ANNUAL REPORT 2006-2007

QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8015)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "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
Ms. Chiu Kam Hing, Kathy (Chairman)
Mr. Chang Long Teng
Mr. 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 2006 together with the comparative figures for the corresponding period in 2006 and of the assets and liabilities of the Group as at 31 December 2006 and 2005 is set out as follows:

GROUP RESULTS

	2006	2005
	RMB'000	RMB'000
Turnover	**33,477**	27,870
Profit before taxation	**6,279**	4,445
Income Tax	**(121)**	(1,477)
Profit for the year	**6,158**	2,968
Attributable to:		
Equity holders of the Company	**6,158**	2,973
Minority interests	**—**	(5)
	6,158	2,968
Earnings per share-Basic	**RMB0.0293**	RMB0.0141

Financial Summary

GROUP ASSETS AND LIABILITIES

	2006 RMB'000	2005 RMB'000
Non-current assets		
Property, plant and equipment	**38,186**	1,339
Investment property	**—**	7,764
Interest in associate	**213**	207
Deferred tax assets	**1,158**	—
	39,557	9,310
Current assets		
Inventories	**145**	29
Trade and other receivables	**3,452**	2,709
Investments held for trading	**3,145**	3,682
Cash and cash equivalents	**47,849**	70,504
	54,591	76,924
Current liabilities		
Trade and other payables	**18,565**	16,993
Taxation	**187**	780
	18,752	17,773
Net current assets	**35,839**	59,151
Non-current liability		
Deferred revenue	**1,372**	403
Net assets	**74,024**	68,058
Equity		
Share capital	**22,420**	22,420
Reserves	**51,578**	45,611
Equity attributable to equity holders of the Company	**73,998**	68,031
Minority interests	**26**	27
Total equity	**74,024**	68,058

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 2006.

For the year ended 31 December 2006, the Group reported a turnover of RMB 33,477,000 (2005:RMB 27,870,000) representing an increase of 20.12% as compared with that for the same period of the previous year. The Group recorded a net profit attributable to shareholders of RMB 6,158,000 in 2006, whereas a net profit attributable to shareholders of RMB 2,973,000 was recorded for the same period in the previous year, representing an increase of 107.13%. The increase in profit attributable to shareholders for the year ended 31 December 2006 was because of the following reasons:

1. For the year ended 31 December 2006, the turnover of the Group has been increased by RMB 5,607,000 as compared with that of the corresponding period in the previous year.

2. For the year ended 31 December 2006, the Group disposed of its investment property in PRC and recorded a gain of RMB5,460,000.

PRODUCT DEVELOPMENT

The Group is keeping the market edge of traditional products continuously and developing the new products. The Group has formed a good production overall arrangement by establishing wholly-owned subsidiaries, Shanghai Xin Long Information Technology Company Limited and Shanghai Qianlong Internet Technology Company Limited.

This year, the securities brokers have to expand their system because the active investors have increased greatly. Qianlong's traditional business, network disclosure system and consignment procedures have been the first choice for securities brokers because of its excellent performance. At the same time, the Group will continue to develop the product on the basis of Linux to meet the development trend of the future development strategy and IT technology of the securities brokers. This activity will promise to supply the sufficient products and services when the securities brokers update their software and hardware in the working environment.

The College Finance Education Products are already stable and around fifty varied colleges are now using our products including securities, foreign exchanges, futures, bankings and other functions. The product has already formed a simulation education system covering the whole finance field and been the leader in the industry. Furthermore, in the information service field, the Group starts to focus on the development of information disclosure service related to IPO for listed companies. The internet information platform, registered users and scale of online users at the same time are already in a leading position. At the same time, as a data service product, Qianlong Gang Gu Tong (港股通) is keeping a good increasing trend. The newly launched Level-2 toll information service authorized by Shanghai Securities Exchange has already started and will be a hot target for the increasing of results. On this basis, the Group will develop the professional securities software analysis system on a higher end and high end users' market with better profit capability.

Furthermore, the Group's wholly-owned subsidiary Shanghai Xin Long Information Technology Company Limited (上海信龍信息科技有限公司) has launched and developed the finance database products which has already showed some achievements and will be a new profit increasing point in the next year. Long Xun F10 has already occupied an obvious development and market share.

The stable development in traditional field, the successful launch of new products and the adjustment of companies structures give us more confidence to surpass the original status to service only to the securities field and build Qianlong as a famous financial information products and service brand.

PROSPECT

The Group is in an absolutely 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. "Qianlong" has almost been a pronoun of securities software. 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 (Hong Kong shares), 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, keep 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 of Hong Kong securities market and College Finance Education Products.

CONCLUDING REMARKS

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

Liao Chao Ping
Chairman

28 March 2007, Hong Kong

Managements' Discussion and Analysis

BUSINESS REVIEW

The Chinese stock market has stepped out of several years' downturn since the year of 2006 and the compositive index is rising continuously from 900 to around 2500, together with the turnover from tens of billion to one hundred billion. Therefore, the Group has a good achievement in the year of 2006.

In the year ended 31 December 2006, the Group has maintained the leading position on its traditional market edge, that is network version 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 the year of 2006, an income of RMB 25,541,000 has been recorded on this, representing 76.30% of the turnover.

In the year of 2006, 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 2006, a turnover of RMB 1,028,000 has been made.

The College Finance Education Products have also been perfected continuously by the Group in the year of 2006. This product is the first step for the Group to develop for non-securities companies. The product is 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. For the year ended 31 December 2006, the turnover of RMB970,000 has been recorded.

Since the year of 2006, Hong Kong Securities Market was getting more attention and interests from potential investors around the world. Therefore, the Group has recorded a good turnover compared to the previous year on Qianlong Gang Gu Tong (港股通). For the year ended 31 December 2006, RMB 2,470,000 has been recorded as turnover, increasing RMB2,034,000 compared to the previous year. Next year will have a much higher increase.

FINANCIAL REVIEW

In the year ended 31 December 2006, the Group has recorded an income of RMB 1,835,000 as the sales of computer software, representing an increase of 171.45% (2005: RMB 676,000); the maintenance service fees has increased 8.82% to RMB 28,178,000 (2005: RMB 25,893,000); RMB 2,923,000 has been recorded as information service fees (2005: RMB860,000); RMB 541,000 has been recorded as other income (2005: RMB 210,000).

In the year ended 31 December 2006, the profit attributable to shareholders was RMB 6,158,000 increasing RMB 3,185,000 as compared to that in the previous year.

In the year ended 31 December 2006, the administrative and other expenses were increased from RMB 16,067,000 in 2005 to RMB 16,819,000 in 2006, representing an increase of 4.68%. The increase is mainly caused by Shanghai Qianlong Advanced Technology Company Limited, a subsidiary of the Company has expanded its scale and increase the staff and representative offices.

In the year ended 31 December 2006, the subsidiary of the Company, Shanghai Qianlong Advanced Technology Company Limited has recorded an income of RMB5,460,000 for the disposal of the investment property.

As at 31 December 2006, the cash and bank balances of the Group were RMB 47,849,000 representing the funds generated from the Group's operation contributed by its stable financial status.

DEPLOYMENT OF HUMAN RESOURSES

The total number of staff of the Group increased from 161 as at 1 January 2006 to 200 as at 31 December 2006. 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 RMB15,006,000 (2005: RMB13,663,000).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2006 or as at 31 December 2005.

GEARING RATIO

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

EXPOSURE ON EXCHANGE RATE FLUCTUATION

Most of the income and expenditure of the Group were denominated 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.

Profiles of the Group

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.

Shanghai Xin Long Information Technology Company Limited

Established in March 2006 and 100% controlled by the Company, Shanghai Xin Long Information Technology Company Limited is engaged in the design of computer software, system service and data processing.

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 is closed in November 2006.

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.

Profiles of the Group

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.

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 recognized 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.

EXECUTIVE DIRECTORS

Mr. Liao Chao Ping, aged 63, has extensive experience in real estate development. He is a director of Union Construction 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. Liao will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Fan Ping Yi, aged 48, 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 22 years of experience in the IT industry. Before joining the Group, Mr. Fan held senior management positions in various software houses in Taiwan.

Mr. Yang Ching Shou, aged 48, 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 22 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 49, is responsible for the Group's overall strategic planning and the relationship development of potential business opportunities. Mr. Chen has over 12 years of experience in the IT industry.

Mr. Chen Ming Chuan, aged 42, has engaged in the IT industry over 22 years with intensive experience in development of securities analysis software.

Mr. Yu Shih Pi, aged 44, 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. Mr. Yu will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy, aged 58, has over 35 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 47, has extensive experience in management and administration. He does not hold any directorship in other public listed companies. Mr. Chang will retire by rotation and being eligible offer himself for election at the forthcoming annual general meeting of the Company.

Mr. Cheong Chan Kei, Ernest, aged 37, is an investment representative (HKSI). Mr. Cheong holds a bachelor degree of Arts from the University of Western Ontario. Mr. Cheong does not hold any directorship in other public listed companies.

SENIOR MANAGEMENT

Mr. Du Hao, aged 38, 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 13 years of product research and development experience. He holds a master of science degree in electronic engineering from Fudan University. Mr. Du formally resigned as general manager of Shanghai Qianlong Advanced Technology Company Limited in January 2006 and appointed as the vice president of this company.

Mr. Song Li Qun, aged 39, 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 12 years of experience in the IT industry. Mr. Song was appointed as general manager of Shanghai Qianlong Internet Technology Company Limited, the wholly-owned subsidiary of the Group and responsible for the daily operations.

Mr. Zhou Xiang, aged 36, is the general manager of Shanghai Xin Long Information Technology Company Limited. He is responsible for the daily operations of Shanghai Xin Long Information Technology Company Limited. He holds a bachelor's degree from Hua Zhong Science and Technology University and has 12 years of experience in the IT industry.

Mr. Chen Gangliang, aged 34, 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 9 years of after sales experience. Mr. Chen is appointed as the vice general manager of Shanghai Qianlong Advanced Technology Company Limited in January 2007 and is responsible for the daily operations of Shanghai Qianlong Advanced Technology Company Limited.

Mr. Lu Ming Yuan, aged 31, is the head of technology and R&D of Shanghai Qianlong Advanced Technology Company Limited. He holds a bachelor's degree in Computer from Gui Zhou Univeristy.

QUALIFIED ACCOUNTANT

Mr. Ip Pui Lam, Arthur, aged 45, is the qualified accountant of the Group. He has over 14 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 47, is the secretary of the Group. He joined the Group in July 2005. Mr. Tse is a solicitor of the Hong Kong Supreme Court, a member of the Hong Kong society and partner of Messrs. Bobby Tse & Company. Mr. Tse is certified attorney with 19 years' experience in law.

COMPLIANCE OFFICER

Mr. Fan Ping Yi, aged 48, 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 22 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.

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 year of 2006.

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 2006.

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 Report of the Directors. 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	4/4
Mr. Fan Ping Yi	4/4
Mr. Yang Ching Shou	4/4
Mr. Chen Shen Tien	4/4
Mr. Chen Ming Chuan	4/4
Mr. Yu Shih Pi	4/4
Mr. Chiu Kam Hing, Kathy	4/4
Mr. Chang Long Teng	4/4
Mr. Cheong Chan Kei, Ernest	4/4

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 RMB 400,000 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 2006 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 2006.

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

INTERNAL CONTROL

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

INVESTOR RELATIONS

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

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2006.

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's subsidiaries are set out in note 19 to the financial statements.

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 7% of the Group's total revenue for the year and sales to the largest customer included therein accounted for approximately 2% of the Group's total revenue.

Purchases from the Group's five largest suppliers accounted for approximately 64% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 23% 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 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 76.

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 17 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 2006 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 32 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. Liao Chao Ping, Mr. Yu Shih Pi and Mr. Chang Long Teng will retire by rotation and, being eligible, will offer themselves for re- election at the forthcoming annual general meeting.

Biographical details of the Directors are set out on pages 12 and 13 of this annual report. Details of the Directors' remuneration are set out in note 10 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 2006 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 2006, 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%
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 Shen Tien	Corporate *(note (1) and (2))*	40,250,000	19.121%
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 2006, 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 2006, 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 2006 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 benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2006, 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 2006, 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 required 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.

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.

One of the duties of the audit committee is to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the Board. The audit committee has reviewed the Group's audited consolidated results and annual report for the year ended 31 December 2006.

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 77 to 78 of the annual report.

PROPERTIES

Major leasehold land and buildings:

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

RETIREMENT SCHEMES

Details of the Group's retirement schemes during the year are set out in note 12 to the financial statements.

EMOLUMENT POLICY

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

The emoluments of the Directors 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 2006, 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.

AUDITORS

The financial statements have been audited by Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint the retiring auditors, Horwath Hong Kong CPA Limited as auditors of the Company.

By Order of the Board

Liao Chao Ping
Chairman
Hong Kong, 28 March 2007

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 consolidated financial statements of Qianlong Technology International Holdings Limited (the "Company") set out on pages 28 to 76, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Li Pak Ki
Practising Certificate number P01330

Consolidated Income Statement

For the year ended 31 December 2006
(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
Turnover	5	**33,477**	27,870
Cost of sales		**(9,752)**	(8,025)
Gross profit		**23,725**	19,845
Other revenue	7	**5,384**	5,811
Other gains and losses	8	**5,324**	2,105
Distribution costs		**(11,348)**	(7,271)
Administrative expenses		**(16,819)**	(16,067)
Other operating expenses		**—**	(1)
Operating profit		**6,266**	4,422
Share of results of associate	20	**13**	23
Profit before taxation	9	**6,279**	4,445
Income tax	13(a)	**(121)**	(1,477)
Profit for the year		**6,158**	2,968
Attributable to:			
Equity holders of the Company	15	**6,158**	2,973
Minority interests		**—**	(5)
		6,158	2,968
Earnings per share			
- Basic	16	**RMB 0.0293**	RMB 0.0141
- Diluted	16	**RMB —**	RMB —

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2006
(Expressed in Renminbi)

	Note	**2006** **RMB'000**	2005 RMB'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	17	**38,186**	1,339
Investment property	18	**—**	7,764
Interest in associate	20	**213**	207
Deferred tax assets	14	**1,158**	—
		39,557	9,310
Current assets			
Inventories	21	**145**	29
Trade and other receivables	22	**3,452**	2,709
Investments held for trading	23	**3,145**	3,682
Cash and cash equivalents	24	**47,849**	70,504
		54,591	76,924
Current liabilities			
Trade and other payables	25	**18,565**	16,993
Taxation		**187**	780
		18,752	17,773
Net current assets		**35,839**	59,151
Non-current liabilities			
Deferred revenue		**1,372**	403
Net assets		**74,024**	68,058

Consolidated Balance Sheet

At 31 December 2006
(Expressed in Renminbi)

	Note	**2006** **RMB'000**	2005 RMB'000
Equity			
Share capital	26	**22,420**	22,420
Reserves		**51,578**	45,611
Equity attributable to equity holders of the Company		**73,998**	68,031
Minority interests		**26**	27
Total equity		**74,024**	68,058

Liao Chao Ping
Chairman

Fan Ping Yi
Vice Chairman

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 December 2006
(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	17	**3**	—
Interests in subsidiaries	19	**15,536**	16,012
		15,539	16,012
Current assets			
Trade and other receivables	22	**267**	248
Cash and cash equivalents	24	**3,660**	4,757
		3,927	5,005
Current liabilities			
Trade and other payables	25	**120**	178
Amounts due to subsidiaries	19	**1,407**	693
		1,527	871
Net current assets		**2,400**	4,134
Net assets		**17,939**	20,146
Equity			
Share capital	26	**22,420**	22,420
Reserves	27	**(4,481)**	(2,274)
Total equity		**17,939**	20,146

Liao Chao Ping
Chairman

Fan Ping Yi
Vice Chairman

The accompanying notes form part of these financial statements.

Consolidated Statment of Changes In Equity

For the year ended 31 December 2006
(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	Merger reserve RMB'000 (Note27(d))	Attributable to equity holders of the Company RMB'000	Minority interest RMB'000	Total equity RMB'000
At 1 January 2005	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
Exchange difference on translation of financial statements of foreign entities recognised directly in equity	—	—	(191)	—	—	—	(191)	(1)	(192)
Net profit for the year	—	—	—	—	6,158	—	6,158	—	6,158
Total recognised income and expense for the year	—	—	(191)	—	6,158	—	5,967	(1)	5,966
Appropriation	—	—	—	544	(544)	—	—	—	—
At 31 December 2006	22,420	33,124	(216)	7,491	(12,586)	23,765	73,998	26	74,024

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2006
(Expressed in Renminbi)

	2006 RMB'000	2005 RMB'000
Operating activities		
Profit before taxation	**6,279**	4,445
Adjustment for:		
Interest income	**(1,086)**	(1,146)
Provision for investments held for trading	**537**	944
Gain on disposal of assets classified as held for sale	**(350)**	—
Gain on disposal of debt securities	**—**	(3,259)
Gain on disposal of property, plant and equipment and investment property	**(5,511)**	—
Depreciation of property, plant and equipment and investment property	**1,066**	937
Impairment loss of property, plant and equipment	**—**	210
Share of profit of associate	**(13)**	(23)
Operating cash flows before working capital changes	**922**	2,108
(Increase)/decrease in inventories	**(116)**	32
(Increase)/decrease in trade and other receivables	**(743)**	393
Increase/(decrease) in trade and other payables	**2,542**	(389)
Cash generated from operations	**2,605**	2,144
Income tax paid, net	**(1,873)**	(423)
Net cash generated from operating activities	**732**	1,721

Consolidated Cash Flow Statement

For the year ended 31 December 2006
(Expressed in Renminbi)

	2006 RMB'000	2005 RMB'000
Investing activities		
Payments to acquire property, plant and equipment	**(37,657)**	(495)
Proceeds from disposal of property, plant and equipment	**73**	—
Proceeds from disposal of investment property	**12,946**	—
Proceeds from disposal of investments held for trading	**—**	37,954
Proceeds from disposal of assets classified as held for sale	**350**	—
Interest received	**1,086**	1,945
Net cash (used in)/generated from investing activities	**(23,202)**	39,404
Net (decrease)/increase in cash and cash equivalents	**(22,470)**	41,125
Cash and cash equivalents at beginning of year	**70,504**	29,523
Effect of foreign exchange rate changes	**(185)**	(144)
Cash and cash equivalents at end of year	**47,849**	70,504
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	**15,302**	10,974
Time deposits	**32,547**	59,530
	47,849	70,504

The accompanying notes form part of these financial statements.

(Expressed in Renminbi)

1. ORGANISATION AND OPERATIONS

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' s shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 19 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	The Fair Value Option
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HK(IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease

(a) *HKAS 21 "The Effect of Changes in Foreign Exchange Rates"*

Upon the adoption of the HKAS 21 Amendment regarding the net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 and 2005.

(Expressed in Renminbi)

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

(b) HKAS 39 "Financial Instruments: Recognition and Measurement"

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered as insurance contracts, to be recognised initially at fair value and to be re-measured at the higher of the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on these financial statements as the Group did not have any guarantee given during the year or on balance sheet date.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset to be measured at fair value through the income statement. The adoption of this amendment has had no effect on these financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

The amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transaction, the amendment has had no effect on these financial statements.

(Expressed in Renminbi)

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

(c) *HK(IFRIC) – Int 4 "Determining Whether an Arrangement Contains a Lease"*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determing whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact 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.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
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 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. In the opinion of the directors, while the adoption of HKAS 1 Amendment and HKFRS 7 will result in new and amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) *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 which have been measured at fair value.

(c) *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)*

(c) 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 shareholders 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 shareholders 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.

(d) 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 assumed in a business combination 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 acquisition 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) *Subsidiaries*

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

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.

(f) *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 and 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(g) 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.

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

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) *Goodwill*

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary 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 a 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.

(h) *Property, plant and equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is 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.

Depreciation is charged so as to write off the cost or valuation of assets, other than 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 land and buildings	5%
Leasehold improvements	20%
Computer equipment	20% - 33.33%
Furniture, fixtures and office equipment	20% - 33.33%
Motor vehicles	20% - 33.33%

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment (Continued)

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 income statement.

(i) 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.

(j) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 the cash-generating unit to which the asset belongs. 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 the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets excluding goodwill (Continued)

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 the income statement, 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.

(k) 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)*

(l) Financial instruments

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

(i) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The provision recognised 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.

At subsequent reporting dates, debt securities that the Group or the Company 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.

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments (Continued)

(ii) Investments *(Continued)*

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 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.

(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 are subsequently measured at amortised cost, using the effective interest rate method.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

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

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Provisions and contingent liabilities

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

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

(o) 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.

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 at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

(q) Employees' benefits

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

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

(ii) Insurance policies and retirement benefits scheme

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

(Expressed in Renminbi)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Employees' benefits (Continued)

(iii) Share based payments

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).

(r) Related parties

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

(Expressed in Renminbi)

3. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(s) 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 and information service fee income

Maintenance and information 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)*

(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.

(Expressed in Renminbi)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

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

(b) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell.

(Expressed in Renminbi)

5. 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:

	2006	2005
	RMB'000	RMB'000
Maintenance service fees	**28,178**	25,893
Information service fees	**2,923**	860
Sale of computer software	**1,835**	676
Others	**541**	210
Consulting service fees	**—**	231
	33,477	27,870

6. SEGMENT REPORTING

(a) Business segments

No separate business 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 2006 and 2005 were located in the PRC. Accordingly, no geographical segment information is presented.

(Expressed in Renminbi)

7. OTHER REVENUE

	2006	2005
	RMB'000	RMB'000
Value added tax refund (Note)	**3,702**	3,638
Interest income	**1,086**	1,146
Net rental income from investment property	**444**	695
Subsidy income	**140**	283
Sundries	**12**	8
Write back of other payables	**—**	41
	5,384	5,811

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.

8. OTHER GAINS AND LOSSES

	2006	2005
	RMB'000	RMB'000
Gain on disposal of property, plant and equipment and investment property	**5,511**	—
Gain on disposal of assets classified as held for sale	**350**	—
Net unrealised loss on investments held for trading	**(537)**	(944)
Gain on disposal of investments held for trading	**—**	3,259
Impairment loss of property, plant and equipment	**—**	(210)
	5,324	2,105

(Expressed in Renminbi)

9. PROFIT BEFORE TAXATION

	2006 **RMB'000**	2005 RMB'000
Profit before taxation is stated after charging the following:-		
Cost of inventories	**953**	337
Cost of service fees	**2,172**	292
Depreciation of property, plant and equipment and investment property	**1,066**	937
Impairment of property, plant and equipment	**—**	210
Staff costs excluding directors' remuneration:		
Salaries and allowances	**9,937**	8,815
Pension fund contributions	**1,991**	1,916
Auditor's remuneration:		
Current year	**392**	400
Underprovision in prior year	**—**	15
Net foreign exchange loss	**—**	5
Provision for doubtful debts	**—**	80
Research and development costs	**3,940**	3,520
Maintenance service expenses	**6,278**	7,207
Minimum lease payments under operating leases in respect of land and buildings	**2,102**	1,906

(Expressed in Renminbi)

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance is as follows:-

	Directors' fees	Salaries, allowances and benefits in kind	Discre-tionary bonuses	Share-based payments	Pension fund con-tributions	2006 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Liao Chao Ping	—	413	—	—	—	413
Fan Ping Yi	—	413	—	—	—	413
Yang Ching Shou	—	413	—	—	—	413
Chen Shen Tien	—	413	—	—	—	413
Chen Ming Chuan	—	413	—	—	—	413
Yu Shih Pi	—	413	—	—	—	413
Independent non-executive directors						
Chiu Kam Hing, Kathy	200	—	—	—	—	200
Chang Long Teng	200	—	—	—	—	200
Cheong Chan Kei, Ernest	200	—	—	—	—	200
	600	2,478	—	—	—	3,078

(Expressed in Renminbi)

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

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 2006 and 2005.

(Expressed in Renminbi)

11. FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals of the Group during the year, all (2005: all) are directors, whose emoluments are disclosed in note 10 above.

12. RETIREMENT BENEFITS

The employees of the Company's operating subsidiaries, Shanghai Qianlong Advanced Technology Company Limited and Shanghai Xin Long Information Technology Company Limited, are members of a central pension scheme operated by the local government. The subsidiaries are 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 2006 amounted to RMB1,991,000 (2005: RMB1,947,000).

13. INCOME TAX

(a) *Taxation in the consolidated income statement represents:-*

	2006	2005
	RMB'000	RMB'000
Current tax – Provision for PRC foreign enterprise income tax		
- Provision for the year	**1,658**	611
- Tax refund	**(379)**	—
	1,279	611
Deferred taxation (note 14)		
- Origination and reversal of temporary differences	**(1,158)**	866
	121	1,477

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% (2005: 27%).

(Expressed in Renminbi)

13. INCOME TAX *(Continued)*

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

	2006 **RMB'000**	2005 RMB'000
Profit before taxation	**6,279**	4,445
Taxation calculated at PRC foreign enterprise income tax rate of 27%	**1,695**	1,200
Tax effect of expenses not deductible for taxation purposes	**18**	293
Tax effect of non-taxable items	**(1,037)**	(2,085)
Deferred tax assets not recognised	**774**	595
Income tax exemption	**(98)**	(6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**161**	614
Income tax refund	**(379)**	—
Recognition of deferred tax assets relating to prior years	**(1,013)**	—
Utilisation of deferred tax assets	**—**	866
Taxation charge for the year	**121**	1,477

14. 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 securities investments
	RMB'000
At 1 January 2005	866
Charged to profit or loss for the year	(866)
At 31 December 2005	—
Credited to profit or loss for the year	1,158
At 31 December 2006	1,158

15. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the year ended 31 December 2006, the Group's profit attributable to equity holders of the Company included a loss of RMB1,615,000 (2005: loss of RMB 3,596,000) which has been dealt with in the financial statements of the Company.

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB 6,158,000 (2005: RMB 2,973,000) and 210,500,000 ordinary shares (2005: 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 2006 and 2005.

(Expressed in Renminbi)

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2005	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
Additions	34,455	2,249	823	130	—	37,657
Disposals	—	—	(236)	(129)	(214)	(579)
Exchange adjustments	—	—	(15)	(5)	—	(20)
At 31 December 2006	34,592	2,868	4,068	525	435	42,488
Accumulated depreciation and impairment losses:						
At 1 January 2005	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
Charge for the year	388	6	314	12	68	788
Written back on disposals	—	—	(236)	(129)	(192)	(557)
Exchange adjustments	—	—	(15)	(5)	—	(20)
At 31 December 2006	525	625	2,427	368	357	4,302
Net book value:						
At 31 December 2006	34,067	2,243	1,641	157	78	38,186
At 31 December 2005	—	—	1,132	39	168	1,339

(Expressed in Renminbi)

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

Leasehold land and buildings are held outside Hong Kong under a medium term lease.

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

The Company

	Computer equipment	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000
Cost or valuation:			
At 1 January 2005	219	112	331
Exchange adjustments	(5)	(2)	(7)
At 31 December 2005	214	110	324
Additions	4	—	4
Exchange adjustments	(8)	(4)	(12)
At 31 December 2006	210	106	316
Accumulated depreciation:			
At 1 January 2005	219	112	331
Exchange adjustments	(5)	(2)	(7)
At 31 December 2005	214	110	324
Charge for the year	1	—	1
Exchange adjustments	(8)	(4)	(12)
At 31 December 2006	207	106	313
Net book value:			
At 31 December 2006	3	—	3
At 31 December 2005	—	—	—

(Expressed in Renminbi)

18. INVESTMENT PROPERTY

	RMB'000
The Group	
Cost:	
At 1 January and 31 December 2005	9,257
Disposal	(9,257)
At 31 December 2006	—
Accumulated depreciation:	
At 1 January 2005	1,076
Charge for the year	417
At 31 December 2005	1,493
Charge for the year	278
Written back on disposal	(1,771)
At 31 December 2006	—
Net book value:	
At 31 December 2006	—
At 31 December 2005	7,764

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

	2006 **RMB'000**	2005 RMB'000
In the PRC		
Medium term leases	**—**	7,764

(Expressed in Renminbi)

18. INVESTMENT PROPERTY *(Continued)*

(b) 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:

	2006	2005
	RMB'000	RMB'000
Within 1 year	**—**	732
After 1 year but within 5 years	**—**	792
	—	1,524

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2006	2005
	RMB'000	RMB'000
Unlisted shares, at cost	**7,218**	7,218
Amounts due from subsidiaries	**30,840**	32,337
	38,058	39,555
Less : impairment loss	**(22,522)**	(23,543)
	15,536	16,012

The amounts due from subsidiaries are unsecured, interest free and in substance represents the Company's investments in the subsidiaries in the form of quasi-equity loans.

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.

Details of the Company's subsidiaries as at 31 December 2006 were as follows. The equity interest represents interest in shares of the subsidiaries except for PRC subsidiaries.

(Expressed in Renminbi)

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Country of incorporation and operation	Percentage of equity interest: Group's effective interest	Percentage of equity interest: Held by the Company	Percentage of equity interest: Held by subsidiary	Issued and fully paid share capital/ registered capital	Principal activity Investment holding
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
Shanghai Xin Long Information Technology Company Limited	PRC (wholly foreign-owned enterprise)	100	—	100	RMB5,000,000	Development of finance database products
Worry- free Technology Holdings Limited	BVI (limited company)	100	100	—	US$500,000	Investment holding
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	Dormant

(Expressed in Renminbi)

20. INTEREST IN ASSOCIATE

	The Group	
	2006	2005
	RMB'000	RMB'000
Share of net assets	**213**	207
Goodwill	**398**	398
Accumulated amortisation of goodwill	**(160)**	(160)
Provision for impairment of goodwill	**(238)**	(238)
	213	207

Details of the associate, which is an unlisted corporate entity, as at 31 December 2006 are as follows:

		Percentage of ordinary shares held				
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 activity**
Shanghai Gloucester Waalker Investment Management Company Limited	PRC (equity joint venture)	33.33	—	33.33	US$300,000	Provision of human resources consulting services

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

	2006	2005
	RMB'000	RMB'000
Total assets	**772**	628
Total liabilities	**(150)**	(45)
Net assets	**622**	583
Group's share of associate's net assets	**213**	207

(Expressed in Renminbi)

20. INTEREST IN ASSOCIATE *(Continued)*

	2006 RMB'000	2005 RMB'000
Revenue	**1,612**	1,029
Profit for the year	**40**	67
Group's share of associate's profit for the year	**13**	23

21. INVENTORIES

	The Group	
	2006 RMB'000	2005 RMB'000
Accessories at cost	**20**	21
Finished goods at net realisable value	**125**	8
	145	29

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Trade receivables	**1,503**	712	**—**	—
Less: provision for impairment	**(152)**	(152)	**—**	—
Trade receivables – net	**1,351**	560	**—**	—
Other receivables	**598**	1,155	**—**	—
Deposits and prepayments	**1,503**	994	**267**	248
	3,452	2,709	**267**	248

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

(Expressed in Renminbi)

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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	
	2006	2005
	RMB'000	RMB'000
Within 1 month	**412**	459
1 to 3 months overdue	**682**	27
More than 3 months but less than 12 months overdue	**249**	74
More than 12 months	**8**	—
	1,351	560

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

23. INVESTMENTS HELD FOR TRADING

	The Group	
	2006	2005
	RMB'000	RMB'000
Unlisted equity securities - outside Hong Kong, at cost	**7,434**	7,434
Less : impairment loss	**(4,289)**	(3,752)
	3,145	3,682

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.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**15,302**	10,974	**444**	440
Time deposits	**32,547**	59,530	**3,216**	4,317
	47,849	70,504	**3,660**	4,757

(Expressed in Renminbi)

24. CASH AND CASH EQUIVALENTS *(Continued)*

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 directors consider the carrying amount of cash and cash equivalents approximates their fair value.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**588**	593	**—**	—
Receipts in advance	**274**	154	**—**	—
Other payables	**539**	715	**—**	—
Accurals	**2,208**	1,949	**120**	178
Deferred revenue	**14,956**	13,582	**—**	—
	18,565	16,993	**120**	178

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.

(Expressed in Renminbi)

26. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Amount RMB'000
The Company		
Authorised:		
At 31 December 2005 and 31 December 2006	1,000,000,000	106,510
Issued and fully paid:		
At 31 December 2005 and 31 December 2006	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 2005	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	—	(426)	—	(426)
Net loss for the year	—	—	(3,596)	(3,596)
At 31 December 2005	33,124	(426)	(34,972)	(2,274)
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	—	(592)	—	(592)
Net loss for the year	—	—	(1,615)	(1,615)
At 31 December 2006	33,124	(1,018)	(36,587)	(4,481)

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

(a) Share premium

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

(Expressed in Renminbi)

27. RESERVES *(Continued)*

(b) General reserve

According to the relevant rules and regulations in the PRC, each of the Group's PRC subsidiaries shall provide 10% of the annual net income after tax, based on the subsidiary's PRC statutory accounts, as a general reserve, until the balance reaches 50% of the respective subsidiary's registered capital. Further appropriations can be made at the directors' 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 2006, the Company had accumulated losses of RMB36,587,000 (2005: RMB34,972,000), 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 (2005: RMB Nil).

(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.

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.

(Expressed in Renminbi)

28. SHARE OPTIONS *(Continued)*

(a) Share option scheme (Continued)

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

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

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

Up to 31 December 2006, 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.

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	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,093**	1,649	**183**	270
In the second to fifth years inclusive	**141**	809	**—**	193
	1,234	2,458	**183**	463

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

31. 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 interest rate risk, credit risk, foreign exchange risk and liquidity 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) 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.

(Expressed in Renminbi)

31. FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial risk factors (Continued)

(ii) 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.

(iii) Foreign exchange risk

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

(iv) 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.

(b) Fair value estimation

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

(Expressed in Renminbi)

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.

Members of key management during the year comprised the directors only whose remuneration is set out in note 10 to the financial statements.

33. POST BALANCE SHEET EVENT

Pursuant to the written resolution passed on 11 January 2007, Shanghai Qianlong Advanced Technology Company Limited, a wholly-foreign-owned subsidiary of the Company, will establish a new wholly-owned subsidiary Shanghai Qianlong Internet Technology Company Limited （「上海乾隆網絡科技有限公司」）in PRC. The principal activities of Shanghai Qianlong Internet Technology Company Limited （「上海乾隆網絡科技有限公司」）will be the development of internet technology system and the total investment will be RMB10,000,000.

On 23 January 2007, Shanghai Qianlong Advanced Technology Company Limited had contributed RMB10,000,000 to the registered capital of Shanghai Qianlong Internet Technology Company Limited（「上海乾隆網絡科技有限公司」）.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2007.

Five-Year Financial Summary

(Expressed in Renminbi)

	2006	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated income statement:					
Turnover	**33,477**	27,870	29,816	29,864	33,248
Cost of sales	**(9,752)**	(8,025)	(9,235)	(10,331)	(13,564)
Gross profit	**23,725**	19,845	20,581	19,533	19,684
Other revenue	**5,384**	5,811	6,178	6,283	5,589
Other gains and losses	**5,324**	2,105	1,011	(54)	(886)
Distribution costs	**(11,348)**	(7,271)	(6,383)	(5,762)	(6,965)
Administrative expenses	**(16,819)**	(16,067)	(15,470)	(14,704)	(23,002)
Restructuring costs	**—**	—	—	—	(6,918)
Other operating expenses	**—**	(1)	(1)	(82)	(541)
Share of results of associates	**13**	23	(597)	(627)	(1,233)
Profit/(loss) before taxation	**6,279**	4,445	5,319	4,587	(14,272)
Income tax	**(121)**	(1,477)	(443)	(866)	(830)
Profit/(loss) for the year	**6,158**	2,968	4,876	3,721	(15,102)
Attributable to:					
Equity holders of the Company	**6,158**	2,973	4,882	3,722	(15,123)
Minority interests	**—**	(5)	(6)	(1)	21
	6,158	2,968	4,876	3,721	(15,102)
Dividends attributable to the year	**—**	—	—	—	—
Earnings/(loss) per share - Basic	**RMB0.0293**	RMB0.0141	RMB0.0232	RMB0.0177	(RMB0.0717)

Five-Year Financial Summary

(Expressed in Renminbi)

	2006	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated balance sheet					
Fixed assets	**38,186**	9,103	9,759	10,208	11,308
Other non-current assets	**1,371**	207	1,055	786	7,388
Current assets	**54,591**	76,924	72,872	68,878	57,897
Current liabilities	**(18,752)**	(17,773)	(18,377)	(19,631)	(20,013)
Total assets less current liabilities	**75,396**	68,461	65,309	60,241	56,580
Non-current liabilities	**(1,372)**	(403)	—	—	—
Net assets	**74,024**	68,058	65,309	60,241	56,580
Share capital	**22,420**	22,420	22,420	22,420	22,420
Reserves	**51,578**	45,611	42,856	37,785	34,123
Equity attributable to equity holders of the Company	**73,998**	68,031	65,276	60,205	56,543
Minority interests	**26**	27	33	36	37
Total equity	**74,024**	68,058	65,309	60,241	56,580