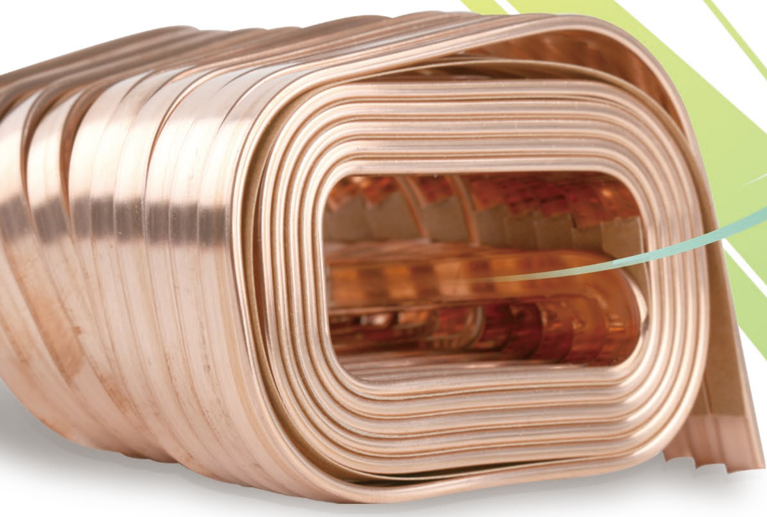
ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

2012

Annual Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

King Pak Fu *(Chairman)*
Jia Bowei *(Chief Executive Officer)*
Tsang To
Lam Kwan Sing

Independent Non-executive Directors

Lam Ting Lok
Hu Gin Ing
Zhang Xiaoman

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

Tsang To
Chan Yuen Ying, Stella

AUDIT COMMITTEE

Lam Ting Lok *(Chairman)*
Hu Gin Ing
Zhang Xiaoman

REMUNERATION COMMITTEE

Lam Ting Lok *(Chairman)*
Tsang To
Hu Gin Ing
Zhang Xiaoman

NOMINATION COMMITTEE

Lam Ting Lok *(Chairman)*
Tsang To
Hu Gin Ing
Zhang Xiaoman

CORPORATE GOVERNANCE COMMITTEE

King Pak Fu *(Chairman)*
Jia Bowei
Tsang To
Lam Kwan Sing

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5, 9/F
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

The Bank of East Asia Limited

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Enterprises Development Holdings Limited (the "Company"), I take pleasure to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

For the financial year ended 31 December 2012, the Group recorded a consolidated net loss of approximately RMB29.9 million. However, the Group had reported a consolidated net profit of approximately RMB10.9 million in the last corresponding year. The net loss for the year was primarily due to a loss on reversal of change in fair value of promissory note in prior years due to the redemption during the year.

During the year, the escalating sovereign debt crisis in Europe has created enormous pressures on the capital market and undoubtedly affected the investment atmosphere. The Group faced the unavoidable loss in trading securities and recorded net fair value losses of approximately RMB8.9 million. In consideration of the unstable economic environment, the management will adopt a more prudent investment strategy in the future. On the other hand, the Group had provided an impairment loss of stock of approximately RMB0.3 million. The basic loss per share for the year was RMB0.0233. The loss per share was due to loss on reversal of change in fair value of promissory note in prior years due to the redemption. The Board does not recommend the payment of any final dividend for the 12 months ended 31 December 2012.

Although the world continues to face a bumpy and uncertain recovery, the Group is still confident with the PRC market in the long run as it is supported by strong demand driven by the hasty urbanisation and expectation for improved living standard of the PRC population. The Group has been actively exploring other business opportunities so as to diversify our business to bring return to our shareholders.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions.

King Pak Fu
Chairman

Hong Kong, 25 March 2013

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. King Pak Fu (景百孚), aged 42, was appointed as an executive Director and the chairman of the Company on 18 February 2011 and 12 March 2011 respectively. He is also the chairman of the Corporate Governance Committee of the Company ("CG Committee") and a director of certain subsidiaries of the Company. Mr. King is experienced in property development and corporate management. He is currently the managing director of 昂展投資諮詢有限公司 (Advanced Investment Holdings Limited) ("Advanced Investment"), a private company established under the laws of the PRC with limited liability and 90% equity interest of which is owned by Mr. King. Mr. King is currently the chairman and an executive director of Carnival Group International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 996). Save as aforesaid, Mr. King has not held any directorship in other listed companies during the last three years. Mr. King is interested in 604,355,000 shares of the Company held through Affluent Start Holdings Investment Limited, in which he is its sole beneficial owner and sole director. Save for the above, Mr. King does not have any interest in the shares of the Company ("Shares") within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO").

Mr. King does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. King has no fixed term of service with the Company but he is subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "Articles"). The appointment of Mr. King can be terminated by one month's advance notice in writing by either party. Mr. King is entitled to a director's remuneration of HK$600,000 per annum which is determined by the Board with reference to the recommendation of the remuneration committee of the Company (the "Remuneration Committee") based on his qualifications, experience and duties and responsibilities in the Group.

Mr. Jia Bowei (賈伯煒), aged 46, was appointed as an executive Director on 23 November 2011 and as the chief executive officer of the Company (the "Chief Executive Officer") on 16 March 2012. He is a member of the CG Committee. He has extensive experience in finance and management. He obtained a master's degree in business administration from Guanghua Management School of Peking University. Mr. Jia has over 25 years of working experience. Mr. Jia was an executive director of Shanghai Industrial Urban Development Group Limited, a company listed on the Stock Exchange (stock code: 563). Save as aforesaid, Mr. Jia has not held any directorship in other listed companies during the last three years. Mr. Jia does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Jia does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. Jia has no fixed term of service with the Company but he is subject to retirement by rotation at least once every three years in accordance with the Articles. The appointment of Mr. Jia can be terminated by one month's advance notice in writing by either party. Mr. Jia is entitled to a director's remuneration of HK$1,800,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

BIOGRAPHIES OF DIRECTORS

Mr. Tsang To（曾濤）, aged 37, was appointed as an executive Director on 18 February 2011. He is a member of each of the Remuneration Committee, the nomination committee of the Company ("Nomination Committee") and the CG Committee, and a director of a subsidiary of the Company. Mr. Tsang is a partner of a PRC law firm. Mr. Tsang holds a bachelor's degree in laws from Xiamen University（廈門大學）and a master's degree in laws from the University of London. He is admitted as a solicitor to the High Court of Hong Kong as well as a PRC qualified lawyer. Mr. Tsang is currently an independent director of THT Heat Transfer Technology. Inc. (Stock Code: THTI), a company listed on the NASDAQ Stock Market. Save as disclosed above, Mr. Tsang has not held any directorship in other listed companies during the last three years. Mr. Tsang does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Tsang does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. Tsang has no fixed term of service with the Company but will be subject to retirement by rotation at least once every three years in accordance with the Articles. The appointment of Mr. Tsang can be terminated by one month's advance notice in writing by either party. Mr. Tsang is entitled to a director's remuneration of HK$600,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

Mr. Lam Kwan Sing（林君誠）, aged 43, was appointed as an executive Director on 13 February 2012. He is a member of the CG Committee, and a director of certain subsidiaries of the Company. He was graduated from the City University of Hong Kong with a degree in Bachelor of Arts in Accountancy. He has more than 15 years of experience in the commercial and corporate finance field. Mr. Lam is currently a director of China National Resources, Inc., a company listed on NASDAQ since 2003, and an executive director of Rising Development Holdings Limited (stock code: 1004) and an independent non-executive director of Hao Tian Resources Group Limited (stock code: 474), companies listed on the Stock Exchange. Mr. Lam was an executive director of Shanghai Industrial Urban Development Group Limited (a company listed on the main board of the Stock Exchange, stock code: 563) from May 2008 to July 2010. Save as disclosed above, Mr. Lam has not held any directorship in other listed companies during the last three years. He does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Lam does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. Lam has no fixed term of service with the Company but he is subject to retirement by rotation and re-election at the next following annual general meeting of the Company after his appointment, and thereafter at least once every three years in accordance with the Articles. The appointment of Mr. Lam can be terminated by one month's advance notice in writing by either party. Mr. Lam is entitled to a director's remuneration of HK$360,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

BIOGRAPHIES OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ting Lok (林庭樂), aged 40, was appointed as an independent non-executive Director on 12 March 2011. He is the chairman of each of the audit committee of the Company ("Audit Committee"), the Remuneration Committee and the Nomination Committee. Mr. Lam has over 15 years' experience in the accounting and financial industry. He has extensive experience in IPO, M&A, fund raising and corporate advisory. He started his career in an international audit firm in 1995 and then devoted himself in the corporate finance and fund management fields since 2000. He holds a bachelor's degree in Business Administration from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a charterholder of the Chartered Financial Analyst. Mr. Lam is currently an independent non-executive director of each of Wonderful Sky Financial Group Holdings Limited (stock code: 1260) and EPI (Holdings) Limited (stock code: 689), companies listed on the Stock Exchange. Save as disclosed above, Mr. Lam has not held any directorship in other listed companies during the last three years. Mr. Lam does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Lam does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. Lam entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and he is subject to retirement by rotation at least once every three years in accordance with the Articles. The appointment of Mr. Lam can be terminated by two months' advance notice in writing by Mr. Lam or by one month's advance notice in writing by the Company. Mr. Lam is entitled to a director's remuneration of HK$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

Ms. Hu Gin Ing (胡競英), aged 54, was appointed as an independent non-executive Director on 12 March 2011. She is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Hu holds a master degree in business administration from Florida International University, United States of America ("U.S.A."), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in the State of Maryland, U.S.A. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has also been a director of GigaMedia Limited (shares of which are traded on NASDAQ in U.S.A. under the ticker symbol of GIGM) since July 2003, an independent director of Evendata Holding Company Limited since April 2011, and an independent director of Arich Enterprise Co. Ltd. since December 2012. She had over 18 years of experience in accounting and finance. Save as disclosed above, Ms. Hu has not held any directorship in other listed companies during the last three years. Ms. Hu does not have any interest in the Shares within the meaning of Part XV of the SFO.

BIOGRAPHIES OF DIRECTORS

Ms. Hu does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Ms. Hu entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and she is subject to retirement by rotation at least once every three years in accordance with the Articles. The appointment of Ms. Hu can be terminated by two months' advance notice in writing by Ms. Hu or by one month's advance notice in writing by the Company. Ms. Hu is entitled to a director's remuneration of HK$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on her qualifications, experience and duties and responsibilities in the Group.

Mr. Zhang Xiaoman（張小滿）, aged 31, was appointed as an independent non-executive Director on 12 March 2011. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Zhang is a partner of a law firm in China. He holds a bachelor's degree in laws from Peking University. He is a qualified lawyer in China. Mr. Zhang has not held any directorship in other listed companies during the last three years. Mr. Zhang does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Zhang does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Mr. Zhang entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and he is subject to retirement by rotation at least once every three years in accordance with the Articles. The appointment of Mr. Zhang can be terminated by two months' advance notice in writing by Mr. Zhang or by one month's advance notice in writing by the Company. Mr. Zhang is entitled to a director's remuneration of HK$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2012, the Group recorded a turnover of approximately RMB131,995,000 (2011: RMB128,788,000), of which turnover from (i) software maintenance and other services amounted to approximately RMB136,515,000 (2011: RMB124,965,000); (ii) sale of software products and others amounted to approximately RMB4,353,000 (2011: RMB3,823,000); and (iii) net realised and unrealised losses of approximately RMB8,873,000 (2011: Nil) on trading and investments.

Gross Profit

For the year ended 31 December 2012, the Group recorded a gross profit of approximately RMB33,218,000 (2011: RMB33,603,000).

Other Net Losses

For the year ended 31 December 2012, other net losses were approximately RMB22,749,000 (2011: other net income of RMB15,458,000), which was mainly attributable to (i) net loss of approximately RMB4,263,000 (2011: RMB2,167,000) on derivative financial instruments; (ii) no change in fair value of promissory note (2011: gain of RMB17,629,000) (iii) loss of approximately RMB18,234,000 (2011: Nil) on reversal of change in fair value of the promissory note in prior years due to early redemption; and (iv) net exchange loss of approximately RMB252,000 (2011: loss of RMB4,000).

Finance Costs

For the year ended 31 December 2012, finance cost of interest expenses was approximately RMB531,000 (2011: Nil).

Loss for the Year

For the year ended 31 December 2012, the Group recorded a loss for the year of approximately RMB29,923,000 (2011: profit of RMB10,923,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated by operating and financing activities. As at 31 December 2012, the Group maintained cash and cash equivalents amounted to approximately RMB17,267,000 (31 December 2011: RMB10,338,000). As at 31 December 2012, the Group's current ratio was approximately 472.23% (31 December 2011: 830.61%); and the Group's net gearing ratio as at 31 December 2012 was -0.85% (31 December 2011: 50.65%) (balance of total borrowings less cash and cash equivalents divided by total assets and multplied by 100%).

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being.

Pledge of Assets

As at 31 December 2012, the Group had no pledge of assets and bank deposits in order to obtain general banking facilities or short-term bank borrowings (2011: Nil).

Redemption of Promissory Note

On 31 December 2011, Winsino Investments Limited ("Winsino"), a wholly-owned subsidiary of the Company, entered into an agreement with Advance Mode Limited ("Advance Mode"), a company wholly-owned by Mr. Lo Kai Bong (a former executive Director resigned on 13 February 2012), pursuant to which the promissory note with a principal amount of HK$96,000,000 issued by Winsino in favour of Advance Mode (the "Promissory Note") was extended for a period of 24 months from 10 March 2012 with no interest payable.

The Group early redeemed the Promissory Note and recognised a loss on reversal of change in fair value of the Promissory Note in prior years due to the early redemption of the Promissory Note of approximately RMB18,234,000 for the year ended 31 December 2012 (2011: Nil).

Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including borrowings and the promissory note, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained earnings and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

On 27 February 2012, the Company entered into a placing agreement with the placing agent for the placing of: (i) up to 161,231,600 new shares to not less than six placees at the placing price of HK$0.24 per placing share under the general mandate to issue new shares granted to the Directors at the annual general meeting of the Company held on 16 May 2011. The said placing was completed on 5 March 2012 and the Company issued and allotted 161,231,600 new shares and raised net proceeds of approximately HK$37 million for the Group's general working capital needs; and (ii) up to 500,000,000 new shares to not less than six placees at the placing price of HK$0.24 per share which is subject to the fulfillment of conditions including the passing of an ordinary resolution by the shareholders of the Company for the issue and allotment of the said shares and the increase in the authorised share capital of the Company. Shareholders' approval was obtained pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company held on 10 April 2012. Net proceeds of approximately HK$115.8 million were raised and were used to reduce the indebtedness of the Group and finance the Group's general working capital needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to a resolution passed by the Company's shareholders on 10 April 2012, the authorised share capital of the Company was increased from HK$10,000,000 comprising 1,000,000,000 shares of HK$0.01 each to HK$30,000,000 divided into 3,000,000,000 shares by the creation of an additional 2,000,000,000 shares of HK$0.01 each.

Significant Investments

There was no significant investment held by the Group as at 31 December 2012.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

On 5 November 2012, Easy Talent Limited ("Easy Talent"), an indirect wholly-owned subsidiary of the Company, and Smart Masterly Limited ("Smart Masterly"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, an indirect wholly-owned subsidiary of United Electronics Co., Ltd ("UEC") entered into a subscription agreement ("Subscription Agreement") pursuant to which, Smart Masterly agreed to subscribe and Easy Talent agreed to allot and issue four subscription shares at the total consideration of RMB50,000,000 (equivalent to approximately HK$61,900,000) (the "Deemed Disposal"). The transaction contemplated under the Subscription Agreement constituted a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Deemed Disposal was approved by the shareholders of the Company at the extraordinary general meeting held on 3 December 2012 and the completion of the Deemed Disposal took place on 22 January 2013. Since then, Smart Masterly has become the legal and beneficial owner of 40% of the issued share capital in Easy Talent. Easy Talent has remained as an indirect subsidiary of the Company and the Company's interest in Easy Talent has been diluted to 60%.

Save as disclosed above, the Group has not made any other material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2012.

Employees and Remuneration Policies

As at 31 December 2012, the Group employed 100 full time employees (31 December 2011: 100). The remuneration package of employees is determined by reference to their performance, experience, their positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains a mandatory provident fund scheme for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 31 December 2012, there was no significant contingent liability (2011: Nil).

Final Dividend

The Board did not recommend a final dividend for the year ended 31 December 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of approximately RMB131,995,000 for the year ended 31 December 2012 (2011: RMB128,788,000) due to the continuing growing business in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. The Group also provides customised development of applications as a value-added service to customers, and sells self-developed firewall and other software products in the PRC and Hong Kong.

Outlook and Future Business Strategies

We have a large client base in the PRC who use Oracle's databases and an experienced technical team which can provide prompt and effective services and develop services in the PRC and Hong Kong.

Apart from our existing Software Business, we are actively searching for other business opportunities so as to diversify our business to bring return to our shareholders.

In order to maintain the Group's sustainability and preservation of value over the longer term, the Group will continue to look for suitable investment opportunities and projects characterised by stable cash inflows and simple management mechanism.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December				
	2012	2011	2010	2009 (Restated)	2008 (Restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**131,995**	128,788	39,522	–	–
Cost of sales	**(98,777)**	(95,185)	(26,386)	–	–
Gross profit	**33,218**	33,603	13,136	–	–
(Loss)/profit from continuing operations	**(29,923)**	16,137	(285)	(5,295)	9,782
(Loss)/profit from discontinued operations	**–**	(5,214)	77,498	44,640	(218,208)
(Loss)/profit for the year	**(29,923)**	10,923	77,213	39,345	(208,426)
Profit/(Loss) attributable to minority interests	**–**	–	–	–	–
(Loss)/profit for the year attributable to equity holders of the Company	**(29,923)**	10,923	77,213	39,345	(208,426)
Basic and diluted (loss)/earnings per share (RMB)					
– from continuing and discontinued operations	**(0.0233)**	0.01	0.13	0.07	(0.35)

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	At 31 December				
	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**28,393**	31,520	33,303	504,191	511,905
Assets classified as held for distribution	**–**	–	3,223,865	–	–
Current assets	**122,076**	65,851	3,281,578	2,120,493	2,592,768
Liabilities classified as held for distribution	**–**	–	(2,517,214)	–	–
Current liabilities	**(25,851)**	(7,928)	(2,528,032)	(1,992,382)	(2,547,244)
Net current assets	**96,225**	57,923	753,546	128,111	45,524
Total assets less current liabilities	**124,618**	89,443	786,849	632,302	557,429
Non-current liabilities	**–**	(59,658)	(77,287)	–	–
Net assets	**124,618**	29,785	709,562	632,302	557,429
Total equity attributable to equity holders of the Company	**124,618**	29,785	709,562	632,302	557,429
Minority interests	**–**	–	–	–	–
Total equity	**124,618**	29,785	709,562	632,302	557,429

	At 31 December				
	2012	2011	2010	2009	2008
Profitability ratios					
Return on shareholder's equity *(Note 1)*	**(38.76%)**	2.95%	11.51%	6.61%	(29.97%)
Return on assets *(Note 2)*	**(24.15%)**	0.64%	2.60%	1.37%	(6.10%)
Liquidity ratios					
Current ratio *(Note 3)*	**472.23%**	830.61%	129.81%	106.43%	101.79%
Receivables turnover days *(Note 4)*	**77.60**	53.35	53.02	46.92	44.56
Inventory turnover days *(Note 5)*	**8.67**	18.93	11.84	19.03	16.22
Payable turnover days *(Note 6)*	**8.88**	12.35	45.29	80.41	64.87
Capital adequacy ratios					
Net gearing ratio *(Note 7)*	**(0.85%)**	50.65%	16.90%	6.99%	1.74%

(Note 1) Profit(loss) for the year divided by average total equity and multiplied by 100%.
(Note 2) Profit(loss) for the year divided by average total assets and multiplied by 100%.
(Note 3) Current assets divided by current liabilities and multiplied by 100%.
(Note 4) Balance of average trade receivables and bills divided by turnover of the year and multiplied by 365 days.
(Note 5) Average inventory balance divided by cost of sales of the year and multiplied by 365 days.
(Note 6) Balance of average trade payables and bills divided by cost of sales of the year and multiplied by 365 days.
(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total assets and multiplied by 100%.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Former CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005 and was revised and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code") with effect from 1 April 2012.

During the year ended 31 December 2012, the Company was in compliance with all code provisions set out in the Former CG Code and the New CG Code except for the deviations from code provisions A.6.7, D.1.4 and E.1.2 of the New CG Code, which are explained below.

Code provision A.6.7 of the New CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lam Ting Lok, an independent non-executive Director, did not attend the extraordinary general meeting of the Company held on 10 April 2012, while Ms. Hu Gin Ing, an independent non-executive Director, did not attend the extraordinary general meeting of the Company held on 3 December 2012, both due to their engagement in their own official business.

Under code provision D.1.4 of the New CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Messrs. King Pak Fu, Jia Bowei and Tsang To. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Code provision E.1.2 of the New CG Code requires that the chairman of the Board should attend the annual general meeting of the Company. Mr. King Pak Fu, the chairman of the Board, did not attend the 2012 annual general meeting of the Company as he was on a business trip. However, he has actively participated in the Board meetings to get involved in the Company's affairs.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Former CG Code and the New CG Code during the year ended 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of seven Directors including four executive Directors and three independent non-executive Directors:

Executive Directors

Mr. King Pak Fu *(Chairman)*
Mr. Jia Bowei *(Chief Executive Officer)*
Mr. Tsang To
Mr. Lam Kwan Sing

Independent Non-Executive Directors

Mr. Lam Ting Lok
Ms. Hu Gin Ing
Mr. Zhang Xiaoman

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 4 to 7 under the section headed "Biographies of Directors".

Directors' Training

According to the code provision A.6.5 of the New CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training relating to the Listing Rules and corporate governance matters or attending seminars relating to their role as a director of listed issuer. Each of the Directors has provided a record of training they received for the financial year ended 31 December 2012 to the Company. In addition to their own participation in professional training, relevant training was provided to the Directors by the Company in the financial year ended 31 December 2012.

Chairman and Chief Executive Officer

Prior to the appointment of Mr. Jia Bowei as Chief Executive Officer on 16 March 2012, the Company did not have a chief executive officer and Mr. King Pak Fu performed these two roles. The Board was of the view that the balance of power and authority was not impaired and was adequately ensured by the Board which comprised experienced and high calibre individuals with sufficient number of independent non-executive Directors. Since the appointment of Mr. Jia Bowei as Chief Executive Officer, the division of responsibilities between the chairman and chief executive officer is clearly established.

Non-Executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, finance and law. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

The independent non-executive Directors were appointed for a term of one year from 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and they are subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles").

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

During the year ended 31 December 2012, the Board held 5 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Directors	Number of attendance
Executive Directors	
– Mr. King Pak Fu *(Chairman)*	4/5
– Mr. Jia Bowei *(Chief Executive Officer)*	4/5
– Mr. Tsang To	5/5
– Mr. Lam Kwan Sing*	4/4
– Mr. Lo Kai Bong#	1/1
Independent Non-executive Directors	
– Mr. Lam Ting Lok	5/5
– Ms. Hu Gin Ing	4/5
– Mr. Zhang Xiaoman	5/5

* Mr. Lam Kwan Sing was appointed as an executive Director on 13 February 2012, and 4 Board meetings were held after his appointment.

\# Mr. Lo Kai Bong resigned as an executive Director on 13 February 2012, and 1 Board meeting was held before his resignation.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

CORPORATE GOVERNANCE REPORT

General Meetings

During the year ended 31 December 2012, three general meetings of the Company were held, being 2012 annual general meeting held on 11 May 2012 ("2012 AGM") and two extraordinary general meetings held on 10 April 2012 and 3 December 2012 respectively.

Name of Directors	Number of attendance
Executive Directors	
– Mr. King Pak Fu *(Chairman)*	0/3
– Mr. Jia Bowei *(Chief Executive Officer)*	2/3
– Mr. Tsang To	2/3
– Mr. Lam Kwan Sing*	3/3
– Mr. Lo Kai Bong#	0/0
Independent Non-executive Directors	
– Mr. Lam Ting Lok	2/3
– Ms. Hu Gin Ing	2/3
– Mr. Zhang Xiaoman	2/3

* Mr. Lam Kwan Sing was appointed as an executive Director on 13 February 2012, and 3 general meetings were held after his appointment.

Mr. Lo Kai Bong resigned as an executive Director on 13 February 2012, and no general meeting was held before his resignation.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman, and one executive Director, namely Mr. Tsang To. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the New CG Code.

The function of the Nomination Committee are to review and monitor the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the Chief Executive Officer.

During the year ended 31 December 2012, the Nomination Committee held two meetings to consider the proposed appointment of executive Director; to assess the independence of the independent non-executive Directors; to consider the re-election of Directors; to consider the proposed appointment of Chief Executive Officer; and to review the composition of the Board.

Name of Members	Number of attendance
– Mr. Lam Ting Lok *(Chairman)*	2/2
– Mr. Tsang To	2/2
– Ms. Hu Gin Ing	1/2
– Mr. Zhang Xiaoman	2/2

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman, and one executive Director, namely Mr. Tsang To. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the New CG Code.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the year ended 31 December 2012, the Remuneration Committee held two meetings to consider the proposed remuneration of the proposed executive Director and to review the remuneration packages of the Directors and senior management.

Name of Members	Number of attendance
– Mr. Lam Ting Lok *(Chairman)*	2/2
– Mr. Tsang To	2/2
– Ms. Hu Gin Ing	1/2
– Mr. Zhang Xiaoman	2/2

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 10 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the New CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2012, the Audit Committee held two meetings.

Name of Members	Number of attendance
– Mr. Lam Ting Lok *(Chairman)*	2/2
– Ms. Hu Gin Ing	2/2
– Mr. Zhang Xiaoman	2/2

During the year ended 31 December 2012, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out annually.

CORPORATE GOVERNANCE COMMITTEE

The Company established the CG Committee with written terms of reference on 16 March 2012 and currently consists of four executive Directors, namely Mr. King Pak Fu (as chairman), Mr. Jia Bowei, Mr. Tsang To and Mr. Lam Kwan Sing.

Terms of reference adopted by the CG Committee is aligned with the code provisions set out in the New CG Code.

The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the New CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2012, the CG Committee held one meeting to review the Company's policies and practices on corporate governance; to review the training and continuous professional development of Directors and senior management; and to review the Company's compliance with the Former CG Code and the New CG Code.

Name of Members	Number of attendance
– Mr. King Pak Fu *(Chairman)*	1/1
– Mr. Jia Bowei	1/1
– Mr. Tsang To	1/1
– Mr. Lam Kwan Sing	1/1

INVESTMENT COMMITTEE

The Company established the Investment Committee with written terms of reference on 2 April 2012 and currently consists of three executive Directors, namely Mr. Jia Bowei, Mr. Lam Kwan Sing and Mr. Tsang To.

The functions of the Investment Committee are to set investment policies in compliance with the Listing Rules and make all investment decisions based on reports, advices and recommendations from professional financial advisers in accordance with the Group's investment objectives and policies and to address and deal with such other matters relating to investments as directed by the Board from time to time.

EXTERNAL AUDITORS

KPMG resigned as auditor of the Company with effect from 17 July 2012 and HLB Hodgson Impey Cheng Limited were appointed as auditors of the Company on 17 July 2012 to fill the casual vacancy so arising. There have been no other change of auditors in the past three years. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguard independence of the auditors, and it has:

- determined the framework for the type and authorisation of non-audit services for which the external auditors may provide; and
- agreed with the Board on the policy relating to the hiring of employees or former employees of the external auditors and monitored the applications of such policy.

During 2012, the fees paid to the Company's external auditors for providing audit and non-audit services were approximately RMB731,000 and RMB325,000 respectively.

The Group has not employed any staff who was formerly involved in the Group's statutory audit.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Mr. Lam Kwan Sing, an executive Director of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2012.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and The Companies Law (2011 Revision) of the Cayman Islands. The procedures shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of the forthcoming annual general meeting of the Company will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

The chairmen of each of the Audit Committee, the Remuneration Committee and the Nomination Committee attended the 2012 AGM to answer questions of the meeting and collect views of shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2012, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

INTERNAL CONTROL

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2012, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

DIRECTORS' REPORT

The Board of Directors has pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 36 to 110.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2012, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately RMB109,942,000 (2011: Nil).

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 12 to 13 of this report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately RMB244,000 (2011: Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 16 to the consolidated financial statements

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors

Mr. King Pak Fu *(Chairman)*	
Mr. Jia Bowei *(Chief Executive Officer)*	
Mr. Tsang To	
Mr. Lam Kwan Sing	(appointed on 13 February 2012)
Mr. Lo Kai Bong	(resigned on 13 February 2012)

Independent Non-executive Directors

Mr. Lam Ting Lok
Ms. Hu Gin Ing
Mr. Zhang Xiaoman

In accordance with Article 87(2) of the Articles, Mr. King Pak Fu, Ms. Hu Gin Ing and Mr. Zhang Xiaoman shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

Each independent non-executive Director has entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term. The appointment of each of the independent non-executive Directors can be terminated by two months' advance notice in writing by the respective independent non-executive Director or by one month's advance notice in writing by the Company.

Mr. Lam Kwan Sing, an executive Director, entered into a service agreement with the Company on 13 February 2012. He has no fixed term of service with the Company but he is subject to retirement by rotation at least once every three years in accordance with the Articles. The appointment of Mr. Lam can be terminated by one month's advance notice in writing by either party.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

SHARE OPTION SCHEME

The Company has approved the adoption of the Share Option Scheme on 18 December 2006. Pursuant to the Scheme, the Board may, at its discretion, grant options to any directors or eligible parties (as defined in the Scheme) for subscription of the Company's shares as incentive to retain talents in the Group. The Company has not granted any option since adoption of the Scheme.

The principal terms of the Scheme are summarised as follows:

(1) The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company shall not exceed 10% in the nominal value of the aggregate of shares in issue on 11 January 2007, i.e. the date of listing of the shares of the Stock Exchange, being 60,000,000 shares, unless the Company obtains a fresh approval from the shareholders, and which must not in aggregate exceed 30% of the shares in issue from time to time.

    As at the date of this report, the total number of shares available for issue under the Scheme is 60,000,000 shares, which represents 4.09% of the existing issued shares.

(2) The total number of shares which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company to each grantee in any 12-month period shall not exceed 1% of the shares in issue for the time being.

(3) The subscription price shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(4) An option may be exercised in accordance with the terms of the Scheme at any time after the date the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may exercise will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(5) Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(6) Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 18 December 2006.

Details of the Scheme are set out in the Prospectus of the Company dated 28 December 2006. Apart from the Scheme mentioned above, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors to acquire such right in any other body corporate.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as these disclosed in the section "Connected Transactions" below, no contracts of significance in relation to the Group'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 year-end or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2012, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. King Pak Fu	Controlled corporation	Long position	604,355,000 *(Note 1)*	41.19%

Note:

1. These 604,355,000 ordinary shares of the Company are held through Affluent Start Holdings Investment Limited ("Affluent Start"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King Pak Fu.

Save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2012, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

1. Aggregate long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company
Affluent Start	Beneficial owner	604,355,000	41.19%

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2012, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2012.

CONNECTED TRANSACTIONS

For the year ended 31 December 2012, the Group has the following connected transactions (as defined in the Listing Rules), which were exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules:

On 30 December 2011, Winsino, a wholly-owned subsidiary of the Company, entered into an agreement with Advance Mode Limited, a company wholly-owned by Mr. Lo Kai Bong (a former executive Director of the Company resigned on 13 February 2012), pursuant to which the Advance Mode will lend and Winsino will borrow a loan in the amount of HK$96,000,000 (the "Principal") for the settlement of the promissory note dated 10 September 2010 in the principal amount of HK$96,000,000 and repayable on 10 March 2012. The Principal shall be repayable by Winsino to Advance Mode upon the expiry of the period of 24 months from 10 March 2012. The note was repaid on 26 April 2012.

On 20 January 2012, the Company entered into a loan agreement with Better Joint Venture Limited ("Better Joint"), a company incorporated in the BVI with limited liability which is wholly-owned by Mr. King Pak Fu, pursuant to which the Company borrowed an interest free loan of HK$1,000,000 from Better Joint with maturity period of 12 months. The loan was repaid on 26 April 2012.

On 13 February 2012, Wealth Vantage Investments Limited ("Wealth Vantage"), a direct wholly-owned subsidiary of the Company incorporated in Hong Kong, entered into a loan agreement with Better Joint, pursuant to which Wealth Vantage borrowed an interest free loan of HK$7,000,000 from Better Joint with maturity period of 12 months. The loan was repaid on 26 April 2012.

On 13 February 2012, the Company entered into a loan agreement with Better Joint, pursuant to which the Company borrowed an interest free loan of HK$3,000,000 from Better Joint with maturity period of 12 months. The loan was repaid on 26 April 2012.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2012 are set out in note 18 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2012 are set out in note 25 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2012 are set out in note 10 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 86% in value of total purchases during the year ended 31 December 2012, while contracts with the Group's largest supplier by value, accounted for 80% in value of total purchases during the year ended 31 December 2012. Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover during the year ended 31 December 2012.

Save as disclosed above, none of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

HUMAN RESOURCES AND STAFF REMUNERATION

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2012, total staff cost was approximately RMB15,307,000, of which contributions to defined contribution retirement schemes were approximately RMB1,348,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

The Company's subsidiaries in the PRC provide retirement, medical, employment injury, unemployment and maternity benefits to its employees in accordance with a state-managed social welfare scheme operated by the local government of the PRC, and the relevant PRC rules and regulations. At the same time, the employees of the Company's subsidiaries in the PRC are members of a long-term dormitory provident fund scheme operated by the local government of the PRC. According to the scheme, the Group provides dormitory provident fund to the employees in the PRC in accordance with the relevant PRC rules and regulations.

Certain executive Directors and members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is any change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. 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 independent non-executive Directors, Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2012.

AUDITORS

KPMG resigned as auditor of the Company on 17 July 2012, and HLB Hodgson Impey Cheng Limited was appointed as auditors of the Company to fill the vacancy arising from the resignation of KPMG on 17 July 2012. Save as disclosed above, there was no change in auditor during the past three years.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board
Enterprise Development Holdings Limited
King Pak Fu
Chairman

Hong Kong, 25 March 2013

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

TO THE SHAREHOLDERS OF
ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Enterprise Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 110, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated income statement, 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 International Financial Reporting Standards issued by the International Accounting Standards Board 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.

AUDITORS' 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, 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.

INDEPENDENT AUDITORS' REPORT

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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of the 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Jonathan T.S. Lai
Practising Certificate Number: P04165

Hong Kong, 25 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

(Expressed in Renminbi)

	Notes	**2012** **RMB'000**	2011 RMB'000
Continuing operations			
Turnover	*3*	**131,995**	128,788
Cost of sales		**(98,777)**	(95,185)
Gross profit		**33,218**	33,603
Other revenue	*4*	**457**	27
Other net (losses)/income	*5*	**(22,749)**	15,458
Distribution expenses		**(12,643)**	(11,790)
General and administrative expenses		**(24,024)**	(18,245)
Other operating expenses		**(27)**	(75)
(Loss)/profit from operations		**(25,768)**	18,978
Finance costs	*6*	**(531)**	–
(Loss)/profit before taxation	*6*	**(26,299)**	18,978
Income tax expense	*7*	**(3,624)**	(2,841)
(Loss)/profit from continuing operations		**(29,923)**	16,137
Discontinued operations			
Loss from discontinued operations (net of income tax)		**–**	(5,214)
(Loss)/profit for the year	*12*	**(29,923)**	10,923
Attributable to:			
Equity holders of the Company		**(29,923)**	10,923
(Loss)/profit for the year		**(29,923)**	10,923
Basic and diluted (losses)/earnings per share (RMB)			
– from continuing and discontinued operations	*15*	**(0.0233)**	0.01
– from continuing operations	*15*	**(0.0233)**	0.0206
– from discontinued operations	*15*	**–**	(0.01)

The notes on pages 43 to 110 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

(Expressed in Renminbi)

	Notes	2012 RMB'000	2011 RMB'000
(Loss)/profit for the year		**(29,923)**	10,923
Other comprehensive income for the year (after tax)			
Exchange difference on translation of financial statements of overseas operations	*14*	**245**	71
Cash flow hedge: net movement in the hedging reserve	*14*	**–**	17,884
Total comprehensive (expense)/income for the year		**(29,678)**	28,878
Attributable to:			
Equity holders of the Company		**(29,678)**	28,878
Total comprehensive (expense)/income for the year		**(29,678)**	28,878

The notes on pages 43 to 110 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

(Expressed in Renminbi)

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	16	**2,478**	3,284
Intangible assets	17	**5,962**	8,349
Goodwill	19	**19,541**	19,541
Deferred tax assets	27	**412**	346
		28,393	31,520
Current assets			
Inventories	20	**1,569**	3,122
Trade and other receivables	21	**77,337**	48,128
Derivative financial instruments	22	**–**	4,263
Trading securities	23	**25,903**	–
Cash and cash equivalents	24	**17,267**	10,338
		122,076	65,851
Current liabilities			
Trade and other payables	26	**5,164**	5,975
Borrowings	25	**16,000**	–
Income tax payables	7	**4,687**	1,953
		25,851	7,928
Net current assets		**96,225**	57,923
Total assets less current liabilities		**124,618**	89,443
Non-current liabilities			
Promissory note	28	**–**	59,658
NET ASSETS		**124,618**	29,785
Capital and reserves			
Share capital	29(b)	**13,109**	7,740
Reserves	29(c)	**111,509**	22,045
TOTAL EQUITY		**124,618**	29,785

Approved and authorised for issue by the Board of Directors on 25 March 2013.

King Pak Fu
Director

Jia Bowei
Director

The notes on pages 43 to 110 form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

(Expressed in Renminbi)

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Amounts due from subsidiaries	*18*	**122,995**	4,181
Current assets			
Trade and other receivables	*21*	**208**	139
Cash and cash equivalents	*24*	**530**	1,717
		738	1,856
Current liabilities			
Trade and other payables	*26*	**550**	854
Net current assets		**188**	1,002
Total assets less current liabilities		**123,183**	5,183
NET ASSETS		**123,183**	5,183
Capital and reserves			
Share capital	*29(b)*	**13,109**	7,740
Reserves	*29(c)*	**110,074**	(2,557)
TOTAL EQUITY		**123,183**	5,183

Approved and authorised for issue by the Board of Directors on 25 March 2013.

King Pak Fu
Director

Jia Bowei
Director

The notes on pages 43 to 110 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(Expressed in Renminbi)

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
	Note 29(b)	*Note 29(c)(i)*	*Note 29(c)(ii)*	*Note 29(c)(iii)*	*Note 29(c)(iv)*	*Note 29(c)(v)*		
Balance at 1 January 2011	5,962	213,003	386,600	27,785	935	(1,193)	76,470	709,562
Change in equity for 2011								
Profit for the year	–	–	–	–	–	–	10,923	10,923
Other comprehensive Income *(note 14)*	–	–	–	–	71	17,884	–	17,955
Total comprehensive income for the year	–	–	–	–	71	17,884	10,923	28,878
Special dividend by way of Distribution In Specie *(note 9)*	–	(213,003)	(386,600)	(26,259)	(930)	(16,691)	(75,840)	(719,323)
Shares issued *(note 29(b))*	1,778	8,890	–	–	–	–	–	10,668
Appropriation of PRC statutory reserve	–	–	–	215	–	–	(215)	–
Balance at 31 December 2011 and 1 January 2012	7,740	8,890	–	1,741	76	–	11,338	29,785
Change in equity for 2012								
Loss for the year	–	–	–	–	–	–	(29,923)	(29,923)
Other comprehensive income *(note 14)*	–	–	–	–	245	–	–	245
Total comprehensive income for the year	–	–	–	–	245	–	(29,923)	(29,678)
Shares issued under placing *(note 29(b))*	5,369	123,496	–	–	–	–	–	128,865
Shares issue expenses	–	(4,354)	–	–	–	–	–	(4,354)
Balance at 31 December 2012	13,109	128,032	–	1,741	321	–	(18,585)	124,618

The notes on pages 43 to 110 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

(Expressed in Renminbi)

	Notes	2012 RMB'000	2011 RMB'000
Operating activities			
(Loss)/profit before taxation from continuing operations		**(26,299)**	18,978
Loss before taxation from discontinued operations	*8*	**–**	(4,270)
(Loss)/profit before taxation		**(26,299)**	14,708
Adjustments for:			
– Impairment loss for stock provision		**263**	1,183
– Depreciation		**1,690**	932
– Amortisation of intangible assets		**2,387**	3,605
– Interest income		**(47)**	(1,197)
– Net losses on disposal of property, plant and equipment		**13**	–
– Finance costs		**531**	11,024
– Net loss/(profit) on derivative financial instruments		**4,263**	(22,112)
– Loss on early redemption of promissory note		**18,234**	–
– Net exchange loss/(profit)		**252**	(1,708)
Changes in working capital:			
Decrease/(increase) in inventories		**1,290**	(100,101)
Increase in trading securities		**(25,903)**	–
Increase in trade and other receivables		**(29,209)**	(328,133)
(Decrease)/increase in trade and other payables		**(811)**	173,349
Decrease in bank advances under discounted bills		**–**	(26,303)
Cash used in operations		**(53,346)**	(274,753)
PRC income taxes paid		**(956)**	(3,916)
Net cash used in operating activities		**(54,302)**	(278,669)
Investing activities			
Acquisition of property, plant and equipment		**(897)**	(2,756)
Proceeds from disposal of property, plant and equipment		**–**	5
Proceeds from foreign exchange forward contracts		**–**	105
Increase in time deposits		**–**	(229,327)
Interest received		**47**	1,113
Net cash used in investing activities		**(850)**	(230,860)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

(Expressed in Renminbi)

	Notes	2012 RMB'000	2011 RMB'000
Financing activities			
Proceeds from interest-bearing loans and borrowings		**26,000**	382,119
Repayment of interest-bearing loans and borrowings		**(10,000)**	(296,591)
Repayment of promissory note		**(77,892)**	–
Finance costs paid		**(531)**	(10,884)
Proceeds from issue of new shares		**128,865**	–
Payments of transaction costs on issue of new shares		**(4,354)**	–
Decrease in pledged deposits		**–**	444,385
Cash distributed upon Distribution In Specie	*8*	**–**	(221,918)
Net cash generated by financing activities		**62,088**	297,111
Net increase/(decrease) in cash and cash equivalents		**6,936**	(212,418)
Cash and cash equivalents at 1 January		**10,338**	222,760
Effect of foreign exchange rate changes		**(7)**	(4)
Cash and cash equivalents at 31 December	*24*	**17,267**	10,338
Represented by:			
Continuing operations	*24*	**17,267**	10,338

The notes on pages 43 to 110 form part of these consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Enterprise Development Holdings Limited (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 January 2007.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi (RMB), and rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the financial instruments at fair value through profit or loss are stated at their fair value as explained in the accounting policies (see notes 1(f), 1(g) and 1(n)(i)).

Non-current assets and disposal group held for sale or distribution are stated at the lower of carrying amount and fair value less cost to sell or distribute (see note 1(v)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to IAS 12, Income taxes – *Deferred tax: Recovery of underlying assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IFRS 7, Financial instruments: Disclosures

The amendments to IFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to IAS 12, Income taxes

Under IAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to IAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. However, the Group did not have any investment property in previous periods or the current period.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(i)).

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(g) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting; in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Machinery, equipment and tools	20 years
–	Motor vehicles and other fixed assets	3-8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite and impairment losses (see note 1(k)(ii))). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except for the customer contracts, which are amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Firewall patents	10 years
–	Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

(j) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

(i) Impairment of investment in equity securities and other receivables

Investment in equity securities and other current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For the investment in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

– For trade and other 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets 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 would have been determined had no impairment loss been recognised in prior years.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investment in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within 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 debtors and bills receivable 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.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– intangible assets; and
– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period 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 period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Non-derivative financial instruments

(i) A financial liability is classified as at fair value through profit or loss if it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and changes to the fair value are recognised in profit or loss.

(ii) Other financial liabilities comprising trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Salaries, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences, include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Processing service income

Processing service income is recognised when the related service is rendered.

(iii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

(iv) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customers; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(v) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Unconditional government grants are recognised as revenue in profit or loss when the grants become receivable. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use of sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Non-current assets held for sale or held for distribution and discontinued operations

(i) Non-current assets held for sale or held for distribution

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owner. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale or distribution are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale or held for distribution, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale or held for distributions and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale or held for distribution, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the noncurrent asset is not depreciated or amortised.

Impairment losses on initial classification as held for sale or held for distribution, and on subsequent remeasurement while held for sale or held for distribution, are recognised in profit or loss. As long as a non-current asset is classified as held for sale or held for distribution, or is included in a disposal group that is classified as held for sale or held for distribution, the non-current asset is not depreciated or amortised.

A non-current asset (or disposal group) classified as held for sale or held for distribution is presented separately from other assets in the statement of financial position. The liabilities of the disposal group classified as held for sale or held for distribution are presented separately from other liabilities in the statement of financial position. Those assets and liabilities are not offset and presented as a single amount.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Non-current assets held for sale or held for distribution and discontinued operations (continued)

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(w) Related parties

For the purposes of the consolidated financial statements:

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors ("Board") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following accounting judgements.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation at the end of each reporting period.

(b) Impairment losses on trade and other receivables

As explained in note 33(a), impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact in profit or loss.

(c) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Impairment for non-current assets

The management determines the impairment loss on assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Impairment for non-current assets (continued)

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell and the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Fair value of financial liabilities and derivative financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as reference to prices used in most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same, a discounted cash flow analysis and/or option pricing models. For reference to other financial instruments, instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

3. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are the provision of integrated business software solutions, trading of listed securities, manufacturing and sale of bare copper wires and magnet wires and provision of processing services (note 3(b)). The amount of each significant category of revenue recognised during the year is as follows:

Continuing operations

	2012 ***RMB'000***	2011 *RMB'000*
Software maintenance and other services	**136,515**	124,965
Sale of software products and others	**4,353**	3,823
Net realised and unrealised losses on trading securities	**(8,873)**	–
	131,995	128,788

Discontinued operations

	2012 ***RMB'000***	From 1 January 2011 to 11 February 2011 *RMB'000*
Sales of bare copper wires	–	522,166
Sales of magnet wires	–	277,355
Processing services	–	738
	–	800,259

3. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its business by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

- Software business: Provision of integrated business software solutions in the PRC and Hong Kong.
- Trading and investment business: Trading securities listed on the Stock Exchange.

Discontinued operations:

- Bare copper wires: The manufacturing and sale of bare copper wires and provision of processing services of copper wires.
- Magnet wires: The manufacturing and sale of magnet wires.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments, or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment (loss)/profit is the "adjusted (loss)/profit before taxation". To arrive at adjusted (loss)/profit before taxation, the Group's (losses)/earnings are adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2012 is set out below:

	Software business		Trading and investment business		Bare copper wires (Discontinued)		Magnet wires (Discontinued)		Total	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	From 1 January 2011 to 11 February 2011 RMB'000	2012 RMB'000	From 1 January 2011 to 11 February 2011 RMB'000	2012 RMB'000	2011 RMB'000
Revenue from external customers	140,868	128,788	(719)	–	–	522,904	–	277,355	140,149	929,047
Investment income and net loss	–	–	(8,154)	–	–	–	–	–	(8,154)	–
Inter-segment revenue	–	–	–	–	–	204,165	–	–	–	204,165
Reportable segment revenue	140,868	128,788	(8,873)	–	–	727,069	–	277,355	131,995	1,133,212
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	10,868	12,038	(9,073)	–	–	(13,012)	–	6,276	1,795	5,302
Interest income from bank deposits	47	27	–	–	–	732	–	55	47	814
Interest expense	522	–	9	–	–	5,771	–	4,112	531	9,883
Depreciation and amortisation for the year	4,077	4,537	–	–	–	–	–	–	4,077	4,537
Reportable segment assets	121,694	70,684	25,920	–	–	–	–	–	147,614	70,684
Additions to non-current segment assets during the year/period	897	2,581	–	–	–	371	–	6	897	2,958
Reportable segment liabilities	25,264	7,072	–	–	–	–	–	–	25,264	7,072

The Group's operations are mostly located in the PRC. During the year ended 31 December 2011, substantial proportions of the Group's products from discontinued operations were sold to its customers for further processing and eventual export to overseas countries.

3. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit, assets and liabilities

	2012 RMB'000	2011 RMB'000
Revenue		
Reportable segment revenue	**131,995**	1,133,212
Elimination of inter-segment revenue	**–**	(204,165)
Discontinued operations	**–**	(800,259)
Total	**131,995**	128,788
Profit before taxation		
Reportable segment profit before taxation	**1,795**	5,302
Elimination of inter-segment loss	**–**	2,144
Reportable segment profit derived from the Group's external customers	**1,795**	7,446
Unallocated head office and corporate (expenses)/income	**(28,094)**	7,262
Loss from discontinued operations	**–**	4,270
Total	**(26,299)**	18,978
Assets		
Reportable segment assets	**147,614**	70,684
Elimination of inter-segment receivables	**–**	–
	147,614	70,684
Deferred tax assets	**412**	346
Unallocated head office and corporate assets	**2,443**	26,341
Total	**150,469**	97,371
Liabilities		
Reportable segment liabilities	**25,264**	7,072
Elimination of inter-segment payables	**–**	–
	25,264	7,072
Unallocated head office and corporate liabilities	**587**	60,514
Total	**25,851**	67,586

3. TURNOVER AND SEGMENT REPORTING (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of goodwill and intangible assets.

	Revenue from external customers		Specified non-current assets	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**140,665**	1,133,212	**27,870**	31,046
Hong Kong	**(8,670)**	–	**111**	128
	131,995	1,133,212	**27,981**	31,174

For the year ended 31 December 2012, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2011: Nil).

4. OTHER REVENUE

Continuing operations

	2012	2011
	RMB'000	*RMB'000*
Interest income from bank deposits	**47**	27
Government grants	**410**	–
	457	27

4. OTHER REVENUE (continued)

Discontinued operations

	2012 *RMB'000*	From 1 January 2011 to 11 February 2011 *RMB'000*
Interest income	–	1,170
Others	–	14
	–	1,184

5. OTHER NET (LOSSES)/INCOME

Continuing operations

	2012 *RMB'000*	2011 *RMB'000*
Net loss on derivative financial instruments *(note 22)*	**(4,263)**	(2,167)
Change in fair value of promissory note *(note 28)*	–	17,629
Loss on early redemption of promissory note *(note 28)*	**(18,234)**	–
Net exchange loss	**(252)**	(4)
	(22,749)	15,458

5. OTHER NET (LOSSES)/INCOME (continued)

Discontinued operations

	2012 RMB'000	From 1 January 2011 to 11 February 2011 RMB'000
Net exchange gain	–	1,712
Loss on sales of scrap materials	–	(314)
Net gain on derivative financial instruments	–	518
	–	1,916

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(i) Finance costs

Continuing operations

	2012 RMB'000	2011 RMB'000
Interest expenses on borrowings wholly repayable within five years	531	–

Discontinued operations

	2012 RMB'000	From 1 January 2011 to 11 February 2011 RMB'000
Interest expenses	–	9,883
Letter of credit charges	–	1,141
	–	11,024

6. (LOSS)/PROFIT BEFORE TAXATION (continued)

(ii) Staff costs

	Continuing operations		Discontinued operations	
	2012	2011	**2012**	From 1 January 2011 to 11 February 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Salaries, wages and other benefits	**13,959**	12,931	**–**	3,942
Contributions to defined contribution retirement schemes *(note 31)*	**1,348**	533	**–**	398
	15,307	13,464	**–**	4,340

(iii) Other items

Continuing operations

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories *(note 20)*	**2,976**	2,323
Auditors' remuneration – audit services	**731**	1,200
Depreciation	**1,690**	932
Amortisation of intangible assets	**2,387**	3,605
Impairment losses for stock provision	**263**	1,183
Operating lease charges in respect of properties	**2,544**	3,092
Net losses on disposal of property, plant and equipment	**13**	–

6. (LOSS)/PROFIT BEFORE TAXATION (continued)

(iii) Other items (continued)

Discontinued operations

	2012 *RMB'000*	From 1 January 2011 to 11 February 2011 *RMB'000*
Cost of inventories *(note 20)*	–	789,299
Operating lease charges in respect of properties	–	49

7. INCOME TAX EXPENSE

(i) Income tax expense in the consolidated income statement represents:

	Continuing operations		Discontinued operations	
	2012 *RMB'000*	2011 *RMB'000*	**2012** *RMB'000*	From 1 January 2011 to 11 February 2011 *RMB'000*
Current tax – PRC				
– Provision for the year	**(3,690)**	(3,019)	–	(1,655)
Deferred tax				
– Origination and reversal of temporary difference *(note 27)*	**66**	178	–	711
	(3,624)	(2,841)	–	(944)

Pursuant to the rules and regulations of the Cayman Islands, Bermuda and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands, Bermuda and British Virgin Islands.

No provision for Hong Kong profits tax has been made for the year as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25%.

7. INCOME TAX EXPENSE (continued)

(i) Income tax expense in the consolidated income statement represents: (continued)

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for 2012 and 2011 as it was awarded high-technology status by the tax authority.

According to the Corporate Income Tax Law of the PRC and Circular Guoshuifa [2007] No. 39 "Notice on Corporate Income Tax Rate for the Transitional Period", the income tax rates applicable to Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp"), and Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper") are increasing from 15% to 25% over a five year transitional period, being 20% for 2009, 22% for 2010, 24% for 2011 and 25% from 2012.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2012.

(ii) Reconciliation between income tax credit and accounting (loss)/profit at applicable tax rates:

	Continuing operations		Discontinued operations	
	2012	2011	**2012**	From 1 January 2011 to 11 February 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(Loss)/profit before taxation	**(26,299)**	18,978	**–**	(4,270)
Notional tax on (loss)/profit before tax, calculated at rate applicable to the Group's (loss)/profit in the tax jurisdiction concerned (Continuing operations: 2012 and 2011: 25%; Discontinued operations: 2011: 24%)	**6,575**	(4,745)	**–**	1,025
Effect of tax on (loss)/profit in holding companies	**(3,742)**	1,734	**–**	(2,170)
Effect on non-deductible expenses	**(5,228)**	(152)	**–**	(13)
Effect of change in tax rate	**–**	–	**–**	214
Effect of tax loss not recognised	**(2,348)**	–	**–**	–
Effect of tax concessions	**1,119**	322	**–**	–
	(3,624)	(2,841)	**–**	(944)

7. INCOME TAX EXPENSE (continued)

(iii) Taxation in the consolidated statement of financial position represents:

	2012		2011	
	Continuing operations RMB'000	Liabilities held for distribution (note 9) RMB'000	Continuing operations RMB'000	Liabilities held for distribution (note 9) RMB'000
At 1 January	1,953	–	2,850	(6,361)
Provision for income tax for the year	3,690	–	3,019	1,655
Amounts paid	(956)	–	(3,916)	–
Distribution In Specie	–	–	–	4,706
At 31 December	4,687	–	1,953	–

8. DISCONTINUED OPERATIONS

On 8 November 2010, the Company's former holding company, (Tai-I International (BVI) Limited ("Tai-I BVI")), Affluent Start Holdings Investment Limited ("Affluent Start"), Mr. Hsu Shou-Hsin, Mr. King Pak Fu and the Company entered into a share transfer and the subscription agreement (the "Agreement"), pursuant to which Affluent Start agreed to acquire 195,487,000 shares of the Company from Tai-I BVI, representing approximately 32.79% of the then issued share capital of the Company, and subscribe for 210,000,000 new shares at a cash consideration of HK$0.06 per share of the Company, representing approximately 35.23% of the then issued share capital of the Company and approximately 26.05% of the issued share capital of the Company as enlarged by the subscription of new shares. Completion of the Agreement was subject to the completion of a proposal to restructure the Company and its subsidiaries (the "Group Restructuring").

Following the completion of the Group Restructuring and the Agreement, the Company distributed all of its Tai-I Bermuda's shares to the shareholders of the Company on a pro rata basis ("Distribution In Specie") on 11 February 2011.

The results of the Tai-I International Bermuda Co., Limited ("Tai-I Bermuda") and its subsidiaries which constitute discontinued operations during the period from 1 January 2011 and 11 February 2011 are set out below:

	Notes	**2012** ***RMB'000***	From 1 January 2011 to 11 February 2011 *RMB'000*
Turnover	*3*	–	800,259
Cost of sales		–	(789,299)
Gross profit		–	10,960
Other revenue	*4*	–	1,184
Other net income	*5*	–	1,916
Distribution expenses		–	(2,321)
General and administrative expenses		–	(2,944)
Other operating expenses		–	(2,041)
Profit before operations		–	6,754
Finance costs	*6(i)*	–	(11,024)
Loss before taxation		–	(4,270)
Income tax expenses	*7(i)*	–	(944)
Loss for the period		–	(5,214)

8. DISCONTINUED OPERATIONS (continued)

Cash flows from discontinued operations

	2012 RMB'000	From 1 January 2011 to 11 February 2011 RMB'000
Net cash used in operating activities	–	(278,696)
Net cash used in investing activities	–	(230,500)
Net cash from financing activities	–	519,029
Net cash flows for the period	–	9,833

	2011 RMB'000
Net outflow of cash and cash equivalents in respect of Distribution In Specie	(221,918)

9. ASSETS/(LIABILITIES) HELD FOR DISTRIBUTION TO OWNERS

The Company distributed its equity interest in Tai-I Bermuda to its shareholders and the net assets of the Tai-I Bermuda and its subsidiaries at the date of distribution on 11 February 2011 are set out below:

	Note	**2012** **RMB'000**	11 February 2011 RMB'000
Property, plant and equipment		–	408,635
Lease prepayments		–	30,509
Interest in an associate		–	19,166
Deferred tax assets		–	20,099
Inventories		–	341,956
Trade and other receivables		–	1,844,831
Derivative financial instruments		–	25,542
Pledged deposits		–	105,904
Time deposits		–	447,646
Cash and cash equivalents		–	221,918
Assets classified as held for distribution		–	3,466,206
Bank loans		–	(1,601,158)
Trade and other payables		–	(1,128,786)
Derivatives financial instruments		–	(21,645)
Income tax recoverable		–	4,706
Liabilities classified as held for distribution		–	(2,746,883)
Net assets distributed	*13*	–	719,323
Accumulated income recognised in other comprehensive income		–	17,621

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Name of directors	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	2012 Total *RMB'000*
Executive directors				
Mr. King Pak Fu	–	488	11	499
Mr. Tsang To	–	488	11	499
Mr. Lo Kai Bong *(note (b))*	–	40	1	41
Mr. Jia Bowei *(Chief Executive Officer)*	487	1,097	9	1,593
Mr. Lam Kwan Sing *(note (d))*	–	279	10	289
Independent non-executive directors				
Mr. Lam Ting Lok	195	–	–	195
Ms. Hu Gin Ing	195	–	–	195
Mr. Zhang Xiaoman	195	–	–	195
Total	1,072	2,392	42	3,506

10. DIRECTORS' REMUNERATION (continued)

Name of directors	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	2011 Total *RMB'000*
Executive directors				
Mr. King Pak Fu *(note (a))*	374	594	–	968
Mr. Tsang To *(note (a))*	374	–	–	374
Mr. Lo Kai Bong *(note (b))*	374	–	–	374
Mr. Jia Bowei *(note (c))*	125	–	–	125
Mr. Huang Cheng Roang *(note (e))*	–	45	–	45
Mr. Lin Chi Ta *(note (e))*	–	56	–	56
Mr. Huang Kuo Feng *(note (e))*	–	39	–	39
Mr. Du Chi Ting *(note e))*	–	45	–	45
Independent non-executive directors				
Mr. Lam Ting Lok *(note (a))*	150	–	–	150
Ms. Hu Gin Ing *(note (a))*	150	–	–	150
Mr. Zhang Xiaoman *(note (a))*	150	–	–	150
Mr. Kang Jung Pao *(note (e))*	50	–	–	50
Mr. Cheng Yang Yi *(note (e))*	50	–	–	50
Mr. Tsay Yang Tzong *(note (e))*	50	–	–	50
Mr. Yan Ming He *(note (e))*	50	–	–	50
Mr. Atsushi Kanayama *(note (e))*	50	–	–	50
Total	1,947	779	–	2,726

Notes:

(a) Mr. King Pak Fu and Mr. Tsang To were appointed as executive directors on 12 March 2011. Mr. Lam Ting Lok, Ms. Hu Gin Ing and Mr. Zhang Xiaoman were appointed as independent non-executive directors on 12 March 2011.

(b) Mr. Lo Kai Bong was appointed as executive director on 30 March 2011 and resigned as executive director on 13 February 2012.

(c) Mr. Jia Bowei was appointed as executive director on 23 November 2011.

(d) Mr. Lam Kwan Sing was appointed as executive director on 13 February 2012.

(e) Mr. Huang Cheng Roang, Mr. Lin Chi Ta, Mr. Huang Kuo Feng and Mr. Du Chi Ting resigned as executive directors on 12 March 2011. Mr. Kang Jung Pao, Mr. Cheng Yang Yi, Mr. Tsay Yang Tzong, Mr. Yan Ming He and Mr. Atsushi Kanayama resigned as independent non-executive directors on 12 March 2011.

There were no amounts paid during the year (2011: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2011: one) are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three (2011: four) individuals are as follows:

	2012	2011
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	**1,704**	2,348
Bonus	**–**	460
	1,704	2,808
Number of senior management	**3**	4

The above individuals' emoluments are within the band of Nil to HK$1,000,000.

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2011: Nil).

12. (LOSS)/PROFIT FOR THE YEAR

The consolidated (loss)/profit for the year attributable to equity holders of the Company includes a loss of approximately RMB6,661,000 (2011: a loss of RMB4,941,000) which has been dealt with in the financial statements of the Company *(note 29(a))*.

13. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Distribution In Specie *(note 9)*	**–**	719,323

Pursuant to the approval by the shareholders of the Company at the extraordinary general meeting held on 8 February 2011, a non-cash special dividend satisfied by way of the Distribution In Specie was effected. Tai-I Bermuda's shares were distributed by the Company in the proportion of one Tai-I Bermuda's share for every ordinary share in the Company held by the shareholders recorded on the register of members of the Company as at the close of business on 8 February 2011. An aggregate of 596,158,000 Tai-I Bermuda's shares were distributed by the Company pursuant to the Distribution In Specie.

14. OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2012			2011		
	Before-tax amount	**Tax expenses**	**Net-of-tax amount**	Before-tax amount	Tax expenses	Net-of-tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of overseas operations	**245**	**–**	**245**	71	–	71
Cash flow hedge: net movement in hedging reserve	**–**	**–**	**–**	18,914	(1,030)	17,884
Other comprehensive income	**245**	**–**	**245**	18,985	(1,030)	17,955

(b) Components of other comprehensive income, including reclassification adjustments

	2012	2011
	RMB'000	*RMB'000*
Cash flow hedge:		
Effective portion of changes in fair value		
– realised portion	**–**	11,376
– unrealised portion	**–**	16,435
Reclassification adjustments for amounts transferred to profit or loss	**–**	(8,897)
Net deferred tax debited to other comprehensive income	**–**	(1,030)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**–**	17,884

All of the above components of other comprehensive income related to discontinued operations.

15. BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

The calculation of the basic and diluted (losses)/earnings per share for the year ended 31 December 2012 is based on the loss attributable to equity holders of the Company of RMB29,923,000 (2011: a profit of RMB10,923,000) and the weighted average of 1,282,909,798 (2011: 782,568,959) shares in issue during the year, calculated as follows:

(i) (Loss)/profit attributable to equity shareholders of the Company

	2012 *RMB'000*	2011 *RMB'000*
(Loss)/profit for the year from continuing operations	**(29,923)**	16,137
Loss for the year from discontinued operations	**–**	(5,214)
(Loss)/profit for the year attributable to equity holders of the Company	**(29,923)**	10,923

(ii) Weighted average number of shares

	2012 *Number of shares*	2011 *Number of shares*
Ordinary shares issued at 1 January	**806,158,000**	596,158,000
Effect of placing of new shares	**476,751,798**	–
Effect of new shares issued	**–**	186,410,959
Weighted average number of shares at 31 December	**1,282,909,798**	782,568,959

There were no dilutive potential ordinary shares in issue as at 31 December 2012 (2011: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery, equipment and tools *RMB'000*	Motor vehicles and other fixed assets *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2011	752	1,463	2,215
Additions	466	2,115	2,581
Disposals	(63)	(71)	(134)
At 31 December 2011	1,155	3,507	4,662
Additions	196	701	897
Disposals	(6)	(248)	(254)
At 31 December 2012	1,345	3,960	5,305
Accumulated depreciation:			
At 1 January 2011	(275)	(300)	(575)
Charge for the year	(388)	(544)	(932)
Written back on disposals	58	71	129
At 31 December 2011	(605)	(773)	(1,378)
Charge for the year	(567)	(1,123)	(1,690)
Written back on disposals	6	235	241
At 31 December 2012	(1,166)	(1,661)	(2,827)
Net book value:			
At 31 December 2012	**179**	**2,299**	**2,478**
At 31 December 2011	550	2,734	3,284

17. INTANGIBLE ASSETS

	The Group				
	Customer relationships RMB'000	Customer contracts RMB'000	Trademarks RMB'000	Firewall patents RMB'000	Total RMB'000
Cost:					
At 1 January 2011, 31 December 2011 and 31 December 2012	7,262	3,015	2,815	665	13,757
Accumulated amortisation:					
At 1 January 2011	(557)	(1,090)	–	(156)	(1,803)
Amortisation during the year	(1,816)	(1,346)	–	(443)	(3,605)
At 31 December 2011	(2,373)	(2,436)	–	(599)	(5,408)
Amortisation during the year	(1,742)	(579)	–	(66)	(2,387)
At 31 December 2012	(4,115)	(3,015)	–	(665)	(7,795)
Net book value:					
At 31 December 2012	**3,147**	**–**	**2,815**	**–**	**5,962**
At 31 December 2011	4,889	579	2,815	66	8,349

The amortisation charge for the year is included in "cost of sales" in the consolidated income statement.

18. INVESTMENTS IN SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Registered capital *(in thousands)*	Principal activities
Winsino Investments Limited ("Winsino")	BVI	100%	–	–	Investment Holding
Wealth Vantage Investments Limited	HK	100%	–	–	Investment Holding
Unique View International Limited	BVI	100%	–	–	Investment Holding
Easy Talent Limited ("Easy Talent")	Cayman Islands	–	100%	–	Investment Holding
Enterprise Development (Hong Kong) Holdings Limited	HK	–	100%	–	Investment Holding
Expert Access Limited	BVI	–	100%	–	Investment Holding
Liang Hui Holdings Limited ("Liang Hui")	BVI	–	100%	–	Investment Holding
Oriental LegendMaker Technology Ltd. ("OLM")	HK	–	100%	–	Investment Holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") *(Note (ii) and (iii))*	PRC	–	100%	RMB60,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") *(Note (i) and (iii))*	PRC	–	100%	RMB30,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") *(Note (i) and (iii))*	PRC	–	100%	RMB10,000	Provision of integrated business software solutions

18. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the disposed subsidiaries as a result of Distribution In Specie at 11 February 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Issued share capital/ registered capital *(in thousands)*	Principal activities
Tai-I Bermuda	Bermuda	100%	–	–	Investment Holding
Tai-I Copper (BVI) Limited	BVI	–	100%	US$25,150	Investment Holding
United Development International Limited	BVI	–	100%	US$4,221.50	Investment Holding
Supreme Union Management Limited	HK	–	100%	HK$32,547.70	Investment Holding
Tai-I International (HK) Limited	HK	–	100%	HK$6,000	Investment Holding
Tai-I Jiang Corp *(Note (ii))*	PRC	–	100%	US$44,720	Manufacture and sale of bare copper wires
Tai-I Copper *(Note (ii))*	PRC	–	100%	US$50,760	Manufacture and sale of magnet wires

Notes:

(i) These entities are limited liability companies established in the PRC.

(ii) These entities are wholly foreign-owned enterprises established in the PRC.

(iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

19. GOODWILL

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation and operating segment as follows:

	2012	2011
	RMB'000	*RMB'000*
Software business – PRC	**19,541**	19,541

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 25.98%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2012, management of the Group determined that there was no impairment of goodwill.

20. INVENTORIES

Inventories comprise:

		The Group	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Standard software		**4,132**	5,396
Low value consumables		**6**	32
		4,138	5,428
Less: Stock provision	*(i)*	**(2,569)**	(2,306)
		1,569	3,122

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group			
	Continuing operations		Discontinued operations	
				From 1 January 2011 to 11 February
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount of inventories sold	**2,976**	2,323	**–**	772,575
Realised gain on derivative financial instruments	**–**	–	**–**	16,724
	2,976	2,323	**–**	789,299

20. INVENTORIES (continued)

(i) The movement in the allowance for stock provision during the year is as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**2,306**	1,123
Impairment loss recognised during the year	**263**	1,183
At 31 December	**2,569**	2,306

21. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2012	2011	**2012**	2011
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	*(i)*	**35,703**	20,419	**–**	–
Prepayments made to suppliers	*(ii)*	**38,157**	24,551	**–**	–
Deposits and other receivables		**3,477**	3,158	**208**	139
		77,337	48,128	**208**	139

All of the trade and other receivables are expected to be recovered within one year.

(i) Included in trade and other receivables are trade receivables with the following ageing analysis as of the end of each reporting period:

	2012	2011
Invoice date	***RMB'000***	*RMB'000*
Within 1 month	**16,113**	7,088
Over 1 month but less than 3 months	**15,776**	9,915
Over 3 months but less than 1 year	**1,975**	3,166
Over 1 year but less than 2 years	**1,761**	164
Over 2 years	**78**	86
	35,703	20,419

21. TRADE AND OTHER RECEIVABLES (continued)

(ii) These prepayments are unsecured, interest free and will be used to offset against future purchases from suppliers.

(iii) There was no provision for impairment losses in respect of trade receivables from third party customers at 31 December 2012 (2011: Nil).

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

	2012 RMB'000	2011 RMB'000
Neither past due nor impaired	**11,393**	2,541
Less than 1 month past due	**18,635**	9,502
1 to 3 months past due	**2,721**	5,528
Over 3 months to 1 year past due	**1,515**	2,637
Over 1 year to 2 years past due	**1,407**	164
Over 2 years past due	**32**	47
	24,310	17,878
	35,703	20,419

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

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 has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Put option	**–**	4,263

As at 31 December 2012, the realised loss of RMB4,263,000 arising from the expiry of the put option is recognised in the profit or loss. As at 31 December 2011, the unrealised loss of RMB2,167,000 arising from the changes in the fair value of the put option is recognised in the profit or loss.

23. TRADING SECURITIES

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Listed equity securities at fair value		
– in Hong Kong	**25,903**	–

24. CASH AND CASH EQUIVALENTS

An analysis of the balance of cash and cash equivalents is set out below:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash on hand	**146**	118	**–**	–
Deposits on demand	**17,121**	10,220	**530**	1,717
Cash and cash equivalents	**17,267**	10,338	**530**	1,717

25. BORROWINGS

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Borrowings:		
Unsecured borrowings	**1,000**	–
Secured bank loan	**15,000**	–
	16,000	–

At 31 December 2012, the bank loan bears interest at 7.4% per annum and secured by corporate guarantee of a PRC subsidiary. The unsecured borrowing bears interest at 5% per annum. All borrowings are repayable within one year or on demand.

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade creditors	**2,634**	2,170	**–**	–
Non-trade payables and accrued expenses	**1,504**	3,061	**550**	854
Other taxes/payable	**1,026**	744	**–**	–
	5,164	5,975	**550**	854

All of the trade and other payables are expected to be settled within one year.

26. TRADE AND OTHER PAYABLES (continued)

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Due within 3 months or on demand	**2,184**	2,170
Due after 3 months but within 6 months	**5**	–
Due after 6 months but within 1 year	**445**	–
	2,634	2,170

27. DEFERRED TAXATION

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are shown as follows:

The Group	**Impairment losses for stock** ***RMB'000***
At 1 January 2011	168
Credit to profit or loss	178
At 31 December 2011	346
Credit to profit or loss	66
At 31 December 2012	**412**

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB14,201,000 (2011: RMB11,853,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

28. PROMISSORY NOTE

In connection with the acquisition of Liang Hui Holdings Limited and its subsidiaries on 10 September 2010, Winsino, a wholly-owned subsidiary of the Company, issued a non-transferrable, interest-free promissory note with a principal amount of HK$96,000,000 to Advance Mode Limited ("Advance Mode"), which is wholly owned by Mr. Lo Kai Bong (a former executive Director resigned on 13 February 2012).

On 31 December 2011, Advance Mode and Winsino entered into an agreement, pursuant to which the maturity date of the promissory note was extended for a period of 24 months from 10 March 2012. No interest shall be payable on all or any portion of the promissory note outstanding at any time during this period.

In the financial statements for the year ended 31 December 2011, the promissory note had been designated by the Company as being at fair value through profit or loss on its initial recognition. The estimate of the fair value of the promissory note was measured by using the discounted cash flow model based on the estimated future cash flows of the promissory note and the applicable discount rate. The estimated future cash flows were determined based on the contracted terms of the promissory note while the discount rate used as of 31 December 2011 of 12.88% was estimated with reference to published rates of comparable businesses.

The fair value of the promissory note on the date of its issue on 10 September 2010 was approximately RMB77,137,000 and its fair value as at 31 December 2011 was approximately RMB59,658,000. An unrealised gain of RMB17,629,000 arising from the changes in fair value of the promissory note is recognised in the profit or loss for the year ended 31 December 2011. The Group early redeemed the promissory note and recognised a loss of approximately RMB18,234,000 for the year ended 31 December 2012.

29. SHARE CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Attributable to equity holders of the Company					
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Contributed surplus** *RMB'000*	**Exchange reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
At 1 January 2011	5,962	213,003	496,723	(893)	(28,046)	686,749
Loss for the year *(note 12)*	–	–	–	–	(4,941)	(4,941)
Exchange difference on translation of financial statements of the Company	–	–	–	(21)	–	(21)
Special dividend by way of Distribution In Specie	–	(213,003)	(496,723)	896	21,558	(687,272)
Shares issued	1,778	8,890	–	–	–	10,668
At 31 December 2011	7,740	8,890	–	(18)	(11,429)	5,183
At 1 January 2012	**7,740**	**8,890**	**–**	**(18)**	**(11,429)**	**5,183**
Loss for the year *(note 12)*	**–**	**–**	**–**	**–**	**(6,661)**	**(6,661)**
Exchange difference on translation of financial statements of the Company	**–**	**–**	**–**	**150**	**–**	**150**
Shares issued under placing	**5,369**	**123,496**	**–**	**–**	**–**	**128,865**
Shares issued expenses	**–**	**(4,354)**	**–**	**–**	**–**	**(4,354)**
At 31 December 2012	**13,109**	**128,032**	**–**	**132**	**(18,090)**	**123,183**

29. SHARE CAPITAL AND RESERVES (continued)

(b) Share capital

		2012		2011	
	Note	***Number of shares***	**Amount HK$**	*Number of shares*	Amount *HK$*
Authorised:					
Ordinary shares of HK$0.01 each		**1,000,000,000**	**10,000,000**	1,000,000,000	10,000,000
Increase in authorised share capital on 10 April 2012	*(i)*	**2,000,000,000**	**20,000,000**	–	–
		3,000,000,000	**30,000,000**	1,000,000,000	10,000,000
Issued and fully paid:					
At 1 January		**806,158,000**	**8,061,580**	596,158,000	5,961,580
Shares issued under placing	*(ii)*	**661,231,600**	**6,612,316**	–	–
Shares issued	*(iii)*	**–**	**–**	210,000,000	2,100,000
At 31 December		**1,467,389,600**	**14,673,896**	806,158,000	8,061,580
			RMB equivalent		*RMB equivalent*
			13,109,046		7,739,650

29. SHARE CAPITAL AND RESERVES (continued)

(b) Share capital (continued)

(i) Increase in authorised share capital

Pursuant to an ordinary resolution passed by the Company's shareholders at an extraordinary general meeting held on 10 April 2012, the authorised share capital of the Company was increased from HK$10,000,000 to HK$30,000,000 by the creation of an additional 2,000,000,000 shares of HK$0.01 each.

(ii) Shares issued under placing

Pursuant to a placing agreement dated on 27 February 2012, a total of 661,231,600 ordinary shares of HK$0.01 each were issued at the placing price of HK$0.24 per share (the "Placing"). Shares issued under the Placing included 161,231,600 shares under general mandate and 500,000,000 shares under specific mandate. The Placing has resulted in an increase in the share capital and share premium account by HK$6,612,316 (equivalent to approximately RMB5,369,000) and HK$152,083,268 (equivalent to approximately RMB123,496,000) respectively.

(iii) Shares issued

Following the completion of the Agreement on 11 February 2011, the Company issued 210,000,000 new shares at HK$0.06 each to Affluent Start. The subscription has resulted in an increase in the share capital and share premium account by HK$2,100,000 (equivalent to approximately RMB1,778,000) and HK$10,500,000 (equivalent to approximately RMB8,890,000) respectively.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Merger reserve/contributed surplus

The merger reserve/contributed surplus represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares used by the Company in exchange thereafter. This reserve is distributable.

29. SHARE CAPITAL AND RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(iii) PRC statutory reserve

Transfers from retained earnings to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly-owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside of the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges of forecast copper purchase transactions matched to confirmed sales orders pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. COMMITMENTS

(i) Capital commitments

The Group has no significant capital commitment as at 31 December 2012 and 2011.

(ii) Lease commitments

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases in respects of properties were payables as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Less than one year	**1,528**	3,296
Between one and two years	**312**	2,203
Between two and three years	**–**	168
	1,840	5,667

The Group leased a number of properties under operating leases during the year. None of the leases include contingent rentals.

31. RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the subsidiaries are as follows:

Administrator	Beneficiary	Contribution rate
Beijing Municipal Government	Employees of Beijing OLM	20%
Shanghai Municipal Government	Employees of Shanghai OLM	22%
Chengdu Municipal Government, Sichuan Province	Employees of Chengdu OLM	20%
Hangzhou Municipal Government, Zhejiang Province	Employees of Beijing OLM Hangzhou Branch	14%
Guangzhou Municipal Government, Guangdong Province	Employees of Beijing OLM Guangzhou Branch, Tai-I Jiang Corp and Tai-I Copper	12% – 20%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

32. RELATED PARTY TRANSACTIONS

(a) Except as disclosed in note 25 and note 28, there were no material related party transactions during the years ended 31 December 2012 and 2011.

(b) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Short-term employee benefits	**5,510**	2,570

32. RELATED PARTY TRANSACTIONS (continued)

(c) Contribution to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 31. As at 31 December 2012, there was no material outstanding contribution to post-employment benefit plans (2011: Nil).

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency and equity price risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, prepayments made to suppliers and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of software business are usually required to settle the payment based on the agreed schedule in according to the sales contract. Customers with balances overdue are normally requested to settle all outstanding balances before further service is provided. Normally, the Group does not collect collateral from its customers.

At the end of each reporting period, the Group has no significant concentrations of credit risk with any of its customers.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 48% (2011: 51%) and 49% (2011: 63%) of the total prepayments made to suppliers (included in trade and other receivables) were due from the Group's largest supplier and the five largest suppliers respectively.

Further quantities disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from authorised financial institutions to meet its liquidity requirements in the short and longer term.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

Contractual maturities of financial liabilities

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities including estimated interest payments:

The Group

	2012				
	Carrying amount *RMB'000*	**Contractual undiscounted cash flow** *RMB'000*	**6 months or less or on demand** *RMB'000*	**6 months to 2 years** *RMB'000*	**2-3 years** *RMB'000*
Non-derivative financial liabilities					
Borrowings	**16,000**	**(17,159)**	**(17,159)**	**–**	**–**
Trade and other payables excluding advance from customers	**5,096**	**(5,096)**	**(4,651)**	**(445)**	**–**
	21,096	**(22,255)**	**(21,810)**	**(445)**	**–**

	2011				
	Carrying amount *RMB'000*	Contractual undiscounted cash flow *RMB'000*	6 months or less or on demand *RMB'000*	6 months to 2 years *RMB'000*	2-3 years *RMB'000*
Non-derivative financial liabilities					
Trade and other payables excluding advance from customers	5,487	(5,487)	(5,487)	–	–
Promissory note *(note 28)*	59,658	(77,827)	–	–	(77,827)
	65,145	(83,314)	(5,487)	–	(77,827)

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

Contractual maturities of financial liabilities (continued)

The Company

	2012				
	Carrying amount *RMB'000*	**Contractual undiscounted cash flow** *RMB'000*	**6 months or less or on demand** *RMB'000*	**6 months to 2 years** *RMB'000*	**2-3 years** *RMB'000*
Non-derivative financial liabilities					
Trade and other payables excluding advance from customers	**550**	**(550)**	**(550)**	**–**	**–**

	2011				
	Carrying amount *RMB'000*	Contractual undiscounted cash flow *RMB'000*	6 months or less or on demand *RMB'000*	6 months to 2 years *RMB'000*	2-3 years *RMB'000*
Non-derivative financial liabilities					
Trade and other payables excluding advance from customers	854	(854)	(854)	–	–

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, time deposits and borrowings, issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the end of each reporting period is as follows:

	2012		2011	
	Effective weighted average interest rates *% (annual)*	***RMB'000***	Effective weighted average interest rates *% (annual)*	*RMB'000*
Fixed rate instruments				
Borrowings	**5.00**	**(1,000)**	–	–
Variable rate instruments				
Cash and cash equivalents	**0.35**	**17,267**	0.50	10,338
Borrowings	**7.40**	**(15,000)**	–	–

(ii) Sensitivity analysis

At the end of each reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB59,000 (2011: RMB83,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2011.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Foreign currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily Hong Kong Dollars. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of recognised assets and liabilities, including trade and other receivables, cash and cash equivalents, trade and other payables, borrowings and trading securities denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

The Group

	2012 ***HK$'000***
Trade and other receivables	**510**
Cash and cash equivalents	**2,832**
Trading securities	**31,869**
Borrowings	**(1,230)**
Trade and other payables	**(725)**
Net exposure	**33,256**

	2011 *HK$'000*
Trade and other receivables	628
Cash and cash equivalents	1,227
Trade and other payables	(1,043)
Net exposure	812

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Foreign currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's result after tax that would have arisen if foreign exchange rates to which the Group had significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	2012 Increase/(decrease) in profit after tax and retained profits ***RMB'000***	2011 Increase/(decrease) in profit after tax and retained profits *RMB'000*
HK$		
– 3% strengthening of RMB (2011: 3%)	**(811)**	(18)
– 3% weakening of RMB (2011: 3%)	**811**	18

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2011.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 23). All of these investments are listed.

At 31 December 2012, it is estimated that an increase/decrease of 5% in the relevant stock market index (for listed investments), the price/earning ratios of comparable listed companies as applicable, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits as follows:

	2012		2011	
		Effect on profit after tax and retained profits ***RMB'000***		Effect on profit after tax and retained profits *RMB'000*
Change in the relevant equity price risk variable:				
Increase	**5%**	**1,295**	–	–
Decrease	**(5%)**	**(1,295)**	–	–

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of each reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

2012

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Trading securities *(note 23)*	**25,903**	**–**	**–**	**25,903**

2011

	The Group			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments:				
– Put option *(note 22)*	–	–	4,263	4,263
Liabilities				
Promissory note *(note 28)*	–	–	(59,658)	(59,658)

During the year, there were no significant transfers between instruments in Level 1 and 2 (2011: Nil).

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Assets		
Derivative financial instruments: Put option		
At 1 January	**4,263**	6,430
Net loss recognised in consolidated income statement	**(4,263)**	(2,167)
At 31 December	**–**	4,263
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	**4,263**	2,167

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Liabilities		
Promissory note		
At 1 January	**59,658**	77,287
Payment	**(77,892)**	–
Net loss/(gain) recognised in consolidated income statement	**18,234**	(17,629)
At 31 December	**–**	59,658
Total gains or losses for the year included in profit or loss for liabilities held at the end of the reporting period	**18,234**	(17,629)

(ii) Fair values of financial instruments carried at other than fair values

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011.

34. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2012, the directors consider the immediate parent and ultimate controlling party of the Group to be Affluent Start, which is incorporated in the British Virgin Islands.

35. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

On 5 November 2012, Easy Talent, an indirect wholly-owned subsidiary of the Company, entered into a share subscription agreement with Smart Masterly Limited (the "Investor"), pursuant to which the Investor subscribed 40% of the issued share capital of Easy Talent as enlarged by the subscription shares for a total consideration of RMB50,000,000. The subscription had been completed on 22 January 2013 and the equity interest held by the Group in Easy Talent was diluted from 100% to 60% of the enlarged issued shares capital of Easy Talent. Such dilution of interest in Easy Talent constituted a deemed disposal of Easy Talent under Rule 14.29 of the Listing Rules. Easy Talent has remained as an indirect subsidiary of the Company upon the completion of the share subscription.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of the consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Separate financial statements (2011)	1 January 2013
Revised IAS 19	Employee benefits	1 January 2013
IFRS 9	Financial Instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.