ANNUAL REPORT 2010

QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8015)

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
Liao Angela Min Yin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Kam Hing, Kathy
Chang Long Teng
Hsieh Billy Shao Ven

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 Center
111 Connaught Road Central
Hong Kong

AUDIT COMMITTEE

Chiu Kam Hing, Kathy *(Chairman)*
Chang Long Teng
Hsieh Billy Shao Ven

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

Corporate Information

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Unit 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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

26th Floor, World Plaza, No.855 Pudong South Road, Shanghai, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Financial Summary

A summary of the audited results of the Qianlong Technology International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 together with the comparative figures for the corresponding period in 2009 and of the assets and liabilities of the Group as at 31 December 2010 and 2009 is set out as follows:

GROUP RESULTS

	2010	2009
	RMB'000	RMB'000
Turnover	**112,436**	84,146
Profit before income tax	**24,154**	21,748
Income tax	**(1,580)**	(3,311)
Profit for the year attributable to owners of the Company	**22,574**	18,437
Profit per share-Basic and diluted (RMB)	**0.0894**	0.0730

Financial Summary

GROUP ASSETS AND LIABILITIES

	2010 RMB'000	2009 RMB'000
Non-current assets		
Property, plant and equipment	**33,456**	35,086
Deposit paid for acquisition of leasehold land and buildings	**3,000**	—
Total non-current assets	**36,456**	35,086
Current assets		
Inventories	**76**	77
Trade and other receivables	**6,873**	4,363
Deposits and prepayments	**3,179**	5,277
Investments held for trading	**8,000**	8,000
Cash and cash equivalents	**161,883**	132,362
Total current assets	**180,011**	150,079
Total assets	**216,467**	185,165
Current liabilities		
Trade and other payables	**13,267**	8,877
Deferred revenue	**49,647**	36,020
Tax payable	**2,557**	1,851
Total current liabilities	**65,471**	46,748
Net current assets	**114,540**	103,331
Total assets less current liabilities	**150,996**	138,417
Non-current liabilities		
Deferred revenue	**6,528**	3,541
Deferred tax liabilities	**355**	1,291
Total non-current liabilities	**6,883**	4,832
Total liabilities	**72,354**	51,580
NET ASSETS	**144,113**	133,585
Equity attributable to owners of the Company		
Share capital	**26,128**	26,128
Reserves	**117,985**	107,457
TOTAL EQUITY	**144,113**	133,585

On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2010 to our shareholders and investors.

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group made great achievements and reported a turnover of RMB112,436,000, representing an increase of RMB28,290,000 as compared with RMB84,146,000 for the same period of the previous year. This increase is mainly due to increase in maintenance service and usage fees and sale of computer software for the year.

For the year ended 31 December 2010, the Group has recorded revenue of RMB52,277,000 from maintenance service and usage fees representing an increase of 38.17% from the same period of last year (2009: RMB37,834,000). Income from information service fee was RMB44,135,000 representing an increase of 26.04% from the same period of last year (2009: RMB35,016,000). The income from sale of computer software was RMB14,577,000 representing an increase of 38.74% from the same period of last year (2009: RMB10,507,000). The other income was RMB1,447,000 (2009: RMB789,000).

The increase in revenue resulted in greater profit for the year. The Group recorded a net profit attributable to owners of the Company of RMB 22,574,000 for the year ended 31 December 2010, representing an increase of 22.44% as compared with RMB18,437,000 for the same period of the previous year.

The basic and diluted earnings per share was RMB 8.94 cents (2009: RMB 7.30 cents).

BUSINESS SUMMARY AND PROSPECTS

During the year of 2010, the securities market appeared to go through periods of corrections , however, Qianlong products still achieved progress.

In the organizational users' market, the Company completed the development of "ShenWan Index Disclosure Platform". Many other consignment transaction platforms for A-stock securities traders and Hong Kong stock consignment transaction platforms for Hong Kong securities traders have achieved in-depth application. Tthe Company has become the leading provider of consignment products. At the same time, the technology and performance of related products have also been enhanced. For example, the development of security series products will enhance the competitive edge of consignment transaction products. For Hong Kong Stock consignment transaction clients, the added function of batch consignments have met high end investors' requirements.

Regarding the support of new business development, Qianlong always has had excellent performance, such as finance securities, stock index futures and the extension of transaction time of Hong Kong stocks; all were achieved at initial try. Qianlong has also provided tailored functions for customers such as developing a new finance network interface for Guotai Jun'an.

The launch of Qianlong's new age of finance platform has achieved actual development and a leading domestic securities house has signed contract formally with the Company to become the user of this product. Qianlong's new age of finance platform were welcomed by securities houses as it will help the securities houses increase efficiency with their own resources and become leaders in the market. The popularization of the new finance platform reconfirms Qianlong's leading position in the industry and makes Qianlong the new benchmark in the new round of competition among securities information products. The universal version running on the Company's own platform has been used by many online transaction users; the feedback from these users are very optimistic, showing satisfaction with performance, content and function. With further promotion, Qianlong's new generation of finance platform will lead the securities software industry on mainland China to a new age.

On individual user products, the stock index futures strategy analysis software "Futures Index Winner" is showing its market application potential after the formal launch. The strategy analysis module in Futures Index Winner has adopted the wisdom of professional experts with long term and actual experience in overseas stock index futures, allowing the software to not only disclose live information of stock index futures, but also become a stock index futures decision tool rarely seen in China. Therefore, we can forecast the product's welcome by the thousands of initial stock index futures customers. "Qianlong Futures Index Winner" has been further improved with the use of SK wave strategy, AF alarm strategy to make Qianlong Futures Index the undoubted frontrunner of the professional stock index and futures strategy analysis software in mainland China, establishing a solid reputation among high end investors of stock index and futures.

On individual user products, the totally new analysis software targeting Hong Kong Hangseng Index Futures, "Hangseng Winner," has been launched with new data mining technology to provide real time information data analysis. By uniting transaction strategies in different periods, the product provides users effective investment transaction strategy analysis and operation suggestions, resulting in higher success rates. The continued development of these strategy softwares satisfies the needs of high end users.

Especially notable is the new Xi Wei Mi Ma product has been completed in development by year end; unprecedentedly applying data mining technology in the securities analysis field to fill a gap in Chinese professional securities analysis software. Xi Wei Mi Ma , after undergoing data processing, utilization, will provide investors with a new practical tool for securities analysis. At the same time, investors can come to believe the open and transparent data already includes effective information and no longer need to believe in so called inside information and rumors. It can be said to be an excellent example of using technology to curb insider trading. It hopes to bring significant economic benefits, as well as great social benefit.

Moreover, the mobile phone version of "Palm Qianlong" has been improved to cover most of the mobile phone platforms with unique functions and excellent performance. The "Palm Qianlong" for iPhone was listed by tha AppStore to be a best application of the week, very welcomed by Apple's users.

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

Hong Kong, 25 March 2011

BUSINESS REVIEW

During the year 2010, the Chinese economy continues its up-trend from the prior year, however, part of the economy's growth appears overheated. In the first half of the year, the European debt crisis aggravated the global economy, increasing the possibility of a second downturn. The local securities market suffered large due to the rapid decrease of sales of domestic real estate market and the uncertainty of the export market. The Shanghai Securities Index decreased from 3277.14 at the beginning of the year to a bottom of 2319.74. The stock market transaction turnover was also in a downturn and market sentiment was also depressing. All of this affected the investors' effective requirements of financial information services.

The Group's management team responded to this unfavorable market actively by enhancing technology innovation and improving the finance model. The Company strengthened products' functions, increased investment in research, enriched product structure, increased brand and market promotion and improved the sales network. These operations advanced the Company's research and development capabilities and provided protection from market risk to ensure that sales income and profit continue to maintain a certain level of growth.

With hardware updates in securities houses and the variance of investors' requirements, the current Novell platform was unable to meet the requirements of the fast changes made by securities houses. Therefore, the Company researched and developed a complete solution based on Linux platform. The complete system has been transferred from Novell platform to Linux platform with consideration to practicability and safety. The layout and function on the customers' end retain Qianlong's traditional features and usage, allowing a seamless transfer without users noting a system change at all. This was greatly welcomed by the securities houses, resulting in good sales trend.

With the continuous innovation of transaction products in the securities market, except for main finance products such as stocks, debts, funds and futures, the launch of finance securities and stock index futures should push the securities market to develop further. In order to meet market requirements, the Company promptly launched products addressing stock index futures and commodities futures. Based on the original Qianlong Platform, the information disclosure function was added for stock index futures and commodities futures. With the futures index information and consignment order system, the products will lead the new age of financial futures analysis transaction systems.

For the year ended 31 December 2010, the Group has recorded RMB29,320,000 on Internet version market, representing 26.07% of the total turnover. The Group has recorded RMB 21,864,000 on Gang Gu Tong used for Hong Kong securities information, representing 19.44% of the total turnover.

MAJOR INVESTMENT

As at 31 December 2010, the Group's subsidiaries held unlisted investment fund of RMB8,000,000. The term of the investment fund of RMB4,000,000 held by Shanghai Qianlong Network Technology Company Limited is 90 days and matured on 26 January 2011 and the term of other investment fund of RMB4,000,000 held by Shanghai Qianlong Advanced Technology Company Limited is 29 days and matured on 27 January 2011.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2010, the administrative expenses increased from RMB26,084,000 in 2009 to RMB30,570,000 in 2010, representing an increase of 17.20%. The increase is 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 2010, the Group's working capital and financial resources improved as compared to that in the previous year. As at 31 December 2010, the Group's cash and cash equivalents was RMB161,883,000 (2009: RMB132,362,000). Therefore, the Group's financial status is still stable.

DEPLOYMENT OF HUMAN RESOURSES

The total number of staff of the Group as at 31 December 2010 was 369 (2009:318). 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 RMB38,456,000 (2009: RMB26,923,000).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2010 and 31 December 2009.

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 used 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 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 Co., Ltd is engaged in the technology development, technology transfer, technology service and network system integration in the industry of computer network technology and is approved software company of mainland China.

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.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liao Chao Ping, aged 67 is the chairman of the Group and responsible for the Group's overall direction. He is a director of Union Construction Company Limited (a company incorporated in Taiwan). Mr. Liao has joined the Group in October 2004 and been appointed the chairman of the Group in January 2005.

Mr. Fan Ping Yi, aged 52 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 52, 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 53, is responsible for the Group's overall strategic planning and the relationship development of potential business opportunities.

Mr. Chen Ming Chuan, aged 46, has been in the IT industry for 26 years with intensive experience in the development of securities analysis software.

Mr. Yu Shih Pi, aged 48, held senior management positions in various computer companies before joining the Group.

Miss Liao Angela Min-Yin, aged 39, is a certified public accountant licensed in the state of California, U.S.A. She holds a bachelor degree of Business Administration from the University of Michigan U.S.A. and a master degree of Business Taxation from the University of Southern California, U.S.A. She is currently a consultant with private firms and was previously a tax manager with PricewaterhouseCoopers LLP in the City of Los Angeles, U.S.A. Miss Liao was appointed as an executive Director of the Company in May 2010. Miss Liao is the daughter of the Group's Chairman Mr. Liao Chao Ping.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy, aged 62, has over 39 years of banking experience in Canada and Asia Pacific region. Ms. Chiu was 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 Group's audit committee and remuneration committee.

Mr. Chang Long Teng, aged 51, has extensive experience in management and administration. He does not hold any directorship in other public listed companies.

Mr. Hsieh Billy Shao-Ven, aged 54, is a certified public accountant and an attorney licensed in the State of California, U.S.A. He has been advising multinational clients about doing business in China for over15 years. He has extensive experience in mergers and acquisitions, market entry and development, investment structure, financing alternative, tax & regulatory planning and compliance. Mr. Hsieh was appointed as an independent non-executive Director of the Company on 30 August 2010.

Mr. Cheong Chan Kei, Ernest, aged 41, 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. Mr. Cheong resigned as an independent non-executive Director of the Company on 31 August 2010.

SENIOR MANAGEMENT

Mr. Du Hao, aged 42, is the vice president of Shanghai Qianlong Advanced Technology Company Limited. He joined the Group in 1993 and has over 17 years of product research and development experience. He holds a master degree of Science in Electronic Engineering from Fudan University.

Mr. Gao Feng, aged 47, is the vice general manager of Shanghai Qianlong Advanced Technology Company Limited. He is responsible for the daily operation of Shanghai Qianlong Advanced Technology Company Limisted. He holds a master degree of Business Administration from Fudan University, and has more than 18 years of experience in finance securities industry.

Mr. Song Li Qun, aged 43, is the general manager of Shanghai Qianlong Network Technology Company Limited. He is responsible for the daily operation of Shanghai Qianlong Network Technology Company Limited. He holds a bachelor degree from Shanghai University, and has 15 years of experience in the IT industry.

Mr. Chen Gangliang, aged 38, is the deputy 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 degree in Shanghai University and has more than 13 years of after sales experience.

Mr. Lu Ming Yuan aged 35, is the technology director of Shanghai Qianlong Advanced Technology Company Limited. He holds a bachelor degree of Computer from Gui Zhou University.

COMPANY SECRETARY

Mr. Tse Kai Chung, Bobby, aged 51, is the secretary of the Group. He joined the Group in July 2005. Mr. Tse holds a bachelor degree of Law from Warwick University. Mr. Tse is a member of the Hong Kong Law Society and partner of Messrs. Bobby Tse & Company. Mr. Tse is certified attorney with 23 years' experience in law.

COMPLIANCE OFFICER

Mr. Fan Ping Yi, aged 52, is the vice-chairman and executive Director of the Group. 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 26 years of experience in the IT industry. Being a compliance officer, Mr. Fan will be advising on and assisting the board of Directors 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 on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules (the "Code") during the year of 2010.

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 2010.

BOARD OF DIRECTORS AND BOARD MEETING

The Board which comprises ten 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.

Corporate Governance Report

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.

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, 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 2010 and the Company considers the independent non-executive Directors are independent.

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:

Executive Directors		**Attendance**
Liao Chao Ping	*(Chairman)*	4/4
Fan Ping Yi		4/4
Yang Ching Shou	*(Managing Director)*	4/4
Chen Shen Tien		3/4
Chen Ming Chuan		4/4
Yu Shih Pi		4/4
Liao Angela Min Yin	(appointed on 18 May 2010)	2/4
Non-executive directors		
Chiu Kam Hing, Kathy		4/4
Chang Long Teng		4/4
Hsieh Billy Shao Ven	(appointed on 30 August 2010)	1/4
Cheong Chan Kei, Ernest	(resigned on 31 August 2010)	3/4

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 centralisation. The chairman of the Group takes responsibility to lead and arrange operation of the 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 implement 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. Hsieh Billy Shao Ven, 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 RMB 486,000 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. Hsieh Billy Shao Ven, 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:

Members		Attendance
Chiu Kam Hing, Kathy		4/4
Chang Long Teng		4/4
Hsieh Billy Shao Ven	(appointed on 30 August 2010)	1/4
Cheong Chan Kei, Ernest	(resigned on 31 August 2010)	3/4

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2010 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 2010.

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 29 to 30 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 meeting 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 the 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 2010.

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 20 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 16% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 7% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 89% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 38% 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 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 84.

An interim dividend of HK$0.05 (equivalent to approximately RMB0.044) per share, totalling HK$12,630,000 (equivalent to approximately RMB11,018,000) was paid during the year.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010.

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 27 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, 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 35 of the annual report and in Note 28 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company had accumulated losses of RMB30,389,000 (2009: RMB53,577,000), 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 28(a) to the financial statements, the aggregate amount of reserves available for distribution to owners of the Company was RMB3,532,000 (2009: RMBNil).

DIRECTORS

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

Executive Directors

Liao Chao Ping	*(Chairman)*
Fan Ping Yi	*(Vice-chairman)*
Yang Ching Shou	*(Managing Director)*
Chen Shen Tien	
Chen Ming Chuan	
Yu Shih Pi	
Liao Angela Min Yin	(appointed on 18 May 2010)

Independent non-executive Directors

Chiu Kam Hing, Kathy	
Chang Long Teng	
Hsieh Billy Shao Ven	(appointed on 30 August 2010)
Cheong Chan Kei, Ernest	(resigned on 31 August 2010)

In accordance with article 116 of the Company's articles of association, Mr. Fan Ping Yi, Mr. Chen Ming Chuan and Ms. Chiu Kam Hing, Kathy 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 pages 13 and 14 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 2010 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 each of the 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 16 to 20 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 2010, 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))*	35,250,000	13.955%
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 2010, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 35,250,000 shares, representing a 13.955% interest in the Company. Mr. Fan Ping Yi is the sole shareholder of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou is the sole shareholder 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 2010, 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

At no time during the year ended 31 December 2010 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 2010, 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	35,250,000	13.955%
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%

Notes:

1. As at 31 December 2010, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 35,250,000 shares, representing a 13.955% interest in the Company. Mr. Fan Ping Yi is the sole shareholder of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou is the sole shareholder 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. Hsieh Billy Shao Ven. 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 2010.

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 85 to 86 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**
26/F, 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2010, 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 16 to 20 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.

SUBSEQUENT EVENT

On 28 February 2011, Shanghai Qianlong Advanced Technology Company Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire the office building located at 25/F and 10 parking spaces at basement 2, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC for a total consideration of RMB57,300,920.

AUDITOR

The financial statements have been audited by BDO Limited. 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, 25 March 2011

Independent Auditor's Report

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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 consolidated financial statements of Qianlong Technology International Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 31 to 84, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010 and of the Group's profit and cash flows 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, 25 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	7	**112,436**	84,146
Cost of sales		**(30,586)**	(24,360)
Gross profit		**81,850**	59,786
Other income	8	**15,281**	10,921
Other gains and losses	9	**261**	(9)
Selling and distribution costs		**(42,668)**	(22,866)
Administrative expenses		**(30,570)**	(26,084)
Profit before income tax	10	**24,154**	21,748
Income tax	14(a)	**(1,580)**	(3,311)
Profit for the year attributable to owners of the Company	16	**22,574**	18,437
Other comprehensive income for the year			
Exchange differences on translating foreign operations		**(1,028)**	(483)
Total comprehensive income for the year attributable to owners of the Company		**21,546**	17,954
Earnings per share			
– Basic and diluted	17	**RMB0.0894**	RMB0.0730

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	18	**33,456**	35,086
Deposit paid for acquisition of leasehold land and buildings	19	**3,000**	—
Total non-current assets		**36,456**	35,086
Current assets			
Inventories	21	**76**	77
Trade and other receivables	22	**6,873**	4,363
Deposits and prepayments		**3,179**	5,277
Investments held for trading	23	**8,000**	8,000
Cash and cash equivalents	24	**161,883**	132,362
Total current assets		**180,011**	150,079
Total assets		**216,467**	185,165
Current liabilities			
Trade and other payables	25	**13,267**	8,877
Deferred revenue	26	**49,647**	36,020
Tax payable		**2,557**	1,851
Total current liabilities		**65,471**	46,748
Net current assets		**114,540**	103,331
Total assets less current liabilities		**150,996**	138,417
Non-current liabilities			
Deferred revenue	26	**6,528**	3,541
Deferred tax liabilities	15	**355**	1,291
Total non-current liabilities		**6,883**	4,832
Total liabilities		**72,354**	51,580
NET ASSETS		**144,113**	133,585

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
Equity attributable to owners of the Company			
Share capital	27	**26,128**	26,128
Reserves		**117,985**	107,457
TOTAL EQUITY		**144,113**	133,585

These financial statements were approved and authorised for issue by the board of directors on 25 March 2011.

Liao Chao Ping
Director

Yang Ching Shou
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Interests in subsidiaries	20	**24,195**	9
Current assets			
Prepayments		**30**	—
Cash and cash equivalents	24	**4,837**	18,779
Total current assets		**4,867**	18,779
Total assets		**29,062**	18,788
Current liabilities			
Trade and other payables	25	**92**	100
Amounts due to subsidiaries	20	**3,079**	4,360
Total current liabilities		**3,171**	4,460
Net current assets		**1,696**	14,319
NET ASSETS		**25,891**	14,328
Equity attributable to owners of the Company			
Share capital	27	**26,128**	26,128
Reserves	28	**(237)**	(11,800)
TOTAL EQUITY		**25,891**	14,328

These financial statements were approved and authorised for issue by the board of directors on 25 March 2011.

Liao Chao Ping
Director

Yang Ching Shou
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	Share capital RMB'000 *(Note 27)*	Share premium RMB'000 *(Note 28(a))*	Exchange reserve RMB'000 *(Note 28(b))*	General reserve RMB'000 *(Note 28(c))*	Merger reserve RMB'000 *(Note 28(d))*	Retained profits RMB'000	Total equity RMB'000
		Reserves					
Balance at 1 January 2009	26,128	44,939	(791)	10,644	22,036	12,522	115,478
Profit for the year	—	—	—	—	—	18,437	18,437
Other comprehensive income	—	—	(483)	—	—	—	(483)
Total comprehensive income	—	—	(483)	—	—	18,437	17,954
Deregistration of a subsidiary	—	—	(2,409)	—	2,562	—	153
Appropriation	—	—	—	3,373	—	(3,373)	—
Balance at 31 December 2009 and 1 January 2010	26,128	44,939	(3,683)	14,017	24,598	27,586	133,585
Profit for the year	—	—	—	—	—	22,574	22,574
Other comprehensive income	—	—	(1,028)	—	—	—	(1,028)
Total comprehensive income	—	—	(1,028)	—	—	22,574	21,546
Interim dividend paid (Note 29)	—	(11,018)	—	—	—	—	(11,018)
Appropriation	—	—	—	3,856	—	(3,856)	—
Balance at 31 December 2010	**26,128**	**33,921**	**(4,711)**	**17,873**	**24,598**	**46,304**	**144,113**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Profit before income tax		**24,154**	21,748
Adjustments for:			
Interest income	8	**(2,132)**	(1,736)
Loss on deregistration of subsidiaries	9	**—**	153
Impairment loss on trade receivables	10	**39**	155
Write back of other payables	9	**—**	(23)
Gain on disposal of investments held for trading	9	**(261)**	(121)
Depreciation of property, plant and equipment	10	**4,171**	3,344
Operating profit before working capital changes		**25,971**	23,520
Decrease/(increase) in inventories		**1**	(51)
Increase in trade and other receivables		**(2,549)**	(877)
Decrease/(increase) in deposits and prepayments		**2,098**	(3,287)
Decrease in investments held for trading		**261**	6,194
Increase in trade and other payables		**4,390**	11,152
Increase in deferred revenue		**16,614**	740
Effect of foreign exchange rate changes		**(370)**	(450)
Cash generated from operations		**46,416**	36,941
Income tax paid, net		**(1,810)**	(3,133)
Net cash generated from operating activities		**44,606**	33,808
Cash flows from investing activities			
Deposit paid for the acquisition of leasehold land and buildings	19	**(3,000)**	—
Payments to acquire property, plant and equipment		**(2,541)**	(1,978)
Interest received		**2,132**	1,736
Net cash used in investing activities		**(3,409)**	(242)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
Cash flows from financing activities			
Dividends paid to owners of the Company	29	**(11,018)**	—
Net increase in cash and cash equivalents		**30,179**	33,566
Cash and cash equivalents at beginning of year		**132,362**	98,829
Effect of exchange rate changes on cash and cash equivalents		**(658)**	(33)
Cash and cash equivalents at end of year		**161,883**	132,362
Analysis of the balances of cash and cash equivalents	24		
Cash and bank balances		**24,614**	19,188
Time deposits with original maturity of less than three months when acquired		**137,269**	113,174
		161,883	132,362

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 Ugland 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 20 to the financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs

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
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements - Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new or revised standards and interpretations has no significant impact on the Group's financial statements.

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

(a) Adoption of new/revised HKFRSs *(Continued)*

HKFRS 3 (Revised) - Business Combinations and HKAS 27(Revised) - Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 4(a) to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

(b) New/revised HKFRSs that have been issued but are not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HK(IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosures - Transfer of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

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

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/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 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.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) 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.

(c) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of consideration transferred, the amount recognised for non-controlling interest and the fair value of the Group's previously held equity interest in acquiree over the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. 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 assets 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 fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the aggregate of the fair value of consideration transferred, non-controlling interest and fair value of the Group's previously held interest in the acquiree, the excess is recognised in profit or loss, after re-assessment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill *(Continued)*

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

(d) 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.

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%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's recoverable amount.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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 to the extent 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.

(f) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Inventories *(Continued)*

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.

(g) 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial assets *(Continued)*

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

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

— 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial liabilities and equity instrument issued by the Group *(Continued)*

(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.

(i) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Provisions *(Continued)*

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.

(l) 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.

(m) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) 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.

(r) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying 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.

(t) 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.

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.

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

The Group operates in a single segment, which is the distribution and usage of software and provision of related maintenance and information services. Revenue from external customers for related products and services are presented in Note 7.

(b) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2010 and 2009 were located in the PRC.

(c) Information about a 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 2010 and 2009.

7. TURNOVER

Turnover represents the sales value of goods supplied to customers and the service fees receivable, net of goods returned, trade discounts 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:

	2010	2009
	RMB'000	RMB'000
Maintenance service and usage fees	**52,277**	37,834
Information service fees	**44,135**	35,016
Sale of computer software	**14,577**	10,507
Others	**1,447**	789
	112,436	84,146

8. OTHER INCOME

	2010	2009
	RMB'000	RMB'000
Value added tax refund (Note (a))	**11,062**	7,084
Interest income	**2,132**	1,736
Subsidy income (Note (b))	**1,930**	1,921
Sundries	**157**	180
	15,281	10,921

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 2010 mainly represented a subsidy of RMB1.2 million granted by Shanghai Municipal Development and Reform Commission to a PRC subsidiary to finance its development of a software product, and subsidies totalling RMB0.7 million (2009: RMB0.5 million) granted by Shanghai Finance Bureau to finance the PRC subsidiaries' 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. Last year's balance also included a subsidy of RMB1.4 million granted by Science and Technology Commission of Shanghai Municipality to finance a PRC subsidiary's development of business.

9. OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	RMB'000
Gain on disposal of investments held for trading	**261**	121
Write back of other payables	**—**	23
Loss on deregistration of subsidiaries	**—**	(153)
	261	(9)

10. PROFIT BEFORE INCOME TAX

	2010	2009
	RMB'000	RMB'000
Profit before income tax is stated after charging/(crediting) the following:		
Cost of inventories expensed	**375**	257
Cost of service fees	**26,564**	21,476
Depreciation of property, plant and equipment (Note 18)	**4,171**	3,344
Exchange gain, net	**(653)**	(450)
Staff costs excluding directors' remuneration:		
Salaries and allowances	**33,309**	22,987
Pension fund contributions (Note 13)	**5,148**	3,936
Auditor's remuneration:		
Current year	**450**	453
Underprovision in prior year	**36**	30
Research and development costs	**18,752**	12,879
Lease payments under operating leases in respect of land and buildings	**1,796**	714
Impairment loss on trade receivables (Note 22)	**39**	155

11. DIRECTORS' REMUNERATION

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Non-contractual payment for loss of office paid to former director by the Company RMB'000	2010 Total RMB'000
Executive directors:				
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
Liao Angela Min Yin	—	254	—	254
Independent non-executive directors:				
Chiu Kam Hing, Kathy	169	—	—	169
Chang Long Teng	169	—	—	169
Cheong Chan Kei, Ernest	104	—	65	169
Hsieh Billy Shao Ven	56	—	—	56
	498	3,146	65	3,709

11. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Non-contractual payment for loss of office paid to former director by the Company RMB'000	2009 Total RMB'000
Executive directors:				
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
Independent non-executive directors:				
Chiu Kam Hing, Kathy	172	—	—	172
Chang Long Teng	172	—	—	172
Cheong Chan Kei, Ernest	172	—	—	172
	516	2,892	—	3,408

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.

Except as disclosed above, 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 during the current and prior years.

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 up to the date of expiration of the share option scheme on 2 December 2009.

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one (2009: five) director, details of whose remuneration are set out in Note 11 above. The details of the remuneration of the remaining four (2009: Nil) non-director highest paid individuals are as follows:

	2010	2009
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	**2,700**	—
Pension contributions	**127**	—
	2,827	—

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	2010	2009
	No. of employees	No. of employees
RMB Nil to RMB1,000,000	**4**	—

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% (2009: 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 2010 amounted to RMB5,148,000 (2009: RMB3,936,000).

14. INCOME TAX

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

	2010	2009
	RMB'000	RMB'000
Current tax - PRC foreign enterprise income tax		
- Provision for the year	**1,400**	2,180
- Overprovision in respect of prior year	**(134)**	(160)
	1,266	2,020
Deferred tax (Note 15)		
- Charge for the year	**314**	1,291
	1,580	3,311

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.

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 ("Qianlong Network"), 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 year ended 31 December 2009. During the year, Qianlong Network has obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the enterprise income tax at the concessionary rate of 12.5% for 2 years from 2010 to 2011 according to the Circular Caishi (2008) No.1 issued by the Treasury and National Tax Bureau in 2010.

Shanghai Qianlong Advanced Technology Company Limited, a PRC operating subsidiary of the Company, which is engaged 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.

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:

	2010 **RMB'000**	2009 RMB'000
Profit before income tax	**24,154**	21,748
Income tax calculated at PRC foreign enterprise income tax rate of 25% (2009: 25%)	**6,038**	5,437
Tax effect of expenses not deductible for taxation purposes	**280**	243
Tax effect of non-taxable items	**(2,431)**	(1,959)
Deferred tax assets not recognised	**—**	92
Utilisation of tax losses previously not recognised	**(694)**	—
Effect of tax concession granted to PRC subsidiaries	**(2,578)**	(1,719)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**122**	86
Overprovision in respect of prior year	**(134)**	(160)
Deferred tax liabilities relating to withholding income tax on undistributed profits	**977**	1,291
Income tax for the year	**1,580**	3,311

15. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

	Allowance for doubtful debts RMB'000	Other deductible temporary difference RMB'000	Withholding tax on dividend (Note) RMB'000	Total RMB'000
At 1 January 2009	—	—	—	—
Charge to profit or loss for the year	—	—	1,291	1,291
At 31 December 2009	—	—	1,291	1,291
Charge/(credit) to profit or loss for the year	(5)	(658)	977	314
Transfer to income tax payable as dividend paid out during the year	—	—	(1,250)	(1,250)
At 31 December 2010	(5)	(658)	1,018	355

Note: 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 Ministry of Finance and the State Administration of Taxation 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 RMB977,000 (2009: RMB1,291,000) has been recognised for the year in respect of the undistributed profits of a subsidiary in the PRC for the year ended 31 December 2010.

15. DEFERRED TAX *(Continued)*

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010	2009
	RMB'000	RMB'000
Deferred tax assets	**(663)**	—
Deferred tax liabilities	**1,018**	1,291
	355	1,291

16. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the year ended 31 December 2010, the Group's profit attributable to owners of the Company included a loss of RMB1,428,000 (2009: loss of RMB803,000) 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 RMB22,574,000 (2009: RMB18,437,000) and the weighted average number of 252,600,000 ordinary shares (2009: 252,600,000) in issue during the year.

Diluted earnings per share for the years ended 31 December 2010 and 2009 are the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue for these years.

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land and building* RMB'000	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost					
At 1 January 2009	34,455	3,700	4,602	422	43,179
Additions	—	752	911	315	1,978
At 31 December 2009	34,455	4,452	5,513	737	45,157
Additions	—	1,189	1,156	196	2,541
At 31 December 2010	34,455	5,641	6,669	933	47,698
Accumulated depreciation:					
At 1 January 2009	3,488	1,182	1,945	112	6,727
Charge for the period	1,551	756	940	97	3,344
At 31 December 2009	5,039	1,938	2,885	209	10,071
Charge for the year	1,551	1,204	1,250	166	4,171
At 31 December 2010	6,590	3,142	4,135	375	14,242
Carrying amount:					
At 31 December 2010	27,865	2,499	2,534	558	33,456
At 31 December 2009	29,416	2,514	2,628	528	35,086

* Since the land lease prepayment cannot be allocated reliably between the land and buildings elements at the inception of the lease, 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.

19. DEPOSIT PAID FOR ACQUISITION OF LEASEHOLD LAND AND BUILDINGS

In September 2010, the Group paid a deposit of RMB3 million for the acquisition of office building located at 25/F and 10 parking spaces at basement 2, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC. Subsequent to the end of reporting period, the Group entered into the sale and purchase agreement for the said acquisition and further details were disclosed in Note 33 to the financial statements.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**9**	9
Amount due from a subsidiary	**24,186**	—
	24,195	9

The amount due from a subsidiary is unsecured, interest-free and in substance represented the Company's investment in the subsidiary in the form of quasi-equity loan.

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.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the subsidiaries as at 31 December 2010 are presented below.

Name of company	Place of incorporation and operations and legal entity status	Percentage of equity interest: Group's effective interest	Percentage of equity interest: Held by the Company	Percentage of equity interest: Held by subsidiary	Issued and fully paid share capital/ registered capital	Principal activity
Qianlong Computers Company Limited	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 the provision of related maintenance, usage and information 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 the provision of related maintenance, usage and information services

21. INVENTORIES

	The Group	
	2010	2009
	RMB'000	RMB'000
Accessories	**71**	74
Finished goods	**5**	3
	76	77

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**4,199**	2,487	**—**	—
Less: Impairment loss recognised	**(194)**	(155)	**—**	—
Trade receivables - net	**4,005**	2,332	**—**	—
Other receivables	**2,868**	2,031	**—**	—
	6,873	4,363	**—**	—

(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) The below table reconciled the impairment loss on trade receivables for the year:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**155**	—	**—**	—
Impairment loss recognised (Note 10)	**39**	155	**—**	—
At end of year	**194**	155	**—**	—

At 31 December 2010, the Group's trade receivables of about RMB194,000 (2009: RMB155,000) 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.

22. 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:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 month	**2,875**	1,257
1 to 3 months	**1,020**	532
More than 3 months but less than 12 months	**99**	490
More than 12 months	**11**	53
	4,005	2,332

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**1,259**	1,062
Less than 1 month past due	**1,687**	1,143
1 to 3 months past due	**1,020**	11
More than 3 months but less than 12 months past due	**39**	116
	4,005	2,332

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.

23. INVESTMENTS HELD FOR TRADING

	The Group	
	2010	2009
	RMB'000	RMB'000
Unlisted investment fund, at fair value	**8,000**	8,000

(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, in view of the short maturity of the 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.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**24,614**	19,188	**4,837**	2,354
Time deposits	**137,269**	113,174	**—**	16,425
	161,883	132,362	**4,837**	18,779

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 amounts of cash and cash equivalents approximate their fair values.

24. CASH AND CASH EQUIVALENTS *(Continued)*

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

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**154,087**	113,575	**—**	—
Hong Kong dollars	**7,796**	18,779	**4,837**	18,779
United States dollars	**—**	8	**—**	—
	161,883	132,362	**4,837**	18,779

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.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**2,437**	2,285	**—**	—
Receipts in advance	**463**	844	**—**	—
Other payables	**3,042**	2,453	**—**	—
Accruals	**7,325**	3,295	**92**	100
	13,267	8,877	**92**	100

25. 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:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 month	**1,531**	1,203
1 to 3 months	**718**	932
More than 3 months but less than 12 months	**180**	147
More than 12 months	**8**	3
	2,437	2,285

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Renminbi	**909**	574
Hong Kong dollars	**1,528**	1,711
	2,437	2,285

(c) All other payables and accruals are expected to be settled within one year.

(d) The directors consider that the carrying amounts of trade and other payables approximate their fair values.

26. DEFERRED REVENUE

	The Group	
	2010	2009
	RMB'000	RMB'000
Amounts to be recognised as revenue within 1 year classified as current liabilities	**49,647**	36,020
Amounts to be recognised as revenue after 1 year classified as non-current liabilities	**6,528**	3,541
	56,175	39,561

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

27. SHARE CAPITAL

The Company	**Number of ordinary shares of HK$0.10 each**	**Amount**
		RMB'000
Authorised:		
At 31 December 2010 and 2009	1,000,000,000	106,510
Issued and fully paid:		
At 31 December 2010 and 2009	252,600,000	26,128

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

28. RESERVES

	Share premium RMB'000 *(Note (a))*	Exchange reserve RMB'000 *(Note (b))*	Accumulated losses RMB'000	Total RMB'000
The Company				
At 1 January 2009	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)
Total comprehensive income for the year	—	(489)	(14,773)	(15,262)
At 31 December 2009	44,939	(3,162)	(53,577)	(11,800)
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	—	(607)	—	(607)
Profit for the year	—	—	23,188	23,188
Total comprehensive income for the year	—	(607)	23,188	22,581
Interim dividend paid	(11,018)	—	—	(11,018)
At 31 December 2010	**33,921**	**(3,769)**	**(30,389)**	**(237)**

Movement in reserves of the Group are set out in the consolidated statement of changes in equity on page 35 of the financial statements.

28. RESERVES *(Continued)*

(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.

(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(n).

(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) Distributable reserves

At 31 December 2010, the Company had accumulated losses of RMB30,389,000 (2009: RMB53,577,000), 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 RMB3,532,000 (2009: RMBNil).

29. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Interim dividend paid - HK$0.05 (equivalent to approximately RMB0.044) per share	**11,018**	—

At a meeting held on 13 May 2010, the directors recommended to paid an interim dividend of HK$0.05 (equivalent to approximately RMB0.044) per share, totalling HK$12,630,000 (equivalent to approximately RMB11,018,000) to shareholders whose names appeared on the Register of Members of the Company at the close of business on 7 June 2010.

No final dividend has been paid or proposed at the end of reporting period (2009: RMBNil).

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:

	The Group	
	2010 RMB'000	2009 RMB'000
Within 1 year	**1,737**	1,212
In the second to fifth years inclusive	**415**	722
	2,152	1,934

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 2010 and 2009.

The remuneration of key management personnel included directors' remuneration, which is disclosed in Note 11 to the financial statements.

32. CAPITAL COMMITMENT

	The Group	
	2010	2009
	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment:		
- contracted for but not provided	**905**	—

33. EVENTS AFTER THE REPORTING PERIOD

On 28 February 2011, Shanghai Qianlong Advanced Technology Company Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire the office building located at 25/F and 10 parking spaces at basement 2, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC for a total consideration of RMB57,300,920. Up to the date of these financial statements, the Group has fully settled the consideration amount and is in the process of obtaining the related ownership certificates.

34. 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.

35. 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 financial assets included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk.

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. The Group had a certain concentration of credit risk. As at 31 December 2010, the Group's trade receivables from five customers accounted for 49% of the Group's total trade receivables. As at 31 December 2009, 10% and 13% of the Group's total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The credit risk on liquid fund is limited because the counterparties are reputable banks.

(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.

35. 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$ weakens against RMB by 5%, the Company's profit for the year and retained profits will be decreased by approximately RMB278,000 (2009: RMB908,000). Where HK$ strengthens 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 2009.

(v) Equity price risk

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

(vi) Fair values

(a) As at 31 December 2010 and 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, transfers and gains or losses of the unlisted investment fund.

(b) The fair values of other financial assets and liabilities are not materially different from their carrying amounts.

36. 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 2010 and 2009 may be categorised as follows:

	2010	2009
	RMB'000	RMB'000
Financial assets		
Fair value through profit or loss		
- Investments held for trading	**8,000**	8,000
Loans and receivables		
(including cash and bank balances)	**168,756**	136,725
Financial liabilities		
Financial liabilities measured at amortised cost	**12,804**	8,033

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2011.

Five-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				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Turnover	**112,436**	84,146	71,200	52,825	33,477
Cost of sales	**(30,586)**	(24,360)	(20,057)	(17,290)	(9,752)
Gross profit	**81,850**	59,786	51,143	35,535	23,725
Other income	**15,281**	10,921	6,820	5,814	5,384
Other gains and losses	**261**	(9)	2,255	4,083	5,324
Selling and distribution costs	**(42,668)**	(22,866)	(17,304)	(14,748)	(11,348)
Administrative expenses	**(30,570)**	(26,084)	(23,091)	(18,710)	(16,819)
Share of (loss)/profit of an associate	**—**	—	(269)	81	13
Profit before income tax	**24,154**	21,748	19,554	12,055	6,279
Income tax	**(1,580)**	(3,311)	(2,768)	(500)	(121)
Profit for the year attributable to owners of the Company	**22,574**	18,437	16,786	11,555	6,158
Earnings per share - Basic and diluted	**8.94 cents**	7.30 cents	7.62 cents	5.50 cents	2.90 cents

Five-Year Financial Summary

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**33,456**	35,086	36,452	38,686	38,186
Other non-current assets	**3,000**	—	—	278	1,371
Current assets	**180,011**	150,079	118,559	81,807	54,591
Total assets	**216,467**	185,165	155,011	120,771	94,148
Current liabilities	**(65,471)**	(46,748)	(36,732)	(33,183)	(18,752)
Total assets less current liabilities	**150,996**	138,417	118,279	87,588	75,396
Non-current liabilities	**(6,883)**	(4,832)	(2,801)	(2,385)	(1,372)
Net assets	**144,113**	133,585	115,478	85,203	74,024
Share capital	**26,128**	26,128	26,128	22,420	22,420
Reserves	**117,985**	107,457	89,350	62,759	51,578
Equity attributable to owners of the Company	**144,113**	133,585	115,478	85,179	73,998
Non-controlling interests	**—**	—	—	24	26
Total equity	**144,113**	133,585	115,478	85,203	74,024