ANNUAL REPORT 2005-2006

QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

The Exchange takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (the "Directors") of Qianlong Technology International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange ("GEM Listing Rules") for the purpose of giving information with regard to Qianlong Technology International Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
Chiu Kam Hing, Kathy
Chang Long Teng
Cheong Chan Kei, Ernest

SECRETARY
Tse Kai Chung, Bobby

QUALIFIED ACCOUNTANT
Ip Pui Lam, Arthur

AUTHORISED REPRESENTATIVES
Tse Kai Chung, Bobby
Yang Ching Shou

COMPLIANCE OFFICER
Fan Ping Yi

PRINCIPAL BANKERS
In The People's Republic of China:
Industrial and Commercial Bank of China
Guang Dong Development Bank, Shanghai Branch

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

AUDITORS
Horwath Hong Kong CPA Limited
2001 Central Plaza
18 Harbour Road, Wanchai
Hong Kong

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House
Fort Street, P.O.Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Central Registration Hong Kong Limited
Shops 1901-1905
19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit 4B, 12th Floor
Lippo Centre Tower II
89 Queensway, Admiralty
Hong Kong

PLACE AND DATE OF LISTING, NAME AND CODE OF ITS STOCKS
The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
Listing Date: 17 December, 1999
Stock Name: Qianlong Technology
Stock Code: 8015

Financial Summary

A summary of the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005 together with the comparative figures for the corresponding period in 2004 and of the assets and liabilities of the Group as at 31 December 2005 and 2004 is set out as follows:

GROUP RESULTS

	2005 **RMB'000**	2004 RMB'000 Restated
Turnover	**27,870**	29,816
Profit before taxation	**4,445**	5,319
Taxation	**(1,477)**	(443)
Profit for the year	**2,968**	4,876
Attributable to:		
Equity holders of the Company	**2,973**	4,882
Minority interests	**(5)**	(6)
	2,968	4,876
Profit per share-Basic (RMB cents)	**1.41**	2.32

Financial Summary

GROUP ASSETS AND LIABILITIES

	2005 RMB'000	2004 RMB'000 Restated
Non-current assets		
Property, plant and equipment	**1,339**	1,578
Investment property	**7,764**	8,181
Interests in associates	**207**	189
Deferred tax assets	**—**	866
	9,310	10,814
Current assets		
Inventories	**29**	61
Trade and other receivables	**2,709**	3,102
Investment in securities	**—**	40,186
Investments held for trading	**3,682**	—
Cash and cash equivalents	**70,504**	29,523
	76,924	72,872
Current liabilities		
Trade and other payables	**16,993**	17,785
Taxation	**780**	592
	17,773	18,377
Net current assets	**59,151**	54,495
Non-current liability		
Deferred revenue	**403**	—
Net assets	**68,058**	65,309
Capital and reserves		
Share capital	**22,420**	22,420
Reserves	**45,611**	42,856
Equity attributable to equity holders of the Company	**68,031**	65,276
Minority interests	**27**	33
Total equity	**68,058**	65,309

Chairman's Statement

On behalf of the board of Directors, I am pleased to present the annual results of Qianlong Technology International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2005.

For the year ended 31 December 2005, the Group reported a turnover of RMB27,870,000 (2004: RMB29,816,000) representing a decrease of 6.53% as compared with that of the same period for the previous year. The Group recorded a net profit attributable to shareholders of RMB2,973,000 in 2005, whereas a net profit attributable to shareholders of RMB4,882,000 was recorded for the same period in the previous year, representing a decrease of 39.10%. The decrease in profit attributable to shareholders for the year ended 31 December 2005 was because of the stagnant securities market in China. Many securities brokerage companies have closed their business departments because of the loss occurred in the securities industry, which directly affected the Group's turnover. In the year ended 31 December 2005, the maintenance fee has reduced by 2.93% and other income has reduced by 37.08%.

PRODUCT DEVELOPMENT

For the year ended 31 December 2005, the Group continued the research and development of securities analysis software and achieved the following targets:

1. **Develop the online disclosure system namely, "Qianlong Internet Network Version" which has the following advantages:**

   (1) Modularize the structure to accommodate a scaleable online transaction platform. Enhance the reliability by improving data transfer among data servers and between attestation servers and data servers. Effectively control hardware investment costs through modularization and progressive system upgrades;

   (2) Further develop dynamic load equilibrium systems to increase system operation efficiency and enlarge countrywide user's capacity;

   (3) Enhance the supervision system and decrease system operation cost;

   (4) Provide inline consignment tool solution package to accommodate the purchasing criteria of large securities brokers; and

   (5) Maintain and develop customer relationship, and continuously strengthen attraction various functions to end users.

2. Develop corporate clientele of the Group's Consignment System, and strengthen its integration to Qianlong Network Version

Qianlong Network Version's in-line consignment system enhances existing consignment system used by securities brokers. The maintenance efficiency has been increased and the cost of securities brokers has been cut down accordingly. The one package solution, integrating market and consignment tools is well received by end users. The consignment system integrates closely with Qianlong Network Version and further increases the overall system advantage.

3. Qianlong Gang Gu Tong（港股通）

Qianlong Gang Gu Tong（港股通）is a service newly launched by the Group to provide data from the Hong Kong securities market. The market for mainland investors of Mainland China has highly interested in Hong Kong securities investment opportunities and has great demand on the relevant stock information. Qianlong Gang Gu Tong（港股通）is the first market information vendor in PRC approved by the Exchange, so the Group has a market advantage. Qianlong Gang Gu Tong（港股通）will use the Network version's large user base advantage and develop the leading Hong Kong stock market disclosure and analysis system. Qianlong Gang Gu Tong（港股通）will enable the active investors in the PRC to understand and grasp Hong Kong securities market in a familiar manner.

4. College Finance Education System

College Finance Education System is a useful tool in the coursework of finance colleges and universities in the PRC. The Group's products are widely used in the securities trading industry, a controlled simulation system similar to the Group's professional products is in demand. The College Finance Education System will develop a package of additional functions according to the actual education requirements to win the clients.

5. Qianlong Network Version

Qianlong Network Version will be further developed to add information services and customized modules to strengthen and retain the Group's number one market position.

PROSPECTS

The Group is in a leading position in the field of market disclosure systems. More than 90% of securities houses and branches are the Group's long term users and a large number of investors use the Group's software for daily investment and analysis. The Group owns a series of products and services including market disclosure and analysis tool, information distribution system, consignment system, market transfer tool, real time market data services, tailor made services in accordance with clients' requirements. These products form a series products line for supporting securities houses' front desk and back office business. The Group has the technical competence and practical experience to provide complete solutions for high-end clients; the Group also has good financial stability to provide a solid foundation for the development of new markets and new products; the Group owns a very stable and high caliber team with business aggressiveness.

The new strategy of the year is to continuously strengthen the market of the original network version, maintain the stable income, and on this basis to achieve breakthrough on the market of the three products including online market system, real time data services for Hong Kong securities market and College finance education system.

CONCLUDING REMARKS

I would like to express my heartfelt gratitude to members of the Board and staff of the Group for their hard work as well as to all members for their kind support to the Group.

Liao Chao Ping
Chairman

Hong Kong, 23 March 2006

Managements' Discussion and Analysis

BUSINESS REVIEW

Since the beginning of 2001, Chinese securities market has experienced a long term bearish market. The Shanghai Securities Integrated Index has continuously fallen down from the highest in the history to one thousand point in 2005. The volume has also declined greatly. Most securities investors have experienced a loss-making. Due to the stagnant market, the number of active investors is also reduced and many securities brokers have cut their businesses in order to save the cost. The Group has made a good achievement in the year of 2005 despite of these bad influences from the securities markets.

In the year of 2005, the Group has maintained the leading position on its traditional market edge, that is network versions used for real-time transactions in the securities brokerage companies with the completed efforts on the design, development, services and trainings of the products. In 2005, an income of RMB25,708,000 has been recorded on this, representing 92% of the total turnover;

In the year of 2005, the Group has developed the online disclosure system namely "Qianlong Internet Network Version". This product is the basic online transaction information system for securities brokers. With the quick development of online transaction, the product will catch a very good market momentum. As the main product to meet the online transaction trend, the Group has made a lot of efforts on Internet Network Version with a good achievement. Now it has reached No. 4 as to the market occupation. In 2005, a turnover of RMB584,000 has been made.

The Group has launched the Qianlong College Finance Education System in the year of 2005. This product is the first step for the Group to develop products for non-securities companies. The product is also a useful tool for the constructions of varied finance colleges and universities in the PRC. As Qianlong is the most popular product used in the securities field, the College Finance Education System is the priority choice for schools because it is a complete simulation system.

The Group has also launched Qianlong Gang Gu Tong（港股通）in the year of 2005. Hong Kong Securities Market was getting more attention and interests from potential investor around the world. The Group, as the only market information vendor in PRC approved by the Hong Kong Exchange, has made a good start for its product development in the near future.

FINANCIAL REVIEW

In the year ended 31 December 2005, the Group has recorded an income of RMB676,000 as the sales of computer software, representing a decrease of 74.27% (2004: RMB2,624,000); The maintenance service fee has decreased 2.93% to RMB25,893,000 (2004: RMB26,674,000); The consulting service fee has been recorded RMB231,000 (2004: RMB313,000); RMB1,070,000 has been recorded as other income (2004: RMB205,000).

In the year ended 31 December 2005, the profit attributable to shareholders was RMB2,973,000, decreasing RMB1,909,000 as compared to that in the previous year resulted from the decrease of turnover.

In the year ended 31 December 2005, the administrative and other expenses were increased from RMB15,470,000 in 2004 to RMB16,067,000 in 2005, representing an increase of 3.86%. The increase is mainly because Shanghai Qianlong Advanced Technology Company Limited, a subsidiary of the Group, has expanded its scale and increased the staff and representative offices.

In the year ended 31 December 2005, the subsidiary of the Group, Shanghai Qianlong Advanced Technology Company Limited has recorded a gain of RMB3,259,000 to dispose the treasury bond listed in Shanghai Stock Exchange.

At 31 December 2005, the cash and bank balance of the Group were RMB70,504,000 representing the funds generated from the Group's operation contributed by its stable financial status of the Group.

DEPLOYMENT OF HUMAN RESOURSES

The total number of staff of the Group increased from 123 as at 1 January 2005 to 161 as at 31 December 2005. The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include a retirement benefit, a provident fund and a medical plan. In the year, the total cost for staff (including salary, bonus and other welfare) is approximately RMB13,663,000 (2004: RMB12,120,000).

CONTINGENT LIABILITIES

The Group did not have any significant liabilities as at 31 December 2005 or as at 31 December 2004.

GEARING RATIO

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

EXPOSURE ON EXCHANGE RATE FLUCTUATION

Most of the income and expenditure of the Group were denominated either in RMB or Hong Kong dollars. In view of the stability of the exchange rate between these two currencies, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purposes.

MAJOR SUBSIDIARIES AND ASSOCIATES

Shanghai Qianlong Advanced Technology Company Limited

Established in September 1994 and 100% controlled by the Company, Shanghai Qianlong Advanced Technology Company Limited is engaged in the development, production and distribution of securities analysis computer software. Shanghai Qianlong Advanced Technology Company Limited is one of the market leaders in the industry of securities analysis computer software in the PRC.

Ningbo Qianlong Computer Software Company Limited

Established in January 1993 and 100% controlled by the Company, Ningbo Qianlong Computer Software Company Limited is the first company that the Group set up in the PRC. The company remained dormant during the year.

Worry-Free Consulting (Shanghai) Limited

Worry-Free Consulting (Shanghai) Limited, a 100% owned subsidiary of the Company, started its operation in May 2000 to establish retail outlets so as to build up a software distribution network in the PRC for the Group. The company remained dormant during the year.

Worry-Free Taipei Branch

Worry-Free Taipei Branch was set up in January 2001 and 100% controlled by the Company, to provide after market securities analysis software to customers in Taiwan. The Branch also provides PRC securities analysis software to investors in Taiwan. The company has ceased its business in January 2006.

Chien Long Investment Company Limited

Chien Long Investment Company Limited was originally established in July 1998 in Taiwan, and the Group acquired 99.3% interest in June 2000. Chien Long Investment Company Limited holds investment in companies engaged in the IT, internet and Hi-tech industries. The company has ceased its business in January 2006.

Profiles of the Group

Arrow Goal Enterprises Corporation

Arrow Goal Enterprises Corporation was established in British Virgin Islands in November 2000, and is 34.04% owned by the Group. Arrow Goal invests in Shanghai Hua Ding Financial Software Company Limited, which is engaged in the development, production and distribution of software for analysis of bond, stock fund, and future. The Group has disposed this company in December 2005 with the earning of USD 44,000 to be recognised in 2006.

Shanghai Gloucester Waalker Investment Management Company Limited

Established in October 1997 and the Group acquired 33.3% interest in July 2000, Shanghai Gloucester Waalker Investment Management Company Limited is engaged in business consulting, training, and human resource services.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liao Chao Ping, aged 62, has extensive experience in real estate development. He is a director of Union Constriction Company Limited (a company incorporated in Taiwan). Mr. Liao has been appointed as an executive Director on 28 October 2004 and the chairman of the Group on 10 January 2005.

Mr. Fan Ping Yi, aged 47, is the vice-chairman and one of the founders of the Group. He is responsible for the Group's overall strategic planning and its implementation. Mr. Fan has over 21 years of experience in the IT industry. Before joining the Group, Mr. Fan held senior management positions in various software houses in Taiwan. Mr. Fan will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Yang Ching Shou, aged 47, is the general manager of the Group and president of Shanghai Qianlong Advanced Technology Company Limited. He is one of the founders of the Group. He is responsible for the Group's overall strategic planning and its implementation. Mr. Yang has over 21 years of experience in the IT industry. Before joining the Group, Mr. Yang held senior management positions in various computer software companies in Taiwan.

Mr. Chen Shen Tien, aged 48, is responsible for the Group's overall strategic planning and the relationship development of potential business opportunities. Mr. Chen has over 11 years of experience in the IT industry. Mr. Chen resigned as the chairman of the Group on 10 January 2005. Mr. Chen will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Chen Ming Chuan, aged 41, has engaged in the IT industry over 21 years with intensive experience in development of securities analysis software.

Mr. Yu Shih Pi, aged 43, is the general manager of Chien Long Investment Company Limited. Mr. Yu held senior management positions in various computer companies before joining the Group. He retired by rotation as an executive Director at the annual general meeting of the Company held on 18 April 2004 and was reappointed as an executive director on 24 January 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy, aged 57, has over 34 years of banking experience in Canada and Asia Pacific region. Ms. Chiu was senior vice-president at the Republic National Bank of New York and was responsible for the management and investment of third party clients' funds. Ms. Chiu is the chairman of the Group's audit committee and remuneration committee. Ms. Chiu is one of the executive directors of Prime Investment Holdings Limited (stock code: 721) and also the independent non-executive director of B&S Entertainment Holdings Limited (8167).

Mr. Chang Long Teng, aged 46, has extensive experience in management and administration. He does not hold any directorship in other public listed companies.

Mr. Cheong Chan Kei, Ernest, aged 36, is an investment representative (HKSI). Mr. Cheong holds a bachelor degree of Arts from the University of Western Ontario. Mr. Cheong does not hold any directorship in other public listed companies. Mr.Cheong will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

SENIOR MANAGEMENT

Mr. Du Hao, aged 37, is the executive deputy general manager of Shanghai Qianlong Advanced Technology Company Limited. He is responsible for the daily operation of Shanghai Qianlong Advanced Technology Company Limited. He joined the Group in 1993 and has over 12 years of product research and development experience. He holds a master of science degree in electronic engineering from Fudan University.

Mr. Song Li Qun, aged 38, is the deputy general manager of Shanghai Qianlong Advanced Technology Company Limited. He is responsible for the development and marketing of new products for Shanghai Qianlong Advanced Technology Company Limited. He holds a bachelor's degree from Shanghai University, and has 11 years of experience in the IT industry.

Mr. Zhou Xiang, aged 35, is the head of technology and R & D of Shanghai Qianlong Advanced Technology Company Limited. He is in-charge of technology and R & D teams of Shanghai Qianlong Advanced Technology Company Limited. He holds a bachelor's degree from Hua Zhong Science and Technology University, and has 11 years of experience in the IT industry.

Mr. Zhao Bing, aged 40, is the manager of sales and marketing management department responsible for sales and marketing planning of the Group. He joined the Group in 1994 and has over 8 years of experience in sales and marketing planning. He holds a master degree in marketing management in Jiao Tong University.

Mr. Chen Gangliang, aged 33, is the manager of customers service department responsible for the provision of service to all of the customers. He holds a degree in Shanghai University and has more than 8 years of after sales experience.

QUALIFIED ACCOUNTANT

Mr. Ip Pui Lam, Arthur, aged 44, is the qualified accountant of the Group. He has over 13 years of experience in accounting and finance. He joined the Group in 2000. He is a fellow member of the Association of International Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Mr. Tse Kai Chung, Bobby aged 46, is the company secretary of the Group. He joined the Group in July 2005. He holds a bachelor's degree in laws from The University of Warwick, is a member of the Law Society of Hong Kong and a partner of Messers. Bobby Tse & Co., Solicitors. Mr. Tse is a qualified solicitor with over 18 years of experience in law practice.

COMPLIANCE OFFICER

Mr. Fan Ping Yi, aged 47, is the vice-chairman and executive director of the Group. He is one of the founders of the Group. He is responsible for the Group's overall strategic planning and implementation. Mr. Fan held senior management positions in various software houses in Taiwan and has over 21 years of experience in the IT industry. Being a compliance officer, Mr. Fan will be advising on and assisting the board of Directors in implementing procedures to ensure that the Group complies with the GEM Listing Rules and other relevant laws and regulations applicable to the Company and responding promptly and efficiently to all enquiries directed at him by the Stock Exchange.

Corporate Governance Report

INTRODUCTION

The Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing a formal and transparent procedure to protect and maximize the interests of shareholders during the period of year 2005.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2005.

BOARD OF DIRECTORS AND BOARD MEETING

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

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

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

The Company also appointed three independent non-executive Directors, namely Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

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

Details of the attendance of the board of Directors are as follows:

Directors	**Attendance**
Mr. Liao Chao Ping	5/5
Mr. Fan Ping Yi	5/5
Mr. Yang Ching Shou	5/5
Mr. Chen Shen Tien	5/5
Mr. Chen Ming Chuan	5/5
Mr. Yu Shih Pi	4/5
Ms. Chiu Kam Hing, Kathy	5/5
Mr. Chang Long Teng	5/5
Mr. Cheong Chan Kei, Ernest	5/5

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

REMUNERATION OF DIRECTORS

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

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

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately RMB400,000 to the external auditors for their services including audit, due diligence and other advisory services.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest, all of them are independent non-executive Directors. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

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

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

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Company has not set up any nomination committee in 2005.

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statements of the external auditors of the Company, Horwath Hong Kong CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 26 of this annual report.

INTERNAL CONTROL

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

INVESTOR RELATIONS

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

Report of the Directors

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

The analysis of the principal activities of the Company and its subsidiaries are set out in note 18 to the financial statements.

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 3% of the Group's total revenue for the year and sales to the largest customer included therein accounted for approximately 1% of the Group's total revenue.

Purchases from the Group's five largest suppliers accounted for approximately 82% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 29% of the Group's total purchases.

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

RESULTS

The profit of the Group for the year ended 31 December 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 80.

The Directors do not recommend the payment of any dividends in respect of the year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2005 neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 31 and in note 27 to the financial statements respectively.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Liao Chao Ping	*(Chairman)*
Fan Ping Yi	*(Vice chairman)*
Yang Ching Shou	*(Managing Director)*
Chen Shen Tien	
Chen Ming Chuan	
Yu Shih Pi	

Independent non-executive Directors

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

In accordance with article 116 of the Company's articles of association, Mr. Chen Shen Tien, Mr. Fan Ping Yi and Mr. Cheong Chan Kei, Ernest will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Biographical details of the Directors are set out on pages 12 and 13 of this annual report. Details of the Directors' remuneration are set out in note 9 to the financial statements.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") (the "GEM Listing Rules") for the year ended 31 December 2005 and the Company considers the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

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

Details of the appointments of the independent non-executive Directors are set out in the Corporate Governance Report.

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

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

As at 31 December 2005, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Name of directors	Type of interests	Number of shares held	Percentage of the Company's issued share capital
Liao Chao Ping	Personal	5,000,000	2.375%
Chen Shen Tien	Corporate *(note (1) and (2))*	40,250,000	19.121%
Fan Ping Yi	Corporate *(note (1) and (2))*	24,500,000	11.639%
Yang Ching Shou	Corporate *(note (1) and (2))*	24,500,000	11.639%
Chen Ming Chuan	Corporate *(note (1) and (2))*	18,375,000	8.729%
Yu Shih Pi	Corporate *(note (1) and (2))*	14,875,000	7.067%

Notes:

1. As at 31 December 2005, Mr. Chen Shen Tien is the shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 19.121% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, are the shareholders of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, are the shareholders of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Chen Ming Chuan is the shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 8.729% interest in the Company. Mr. Yu Shih Pi is the shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 7.067% interest in the Company.

2. According to the register of substantial shareholders required to be maintained under Section 336 of the SFO, the Company has been notified of these interests, being 5% or more of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2005, none of the Directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save for the share option scheme as disclosed in note 28 to the financial statements, at no time during the year ended 31 December 2005 was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors or Chief executives of the Company or their associates to acquire benefit by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2005, in addition to those interests as disclosed above in respect of the Directors, the interests or short positions in the shares and underlying shares of the substantial shareholders of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company.

Name	Number of the shares held	Percentage of the Company's issued share capital
Red Coral Financial Limited	40,250,000	19.121%
Sapphire World Investment Limited	24,500,000	11.639%
Legend Isle Technology Limited	24,500,000	11.639%
Star Channel Technology Limited	18,375,000	8.729%
Star Orient Global Limited	14,875,000	7.067%

Note:

1. As at 31 December 2005, Mr. Chen Shen Tien is the shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 19.121% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, are the shareholders of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, are the shareholders of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Chen Ming Chuan is the shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 8.729% interest in the Company. Mr. Yu Shih Pi is the shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 7.067% interest in the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 22 September 1999 made between the Company and the Company's previous ultimate holding company, Willing System Corporation ("WSC"), WSC agreed to assign its service mark registered in Taiwan with remaining registration period expiring in November 2007 to the Company for a nominal consideration of US$1. On 23 September 1999, the Company entered into another agreement with WSC pursuant to which the Company licensed the use of the service mark in Taiwan exclusively to WSC for a nominal consideration of US$1 for a period from September 1999 to November 2007.

Apart from the foregoing, no contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which any Director had a material interest, subsisted at the end of the year or at any time during the year.

SPONSOR'S INTERESTS

CSC Asia Limited ("CSC") has been appointed as the Company's sponsor since January 2002.

Pursuant to the agreement dated 21 November 2003 entered into between the Company and CSC, CSC has received a fee for acting as the Company's retained sponsor for the period from 1 January 2004 to 31 December 2005.Upon the expiry of the agreement, the Company has not appointed any sponsor.

As at 31 December 2005, neither CSC nor its directors, employees or associates have any interest in the share capital of the Company.

AUDIT COMMITTEE

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

The audit committee has constantly made its duties to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the Board. The audit committee has reviewed the Group's audited consolidated results and annual report for the year ended 31 December 2005.

FIVE-YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 81 to 82 of the annual report.

PROPERTIES

Major property held for investment:

Location	Existing use	Term of lease
669, Beijing Xi Road, Shanghai, PRC	Office	Medium

RETIREMENT SCHEMES

Details of the Group's retirement schemes during the year is set out in note 11 to the financial statements.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 28 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2005, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 15 to 18 of the annual report.

CHANGE OF AUDITORS

On 12 August 2005, Messrs. Horwath Hong Kong CPA Limited were appointed as auditors of the Company for the year ended 31 December 2005 to fill the casual vacancy caused by the resignation of Messrs. KPMG. There has been no other change of auditors in the past years.

Messrs. Horwath Hong Kong CPA Limited retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Horwath Hong Kong CPA Limited as auditors of the Company.

By Order of the Board

Liao Chao Ping
Chairman
Hong Kong, 23 March 2006

Report of the Auditors

TO THE SHAREHOLDERS OF
QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED
(乾隆科技國際控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 27 to 80 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate number P02038
Hong Kong, 23 March 2006

Consolidated Income Statement

For the year ended 31 December 2005
(Expressed in Renminbi)

	Note	2005 RMB'000	2004 RMB'000 Restated
Turnover	4	**27,870**	29,816
Cost of sales		**(8,025)**	(9,235)
Gross profit		**19,845**	20,581
Other revenue	6	**5,811**	6,178
Distribution costs		**(7,271)**	(6,383)
Administrative expenses		**(16,067)**	(15,470)
Other operating expenses		**(1)**	(1)
Share of profit/(loss) of associate		**23**	(597)
Other gains and losses	7	**2,105**	1,011
Profit before taxation	8	**4,445**	5,319
Taxation	12(a)	**(1,477)**	(443)
Profit for the year		**2,968**	4,876
Attributable to:			
Equity holders of the Company	14	**2,973**	4,882
Minority interests		**(5)**	(6)
		2,968	4,876
Earnings per share - Basic	15	**1.41 cents**	2.32 cents

The notes on pages 34 to 80 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2005
(Expressed in Renminbi)

	Note	**2005**	2004
		RMB'000	RMB'000
			Restated
Assets and liabilities			
Non-current assets			
Property, plant and equipment	16	**1,339**	1,578
Investment property	17	**7,764**	8,181
Interest in associate	19	**207**	189
Deferred tax assets	13	**—**	866
		9,310	10,814
Current assets			
Inventories	20	**29**	61
Trade and other receivables	21	**2,709**	3,102
Investment in securities	22	**—**	40,186
Investments held for trading	22	**3,682**	—
Cash and cash equivalents	23	**70,504**	29,523
		76,924	72,872
Assets classified as held for sale	25	**—**	—
		76,924	72,872
Current liabilities			
Trade and other payables	24	**16,993**	17,785
Taxation		**780**	592
		17,773	18,377
Net current assets		**59,151**	54,495
Non-current liabilities			
Deferred revenue		**403**	—
Net assets		**68,058**	65,309

Consolidated Balance Sheet

At 31 December 2005
(Expressed in Renminbi)

	Note	2005 RMB'000	2004 RMB'000 Restated
Equity			
Capital and reserves			
Share capital	26	**22,420**	22,420
Reserves		**45,611**	42,856
Equity attributable to equity holders of the Company		**68,031**	65,276
Minority interests		**27**	33
Total equity		**68,058**	65,309

Liao Chao Ping
Chairman

Fan Ping Yi
Vice Chairman

The notes on pages 34 to 80 form part of these financial statements.

Balance Sheet

At 31 December 2005
(Expressed in Renminbi)

	Note	**2005** **RMB'000**	2004 RMB'000
Assets and liabilities			
Non-current assets			
Interests in subsidiaries	18	**16,012**	20,084
Current assets			
Trade and other receivables	21	**248**	199
Cash and cash equivalents	23	**4,757**	5,121
		5,005	5,320
Current liabilities			
Trade and other payables	24	**178**	527
Amounts due to subsidiaries		**693**	709
		871	1,236
Net current assets		**4,134**	4,084
Net assets		**20,146**	24,168
Equity			
Capital and reserves			
Share capital	26	**22,420**	22,420
Reserves	27	**(2,274)**	1,748
Total equity		**20,146**	24,168

Liao Chao Ping
Chairman

Fan Ping Yi
Vice Chairman

The notes on pages 34 to 80 form part of these financial statements.

Consolidated Statment of Changes In Equity

For the year ended 31 December 2005
(Expressed in Renminbi)

	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note27(a))	Exchange reserve RMB'000	General reserve RMB'000 (Note27(b))	Accu-mulated losses RMB'000 (Note27(c))	Merger reserve RMB'000 (Note27(d))	Revaluation reserve RMB'000 (Note27(e))	Attributable to equity holders of the company RMB'000	Minority interest RMB'000	Total equity RMB'000
At 1 January 2004										
— as previously reported	22,420	33,124	4	6,377	(24,825)	23,765	107	60,972	36	61,008
— prior year adjustment in respect of investment property (note 2(b))	—	—	—	—	(660)	—	(107)	(767)	—	(767)
— as restated	22,420	33,124	4	6,377	(25,485)	23,765	—	60,205	36	60,241
Exchange difference on translation of financial statements of foreign entities recognised directly in equity	—	—	189	—	—	—	—	189	3	192
Net profit for the year — as restated (note 2 (b))	—	—	—	—	4,882	—	—	4,882	(6)	4,876
Total recognised income and expense for the year	—	—	189	—	4,882	—	—	5,071	(3)	5,068
Appropriation	—	—	—	313	(313)	—	—	—	—	—
At 31 December 2004	22,420	33,124	193	6,690	(20,916)	23,765	—	65,276	33	65,309
At 1 January 2005										
— as previously reported	22,420	33,124	193	6,690	(19,840)	23,765	1,971	68,323	33	68,356
— prior year adjustment in respect of investment property (note 2(b))	—	—	—	—	(1,076)	—	(1,971)	(3,047)	—	(3,047)
— as restated	22,420	33,124	193	6,690	(20,916)	23,765	—	65,276	33	65,309
Exchange difference on translation of financial statements of foreign entities recognised directly in equity	—	—	(218)	—	—	—	—	(218)	(1)	(219)
Net profit for the year	—	—	—	—	2,973	—	—	2,973	(5)	2,968
Total recognised income and expense for the year	—	—	(218)	—	2,973	—	—	2,755	(6)	2,749
Appropriation	—	—	—	257	(257)	—	—	—	—	—
At 31 December 2005	22,420	33,124	(25)	6,947	(18,200)	23,765	—	68,031	27	68,058

The notes on pages 34 to 80 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2005
(Expressed in Renminbi)

	Note	2005 RMB'000	2004 RMB'000 Restated
Operating activities			
Profit before taxation		**4,445**	5,319
Adjustments for:			
Interest income		**(1,146)**	(1,024)
Write back for impairment of investment in securities		**—**	(562)
Provision for investments held for trading		**944**	—
Fair value gains on investment in securities		**—**	(621)
Gain on disposal of debt securities		**(3,259)**	—
Depreciation of property, plant and equipment		**937**	1,054
Impairment loss on property, plant and equipment		**210**	—
Share of (profit)/loss of associate		**(23)**	597
Loss on disposal of property, plant and equipment		**—**	48
Operating cash flows before working capital changes		**2,108**	4,811
Decrease in inventories		**32**	95
Decrease in trade and other receivables		**393**	353
Decrease in trade and other payables		**(389)**	(1,604)
Cash generated from operations		**2,144**	3,655
Tax paid		**(423)**	(959)
Net cash inflow from operating activities		**1,721**	2,696

Consolidated Cash Flow Statement

For the year ended 31 December 2005
(Expressed in Renminbi)

	Note	**2005** **RMB'000**	2004 RMB'000 Restated
Investing activities			
Proceeds from disposal of property, plant and equipment		**—**	13
Proceeds from disposal of investment in securities		**—**	15,906
Proceeds from disposal of investments held for trading		**37,954**	—
Payments to acquire investment in securities		**—**	(15,906)
Payments to acquire property, plant and equipment		**(495)**	(662)
Interest received		**1,945**	1,024
Net cash inflow from investing activities		**39,404**	375
Net increase in cash and cash equivalents		**41,125**	3,071
Cash and cash equivalents at beginning of year		**29,523**	26,264
Effect of foreign exchange rate changes		**(144)**	188
Cash and cash equivalents at end of year		**70,504**	29,523
Analysis of the balances of cash and cash equivalents	23		
Cash and bank balances		**10,974**	15,798
Time deposits		**59,530**	13,725
		70,504	29,523

The notes on pages 34 to 80 form part of these financial statements.

(Expressed in Renminbi)

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 May 1998 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

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

The principal activities of the subsidiaries are set out in Note 18 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which also include all Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The applicable HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenues
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Interest in Assoicates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

(Expressed in Renminbi)

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

HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HK(SIC)-Int 27	Evaluating the Substance of Transactions in the Legal Form of a Lease

The adoption of new or revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 33, 36, 37 and HK(SIC)-Int 27 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interest and other disclosures.

— HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 27, 28, 33, 36, 37 and HK(SIC)-Int 27 had no effect on the amounts reported for the current and prior periods as the Group's accounting policies already comply with these standards.

— HKAS 21 had no material effect on the Group's accounting policies. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. The functional currency and presentation currency of the Company is Hong Kong dollars and its financial statements have been re-translated into the presentation currency of the Group (i.e. Renminbi) for consolidation purposes. The resulting exchange differences are recognised as a separate component of equity as detailed in note 27 to the financial statements.

— HKAS 24 has affected the identification of related parties and some other related party disclosures as detailed in Note 32 to the financial statements.

— HKFRS 5 introduces the new concepts "held for sale" and "disposal groups" and specifies inter alia that assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell and require an asset classified as held for sale to be presented separately on the face of the balance sheet. The details of its application for the current year are set out in Note 25 to the financial statements.

— HK(SIC)-Int 21 has no material effect on the Group's financial statements as the Group had no revalued non-depreciated assets following the adoption of cost method for investment property with effect from the current financial year and no deferred tax was provided at the time the Group's investment property was stated at fair value.

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

The major effects on adoption of the other HKFRSs are summarised as follows:

(a) *Financial instruments (HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement)*

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosures of financial instruments. Under HKAS 39, financial assets are classified into four categories including financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables or held-to-maturity financial assets. Financial liabilities are generally classified as financial liabilities at fair value through profit or loss or other financial liabilities. Details of the change in accounting policy of the financial instruments are summarised in Note 3(I)(ii) to the financial statements.

Investments at fair value through profit or loss

In prior years, the Group's investments in securities were classified as short term investments and were measured at fair value, with unrealised gains and losses included in the profit and loss account.

Upon the adoption of HKAS 32 and HKAS 39, these investments are classified as investments held for trading. Any gains and losses arising from changes in fair value are included in profit or loss for the period. This change in accounting policy has had no effect on the Group's profit or loss and retained profits. The Group has applied the transitional rules in HKAS 39. At 1 January 2005, the Group reclassified the investment in securities with carrying amount of HK$40,186,000 to investments held for trading.

(Expressed in Renminbi)

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

(b) Investment property (HKAS 40 – Investment Property and HK(SIC)-Int 21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets)

In prior years, investment property with an unexpired lease term of greater than 20 years are stated at its open market value which is assessed annually by external qualified valuers. Changes in the value of investment property were dealt with as movements in revaluation reserve. If the total of the revaluation reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

With the adoption of HKAS 40 as from 1 January 2005, the Group has elected to apply the cost model for its measurement of investment property, which is now stated at cost less accumulated depreciation and any impairment losses. This represents a change in accounting policy which has been applied retrospectively so that comparatives presented have been restated to conform to the changed policy. As detailed in the consolidated statement of changes in equity, the Group's revaluation reserve at 31 December 2004 and 2003 of RMB1,971,000 and RMB107,000 respectively were released, with the corresponding amounts credited to the cost of investment property at 31 December 2004 and 2003 respectively. It has also resulted in an increase in accumulated depreciation of investment property and the Group's accumulated losses at 31 December 2004 and 2003 by RMB1,076,000 and RMB660,000 respectively. The profit of the Group for the year ended 31 December 2004 has been reduced by RMB416,000, being the depreciation charge of investment property for 2004.

The adoption of HK(SIC)-Int 21-Income Taxes–Recovery of Revalued Non-Depreciable Assets had no effect on these consolidated financial statements as no deferred tax was provided on the revaluation surplus of the Group's investment property in prior years.

(Expressed in Renminbi)

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

(c) Employee share option scheme (HKFRS 2 – Share-based Payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the fair value of such share options is recognised as an expense with a corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in Note 3(s)(iii) to the financial statements.

The application of this new accounting policy requires retrospective application, except that the Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

Up to 31 December 2005, no share option has been granted to any employee or director of the Company or any of its subsidiaries under the Company's share option scheme. Accordingly, the adoption of HKFRS 2 has had no effect on these financial statements.

The Group has not early adopted the following new HKFRSs, that have been issued but are not yet effective, to these financial statements. The directors of the Company anticipate that the adoption of these new HKFRS would have no material impact on the financial statements of the Group.

(Expressed in Renminbi)

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

		Effective for accounting periods on or after
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	1 January 2006
HKAS 39 (Amendment)	The Fair Value Option	1 January 2006
HKAS 39 & HKFRS 4 (Amendment)	Financial guarantee contracts	1 January 2006
HKFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS – Int 4	Determining Whether an Arrangement Contains a Lease	1 January 2006
HKFRS – Int 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
HKFRS – Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment	1 December 2005
HK(IFRIC) – Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases	24 May 2005

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

		Effective for accounting periods on or after
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC) – Int 8	Scope of HKFRS	1 January 2006

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments and in accordance with HKFRSs, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

(b) Basis of consolidation

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

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

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

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) *Basis of consolidation (Continued)*

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

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

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any attributable amount of goodwill.

(c) *Business combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) *Business combinations (Continued)*

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

(d) *Subsidiaries*

A subsidiary is an enterprise in which the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities.

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

(e) *Associates*

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decision.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, except when the investment is classified as held for sale, in which case it is accounted as set out in Note 3(k) to the financial statements. Under the equity method, investment in an associate is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year. Details of the impairment test on goodwill are set out in Note 3(f) to the financial statements.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Associates (Continued)

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses.

(f) Goodwill

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

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

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

(g) Property, plant and equipment

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

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment (Continued)

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Leasehold improvements	Over the shorter of the unexpired lease term and the estimated useful lives
Computer equipment	20% - 33.33%
Furniture, fixtures and office equipment	20% - 33.33%
Motor vehicles	20% - 33.33%

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

(h) Investment properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential, with rental income being negotiated at arm's length. Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties over the estimated useful life of 20 years using the straight-line method. The useful life is reviewed, and adjusted if appropriate, at each balance sheet date.

(i) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets excluding goodwill (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(j) Inventories

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sale.

(l) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade and other receivables for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments (Continued)

(ii) Investments *(Continued)*

At subsequent reporting dates, debts securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less any impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments (Continued)

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

(m) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) *Taxation (Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is on longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(n) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Leases

(i) Finance leases

Leases where substantially all the risks and rewards of ownership of assets are transferred to the lessees are accounted for as finance leases. The amount capitalised as an asset at the inception is the present value of minimum lease payments payable during the term of the lease. The corresponding leasing commitments less the interest element are recorded as obligations under finance leases. Rentals payable in respect of finance leases are apportioned between finance charges and reduction of outstanding lease obligations based upon the interest rates implicit in the relevant leases.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

(p) Translation of foreign currencies

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

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

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Translation of foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Renminbi using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(q) Related parties

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

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

(ii) Maintenance service fee income

Maintenance service fees are billed in advance and are recognised as income on a straight-line basis over the period of the provision of the related services. The unrecognised portion is recorded as deferred revenue in the balance sheet.

(iii) Consulting service fee income

Consulting service fee are recognised as income on an accrual basis by reference to the stage of completion of the related services.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments 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 granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Interest income

Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits

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

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

(ii) Insurance policies and retirement benefits scheme

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

(iii) Share based payment

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) *Research and development costs*

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

(u) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Use of estimates

The preparation of these financial statements in conformity with HKFRSs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. TURNOVER

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

	2005	2004
	RMB'000	RMB'000
		Restated
Maintenance service fees	**25,893**	26,674
Sale of computer software	**676**	2,624
Consulting service fees	**231**	313
Others	**1,070**	205
	27,870	29,816

5. SEGMENT REPORTING

(a) Business segments

No separate segment information is presented as the Group has only one business segment, which is the distribution and maintenance of computer software.

(b) Geographical segments

All operating assets and operations of the Group during the years ended 31 December 2005 and 2004 were located in the PRC. Accordingly, no geographical segment information is presented.

(Expressed in Renminbi)

6. OTHER REVENUE

	2005 RMB'000	2004 RMB'000 Restated
Value added tax refund (Note)	**3,638**	3,922
Interest income	**1,146**	1,189
Net rental income from investment property	**695**	695
Subsidy income	**283**	350
Write back of other payables	**41**	—
Sundries	**8**	22
	5,811	6,178

Note : A tax concession has been granted by the PRC tax authority to the Company's PRC subsidiaries which are engaged in the development and trading of computer software. Under this concession, the PRC subsidiaries are entitled to a refund of value added tax ("VAT") paid in excess of an effective rate of 3%. The amount of VAT refund is recognised as other revenue on an accrual basis.

7. OTHER GAINS AND LOSSES

	2005 RMB'000	2004 RMB'000
Gain on disposal of investments held for trading	**3,259**	—
Net unrealised loss on investments held for trading	**(944)**	—
Net unrealised gain on investment in securities	**—**	1,183
Impairment loss of property, plant and equipment	**(210)**	—
Loss on disposal of property, plant and equipment	**—**	(48)
Loss on sale of accessories	**—**	(124)
	2,105	1,011

(Expressed in Renminbi)

8. PROFIT BEFORE TAXATION

	2005 **RMB'000**	2004 RMB'000 Restated
Profit before taxation is stated after charging the following:		
Cost of inventories	**337**	427
Cost of service fees	**292**	—
Depreciation of property, plant and equipment	**937**	1,054
Impairment of property, plant and equipment	**210**	—
Staff costs excluding directors' remuneration:		
Salaries and allowances	**8,815**	7,855
Pension fund contributions	**1,916**	1,731
Auditors' remuneration:		
Current year	**400**	660
Underprovision in prior year	**15**	—
Net foreign exchange loss	**5**	87
Provision for doubtful debts	**80**	—
Research and development costs	**3,520**	3,520
Maintenance service expenses	**7,207**	8,470
Minimum lease payments under operating leases in respect of land and buildings	**1,906**	2,235

(Expressed in Renminbi)

9. DIRECTORS' REMUNERATION

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

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share based payments	Pension fund contributions	2005 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Liao Chao Ping	—	381	—	—	—	381
Chen Shen Tien	—	381	—	—	3	384
Fan Ping Yi	—	381	—	—	2	383
Yang Ching Shou	—	381	—	—	—	381
Chen Ming Chuan	—	381	—	—	3	384
Yu Shih Pi	—	381	—	—	23	404
Independent non-executive directors						
Chiu Kam Hing, Kathy	205	—	—	—	—	205
Cheong Chan Kei, Ernest	205	—	—	—	—	205
Chang Long Teng	205	—	—	—	—	205
	615	2,286	—	—	31	2,932

(Expressed in Renminbi)

9. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share based payments	Pension fund contributions	2004 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Liao Chao Ping	—	72	—	—	—	72
Chen Shen Tien	—	415	—	—	7	422
Fan Ping Yi	—	415	—	—	6	421
Yang Ching Shou	—	415	—	—	—	415
Chen Ming Chuan	—	415	—	—	8	423
Yu Shih Pi	—	415	—	—	23	438
Independent non-executive directors						
Chiu Kam Hing, Kathy	207	—	—	—	—	207
Cheong Chan Kei, Ernest	36	—	—	—	—	36
Chang Long Teng	36	—	—	—	—	36
Hsu Wen Huei	64	—	—	—	—	64
	343	2,147	—	—	44	2,534

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

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

No share option was granted to the directors during the years ended 31 December 2005 and 2004.

(Expressed in Renminbi)

10. FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group during the year, all (2004: all) are directors, whose emoluments are disclosed in Note 9 above.

11. RETIREMENT BENEFITS

The employees of the Company's operating subsidiary, Shanghai Qianlong Advanced Technology Company Limited, are members of a central pension scheme operated by the local government. The subsidiary is required to contribute approximately 37% of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits.

The Group does not have any contingent liabilities to the retirement benefits of the employees other than the monthly contributions to the central pension scheme. The Group's contribution to retirement benefits schemes for the year ended 31 December 2005 amounted to RMB1,947,000 (2004: RMB1,775,000).

12. TAXATION

(a) Taxation in the consolidated income statement represents:

	2005	2004
	RMB'000	RMB'000
Current tax – Provision for PRC foreign enterprise income tax		
— Provision for the year	**611**	1,316
— Tax refund	**—**	(228)
— Underprovision in respect of prior years	**—**	221
	611	1,309
Deferred tax (Note 13)		
— Origination and reversal of temporary differences	**866**	(866)
	1,477	443

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

The provision for PRC taxation is based on the estimated taxable income for PRC taxation purposes for the year at the rate of 27% (2004: 27%).

(Expressed in Renminbi)

12. TAXATION *(Continued)*

(b) The Group's taxation charge for the year can be reconciled to the profit as stated in the financial statements as follows:

	2005 RMB'000	2004 RMB'000 Restated
Profit before taxation	**4,445**	5,319
Taxation calculated at PRC foreign enterprise income tax rate of 27%	**1,200**	1,436
Tax effect of expenses not deductible for taxation purpose	**293**	658
Tax effect of non-taxable items	**(2,085)**	(1,642)
Under provision of foreign enterprise income tax in prior years	**—**	221
Deferred tax assets not recognised	**595**	492
Income tax exemption	**(6)**	(509)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**614**	15
Income tax refund	**—**	(228)
Utilisation of deferred tax assets	**866**	—
Taxation charge for the year	**1,477**	443

(Expressed in Renminbi)

13. DEFERRED TAX

The following are the components of deferred tax assets recognised by the Group in the consolidated balance sheet and the movements thereon during the current and prior year:

	Revaluation deficit on investment in securities RMB'000
At 1 January 2004	—
Credited to profit or loss for the year	866
At 31 December 2004	866
Charged to profit or loss for the year	(866)
At 31 December 2005	—

The Group had no significant deferred tax assets or liabilities at the balance sheet date.

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the year ended 31 December 2005, the Group's profit attributable to equity holders of the Company included a loss of RMB3,596,000 (2004: profit of RMB2,416,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB2,973,000 (2004: RMB4,882,000 as restated) and 210,500,000 ordinary shares (2004: 210,500,000) in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2005 and 2004.

(Expressed in Renminbi)

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2004	137	641	2,407	1,065	649	4,899
Additions	—	—	645	17	—	662
Disposals	—	—	(160)	(448)	—	(608)
Exchange adjustments	—	(22)	129	(104)	—	3
At 31 December 2004	137	619	3,021	530	649	4,956
Additions	—	—	491	4	—	495
Exchange adjustments	—	—	(16)	(5)	—	(21)
At 31 December 2005	137	619	3,496	529	649	5,430
Accumulated depreciation and impairment losses:						
At 1 January 2004						
— Accumulated depreciation	50	641	1,360	723	249	3,023
— Impairment loss	87	—	119	59	—	265
Charge for the year	—	—	453	53	132	638
Written back on disposals	—	—	(144)	(403)	—	(547)
Exchange adjustments	—	(22)	9	12	—	(1)
At 31 December 2004	137	619	1,797	444	381	3,378
Charge for the year	—	—	383	37	100	520
Impairment for the year	—	—	196	14	—	210
Exchange adjustments	—	—	(12)	(5)	—	(17)
At 31 December 2005	137	619	2,364	490	481	4,091
Net book value:						
At 31 December 2005	—	—	1,132	39	168	1,339
At 31 December 2004	—	—	1,224	86	268	1,578

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

A provision for impairment of RMB265,000 and RMB210,000 has been made to fully write off the carrying value of the Group's fixed assets in 2003 and 2005 respectively as these fixed assets will be scrapped following the cessation of businesses of some of the Company's subsidiaries.

The Company

	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost or valuation:			
At 1 January 2004	216	111	327
Exchange adjustments	3	1	4
At 31 December 2004	219	112	331
Exchange adjustments	(5)	(2)	(7)
At 31 December 2005	214	110	324
Accumulated depreciation:			
At 1 January 2004	216	111	327
Exchange adjustments	3	1	4
At 31 December 2004	219	112	331
Exchange adjustments	(5)	(2)	(7)
At 31 December 2005	214	110	324
Net book value:			
At 31 December 2005	—	—	—
At 31 December 2004	—	—	—

As at 31 December 2005, the above property, plant and equipment of the Company that have been fully depreciated are still in use.

(Expressed in Renminbi)

17. INVESTMENT PROPERTY

	RMB'000
The Group	
Cost:	
At 1 January 2004	
As previously reported (At valuation)	9,364
Effect on adoption of HKAS 40	(107)
At 1 January 2004 as restated and 31 December 2004	9,257
At 1 January 2005	
As previously reported (At valuation)	11,228
Effect on adoption of HKAS 40	(1,971)
At 1 January 2005 as restated and 31 December 2005	9,257
Accumulated depreciation:	
At 1 January 2004	
As previously reported	—
Effect on adoption of HKAS 40	660
As restated	660
Charge for the year	416
At 31 December 2004	1,076
At 1 January 2005	
As previously reported	—
Effect on adoption of HKAS 40	1,076
As restated	1,076
Charge for the year	417
At 31 December 2005	1,493
Net book value:	
At 31 December 2005	7,764
At 31 December 2004	8,181

17. INVESTMENT PROPERTY *(Continued)*

(a) In prior years, the Group's investment property was stated at its open market value which is assessed annually by external qualified valuers, with changes in fair value dealt with as movements in revaluation reserve. Upon the adoption of cost model as permitted under HKAS 40 with effect from 1 January 2005, the Group's investment property is stated at cost less accumulated depreciation and any impairment losses. This change in accounting policy has been applied retrospectively. The impacts on the carrying value of the Group's investment property are detailed above and further explained in Note 2(b) to the financial statements.

(b) The market value of the Group's investment property as at 31 December 2005 amounted to RMB12,431,000 (2004 : RMB11,228,000). The investment property is valued by an independent firm of surveyors, Shanghai Zhengda Assets Appraisal Company Limited, an independent and certified public valuer registered in the PRC, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

(c) The analysis of net book value of the Group's properties is as follows:

	2005	2004
	RMB'000	RMB'000
		Restated
In the PRC		
Medium – term leases	**7,764**	8,181

(d) The Group leases out investment property under operating lease. The leases typically run for an initial period of five years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases include contingent rentals.

The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2005	2004
	RMB'000	RMB'000
Within 1 year	**732**	732
After 1 year but within 5 years	**792**	1,524
	1,524	2,256

(Expressed in Renminbi)

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2005	2004
	RMB'000	RMB'000
Unlisted shares, at cost	**7,218**	7,218
Amounts due from subsidiaries	**32,337**	36,157
	39,555	43,375
Less: Provision for impairment	**(23,543)**	(23,291)
	16,012	20,084

The amounts due from subsidiaries are unsecured, interest free and without pre-determined repayment terms.

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

(Expressed in Renminbi)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries as at 31 December 2005 were as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and form of incorporation and operation	Group's effective interest	Percentage of equity interest held by the Company	Percentage of equity interest held by subsidiary	Issued and fully paid share capital/ registered capital	Principal activities
Qianlong Computers Company Limited	The British Virgin Islands ("BVI") (limited company)	100	100	—	US$10,000	Investment holding
Ningbo Qianlong Computer Software Company Limited	PRC (wholly foreign-owned enterprise)	100	—	100	US$210,000	Dormant
Shanghai Qianlong Advanced Technology Company Limited	PRC (wholly foreign-owned enterprise)	100	—	100	US$4,650,000	Development and trading of computer software and provision of the related maintenance services
Worry-free Technology Holdings Limited	BVI (limited company)	100	100	—	US$500,000	Investment holding
Worry-free Consulting (Shanghai) Limited	PRC (wholly foreign-owned enterprise)	100	—	100	US$1,500,000	Dormant
Qianlong Internet Holdings Limited	BVI (limited company)	100	100	—	US$50,000	Investment holding
Chien Long Investment Company Limited	Taiwan (limited company)	99.3	—	99.3	NTD7,338,010	Investment holding

(Expressed in Renminbi)

19. INTEREST IN ASSOCIATE

	The Group	
	2005	2004
	RMB'000	RMB'000
Share of net assets	**207**	189
Goodwill	**398**	398
Accumulated amortisation of goodwill	**(160)**	(160)
Provision for impairment of goodwill	**(238)**	(238)
	207	189

Details of the associate, which is an unlisted corporate entity, as at 31 December 2005 are as follows. The class of shares held is ordinary unless otherwise stated.

		Percentage of equity interest				
Name of associate	**Place and form of incorporation and operation**	**Group's effective interest**	**held by the Company**	**held by subsidiary**	**Fully paid registered capital**	**Principal activities**
Shanghai Gloucester Waalker Investment Management Company Limited	PRC (equity joint venture)	33.33	—	33.33	US$300,000	Provision of human resources consulting services

19. INTEREST IN ASSOCIATE *(Continued)*

Summarised financial information in respect of the Group's associate is set out below:

	2005 **RMB'000**	2004 RMB'000
Total assets	**628**	4,969
Total liabilities	**(45)**	(1,924)
Net assets	**583**	3,045
Group's share of associate's net assets	**207**	189

	2005 **RMB'000**	2004 RMB'000
Revenue	**1,029**	928
Profit/(loss) for the year	**67**	(2,269)
Group's share of associate's profit/(loss) for the year	**23**	(597)

20. INVENTORIES

	The Group	
	2005 **RMB'000**	2004 RMB'000
Accessories at cost	**21**	56
Finished goods at net realisable value	**8**	5
	29	61

(Expressed in Renminbi)

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
		Restated		
Trade receivables	**712**	392	**—**	—
Less: provision for impairment	**(152)**	(72)	**—**	—
Trade receivables – net	**560**	320	**—**	—
Other receivables	**1,155**	1,907	**—**	—
Deposits and prepayments	**994**	875	**248**	199
	2,709	3,102	**248**	199

The Group's policy is to allow a credit period of 30 days from the date of billing to its trade customers.

The following is an aged analysis of trade receivables, net of provision for impairment of trade receivables, as of the balance sheet date:

	The Group	
	2005	2004
	RMB'000	RMB'000
Within 1 month	**459**	220
1 to 3 months overdue	**27**	5
More than 3 months but less than 12 months overdue	**74**	20
More than 12 months	**—**	75
	560	320

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

(Expressed in Renminbi)

22. INVESTMENTS

Investments held for trading

	The Group 2005 RMB'000
Listed debt securities, at fair value	
— outside Hong Kong	—
Unlisted equity securities, at fair value	
— outside Hong Kong	**3,682**
	3,682

As mentioned in Note 2(a), from 1 January 2005 onwards, trading securities have been reclassified to investments held for trading in accordance with the requirements of HKAS 39. At 31 December 2004, trading securities amounted to HK$40,186,000 which comprised of listed debt securities outside Hong Kong of HK$32,456,000 and unlisted equity securities outside Hong Kong of HK$7,730,000.

The above investments in securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities is based on the audited net asset value of the investee company at the balance sheet date.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005 RMB'000	2004 RMB'000 Restated	**2005 RMB'000**	2004 RMB'000
Cash and bank balances	**10,974**	15,798	**440**	866
Time deposits	**59,530**	13,725	**4,317**	4,255
	70,504	29,523	**4,757**	5,121

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

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**593**	702	**—**	—
Receipt in advance	**154**	150	**—**	—
Other payables	**715**	791	**—**	—
Accruals	**1,949**	2,023	**178**	527
Deferred revenue	**13,582**	14,119	**—**	—
	16,993	17,785	**178**	527

All trade payables are due within one month and all other payables and accruals are expected to be settled within one year.

Deferred revenue represents maintenance service fees received in advance.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

25. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 December 2005, Qianlong Internet Holdings Limited ("QI"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Eastern Premier pursuant to which QI agreed to sell approximately 34.04% of the equity interest in Arrow Goal Enterprise Corporation Limited ("AG") at a cash consideration of US$44,000 (equivalent to approximately RMB355,000). The agreement is anticipated to be completed on or before 31 March 2006. AG is an associated company of the Company with "nil" carrying value in the consolidated financial statements under the equity method of accounting at the date of reclassification. Assets classified as held for sale represents the Group's attributable interest in AG which is stated at the lower of the carrying amount (being nil) and the fair value (being RMB355,000) less costs to sell in accordance with HKFRS 5.

(Expressed in Renminbi)

26. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Amount RMB'000
The Company		
Authorised:		
At 31 December 2004 and 31 December 2005	1,000,000,000	106,510
Issued and fully paid:		
At 31 December 2004 and 31 December 2005	210,500,000	22,420

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

27. RESERVES

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
The Company				
At 1 January 2004	33,124	—	(33,792)	(668)
Net profit for the year	—	—	2,416	2,416
At 31 December 2004	33,124	—	(31,376)	1,748
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group (Note 2)	—	(426)	—	—
Net loss for the year	—	—	(3,596)	(4,022)
At 31 December 2005	33,124	(426)	(34,972)	(2,274)

Movement in reserves of the Group are set out in the consolidated statement of changes in equity on page 31 of the financial statements.

(Expressed in Renminbi)

27. RESERVES *(Continued)*

(a) Share premium

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

(b) General reserve

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

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

(c) Accumulated losses

At 31 December 2005, the Company had accumulated losses of RMB34,972,000 (2004: RMB31,376,000), and after taking into consideration of the balance of share premium account, subject to the provisions of the Cayman Islands Companies Law (Revised) as noted in (a) above, the aggregate amount of profit available for distribution to shareholders of the Company was RMB Nil (2004: RMB1,748,000).

(d) Merger reserve

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

(e) Revaluation reserve

The revaluation reserve arose as a result of fair value changes in investment property. Upon the adoption of HKAS 40 with effect from 1 January 2005 as detailed in Note 2(b) to the financial statements, the revaluation reserve has been released and credited to cost of investment property in the form of prior year adjustment.

28. SHARE OPTIONS

(a) *Share option scheme*

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

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

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

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

Up to 31 December 2005, no option has been granted to any employee or director of the Company or any of its subsidiaries under this share option scheme.

(b) During the year, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

(Expressed in Renminbi)

29. CAPITAL COMMITMENT

At the balance sheet date, the Group and the Company had no outstanding capital commitment.

30. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group and the Company had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,649**	1,322	**270**	173
In the second to fifth years inclusive	**809**	33	**193**	—
	2,458	1,355	**463**	173

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

(Expressed in Renminbi)

31. FINANCIAL INSTRUMENTS

(a) Financial risk factors

The Group's principal financial assets comprise cash and bank balances, short term time deposits, trade and other receivables and investments.

The main risks arising from the Group's financial instruments are credit risk, foreign exchange risk, liquidity risk and interest rate risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Credit risk

The Group's bank balances are mainly deposited with PRC banks. The carrying amounts of trade debtors and other receivables included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets. The credit risk on liquid funds is limited because the majority of the counterparties are commercial banks with good reputation. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

(ii) Foreign exchange risk

The Group's principal operations are in the PRC and has no significant exposure to any foreign currency risk.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets. The Group maintains sufficient cash and bank balances at the balance sheet date.

(iv) Interest rate risk

The Group is debt free and is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets. Interest bearing financial assets are mainly cash and bank balances and time deposits with terms of less than three months.

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Fair value estimation*

The Group's investments held for trading are unlisted equity securities. The fair value of these investments is based on the audited net asset value of the investee company at the balance sheet date.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair value.

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	RMB'000	RMB'000
Short term benefits	**2,901**	2,490
Post employment benefits	**31**	44
	2,932	2,534

33. POST BALANCE SHEET EVENT

Pursuant to the written resolution passed on 12 August 2005, Shanghai Qianlong Advanced Technology Company Limited, the subsidiary of the Company, will establish a new wholly-owned subsidiary " 上海信龍信息科技有限公司 " in PRC. The principal activities of " 上海信龍信息科技有限公司 " will be the development of information technology system and the total investment will be RMB5,000,000.

On 13 February 2006, Shanghai Qianlong Advanced Technology Company Limited had contributed RMB5,000,000 to the registered capital of " 上海信龍信息科技有限公司 ".

(Expressed in Renminbi)

34. COMPARATIVE FIGURES

As further explained in Note 2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Further, net rental income from investment property has been treated as other revenue instead of part of turnover with effect from the current year. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2006.

Five-Year Financial Summary

(Expressed in Renminbi)

	2005 RMB'000	2004 RMB'000 Restated	2003 RMB'000 Restated	2002 RMB'000 Restated	2001 RMB'000 Restated
Consolidated income statement: (Note1)					
Turnover (Note 3)	**27,870**	29,816	29,864	33,248	40,640
Cost of sales	**(8,025)**	(9,235)	(10,331)	(13,564)	(13,733)
Gross profit	**19,845**	20,581	19,533	19,684	26,907
Other revenue (Note 3)	**5,811**	6,178	6,283	5,589	8,092
Distribution costs	**(7,271)**	(6,383)	(5,762)	(6,965)	(7,114)
Administrative expenses	**(16,067)**	(15,470)	(14,704)	(23,002)	(36,245)
Restructuring costs	**—**	—	—	(6,918)	—
Other operating expenses	**(1)**	(1)	(82)	(541)	(1,043)
Share of profits/(losses) of associates	**23**	(597)	(627)	(1,233)	(954)
Other gain/(losses)	**2,105**	1,011	(54)	(886)	(3,677)
Profit/(loss) before taxation	**4,445**	5,319	4,587	(14,272)	(14,034)
Taxation	**(1,477)**	(443)	(866)	(830)	(881)
Profit/(loss) for the year	**2,968**	4,876	3,721	(15,102)	(14,915)
Attributable to:					
Equity holders of the Company	**2,973**	4,882	3,722	(15,123)	(14,913)
Minority interests	**(5)**	(6)	(1)	21	(2)
	2,968	4,876	3,721	(15,102)	(14,915)
Dividends attributable to the year	**—**	—	—	—	—
Earnings/(loss) per share - Basic (Note 2)	**1.41 cents**	2.32 cents	1.77 cents	(7.17 cents)	(7.08 cents)

Five-Year Financial Summary

(Expressed in Renminbi)

	2005	2004	2003	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Restated	Restated	Restated	Restated
Consolidated balance sheet: (Note1)					
Fixed assets	**9,103**	9,759	10,208	11,308	7,308
Other non-current assets	**207**	1,055	786	7,388	10,322
Current assets	**76,924**	72,872	68,878	57,897	76,244
Current liabilities	**(17,773)**	(18,377)	(19,631)	(20,013)	(22,431)
Total assets less current liabilities	**68,461**	65,309	60,241	56,580	71,443
Non-current liabilities	**(403)**	—	—	—	—
Net assets	**68,058**	65,309	60,241	56,580	71,443
Share capital	**22,420**	22,420	22,420	22,420	22,420
Reserves	**45,611**	42,856	37,785	34,123	49,007
Equity attributable to equity holders of the Company	**68,031**	65,276	60,205	56,543	71,427
Minority interests	**27**	33	36	37	16
Total equity	**68,058**	65,309	60,241	56,580	71,443

Notes:

1. The comparative income statements and balance sheets for 2001-2004 have been restated following the adoption of HKAS 1 and HKAS 40 as detailed in Note 2 to the financial statements.

2. Basic earnings/(loss) per share as previously disclosed for 2002-2004 have been restated following the adoption of HKAS 40 as detailed in Note 2 (b) to the financial statements.

3. Turnover and other revenue for 2003 and 2004 as previsouly disclosed have been restated following the reclassification of net rental income from investment property from turnover to other revenue in order to conform with the current year's presentation.