) and (2))	14,875,000	5.889%

*Notes:*

1. As at 31 December 2009, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 15.934% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, own the entire issued share capital of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, own the entire issued share capital of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Chen Ming Chuan is the sole shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 7.274% interest in the Company. Mr. Yu Shih Pi is the sole shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 5.889% interest in the Company.
2. According to the register of substantial shareholders required to be maintained under Section 336 of the SFO, the Company has been notified of these interests, being 5% or more of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

**DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES**

Save for the share option scheme as disclosed in Note 28 to the financial statements, at no time during the year ended 31 December 2009 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2009, in addition to those interests as disclosed above in respect of the Directors, the interests or short positions in the shares and underlying shares of the substantial shareholders of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company:

Name	Number of the shares held	Percentage of the Company's issued share capital
Red Coral Financial Limited	40,250,000	15.934%
Sapphire World Investment Limited	24,500,000	9.699%
Legend Isle Technology Limited	24,500,000	9.699%
Star Channel Technology Limited	18,375,000	7.274%
Star Orient Global Limited	14,875,000	5.889%

*Note:*

- As at 31 December 2009, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 15.934% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, own the entire issued share capital of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, own the entire issued share capital of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Chen Ming Chuan is the sole shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 7.274% interest in the Company. Mr. Yu Shih Pi is the sole shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 5.889% interest in the Company.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors or the chief executives of the Company or their associates) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## AUDIT COMMITTEE

The Company established an audit committee in 1999 with written terms of reference pursuant to the GEM Listing Rules. The audit committee comprises 3 independent non-executive Directors namely Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

One of the duties of the audit committee is to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the Board. The audit committee has reviewed the Group's audited consolidated results and annual report for the year ended 31 December 2009.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on pages 81 to 82 of the annual report. This summary does not form part of the audited financial statements.

## PROPERTIES

Major leasehold land and buildings:

Location	Existing use	Term of lease
26F, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC	Office	Medium

## RETIREMENT SCHEMES

Details of the Group's retirement schemes during the year are set out in Note 13 to the financial statements.

## EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is formulated by the Remuneration Committee and is based on the merit, qualifications and competence of the employees.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. The share option scheme was expired on 2 December 2009. Details of the scheme are set out in Note 28 to the financial statements.



## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

For the year ended 31 December 2009, the directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

## **CORPORATE GOVERNANCE**

A report on the principal corporate governance practices adopted by the Company is set out on pages 13 to 17 of the annual report.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the GEM Listing Rules.

## **AUDITOR**

The financial statements have been audited by BDO Limited. BDO Limited were appointed as auditor of the Company following the merger of the business of Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) with BDO Limited and the resulting resignation of Shu Lun Pan Hong Kong CPA Limited as auditor of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as the Company's auditor.

By Order of the Board

**Liao Chao Ping**

*Chairman*

Hong Kong, 19 March 2010



# Independent Auditor's Report



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香港干諾道中 111 號  
永安中心 25 樓

## **TO THE SHAREHOLDERS OF QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED**

(乾隆科技國際控股有限公司)

*(incorporated in Cayman Islands with limited liability)*

We have audited the financial statements of Qianlong Technology International Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 28 to 80, which comprise the consolidated and company statements of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **AUDITOR'S RESPONSIBILITY**

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

## Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

*Certified Public Accountants*

### **Li Pak Ki**

Practising Certificate Number: P01330

Hong Kong, 19 March 2010



## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	7	84,146	71,200
Cost of sales		<u>(24,360)</u>	<u>(20,057)</u>
Gross profit		59,786	51,143
Other income	8	10,921	6,820
Other gains and losses	9	(9)	2,255
Selling and distribution costs		<u>(22,866)</u>	<u>(17,304)</u>
Administrative expenses		<u>(26,084)</u>	<u>(23,091)</u>
Operating profit		21,748	19,823
Share of loss of an associate		—	(269)
Profit before income tax	10	21,748	19,554
Income tax	14(a)	<u>(3,311)</u>	<u>(2,768)</u>
Profit for the year attributable to owners of the Company	16	<u>18,437</u>	<u>16,786</u>
Other comprehensive income for the year:			
Exchange differences on translating foreign operations		<u>(483)</u>	<u>(425)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>17,954</u>	<u>16,361</u>
Earnings per share			
– Basic and diluted	17	<u>RMB0.0730</u>	<u>RMB0.0762</u>



## Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	18	<u>35,086</u>	<u>36,452</u>
<b>Current assets</b>			
Inventories	20	77	26
Trade and other receivables	21	4,363	3,641
Deposits and prepayments		5,277	1,990
Investments held for trading	22	8,000	14,073
Cash and cash equivalents	23	<u>132,362</u>	<u>98,829</u>
<b>Total current assets</b>		<u>150,079</u>	<u>118,559</u>
<b>Total assets</b>		<u>185,165</u>	<u>155,011</u>
<b>Current liabilities</b>			
Trade and other payables	24	44,897	33,768
Tax payable		<u>1,851</u>	<u>2,964</u>
<b>Total current liabilities</b>		<u>46,748</u>	<u>36,732</u>
<b>Net current assets</b>		<u>103,331</u>	<u>81,827</u>
<b>Total assets less current liabilities</b>		<u>138,417</u>	<u>118,279</u>
<b>Non-current liabilities</b>			
Deferred revenue	25	3,541	2,801
Deferred tax liabilities	15	<u>1,291</u>	<u>—</u>
<b>Total non-current liabilities</b>		<u>4,832</u>	<u>2,801</u>
<b>Total liabilities</b>		<u>51,580</u>	<u>39,533</u>
<b>TOTAL NET ASSETS</b>		<u><u>133,585</u></u>	<u><u>115,478</u></u>





## Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
<b>Equity attributable to owners of the Company</b>			
Share capital	26	<b>26,128</b>	26,128
Reserves		<b>107,457</b>	89,350
<b>TOTAL EQUITY</b>		<b>133,585</b>	115,478

These financial statements were approved and authorised for issue by the board of directors on 19 March 2010.

**Liao Chao Ping**  
*Director*

**Yang Ching Shou**  
*Director*





# Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
<b>Non-current assets</b>			
Interests in subsidiaries	19	<u>9</u>	<u>14,426</u>
<b>Current assets</b>			
Trade and other receivables	21	<u>—</u>	<u>271</u>
Cash and cash equivalents	23	<u>18,779</u>	<u>20,574</u>
<b>Total current assets</b>		<u>18,779</u>	<u>20,845</u>
<b>Total assets</b>		<u>18,788</u>	<u>35,271</u>
<b>Current liabilities</b>			
Trade and other payables	24	<u>100</u>	<u>111</u>
Amounts due to subsidiaries	19	<u>4,360</u>	<u>5,570</u>
<b>Total current liabilities</b>		<u>4,460</u>	<u>5,681</u>
<b>Net current assets</b>		<u>14,319</u>	<u>15,164</u>
<b>TOTAL NET ASSETS</b>		<u>14,328</u>	<u>29,590</u>
<b>Equity attributable to owners of the Company</b>			
Share capital	26	<u>26,128</u>	<u>26,128</u>
Reserves	27	<u>(11,800)</u>	<u>3,462</u>
<b>TOTAL EQUITY</b>		<u>14,328</u>	<u>29,590</u>

These financial statements were approved and authorised for issue by the board of directors on 19 March 2010.

**Liao Chao Ping**  
Director

**Yang Ching Shou**  
Director



# C

## onsolidated Statement of Changes In Equity

For the year ended 31 December 2009

	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 27(a))	Exchange reserve RMB'000 (Note 27(b))	General reserve RMB'000 (Note 27(c))	Merger reserve RMB'000 (Note 27(d))	Retained profits/ (accu- mulated losses) RMB'000	Equity attri- butable to owners of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2008	22,420	33,124	(590)	8,172	23,765	(1,712)	85,179	24	85,203
Total comprehensive income for the year	—	—	(425)	—	—	16,786	16,361	—	16,361
Deregistration of subsidiaries	—	—	224	(80)	(1,729)	—	(1,585)	(24)	(1,609)
Issue of shares (Note 26)	3,708	11,864	—	—	—	—	15,572	—	15,572
Share issue expenses (Note 26)	—	(49)	—	—	—	—	(49)	—	(49)
Appropriation	—	—	—	2,552	—	(2,552)	—	—	—
Balance at 31 December 2008 and 1 January 2009	26,128	44,939	(791)	10,644	22,036	12,522	115,478	—	115,478
Total comprehensive income for the year	—	—	(483)	—	—	18,437	17,954	—	17,954
Deregistration of a subsidiary	—	—	(2,409)	—	2,562	—	153	—	153
Appropriation	—	—	—	3,373	—	(3,373)	—	—	—
<b>Balance at 31 December 2009</b>	<b>26,128</b>	<b>44,939</b>	<b>(3,683)</b>	<b>14,017</b>	<b>24,598</b>	<b>27,586</b>	<b>133,585</b>	<b>—</b>	<b>133,585</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
<b>Cash flows from operating activities</b>			
Profit before income tax		21,748	19,554
Adjustments for:			
Interest income	8	(1,736)	(1,769)
Loss/(gain) on deregistration of subsidiaries	9	153	(1,609)
Impairment loss on trade receivables	10	155	—
Write back of other payables	9	(23)	(386)
Gain on disposal of investments held for trading	9	(121)	(81)
Gain on disposal of property, plant and equipment	9	—	(106)
Fair value gain on investments held for trading	9	—	(73)
Depreciation of property, plant and equipment	10	3,344	3,142
Share of loss of an associate		—	269
Operating profit before working capital changes		23,520	18,941
Increase in inventories		(51)	(11)
(Increase)/decrease in trade and other receivables		(877)	100
Increase in deposits and prepayments		(3,287)	(564)
Decrease/(increase) in investments held for trading		6,194	(13,919)
Increase in trade and other payables		11,152	2,685
Increase in deferred revenue		740	416
Effect of foreign exchange rate changes		(450)	87
Cash generated from operations		36,941	7,735
Income tax paid, net		(3,133)	(1,518)
<b>Net cash generated from operating activities</b>		<b>33,808</b>	<b>6,217</b>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment		(1,978)	(946)
Proceeds from disposal of property, plant and equipment		—	144
Interest received		1,736	1,769
<b>Net cash (used in)/generated from investing activities</b>		<b>(242)</b>	<b>967</b>





## Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	26	—	15,572
Share issue expenses	26	—	(49)
<b>Net cash generated from financing activities</b>		<u>—</u>	<u>15,523</u>
<b>Net increase in cash and cash equivalents</b>		<b>33,566</b>	22,707
<b>Cash and cash equivalents at beginning of year</b>		<b>98,829</b>	76,625
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<u>(33)</u>	<u>(503)</u>
<b>Cash and cash equivalents at end of year</b>		<u><b>132,362</b></u>	<u>98,829</u>
<b>Analysis of the balances of cash and cash equivalents</b>			
	23		
Cash and bank balances		<b>19,188</b>	17,082
Time deposits with original maturity of less than three months when acquired		<u><b>113,174</b></u>	<u>81,747</u>
		<u><b>132,362</b></u>	<u>98,829</u>

31 December 2009

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Cayman Islands on 6 May 1998 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Uglan House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company is an investment holding company. The principal activities of the Group are the research, development and distribution of software, and the provision of related maintenance, usage and information services in the People's Republic of China (the "PRC").

The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

- (a) In the current year, the Group has adopted the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

31 December 2009

**2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS** *(Continued)*

The adoption of the above new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). The statement of financial position, previously known as balance sheet, at the beginning of the year of 2008 has not been presented as there were no changes to the originally published statement.

In addition, the amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

**(b) Potential impact arising on HKFRSs not yet effective**

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKFRS 9	Financial Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

31 December 2009

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (b) Potential impact arising on HKFRSs not yet effective *(Continued)*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The Group is in the process of making an assessment of the potential impact of other new or revised HKFRSs in the period of their initial application.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

### (b) Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified for certain financial instruments which are carried at fair value.

31 December 2009

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

##### (b) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill as detailed in Note 4(d) below.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (c) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

##### (d) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss, after re-assessment.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is recognised in profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	5%
Leasehold improvements	20% or shorter of the lease term
Computer equipment	20% - 33.33%
Furniture, fixtures and office equipment	20% - 33.33%
Motor vehicles	20% - 33.33%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (f) Impairment of assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method of costing and includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated normal selling prices in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

##### (h) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

##### (i) Financial assets at fair value through profit and loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (h) Financial assets *(Continued)*

###### (ii) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

###### (iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (h) Financial assets *(Continued)*

##### (iii) Impairment of financial assets *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (h) Financial assets *(Continued)*

###### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

###### (v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (i) Financial liabilities and equity instrument issued by the Group

###### (i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

###### (ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

###### (iii) Financial liabilities

Financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

###### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

###### (v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held as cash with banks, and other short term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### (k) Income tax

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

##### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### (ii) Deferred tax

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

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

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (k) Income tax *(Continued)*

##### (ii) Deferred tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income in which case the income tax is recognised in other comprehensive income.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (l) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### (m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

##### (n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (n) Operating leases *(Continued)*

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### (o) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are expressed in Renminbi ("RMB"), which is the functional currency of the principal operating subsidiaries of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on non-monetary items carried at fair value in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (o) Foreign currencies *(Continued)*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the exchange reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on translation of long-term monetary items forming part of the Group's net investment in foreign operations are reclassified to the exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

##### (p) Government subsidies

Subsidies from the PRC government are recognised at their fair values when they are received, or when there is reasonable assurance that the grant will be received and all attached conditions have been complied with. When a subsidy relates to an expense item, it is recognised as income over the periods necessary to match the subsidy, on a systematic basis, with the cost which it is intended to compensate. Where a subsidy relates to an asset, the fair value of the subsidy is deducted in arriving at the carrying amount of the related asset, or, as appropriate, is initially recorded as deferred income in the statement of financial position, and thereafter recognised as income over the useful life of the relevant asset.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (q) Employees' benefits

###### (i) Short term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leaves, contributions to defined contribution plan and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

###### (ii) Insurance policies and retirement benefits scheme

Employees of the Group are either members of life insurance policies managed by an insurance company or a central pension scheme operated by local government. The Group pays the premiums of the life insurance policies on behalf of the employees and makes contributions to the central pension scheme according to the requirements set by local government. The premiums and contributions are charged as expenses in the period in which they are incurred.

##### (r) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date by taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (s) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

##### (t) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence, both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

##### (u) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

##### (i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

##### (ii) Information service fee and maintenance service and usage fee income

Information service fees and maintenance service and usage fees are billed in advance and are recognised as income on a straight-line basis over the period of the provision of the related services. The unrecognised portion is recorded as deferred revenue in the statement of financial position.

##### (iii) Interest income

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

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## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### (i) Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### (ii) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

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## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### (iii) Impairment of trade and other receivables

Provision for impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

## 6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

### (a) Reportable segments

No separate business segment information is presented as the Group has only one business segment used by the chief operation decision-maker to make strategic decisions, which is the distribution and usage of software and provision of related maintenance and information services.

### (b) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2009 and 2008 were located in the PRC.

### (c) Information about major customer

Revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue for the years ended 31 December 2009 and 2008.

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**7. TURNOVER**

Turnover represents the sales value of goods supplied to customers and the service fees receivable, net of goods returned, trade discounts, business tax and value added tax. The Group's products and services are mainly sold and provided to customers in the PRC. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Maintenance service and usage fees	<b>37,834</b>	27,484
Information service fees	<b>35,016</b>	34,774
Sale of computer software	<b>10,507</b>	7,823
Others	<b>789</b>	1,119
	<b><u>84,146</u></b>	<u>71,200</u>

**8. OTHER INCOME**

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Value added tax refund ( <i>Note (a)</i> )	<b>7,084</b>	4,970
Interest income	<b>1,736</b>	1,769
Subsidy income ( <i>Note (b)</i> )	<b>1,921</b>	—
Sundries	<b>180</b>	81
	<b><u>10,921</u></b>	<u>6,820</u>

*Notes:*

- (a) A tax concession has been granted by the PRC tax authority to the Company's PRC subsidiaries which are engaged in the development and trading of computer software. Under this concession, the PRC subsidiaries are entitled to a refund of value added tax paid in excess of an effective rate of 3%. The amount of value added tax refund is recognised as other income on an accrual basis.
- (b) Subsidy income for the year ended 31 December 2009 mainly represented a subsidy of RMB1.4 million received from Science and Technology Commission of Shanghai Municipality to finance the development of advanced technology and subsidies totalling RMB0.5 million received from Shanghai Finance Bureau to finance the development of advanced technology and was calculated based on 50% of the business tax, value added tax and enterprise income tax paid to the local government last year.

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**9. OTHER GAINS AND LOSSES**

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
(Loss)/gain on deregistration of subsidiaries ( <i>Note 19</i> )	<b>(153)</b>	1,609
Gain on disposal of investments held for trading	<b>121</b>	81
Write back of other payables	<b>23</b>	386
Gain on disposal of property, plant and equipment	<b>—</b>	106
Fair value gain on investments held for trading	<b>—</b>	73
	<b>_____</b>	<b>_____</b>
	<b>(9)</b>	2,255
	<b>=====</b>	<b>=====</b>

**10. PROFIT BEFORE INCOME TAX**

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Profit before income tax is stated after charging/(crediting) the following:		
Cost of inventories expensed	<b>257</b>	379
Cost of service fees	<b>21,476</b>	16,596
Commission paid to distributors	<b>—</b>	1,020
Depreciation of property, plant and equipment ( <i>Note 18</i> )	<b>3,344</b>	3,142
Exchange (gain)/loss, net	<b>(450)</b>	311
Staff costs excluding directors' remuneration:		
Salaries and allowances	<b>22,987</b>	18,462
Pension fund contributions ( <i>Note 13</i> )	<b>3,936</b>	2,965
Auditor's remuneration:		
Current year	<b>453</b>	427
Underprovision in prior year	<b>30</b>	25
Research and development costs	<b>12,879</b>	7,256
Lease payments under operating leases		
in respect of land and buildings	<b>714</b>	653
Impairment loss on trade receivables ( <i>Note 21</i> )	<b>155</b>	—
	<b>=====</b>	<b>=====</b>

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**11. DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>Directors'</b> <b>fees</b> <b>RMB'000</b>	<b>Salaries,</b> <b>allowances</b> <b>and</b> <b>benefits</b> <b>in kind</b> <b>RMB'000</b>	<b>2009</b> <b>Total</b> <b>RMB'000</b>
<i>Executive directors:</i>			
Liao Chao Ping	—	413	413
Fan Ping Yi	—	413	413
Yang Ching Shou	—	827	827
Chen Shen Tien	—	413	413
Chen Ming Chuan	—	413	413
Yu Shih Pi	—	413	413
<i>Independent non-executive directors:</i>			
Chiu Kam Hing, Kathy	172	—	172
Chang Long Teng	172	—	172
Cheong Chan Kei, Ernest	172	—	172
	<u>516</u>	<u>2,892</u>	<u>3,408</u>

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**11. DIRECTORS' REMUNERATION** (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	2008 Total RMB'000
<i>Executive directors:</i>			
Liao Chao Ping	—	413	413
Fan Ping Yi	—	413	413
Yang Ching Shou	—	827	827
Chen Shen Tien	—	413	413
Chen Ming Chuan	—	413	413
Yu Shih Pi	—	413	413
<i>Independent non-executive directors:</i>			
Chiu Kam Hing, Kathy	177	—	177
Chang Long Teng	177	—	177
Cheong Chan Kei, Ernest	177	—	177
	<u>531</u>	<u>2,892</u>	<u>3,423</u>

Each of the executive directors has entered into a service contract with the Company for a term of two years and these contracts shall continue thereafter until terminated by either party giving to the other at least three months' prior notice in writing. Based on the terms of these service contracts, each of the directors are entitled to a monthly salary, an annual bonus payable on 31 December in each year, which is equivalent to the average of one month's salary earned in the previous twelve months.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

No share option was granted to the directors during the years ended 31 December 2009 and 2008.

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## 12. FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group during the years ended 31 December 2009 and 2008, all are directors, whose emoluments are disclosed in Note 11 above.

## 13. RETIREMENT BENEFITS

The employees of the Company's operating subsidiaries, Shanghai Qianlong Advanced Technology Company Limited, Shanghai Xin Long Information Technology Company Limited and Shanghai Qianlong Network Technology Company Limited, are members of a central pension scheme operated by the local government. The subsidiaries are required to contribute approximately 37% (2008: 37%) of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits.

The Group does not have any liabilities to the retirement benefits of the employees other than the monthly contributions to the central pension scheme. The Group's contributions to the central pension scheme for the year ended 31 December 2009 amounted to RMB3,936,000 (2008: RMB2,965,000).

## 14. INCOME TAX

(a) The amount of income tax in the consolidated statement of comprehensive income represents:

	2009 RMB'000	2008 RMB'000
Current tax – PRC foreign enterprise income tax		
– Provision for the year	2,180	2,768
– Overprovision in respect of prior year	(160)	—
	<u>2,020</u>	<u>2,768</u>
Deferred tax – Withholding tax ( <i>Note 15</i> )		
– Charge for the year	1,291	—
	<u>3,311</u>	<u>2,768</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profits tax for the current and prior years.

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#### 14. INCOME TAX (Continued)

- (a) On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law ("New Tax Law"), which became effective from 1 January 2008. In accordance with the New Tax Law, the unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012.

Shanghai Qianlong Network Technology Company Limited, a PRC operating subsidiary of the Company set up in February 2007 in Pudong Shanghai, is entitled to a preferential enterprise income tax rate of 20% for the current year (2008: 18%).

Shanghai Qianlong Advanced Technology Company Limited, a PRC operating subsidiary of the Company, which is engaging in advanced technology operation continued to enjoy the preferential enterprise income tax rate of 15% according to Session 111 of the National Enterprise Income Tax Law in 2008.

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**14. INCOME TAX** (Continued)

(b) The income tax for the year can be reconciled to the profit before income tax as stated in the consolidated statement of comprehensive income as follows:

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Profit before income tax	<b>21,748</b>	19,554
Taxation calculated at PRC foreign enterprise income tax rate of 25% (2008: 25%)	<b>5,437</b>	4,888
Tax effect of expenses not deductible for taxation purposes	<b>243</b>	24
Tax effect of non-taxable items	<b>(1,959)</b>	(756)
Deferred tax assets not recognised	<b>92</b>	264
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(1,633)</b>	(1,652)
Overprovision in respect of prior year	<b>(160)</b>	—
Deferred tax liabilities relating to withholding income tax on undistributed profits	<b>1,291</b>	—
Income tax for the year	<b>3,311</b>	2,768

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## 15. DEFERRED TAX

Under the New Tax Law, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective 8 December 2006, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No 1, pursuant to which dividend distribution out of pre-2008 retained earnings of foreign investment enterprises will be exempted from withholding income tax. Deferred tax liabilities relating to withholding income tax of RMB1,291,000 has been recognised in current year in respect of the undistributed profits of a subsidiary in the PRC for the years ended 31 December 2008 and 2009.

As at 31 December 2008, the Group had no significant deferred tax assets or liabilities.

## 16. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the year ended 31 December 2009, the Group's profit attributable to owners of the Company included a loss of RMB803,000 (2008: loss of RMB424,000) which has been dealt with in the financial statements of the Company.

## 17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB18,437,000 (2008: RMB16,786,000) and the weighted average number of 252,600,000 ordinary shares (2008: 220,188,767) in issue during the year.

Diluted earnings per share for the years ended 31 December 2009 and 2008 are the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue for these years.

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## 18. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land and buildings*	Leasehold improve- ments	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>						
At 1 January 2008	34,592	3,486	4,256	340	378	43,052
Additions	—	214	604	128	—	946
Disposals	(137)	—	—	—	(378)	(515)
Written off	—	—	(248)	(44)	—	(292)
Exchange adjustments	—	—	(10)	(2)	—	(12)
At 31 December 2008	34,455	3,700	4,602	422	—	43,179
Additions	—	752	911	315	—	1,978
<b>At 31 December 2009</b>	<b>34,455</b>	<b>4,452</b>	<b>5,513</b>	<b>737</b>	<b>—</b>	<b>45,157</b>
<b>Accumulated depreciation and impairment losses:</b>						
At 1 January 2008	2,075	456	1,401	94	340	4,366
Charge for the year	1,550	726	802	64	—	3,142
Written back on disposal	(137)	—	—	—	(340)	(477)
Written off	—	—	(248)	(44)	—	(292)
Exchange adjustments	—	—	(10)	(2)	—	(12)
At 31 December 2008	3,488	1,182	1,945	112	—	6,727
Charge for the year	1,551	756	940	97	—	3,344
<b>At 31 December 2009</b>	<b>5,039</b>	<b>1,938</b>	<b>2,885</b>	<b>209</b>	<b>—</b>	<b>10,071</b>
<b>Carrying amount:</b>						
<b>At 31 December 2009</b>	<b>29,416</b>	<b>2,514</b>	<b>2,628</b>	<b>528</b>	<b>—</b>	<b>35,086</b>
At 31 December 2008	30,967	2,518	2,657	310	—	36,452

\* Since the land lease prepayment cannot be allocated reliably between the land and buildings elements, the entire lease prepayment is included in the cost of land and buildings as a finance lease in property, plant and equipment. The leasehold land and buildings of the Group are held outside Hong Kong under a medium term lease.

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### 19. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted equity, at cost	9	2,659
Amount due from a subsidiary	—	11,767
	<u>9</u>	<u>14,426</u>

The amount due from a subsidiary as at 31 December 2008 was unsecured, interest-free and in substance represented the Company's investment in the subsidiary in the form of quasi-equity loan. The balance was fully written off upon the deregistration of the subsidiary during the year.

The amounts due to subsidiaries classified as current liabilities in the Company's statement of financial position are unsecured, interest-free and have no fixed terms of repayment.

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**19. INTERESTS IN SUBSIDIARIES** (Continued)

Details of the subsidiaries as at 31 December 2009 were presented below.

Name of company	Place of incorporation and operations and legal entity status	Percentage of equity interest			Issued and fully paid share capital/ registered capital	Principal activity
		Group's effective interest	Held by the Company	Held by subsidiary		
Qianlong Computers Company Limited (Note 1)	The British Virgin Islands (limited liability)	100	100	—	US\$10,000	Investment holding
Qianlong Computers Company Limited (Note 2)	Hong Kong (limited liability)	100	100	—	HK\$10,000	Investment holding
Shanghai Qianlong Advanced Technology Company Limited	The PRC (wholly foreign-owned enterprise)	100	—	100	US\$5,950,000	Development and trading of computer software and provision of the related maintenance services
Shanghai Xin Long Information Technology Company Limited	The PRC (wholly foreign-owned enterprise)	100	—	100	RMB5,000,000	Development of finance database products
Shanghai Qianlong Network Technology Company Limited	The PRC (wholly foreign-owned enterprise)	100	—	100	RMB10,000,000	Development and trading of computer software and provision of the related maintenance services

*Notes:*

- The subsidiary was deregistered during the year resulting in a loss of RMB153,000 (Note 9). This subsidiary had not contributed significant turnover and results to the Group during the years ended 31 December 2009 and 2008.
- The subsidiary was newly incorporated during the year.

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**20. INVENTORIES**

	The Group	
	2009 RMB'000	2008 RMB'000
Accessories	74	22
Finished goods	3	4
	<u>77</u>	<u>26</u>

**21. TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables	2,487	2,458	—	—
Less: Impairment loss recognised (Note 10)	(155)	—	—	—
Trade receivables – net	<u>2,332</u>	<u>2,458</u>	<u>—</u>	<u>—</u>
Other receivables	2,031	1,183	—	271
	<u>4,363</u>	<u>3,641</u>	<u>—</u>	<u>271</u>

- (a) The Group's policy is to allow an average credit period of 30 days from the date of billing to its trade customers. All trade receivables are denominated in Renminbi.
- (b) At 31 December 2009, the Group's trade receivables of about RMB155,000 (2008: RMBNil) were individually determined to be impaired. The individually impaired receivables related to debts that are long outstanding and management expected these debts to be irrecoverable. The Group does not hold any collateral over these balances.

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**21. TRADE AND OTHER RECEIVABLES** (Continued)

- (c) The following is an ageing analysis of trade receivables, based on the invoice date and net of impairment loss, at the end of the reporting period:

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Within 1 month	<b>1,257</b>	1,192
1 to 3 months	<b>532</b>	623
More than 3 months but less than 12 months	<b>490</b>	537
More than 12 months	<b>53</b>	106
	<u><b>2,332</b></u>	<u>2,458</u>

- (d) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Neither past due nor impaired	<b>1,062</b>	1,255
Less than 1 month past due	<b>1,143</b>	754
1 to 3 months past due	<b>11</b>	143
More than 3 months but less than 12 months past due	<b>116</b>	306
	<u><b>2,332</b></u>	<u>2,458</u>

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

- (e) The directors consider that the carrying amount of trade and other receivables approximates their fair value.

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**22. INVESTMENTS HELD FOR TRADING**

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Unlisted investment fund, at fair value (b)	<b>8,000</b>	8,000
Listed investment funds, at fair value (c)	—	6,073
	<b>8,000</b>	14,073

- (a) The above investments offered the Group the opportunity for return through interest income and capital gains.
- (b) The directors considered that the unlisted investment fund does not have a quoted market price in an active market. However, due to the short maturity of the unlisted investment fund, the directors are of the opinion that the fair value of the unlisted investment fund approximates its costs as at the end of the reporting period. The unlisted investment fund of RMB4,000,000 was renewed for a term of 3 months after it matured on 10 March 2010.
- (c) Listed investment funds held by the Group in last year had no fixed maturity or coupon rate. The fair value of listed investment funds was based on quoted market prices. The investments were fully disposed of during the year.

**23. CASH AND CASH EQUIVALENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Cash and bank balances	<b>19,188</b>	17,082	<b>2,354</b>	2,413
Time deposits	<b>113,174</b>	81,747	<b>16,425</b>	18,161
	<b>132,362</b>	98,829	<b>18,779</b>	20,574

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The directors consider the carrying amount of cash and cash equivalents approximates their fair value.

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**23. CASH AND CASH EQUIVALENTS** (Continued)

The carrying amounts of cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	<b>113,575</b>	76,870	—	—
Hong Kong dollars	<b>18,779</b>	21,498	<b>18,779</b>	20,574
United States dollars	<b>8</b>	452	—	—
New Taiwan dollars	—	9	—	—
	<u><b>132,362</b></u>	<u>98,829</u>	<u><b>18,779</b></u>	<u>20,574</u>

RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

**24. TRADE AND OTHER PAYABLES**

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	<b>2,285</b>	1,416	—	—
Receipts in advance	<b>844</b>	379	—	—
Other payables	<b>2,453</b>	1,805	—	—
Accruals	<b>3,295</b>	4,473	<b>100</b>	111
Deferred revenue (Note 25)	<b>36,020</b>	25,695	—	—
	<u><b>44,897</b></u>	<u>33,768</u>	<u><b>100</b></u>	<u>111</u>

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**24. TRADE AND OTHER PAYABLES** (Continued)

- (a) The following is an ageing analysis of trade payables, based on the invoice date, at the end of the reporting period:

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Within 1 month	<b>1,203</b>	707
1 to 3 months	<b>932</b>	672
More than 3 months but less than 12 months	<b>147</b>	37
More than 12 months	<b>3</b>	—
	<u><b>2,285</b></u>	<u>1,416</u>

- (b) The carrying amount of trade payables is denominated in the following currencies:

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Renminbi	<b>574</b>	141
Hong Kong dollars	<b>1,711</b>	1,275
	<u><b>2,285</b></u>	<u>1,416</u>

- (c) All other payables and accruals are expected to be settled within one year.
- (d) The directors consider that the carrying amount of trade and other payables approximates their fair value.

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**25. DEFERRED REVENUE**

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Amounts to be recognised as revenue within 1 year classified as current liabilities ( <i>Note 24</i> )	<b>36,020</b>	25,695
Amounts to be recognised as revenue after 1 year classified as non-current liabilities	<b>3,541</b>	2,801
	<b>39,561</b>	28,496

Deferred revenue represents maintenance service and usage fees received in advance at the end of the reporting period.

**26. SHARE CAPITAL**

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>Amount RMB'000</b>
	<b>The Company</b>	
Authorised:		
At 31 December 2009 and 2008	1,000,000,000	106,510
Issued and fully paid:		
At 31 December 2007	210,500,000	22,420
Issue of shares (b)	42,100,000	3,708
<b>At 31 December 2008 and 2009</b>	<b>252,600,000</b>	<b>26,128</b>

- (a) All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.
- (b) On 8 October 2008, the issued share capital of the Company was increased to HK\$25,260,000 by the allotment of 42,100,000 shares of HK\$0.1 each by way of placement at an issue price of HK\$0.42 per share to broaden the capital base. Such shares rank pari passu in all respects with the existing shares of the Company. Of the total cash consideration, before share issue expenses of HK\$55,000 (equivalent to RMB49,000), of HK\$17,682,000 (equivalent to RMB15,572,000), HK\$4,210,000 (equivalent to RMB3,708,000) and HK\$13,472,000 (equivalent to RMB11,864,000) were credited to the share capital and share premium account respectively (*Note 27*).

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**27. RESERVES**

	Share premium RMB'000 <i>(Note (a))</i>	Exchange reserve RMB'000 <i>(Note (b))</i>	Accumulated losses RMB'000	Total RMB'000
<b>The Company</b>				
At 1 January 2008	33,124	(1,980)	(38,380)	(7,236)
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	—	(693)	—	(693)
Issue of shares <i>(Note 26)</i>	11,864	—	—	11,864
Share issue expenses <i>(Note 26)</i>	(49)	—	—	(49)
Loss for the year	—	—	(424)	(424)
	<u>44,939</u>	<u>(2,673)</u>	<u>(38,804)</u>	<u>3,462</u>
At 31 December 2008	44,939	(2,673)	(38,804)	3,462
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	—	(489)	—	(489)
Loss for the year	—	—	(14,773)	(14,773)
	<u>—</u>	<u>—</u>	<u>(14,773)</u>	<u>(14,773)</u>
<b>At 31 December 2009</b>	<b><u>44,939</u></b>	<b><u>(3,162)</u></b>	<b><u>(53,577)</u></b>	<b><u>(11,800)</u></b>

Movement in reserves of the Group are set out in the consolidated statement of changes in equity on page 32 of the financial statements.

*(a) Share premium*

The application of the share premium account is governed by Section 148(a) of the Company's articles of association and the Cayman Islands Companies Law (Revised), which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

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## 27. RESERVES (Continued)

### (b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the Group's accounting policy set out in Note 4(o).

### (c) General reserve

According to the relevant rules and regulations in the PRC, each of the Group's PRC subsidiaries shall provide 10% of the annual net income after tax, based on the subsidiary's PRC statutory accounts, as a general reserve, until the balance reaches 50% of the respective subsidiary's registered capital. Further appropriations can be made at the directors' discretion.

The general reserve can be used to set off any accumulated losses or converted into paid-up capital of the respective subsidiary.

### (d) Merger reserve

The merger reserve arose as a result of the Group reorganisation in 1999 and represented the net difference between the value recorded for the shares issued by the Company and the nominal value of the issued share capital of the subsidiary received in exchange.

### (e) Distribution of reserves

At 31 December 2009, the Company had accumulated losses of RMB53,577,000 (2008: RMB38,804,000), and after taking into consideration of the balance of share premium account, subject to the provisions of the Cayman Islands Companies Law (Revised) as noted in (a) above, the aggregate amount of reserves available for distribution to owners of the Company was RMBNil (2008: RMB6,135,000).

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## 28. SHARE OPTIONS

### (a) *Share option scheme*

Pursuant to a written resolution passed on 2 December 1999 (“Adoption Date”), a share option scheme for employees was approved and the directors may, at their discretion, invite any employee or executive director of the Group, to take up options to subscribe for shares of the Company. Unless terminated by the Company in general meetings, the share option scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company may not (when aggregated with shares subject to any other employees share option scheme) exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose (i) any shares which have been duly allotted and issued on the exercise of the options granted under the share option scheme and any other schemes and (ii) any pro rata entitlements to further shares issued in respect of those shares referred to in (i) during a specified period of 10 consecutive years.

No option may be granted to any employee which, if exercised in full, would result in the total number of shares already issued and issuable to him under the share option scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the share option scheme.

The subscription price for shares under the scheme will be a price determined by the board and notified to each grantee and will be the highest of (i) the closing price of the shares on the date of grant; (ii) average closing prices of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Up to the date of expiration of the share option scheme on 2 December 2009, no option has been granted to any employee or director of the Company or any of its subsidiaries under this share option scheme.

- (b) During the years ended 31 December 2009 and 2008, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## 29. CAPITAL COMMITMENT

At the end of the reporting period, the Group and the Company had no significant outstanding capital commitment.

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**30. OPERATING LEASE ARRANGEMENTS**

At the end of the reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>1,212</b>	562
In the second to fifth years inclusive	<b>722</b>	278
	<b><u>1,934</u></b>	<u>840</u>

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

**31. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in these financial statements, the Group had no other significant related party transactions during the years ended 31 December 2009 and 2008.

Members of key management personnel during the year comprised the directors only whose remuneration is set out in Note 11 to the financial statements.

**32. CAPITAL RISK MANAGEMENT**

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is debt free and the capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

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### 33. FINANCIAL RISK MANAGEMENT

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and price risk.

The Group does not consider it necessary to use derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

These risks are limited by the Group's financial management policies and practices described below:

(i) *Credit risk*

The carrying amount of the trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2009, the Group had a certain concentration of credit risk as 10% and 13% of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively. As at 31 December 2008, the Group had no significant concentration of credit risk.

(ii) *Liquidity risk*

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group's financial liabilities at the end of the reporting period are all interest-free and are due within one year or on demand.

(iii) *Interest rate risk*

Other than cash at banks and time deposits, the Group has no significant interest-bearing assets and liabilities, and its income and operating cash flows are substantially independent of changes in market interest rates. Cash at banks and time deposits earn interest at floating rates and expose the Group to cash flow interest rate risk.

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### 33. FINANCIAL RISK MANAGEMENT (Continued)

(iv) *Currency risk*

The Group mainly operated in the PRC and has no significant exposure to any specific foreign currency, except that the Group has certain foreign currency monetary assets and liabilities denominated in Hong Kong dollars (“HK\$”).

An analysis on the Company’s sensitivity to a 5% fluctuation in the exchange rate between RMB and HK\$ was performed assuming that the change in the exchange rate had occurred at the end of the reporting period. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in exchange rate of HK\$ against RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. Where HK\$ weakening against RMB by 5%, the Company’s profit after income tax and retained profits will approximately be decreased by RMB908,000 (2008: RMB1,032,000). For a strengthening of HK\$ against RMB, there would be an equal and opposite impact on the profit after income tax and retained profits. The analysis is performed on the same basis for 2008.

(v) *Equity price risk*

The Group is not exposed to any significant equity securities risk or commodity price risk.

(vi) *Fair values*

- (a) The fair value of listed investment funds as at 31 December 2008, which were traded in active market, was determined based on quoted market prices at the end of the reporting period without any deduction for transaction costs.
- (b) As at 31 December 2009, the Group’s unlisted investment fund is measured at fair value, which is equivalent to its cost in view of the short maturity. In accordance with HKFRS 7, the fair value of the unlisted investment fund is based on Level 3 fair value measurement hierarchy-inputs for asset or liability that are not based on observable market data (that is unobservable inputs). During the year, there are no movements, transfer and gains or losses of the unlisted investment fund.
- (c) The fair values of other financial assets and liabilities are not materially different from their carrying amounts.

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### 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2009 and 2008 may be categorised as follows:

	2009 RMB'000	2008 RMB'000
<b>Financial assets</b>		
Fair value through profit or loss		
– Investments held for trading	8,000	14,073
Loans and receivables (including cash and bank balances)	136,725	102,470
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>8,033</u>	<u>7,694</u>

### 35. COMPARATIVE AMOUNTS

Cash flows relating to investments held for trading that were previously included in investment and financing activities have been reclassified to operating activities to conform with the current year's presentation. The directors consider that the revised presentation reflects more appropriately the operating cash flows of the Group.

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2010.

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## ive-Year Financial Summary

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group are summarised below:

	For the year ended 31 December				
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
<b>RESULTS</b>					
Turnover	<b>84,146</b>	71,200	52,825	33,477	27,870
Cost of sales	<b>(24,360)</b>	(20,057)	(17,290)	(9,752)	(8,025)
Gross profit	<b>59,786</b>	51,143	35,535	23,725	19,845
Other income	<b>10,921</b>	6,820	5,814	5,384	5,811
Other gains and losses	<b>(9)</b>	2,255	4,083	5,324	2,105
Selling and distribution costs	<b>(22,866)</b>	(17,304)	(14,748)	(11,348)	(7,271)
Administrative expenses	<b>(26,084)</b>	(23,091)	(18,710)	(16,819)	(16,067)
Other operating expenses	—	—	—	—	(1)
Share of (loss)/profit of an associate	—	(269)	81	13	23
Profit before income tax	<b>21,748</b>	19,554	12,055	6,279	4,445
Income tax	<b>(3,311)</b>	(2,768)	(500)	(121)	(1,477)
Profit for the year	<b>18,437</b>	16,786	11,555	6,158	2,968
Attributable to:					
Owners of the Company	<b>18,437</b>	16,786	11,555	6,158	2,973
Minority interests	—	—	—	—	(5)
	<b>18,437</b>	16,786	11,555	6,158	2,968
Earnings per share - Basic and diluted	<b>7.30 cents</b>	7.62 cents	5.50 cents	2.90 cents	1.41 cents

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## ive-Year Financial Summary

	<b>As at 31 December</b>				
	<b>2009</b>	2008	2007	2006	2005
	<b>RMB'000</b>	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>					
Property, plant and equipment	<b>35,086</b>	36,452	38,686	38,186	9,103
Other non-current assets	—	—	278	1,371	207
Current assets	<b>150,079</b>	118,559	81,807	54,591	76,924
Total assets	<b>185,165</b>	155,011	120,771	94,148	86,234
Current liabilities	<b>(46,748)</b>	(36,732)	(33,183)	(18,752)	(17,773)
Total assets less current liabilities	<b>138,417</b>	118,279	87,588	75,396	68,461
Non-current liabilities	<b>(4,832)</b>	(2,801)	(2,385)	(1,372)	(403)
Net assets	<b>133,585</b>	115,478	85,203	74,024	68,058
Share capital	<b>26,128</b>	26,128	22,420	22,420	22,420
Reserves	<b>107,457</b>	89,350	62,759	51,578	45,611
Equity attributable to owners of the Company	<b>133,585</b>	115,478	85,179	73,998	68,031
Minority interests	—	—	24	26	27
Total equity	<b>133,585</b>	115,478	85,203	74,024	68,058