ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

2011
ANNUAL REPORT

Contents

Corporate Information

Board of Directors

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

Independent Non-executive Directors
Lam Ting Lok
Hu Gin Ing
Zhang Xiaoman

Company Secretary

Chan Yuen Ying, Stella *ACIS, ACS, HKIoD*

Authorised Representatives

Tsang To
Chan Yuen Ying, Stella *ACIS, ACS, HKIoD*

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Auditor

KPMG

Registered Office

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

Principal Place of Business in Hong Kong

Room 1502, 15th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Banker

The Bank of East Asia Limited

Stock Code

1808

Company Website Address

www.1808.com.hk

Biographies of Directors

Executive Directors

Mr. King Pak Fu（景百孚）, aged 41, was appointed as an executive Director and the Chairman of the Company on 18 February 2011 and 12 March 2011 respectively. He is also a director of certain subsidiaries of the Company. Mr. King is experienced in property development and corporate management. He is currently the managing director of 昂展投資諮詢有限公司 (Advanced Investment Holdings Limited) ("Advanced Investment"), a private company established under the laws of the PRC with limited liability and 90% equity interest of which is owned by Mr. King. Mr. King has not held any directorship in any public listed companies during the last three years. Mr. King is interested in 604,355,000 shares of the Company held through Affluent Start Holdings Investment Limited, in which he is its sole beneficial owner and sole director. Save for the above, Mr. King does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (" SFO").

Mr. King does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Mr. King has no fixed term of service with the Company but will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the "Articles"). The appointment of Mr. King can be terminated by one month's advance notice in writing by eitherparty. Mr. King is entitled to a director's remuneration of HK$600,000 per annum which is determined by the Board with reference to the recommendation of the remuneration committee of the Company (the "Remuneration Committee") based on his qualifications, experience and duties and responsibilities in the Group.

Mr. Jia Bowei（賈伯煒）, aged 45, was appointed as an executive Director on 23 November 2011 and as Chief Executive Officer on 16 March 2012. He has extensive experience in finance and management. He graduated from the monetary banking department of Xin Jiang Finance Institute and earned his post-graduate qualification in 2000. In 2003, he obtained a master's degree in business administration from Guanghua Management School of Peking University. Mr. Jia has 25 years of working experience. He worked as the general manager and a director for Suntime International Wine Co., Ltd. (a trading company whose shares are listed as A shares in the Shanghai Stock Exchange). Mr. Jia is currently an executive director of Shanghai Industrial Urban Development Group Limited, a company listed on the Stock Exchange (stock code: 563). Save as aforesaid, Mr. Jia has not held any directorship in other listed companies during the past three years. Mr. Jia does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

Biographies of Directors

Mr. Tsang To（曾濤）, aged 36, was appointed as an executive Director on 18 February 2011. He is also a member of each of the Remuneration Committee and the nomination committee ("Nomination Committee") of the Company, and a director of a subsidiary of the Company. Mr. Tsang is a partner of a PRC law firm. Mr. Tsang holds a bachelor's degree in laws from Xiamen University（廈門大學）and a master's degree in laws from the University of London. He is admitted as a solicitor to the High Court of Hong Kong as well as a PRC qualified lawyer. Mr. Tsang is currently an independent director of THT Heat Transfer Technology. Inc. (Stock Code: THTI), a company listed on the NASDAQ Stock Market. Save as disclosed above, Mr. Tsang has not held any directorship in any public listed companies during the last three years. Mr. Tsang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

Mr. Lam Kwan Sing（林君誠）, aged 42, was appointed as an executive Director on 13 February 2012. He is also a director of two subsidiaries of the Company. He was graduated from the City University of Hong Kong with a degree in Bachelor of Arts in Accountancy. He has more than 15 years of experience in the commercial and corporate finance field. Mr. Lam is currently a director of China National Resources, Inc., a company listed on NASDAQ since 2003; and an executive director of Rising Development Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1004). Mr. Lam was an executive director of Shanghai Industrial Urban Development Group Limited (a company listed on the main board of the Stock Exchange, stock code: 563) from May 2008 to July 2010. Save as aforesaid, Mr. Lam has not held any directorship in other listed companies during the past three years. He does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

Independent Non-Executive Directors

Mr. Lam Ting Lok (林庭樂), aged 39, was appointed as an independent non-executive Director on 12 March 2011. He is also the chairman of each of the audit committee of the Company ("Audit Committee"), the Remuneration Committee and the Nomination Committee. Mr. Lam has over 15 years' experience in the accounting and financial industry. He has extensive experience in IPO, M&A, fund raising and corporate advisory. He started his career in an international audit firm in 1995 and then devoted himself in the corporate finance and fund management fields since 2000. He holds a bachelor's degree in Business Administration from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a charterholder of the Chartered Financial Analyst. Mr. Lam is currently an Independent non-executive Director of Wonderful Sky Financial Group Holdings Limited. Save as disclosed above, Mr. Lam has not held any directorship in any public listed companies during the last three years. Mr. Lam does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

Ms. Hu Gin Ing (胡競英), aged 52, was appointed as an independent non-executive Director on 12 March 2011. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Hu holds a master degree in business administration from Florida International University, United States of America ("U.S.A."), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in the State of Maryland, U.S.A.. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has also been a director of GigaMedia Limited (shares of which are traded on NASDAQ in U.S.A. under the ticker symbol of GIGM) since July 2003, and an independent director of Evendata Holding Company Limited since April 2011. She had over 18 years of experience in accounting and finance. Save as disclosed above, Ms. Hu has not held any directorship in any public listed companies during the last three years. Ms. Hu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

Biographies of Directors

Mr. Zhang Xiaoman (張小滿), aged 30, was appointed as an independent non-executive Director on 12 March 2011. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Zhang is a partner of a law firm in China. Mr. Zhang holds a bachelor's degree in laws from Peking University. He is a qualified lawyer in China. Save as disclosed above, Mr. Zhang has not held any directorship in any public listed companies during the last three years. Mr. Zhang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

Management Discussion and Analysis

Financial Review

As a result of the acquisition of Liang Hui Holdings Limited and its subsidiaries on 10 September 2010, the Company and its subsidiaries ("the Group") had the following three reportable segments:

- Software Business: Provision of integrated business software solutions in the PRC.

- Bare Copper Wires: The manufacturing and sale of bore copper wires and provision of processing services of copper wires.

- Magnet Wires: The manufacturing and sale of magnet wires.

On 8 November 2010, the Company's holding company (Tai-I International (BVI) Limited ("Tai-I BVI")), Affluent Start Holdings Investment Limited ("Affluent Start"), Mr. Hsu Shou-Hsin, Mr. King Pak Fu and the Company entered into a share transfer and the subscription agreement (the "Agreement"), pursuant to which Affluent Start agreed to acquire 195,487,000 shares of the Company from Tai-I BVI, representing approximately 32.79% of the then issued share capital of the Company, and subscribe for 210,000,000 new shares at a cash consideration of HK$0.06 per share of the Company, representing approximately 35.23% of the then issued share capital of the Company and approximately 26.05% of the issued share capital of the Company as enlarged by the subscription of new shares. Completion of the Agreement was subject to the completion of a proposal to restructure the Company and its subsidiaries ("the Group") (the "Group Restructuring"). The Group Restructuring was completed on 23 December 2010. Following the completion of the Agreement and Distribution in Specie on 11 February 2011, the Company distributed all of its Tai-I International Bermuda Co., Ltd's ("Tai-I Bermuda") shares to the shareholders of the Company on a pro rata basis ("Distribution In Specie") and issued and allotted 210,000,000 new shares to Affluent Start. Affluent Start became the controlling shareholder of the Company.

Following the completion of the Agreement and Distribution In Specie on 11 February 2011, the Group's principal activities were (i) a software business providing integrated business software solutions in the PRC as continuing operations ("Software Business"); and (ii) the business of manufacture and sale of bare copper wires and magnet wires in the PRC as discontinued operations ("Copper Wires Business").

Turnover

Software Business

For the year ended 31 December 2011, the Group recorded a turnover of RMB128,788,000 (period from 11 September 2010 to 31 December 2010: RMB39,522,000), of which turnover from software maintenance and other services amounted to RMB124,965,000 (period from 11 September 2010 to 31 December 2010: RMB36,694,000), and turnover from sale of software products and others amounted to RMB3,823,000 (period from 11 September 2010 to 31 December 2010: RMB2,828,000).

Copper Wires Business

For the period from 1 January 2011 to 11 February 2011, the revenue of the Group amounted to approximately RMB800,259,000 (for the year ended 31 December 2010: RMB7,256,079,000). Revenue of bare copper wires, magnet wires and processing services recorded at RMB522,166,000, RMB277,355,000 and RMB738,000 respectively (for the year ended 31 December 2010: RMB5,264,132,000, RMB1,977,354,000 and RMB14,593,000 respectively).

Gross profit

Software Business

For the year ended 31 December 2011, the Group recorded a gross profit of RMB33,603,000 (period from 11 September 2010 to 31 December 2010: RMB13,136,000).

Copper Wires Business

For the period from 1 January 2011 to 11 February 2011, the Group recorded a gross profit of RMB10,960,000 (for the year ended 31 December 2010: RMB211,807,000).

Other net income/(loss)

Software Business

For the year ended 31 December 2011, other net income of the Group was approximately RMB15,458,000 (2010: net loss of RMB1,354,000) which was mainly attributable to net loss on derivative financial instrument of RMB2,167,000 (period from 11 September 2010 to 31 December 2010: RMB1,101,000), gain arising from change in fair value of promissory note of RMB17,629,000 (period from 11 September 2010 to 31 December 2010: loss of RMB150,000) and net exchange loss of RMB4,000 (2010: RMB120,000).

Copper Wires Business

For the period from 1 January 2011 to 11 February 2011, other net income of the Group was approximately RMB1,916,000, which was mainly attributable to net foreign exchange gain of RMB1,712,000 (for the year ended 31 December 2010: RMB29,000), loss on sales of scrap materials of RMB314,000 (income for the year ended 31 December 2010: a gain of RMB1,019,000) and net gain on derivative financial instruments of approximately RMB518,000 (net loss for the year ended 31 December 2010: RMB5,882,000).

Finance costs

Copper Wires Business

Finance costs of the Group for the period from 1 January 2011 to 11 February 2011 were approximately RMB11,024,000 (for the year ended 31 December 2010: RMB63,728,000). The finance costs were mainly arising from interest expenses and letters of credit charges of RMB9,883,000 and RMB1,141,000 respectively (for the year ended 31 December 2010: RMB56,882,000 and RMB6,846,000 respectively).

Profit for the year

For the year ended 31 December 2011, the Group recorded a profit for the year of approximately RMB10,923,000 (2010: RMB77,213,000), where profit from continuing operations amounted to approximately RMB16,137,000 including a gain arising from change in fair value of promissory note of RMB17,629,000 and a loss arising from change in fair value of the put option of RMB2,167,000, and loss from discontinued operations amounted to approximately RMB5,214,000.

Final Dividend

The Board did not recommend a final dividend for the year ended 31 December 2011 (2010: Nil).

Return on Shareholder's Equity

For the year ended 31 December 2011, the Group achieved a profit for the year of RMB10,923,000 (2010: RMB77,213,000) and a return on shareholders' equity of 36.67% (2010: 10.88%), shareholders/ return on shareholders' equity increased by 25.79 basis points from last year.

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated by operating activities and proceeds from the issuing of new shares. As at 31 December 2011, the Group maintained cash and cash equivalents amounted to RMB10,338,000 (31 December 2010: RMB10,675,000). As at 31 December 2011, the Group current ratio was 830.61% (31 December 2010: 129.81%), and the Group's net gearing ratio (balance of total borrowings less cash and cash equivalents, time deposits and pledged deposits divided by total assets and multiplied by 100%) was 50.65% (31 December 2010: 16.61%).

Foreign Exchange

The Group's reporting currency is expressed in Renminbi. Following the completion of the Distribution In Specie on 11 February 2011, most of the transactions, assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. The Board considers that the Group's exposure to foreign exchange risk was not significant; therefore, no hedging transaction was made after the completion of the Distribution In Specie.

Pledge of Assets

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

Capital Structure

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

Material Acquisition and Disposal of Subsidiaries or Associated Companies

Save for the completion of the Distribution In Specie of the shares of Tai-I Bermuda (a former wholly-owned subsidiary of the Company holding the bare copper wire and magnet wire business), by the Company to its shareholders on 11 February 2011 where Tai-I Bermuda and its subsidiaries ceased to be a member of the Group, the Group has not made any material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2011.

Capital Expenditure

The Group's capital expenditures were mainly for the acquisition of properties, plant and equipment. The following table shows the Group's capital expenditures for the years ended 31 December 2011 and 2010:

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Building	**—**	10
Machinery, equipment and tools	**466**	5,700
Dies and moulds	**—**	2,114
Motor vehicles and other fixed assets	**2,115**	853
Construction in progress	**—**	2,389
	2,581	11,066

Commitments

Capital commitments

The Group has no significant capital commitments as at 31 December 2011 and 2010.

Lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	2011	2010
	RMB'000	*RMB'000*
Less than one year	**3,296**	1,419
Between one and two years	**2,203**	826
Between two and three years	**168**	187
	5,667	2,432

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

Employees and Remuneration Policies

As at 31 December 2011, the Group employed 100 full time employees. The remuneration package of employees is determined by reference to their performance, experience, their positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide its PRC employees retirement, medical, employment injury, employment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC.

Contingent Liabilities

As at 31 December 2011, the Group had no significant contingent liability (2010: Nil).

Subsequent Events

On 27 February 2012, the Company entered into a placing agreement with the placing agent for the placing of

(i) up to 161,231,600 new shares to not less than six placees at the placing price of HK$0.24 per placing share under the general mandate to issue new shares granted to the directors at the annual general meeting of the Company held on 16 May 2011. The said placing was completed on 5 March 2012 and the Company issued and allotted 161,231,600 new shares and raised net proceeds of approximately HK$37 million for the Group's general working capital needs; and

(ii) up to 500,000,000 new shares to not less than six places at the placing price of HK$0.24 per share which is subject to the fulfillment of conditions including the passing of ordinary resolutions by the shareholders of the Company for the issue and allotment of the said shares and the increase in the authorized share capital of the Company. An extraordinary general meeting of the Company will be held on 10 April 2012 to seek shareholders' approval. It is expected that net proceeds of approximately HK$115.8 million will be raised by the Company. The net proceeds will be used to reduce the indebtedness of the Group and to finance the Group's general working capital needs.

Business Review

Software Business

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

Outlook

Following the completion of Distribution In Specie on 11 February 2011, we focused on our Software Business. The Group is a renowned professional integrated business software solutions provider in the PRC with a large client base using Oracle's databases and an experienced technical team which provides prompt and effective services.

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

Five-Year Summary and Key Financial Ratios

Summary of Consolidated Income Statement Data

	For the year ended 31 December				
	2011	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**128,788**	39,522	—	—	—
Costs of sales	**(95,185)**	(26,386)	—	—	—
Gross profit	**33,603**	13,136	—	—	—
Profit/(loss) from continuing operations	**16,137**	(285)	(5,295)	9,782	(28,818)
(Loss)/profit from discontinued operations	**(5,214)**	77,498	44,640	(218,208)	140,323
Profit/(Loss) for the year	**10,923**	77,213	39,345	(208,426)	111,505
Profit/(Loss) attributable to minority interests	**—**	—	—	—	—
Profit/(Loss) for the year attributable to equity holders of the Company	**10,923**	77,213	39,345	(208,426)	111,505
Basic and diluted earnings/(loss) per share (RMB)					
— from continuing and discontinued operations	**0.01**	0.13	0.07	(0.35)	0.19

Five-Year Summary and Key Financial Ratios

Summary of Consolidated Statement of Financial Position Data

	At 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**31,520**	33,303	504,191	511,905	536,674
Assets classified as held for distribution	**—**	3,223,865	—	—	—
Current assets	**65,851**	3,281,578	2,120,493	2,592,768	3,197,723
Liabilities classified as held for distribution	**—**	(2,517,214)	—	—	—
Current liabilities	**(7,928)**	(2,528,032)	(1,992,382)	(2,547,244)	(2,894,454)
Net current assets	**57,923**	753,546	128,111	45,524	303,269
Total assets less current liabilities	**89,443**	786,849	632,302	557,429	839,943
Non-current liabilities	**(59,658)**	(77,287)	—	—	(6,598)
Net assets	**29,785**	709,562	632,302	557,429	833,345
Total equity attributable to equity holders of the Company	**29,785**	709,562	632,302	557,429	833,345
Minority interests	**—**	—	—	—	—
Total equity	**29,785**	709,562	632,302	557,429	833,345

	At 31 December				
	2011	2010	2009	2008	2007
Profitability ratios					
Return on shareholder's equity *(note 1)*	**2.95%**	11.51%	6.61%	(29.97%)	16.68%
Return on assets *(note 2)*	**0.64%**	2.60%	1.37%	(6.10%)	3.03%
Liquidity ratios					
Current ratio *(note 3)*	**830.61%**	129.81%	106.43%	101.79%	110.48%
Receivables turnover days *(note 4)*	**53.35**	53.02	46.92	44.56	64.15
Inventory turnover days *(note 5)*	**18.93**	11.84	19.03	16.22	19.28
Payable turnover days *(note 6)*	**12.35**	45.29	80.41	64.87	74.35
Capital adequacy ratios					
Net gearing ratio *(note 7)*	**50.65%**	16.90%	6.99%	1.74%	(0.79%)

(Note 1) Profit(loss) for the year divided by average total equity and multiplied by 100%.

(Note 2) Profit(loss) for the year divided by average total assets and multiplied by 100%.

(Note 3) Current assets divided by current liabilities and multiplied by 100%.

(Note 4) Balance of average trade receivables and bills divided by turnover of the year and multiplied by 365 days.

(Note 5) Average inventory balance divided by cost of sales of the year and multiplied by 365 days.

(Note 6) Balance of average trade payables and bills divided by cost of sales of the year and multiplied by 365 days.

(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total assets and multiplied by 100%.

Corporate Governance Report

The Company is committed to maintain good corporate governance standards and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The board of Directors of the Company (the "Board") places emphasis on maintaining a quality Board with a balance of skills set of directors, better transparency and effective accountability in order to enhance shareholders' value.

Corporate Governance Practice

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules.

During the year ended 31 December 2011, the Company was in compliance with code provisions set out in the CG Code except for the deviations from code provisions A.2.1 explained below.

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman ("Chairman") and chief executive officer ("CEO") should be divided. Prior to the appointment of Mr. Jia Bowei as CEO on 16 March 2012, the Company did not have a CEO and Mr. King Pak Fu performed these two roles. The Board is of the view that the balance of power and authority was not impaired and was adequately ensured by the Board which comprised experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Save as the aforesaid and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2011.

Corporate Governance Framework

The Board is at the core of the Company's corporate governance framework, and there is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of the management while the management is responsible for implementing strategies that have been approved. Generally, the Board is responsible for:

- formulating the Group's long term strategy and monitoring the implementation thereof;
- reviewing and approving business plans and financial budgets;
- approving the respective annual and interim results;
- reviewing and monitoring risk management and internal control;
- ensuring good corporate governance and compliance; and
- monitoring the performance of the management.

The Board authorizes the management to carry out strategies that have been approved. The management reports to the Board and is responsible for the day-to-day operation of the Group. As such, the Board has formulated clear written guidelines, which stipulate the circumstances under which the management should report to and obtain approval from the Board.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2011.

Board of Directors

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

Executive Directors

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

Independent Non-executive Directors

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

The Board members have no financial, business, family or other material/relevant relationships with each other. This balanced Board composition has been formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographies of the Directors are set out on pages 3 to 6 under the section headlined "Biographies of Directors".

Chairman and Chief Executive Officer

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

Non-executive Directors

The three independent non-executive Directors have obtained academic and professional qualifications in fields such as accounting, finance and law. With their experience gained from various sectors, they provide strong support towards effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules. The three independent non-executive Directors were appointed for a term of one year from 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of this term, and they are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "Articles").

Board Meetings

The Company planned in advance four scheduled Board meetings a year at approximately quarterly intervals in order to make sure all Directors could plan in advance their availability to attend the scheduled Board meetings. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

During the year ended 31 December 2011, the Board held 5 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Directors	Number of attendance
Executive Directors	
— Mr. King Pak Fu* *(Chairman)*	3/4
— Mr. Jia Bowei[++] *(Chief Executive Officer)*	1/1
— Mr. Tsang To*	4/4
— Mr. Lo Kai Bong[+]	4/4
— Mr. Lam Kwan Sing[+]	0/0
— Mr. Huang Cheng-Roang[#] *(former Chairman)*	1/1
— Mr. Lin Chi-Ta[#] *(former Chief Executive Officer)*	1/1
— Mr. Du Chi-Ting[#]	0/1
— Mr. Huang Kuo-Feng[#]	0/1
Independent Non-executive Directors	
— Mr. Lam Ting Lok**	4/4
— Ms. Hu Gin Ing**	4/4
— Mr. Zhang Xiaoman**	4/4
— Mr. Kang Jung-Pao[#]	0/1
— Mr. Cheng Yang-Yi[#]	0/1
— Mr. Tsay Yang-Tzong[#]	0/1
— Mr. Yan Minghe[#]	0/1
— Mr. Atsushi Kanayama[#]	0/1

* These Directors were appointed on 18 February 2011.

** These Directors were appointed on 12 March 2011.

These Directors resigned on 12 March 2011.

++ Mr. Jia Bowei was appointed on 23 November 2011.

\+ Mr. Lo Kai Bong resigned and Mr. Lam Kwan Sing was appointed on 13 February 2012.

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

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

Remuneration Committee

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

The Remuneration Committee has been established mainly for the purpose of ensuring that the Company can recruit, retain and motivate high-caliber staff in order to reinforce the success of the Company and create value for the shareholders. The Remuneration Committee is responsible for overseeing the determination of Directors' remuneration and benefits and establishing formal and transparent procedures for developing policy on remuneration.

During the year ended 31 December 2011, the Remuneration Committee held 2 meetings.

Name of members	**Number of attendance**
Mr. Lam Ting Lok*+ *(chairman)*	2/2
Mr. Tsang To*+ *(former chairman)*	2/2
Ms. Hu Gin Ing*	2/2
Mr. Zhang Xiaoman*	2/2
Mr. Lin Chi-Ta# *(former chairman)*	–/–
Mr. Kang Jung-Pao#	–/–
Mr. Cheng Yang-Yi#	–/–
Mr. Tsay Yang-Tzong#	–/–
Mr. Yan Minghe#	–/–
Mr. Atsushi Kanayama#	–/–

* These members were appointed on 12 March 2011.

\# These members resigned on 12 March 2011.

\+ Mr. Lam Ting Lok was appointed as chairman of the Nomination Committee in place of Mr. Tsang To on 4 January 2012.

The emoluments payable to Directors depends on their respective contractual terms under the service agreements, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 11 to the financial statements.

Nomination Committee

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

The Nomination Committee has been established mainly for reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

During the year ended 31 December 2011, the Nomination Committee held 2 meetings.

Name of members	Number of attendance
Mr. Lam Ting Lok*+ *(chairman)*	2/2
Mr. Tsang To*+ *(former chairman)*	2/2
Ms. Hu Gin Ing*	2/2
Mr. Zhang Xiaoman*	2/2
Mr. Lin Chi-Ta# *(former chairman)*	–/–
Mr. Kang Jung-Pao#	–/–
Mr. Cheng Yang-Yi#	–/–
Mr. Tsay Yang-Tzong#	–/–
Mr. Yan Minghe#	–/–
Mr. Atsushi Kanayama#	–/–

* These members were appointed on 12 March 2011.

\# These members resigned on 12 March 2011.

\+ Mr. Lam Ting Lok was appointed as chairman of the Nomination Committee in place of Mr. Tsang To on 4 January 2012.

Audit Committee

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

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

During the year ended 31 December 2011, the Audit Committee held 2 meetings.

Name of members	Number of attendance
Mr. Lam Ting Lok* *(chairman)*	2/2
Ms. Hu Gin Ing*	2/2
Mr. Zhang Xiaoman*	2/2
Mr. Tsay Yang-Tzong# *(former chairman)*	–/–
Mr. Kang Jung-Pao#	–/–
Mr. Cheng Yang-Yi#	–/–
Mr. Yan Minghe#	–/–
Mr. Atsushi Kanayama#	–/–

** These members were appointed on 12 March 2011.

These members resigned on 12 March 2011.

During the year ended 31 December 2011, the Audit Committee reviewed the annual and interim results of the Group together with the auditor of the Company. In the opinion of the Audit Committee the preparation of these reports complied with the applicable accounting standards and the Listing Rules.

Internal Control

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions and has implemented all the procedures as recommended under this review during the year.

Auditor's Remuneration

During the year under review, the remuneration paid/payable to the auditor of the Group is set out below:

Services rendered	Fee paid/payable RMB'000
Audit services	1,200
	1,200

Directors' Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the Group's results and cash flows for that year. In preparing the consolidated financial statements for the year ended 31 December 2011, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider the Group has adopted an appropriate basis in preparing the consolidated financial statements.

Investors' Relations

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual reports to all shareholders;

- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

Voting by Poll

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

The Board of Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Change of Company Name

Pursuant to a special resolution passed at the annual general meeting of the Company held on 16 May 2011, and the issuance of the Certificate of Incorporation on Change of Name by the Registrar of Companies in the Cayman Islands on 17 May 2011, the Company has changed its English name to "Enterprise Development Holdings Limited" and adopted "企展控股有限公司" as its official Chinese name.

Principal Activities

Following the completion of the Agreement and Distribution In Specie on 11 February 2011, the Group's principal activities become a software business providing integrated business software solutions in the PRC.

Financial Statements

The results of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 31 to 34.

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

Distributable Reserve

As at 31 December 2011, there is no reserve available for distribution to equity holders of the Company (2010: RMB467,784,000).

Share Capital

The Company issued 210,000,000 new shares at HK$0.06 each to Affluent Start on 11 February 2011, the details of the movements in share capital during the year are set out in note 32 to the consolidated financial statements.

Pre-emptive Rights

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

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Report

Group Financial Summary

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

Charitable Donations

During the year, the Group made no charitable donations (2010: Nil).

Fixed Assets

Details of movements in fixed assets are set out in note 17 to the consolidated financial statements.

Directors

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

Executive Directors

Mr. King Pak Fu *(Chairman)*	(appointed on 18 February 2011)
Mr. Jia Bowei *(Chief Executive Officer)*	(appointed on 23 November 2011)
Mr. Tsang To	(appointed on 18 February 2011)
Mr. Lam Kwan Sing	(appointed on 13 February 2012)
Mr. Lo Kai Bong	(appointed on 30 March 2011 and resigned on 13 February 2012)
Mr. Huang Cheng-Roang	(resigned on 12 March 2011)
Mr. Lin Chi-Ta	(resigned on 12 March 2011)
Mr. Du Chi-Ting	(resigned on 12 March 2011)
Mr. Huang Kuo-Feng	(resigned on 12 March 2011)

Independent Non-executive Directors

Mr. Lam Ting Lok	(appointed on 12 March 2011)
Ms. Hu Gin Ing	(appointed on 12 March 2011)
Mr. Zhang Xiaoman	(appointed on 12 March 2011)
Mr. Kang Jung-Pao	(resigned on 12 March 2011)
Mr. Cheng Yang-Yi	(resigned on 12 March 2011)
Mr. Tsay Yang-Tzong	(resigned on 12 March 2011)
Mr. Yan Minghe	(resigned on 12 March 2011)
Mr. Atsushi Kanayama	(resigned on 12 March 2011)

In accordance with the Article 86(3) of the Articles, Mr. Jia Bowei and Mr. Lam Kwan Sing, being Directors appointed after the 2011 annual general meeting, shall retire from office as Directors and, being eligible, offer themselves for re-election at the AGM.

In accordance with Article 87(1) of the Articles, Mr. Tsang To and Mr. Lam Ting Lok shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the AGM.

Directors' Service Contracts

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

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

Confirmation of Independence

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

Share Option Scheme

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

The principal terms of the Scheme are summarized as follows:

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

    As at the date of this report, the total number of shares available for issue under the Scheme is 60,000,000 shares, which represents 6.20% of the existing issued shares.

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

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

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

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

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

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

Directors' Rights to Acquire Shares or Debentures

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

Directors' Interests in Contracts

Save as these disclosed in the section "Connected Transactions" below, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

Directors' Interests in Shares

As at 31 December 2011, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

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

Name of Director	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. King Pak Fu	Controlled corporation	Long position	604,355,000 *(Note)*	74.97%

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

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

Substantial Shareholders Interests in Shares

As at 31 December 2011, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company
Affluent Start	Beneficial owner	604,355,000	74.97%

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

As at 31 December 2011, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2011.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2011.

Connected Transactions

For the year ended 31 December 2011, the Group has the following connected transaction (as defined in the Listing Rules), which was exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules:

On 31 December 2011, Winsino Investments Limited ("Winsino"), a wholly-owned subsidiary of the Company, entered into an agreement with Advance Mode Limited ("Advance Mode"), a company wholly-owned by Mr. Lo Kai Bong (a former executive Director of the Company resigned on 13 February 2012), pursuant to which the promissory note with a principal amount of HK$96,000,000 hold by Advance Mode was extended for a period of 24 months from 10 March 2012. No interest shall be payable on all or any portion of the promissory note outstanding at any time during the period.

Subsidiaries and Associate

Particulars of the subsidiaries and associate of the Company as at 31 December 2011 are set out in note 20 and note 22 to the consolidated financial statements.

Bank loans

Particulars of bank loans of the Group as at 31 December 2011 are set out in note 28 to the consolidated financial statements.

Directors' Emoluments

Details of the remuneration of the Directors for year 2011 are set out in note 11 to the consolidated financial statements.

Major Customers and Suppliers

Contracts with the Group's largest supplier by value, accounted for 90% in value of total purchases during the year ended 31 December 2011. Contracts with the Group's five largest customers combined by value accounted for 22% in value of the turnover during the year ended 31 December 2011, while contracts with the Group's largest customer by value accounted for 9% in value of the turnover during the year ended 31 December 2011.

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

Human Resources and Staff Remuneration

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

For the year ended 31 December 2011, total staff cost for the year was approximately RMB17,804,000, of which contributions to defined contribution retirement schemes were approximately RMB931,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

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

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

Public Float

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

Audit Committee

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2011.

Auditors

The consolidated financial statements for the year ended 31 December 2011 have been audited by the Group's auditor, KPMG and an unqualified opinion report was issued on 16 March 2012. A resolution will be submitted to the AGM to re-appoint KPMG as auditor of the Company.

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

Hong Kong, 16 March 2012

Independent auditor's report to the shareholders of
Enterprise Development Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Enterprise Development Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 31 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong

16 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Notes	2011 RMB'000	2010 RMB'000
Continuing operations			
Turnover	3	**128,788**	39,522
Cost of sales		**(95,185)**	(26,386)
Gross profit		**33,603**	13,136
Other revenue	4	**27**	—
Other net income/(loss)	5	**15,458**	(1,354)
Distribution expenses		**(11,790)**	(1,989)
General and administrative expenses		**(18,245)**	(9,117)
Other operating expenses	6	**(75)**	(17)
Profit before taxation	7	**18,978**	659
Income tax expenses	8(i)	**(2,841)**	(944)
Profit/(loss) from continuing operations		**16,137**	(285)
Discontinued operations			
(Loss)/profit from discontinued operations (net of income tax)	9	**(5,214)**	77,498
Profit for the year	13	**10,923**	77,213
Attributable to:			
Equity holders of the Company		**10,923**	77,213
Profit for the year		**10,923**	77,213
Basic and diluted earnings/(losses) per share (RMB)			
— from continuing and discontinued operations	16	**0.01**	0.13
— from continuing operations	16	**0.0206**	(0.0005)
— from discontinued operations	16	**(0.01)**	0.13

The notes on pages 38 to 116 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Notes	2011 RMB'000	2010 RMB'000
Profit for the year		**10,923**	77,213
Other comprehensive income for the year (after tax)			
Exchange difference on translation of financial statements of overseas operations	15	**71**	1,680
Cash flow hedge: net movement in the hedging reserve	15	**17,884**	(1,633)
Total comprehensive income for the year		**28,878**	77,260
Attributable to:			
Equity holders of the Company		**28,878**	77,260
Total comprehensive income for the year		**28,878**	77,260

The notes on pages 38 to 116 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2011

(Expressed in Renminbi Yuan)

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	17	**3,284**	1,640
Intangible assets	19	**8,349**	11,954
Goodwill	21	**19,541**	19,541
Deferred tax assets	30	**346**	168
		31,520	33,303
Current assets			
Inventories	23	**3,122**	3,321
Trade and other receivables	24	**48,128**	37,287
Derivative financial instruments	25	**4,263**	6,430
Cash and cash equivalents	27	**10,338**	10,675
Assets classified as held for distribution	10	**—**	3,223,865
		65,851	3,281,578
Current liabilities			
Trade and other payables	29	**5,975**	7,968
Income tax payables	8(iii)	**1,953**	2,850
Liabilities classified as held for distribution	10	**—**	2,517,214
		7,928	2,528,032
Net current assets		**57,923**	753,546
Total assets less current liabilities		**89,443**	786,849
Non-current liabilities			
Promissory note	31	**59,658**	77,287
		59,658	77,287
NET ASSETS		**29,785**	709,562
CAPITAL AND RESERVES			
Share capital	32(b)	**7,740**	5,962
Reserves	32(c)	**22,045**	703,600
TOTAL EQUITY		**29,785**	709,562

Approved and authorised for issue by the board of directors on 16 March 2012.

King Pak Fu
Director

Tsang To
Director

The notes on pages 38 to 116 form part of these consolidated financial statements.

Statement of Financial Position

At 31 December 2011

(Expressed in Renminbi Yuan)

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Amount due from a subsidiary		**4,181**	—
		4,181	—
Current assets			
Trade and other receivables	24	**139**	304
Cash and cash equivalents	27	**1,717**	235
Assets classified as held for distribution	20	**—**	687,272
		1,856	687,811
Current liabilities			
Trade and other payables	29	**854**	1,062
		854	1,062
Net current assets		**1,002**	686,749
Total assets less current liabilities		**5,183**	686,749
NET ASSETS		**5,183**	686,749
CAPITAL AND RESERVES			
Share capital	32(b)	**7,740**	5,962
Reserves	32(c)	**(2,557)**	680,787
TOTAL EQUITY		**5,183**	686,749

Approved and authorised for issue by the board of directors on 16 March 2012.

King Pak Fu
Director

Tsang To
Director

The notes on pages 38 to 116 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Attributable to equity holders of the Company							
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Merger reserve** *RMB'000*	**PRC Statutory reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Hedging reserve** *RMB'000*	**Retained earnings/ (accumulated losses)** *RMB'000*	**Total** *RMB'000*
		32(c)(i)	*32(c)(ii)*	*32(c)(iii)*	*32(c)(iv)*	*32(c)(v)*		
Balance at 1 January 2010	5,962	213,003	386,600	26,259	(745)	440	783	632,302
Changes in equity for 2010:								
Profit for the year	—	—	—	—	—	—	77,213	77,213
Other comprehensive income *(note 15)*	—	—	—	—	1,680	(1,633)	—	47
Total comprehensive income	—	—	—	—	1,680	(1,633)	77,213	77,260
Appropriation of PRC statutory reserve	—	—	—	1,526	—	—	(1,526)	—
Balance at 31 December 2010 and 1 January 2011	5,962	213,003	386,600	27,785	935	(1,193)	76,470	709,562
Changes in equity for 2011:								
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**10,923**	**10,923**
Other comprehensive Income *(note 15)*	**—**	**—**	**—**	**—**	**71**	**17,884**	**—**	**17,955**
Total comprehensive income	**—**	**—**	**—**	**—**	**71**	**17,884**	**10,923**	**28,878**
Special dividend by way of Distribution In Specie *(note 10)*	**—**	**(213,003)**	**(386,600)**	**(26,259)**	**(930)**	**(16,691)**	**(75,840)**	**(719,323)**
Shares issued *(note 32(b))*	**1,778**	**8,890**	**—**	**—**	**—**	**—**	**—**	**10,668**
Appropriation of PRC statutory reserve	**—**	**—**	**—**	**215**	**—**	**—**	**(215)**	**—**
Balance at 31 December 2011	**7,740**	**8,890**	**—**	**1,741**	**76**	**—**	**11,338**	**29,785**

The notes on pages 38 to 116 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Profit before taxation from continuing operations		**18,978**	659
(Loss)/profit before taxation from discontinued operations		**(4,270)**	84,113
Profit before taxation		**14,708**	84,772
Adjustments for:			
— Impairment losses for doubtful debts		**—**	9,447
— Impairment loss for stock provision		**1,183**	1,123
— Depreciation		**932**	30,474
— Share of profit of associate		**—**	(416)
— Amortisation of lease prepayments		**—**	837
— Amortisation of intangible assets		**3,605**	1,803
— Interest income		**(1,197)**	(10,865)
— Loss on disposal of property, plant and equipment		**—**	349
— Finance costs		**11,024**	63,728
— Unrealised (profit)/loss on derivative financial instruments		**(22,112)**	8,290
— Foreign exchange (profit)/loss		**(1,708)**	7,883
Changes in working capital:			
Increase in inventories		**(100,101)**	(31,936)
Increase in trade and other receivables		**(328,133)**	(410,435)
Increase/(decrease) in trade and other payables		**173,349**	(50,628)
Decrease in bank advances under discounted bills		**(26,303)**	(198,913)
Cash used in operations		**(274,753)**	(494,487)
PRC income tax paid		**(3,916)**	(8,066)
Net cash used in operating activities		**(278,669)**	(502,553)
Investing activities			
Acquisition of property, plant and equipment		**(2,756)**	(7,293)
Proceeds from disposal of property, plant and equipment		**5**	57
Proceeds from foreign exchange forward contracts		**105**	2,582
Payments in respect of foreign exchange forward contracts		**—**	(206)
(Increase)/decrease in time deposits		**(229,327)**	27,461
Interest received		**1,113**	8,592
Acquisition of subsidiaries	21	**—**	7,771
Net cash (used in)/generated from investing activities		**(230,860)**	38,964

The notes on pages 38 to 116 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

(Expressed in Renminbi Yuan)

	Notes	2011 RMB'000	2010 RMB'000
Financing activities			
Proceeds from interest-bearing loans and borrowings		**382,119**	3,792,858
Repayment of interest-bearing loans and borrowings		**(296,591)**	(3,052,989)
Finance costs paid		**(10,884)**	(76,673)
Decrease/(increase) in pledged deposits		**444,385**	(265,795)
Cash distributed upon Distribution In Specie	9	**(221,918)**	—
Net cash generated from financing activities		**297,111**	397,401
Net decrease in cash and cash equivalents		**(212,418)**	(66,188)
Cash and cash equivalents at 1 January		**222,760**	287,268
Effect of foreign exchange rate changes		**(4)**	1,680
Cash and cash equivalents at 31 December	27	**10,338**	222,760
Represented by:			
Continuing operations	27	**10,338**	10,675
Discontinued operations	27	**—**	212,085
		10,338	222,760

The notes on pages 38 to 116 form part of these consolidated financial statements.

1. Significant accounting policies

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

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

Pursuant to the Group Restructuring completed on 23 December 2010, the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company held its entire interests in the bare copper wires and magnet wires business) to Tai-I International Bermuda Co., Ltd. ("Tai-I Bermuda"), a wholly-owned subsidiary of the Company which was incorporated in Bermuda on 9 November 2010, and the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited to Tai-I Bermuda for a consideration of HK$1.00 with the consent of Tai-I Copper (BVI) Limited.

As a result of the completion of the Group Restructuring, the Company's principal activities were (i) a software business providing integrated business software solutions in the PRC; and (ii) Tai-I Bermuda and its subsidiaries continued to carry on the copper wires business, being the manufacture and sale of bare copper wires and magnet wires in the PRC.

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

The Agreement and Distribution In Specie were approved by a resolution passed by the independent shareholders in the extraordinary general meeting held on 8 February 2011. As a result, Affluent Start held 405,487,000 shares of the Company and became the holding company of the Company and the shareholders of the Company received the shares of Tai-I Bermuda on the basis of one share of Tai-I Bermuda for one share of the Company held.

Details of the Group Restructuring, the Agreement and Distribution In Specie are set out in a circular of the Company dated 18 January 2011.

1. Significant accounting policies *(continued)*

Pursuant to the special resolution on 16 May 2011, the Company changed its name from "Tai-I International Holdings Limited" to "Enterprise Development Holdings Limited".

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

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

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

1. Significant accounting policies *(continued)*

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

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

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

(c) Changes in accounting policies

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

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to IFRIC 14, IAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*

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

The amendments to IFRIC 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

- *IAS 24 (revised 2009)* revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

1. Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

- *Improvements to IFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 36 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) Subsidiaries

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)(i)), unless the investment is classified as held for sale or held for distribution (or included in a disposal group that is classified as held for sale or held for distribution) (see note 1(x)).

1. Significant accounting policies *(continued)*

(e) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution) (see note 1(x)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(f) and 1(m)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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 investee. For this purpose, the Group's interest 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 investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(m)(i)), unless classified as held for sale or held for distribution (or included in a disposal group that is classified as held for sale or held for distribution) (see note 1(x)).

1. Significant accounting policies *(continued)*

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting; in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1 (h)).

(h) Hedging

For its discontinued operations, the Group used derivative financial instruments such as copper futures contracts, copper options contracts and foreign exchange forward contracts to hedge its risks associated with copper price and foreign currency fluctuations. The use of derivative financial instruments was governed by the Group's risk management policies as summarised in note 36, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy.

Any gains or losses arising from changes in fair value of derivatives that did not qualify for hedge accounting were taken directly to profit or loss.

1. Significant accounting policies *(continued)*

(h) Hedging *(continued)*

The fair value of copper futures, copper options and forward foreign currency contracts was calculated by reference to current commodity prices and forward foreign exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges were classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designated and documented the hedge relationship to which the Group wished to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually had been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting were accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative was recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that were attributable to the hedged risk. The change in the fair value of the hedged item attributable to the risk hedged was recorded as a part of the carrying amount of the hedged item and was also recognised in profit or loss.

Cash flow hedges

Where a derivative financial instrument was designated as a hedge of the variability in cash flow of a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value was recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss was recognised immediately in profit or loss.

1. Significant accounting policies *(continued)*

(h) Hedging *(continued)*

Cash flow hedges *(continued)*

If a hedge of a forecast transaction subsequently resulted in the recognition of a non-financial asset or non-financial liability, the associated gain or loss was removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently resulted in the recognition of a financial asset or a financial liability, the associated gain or loss was removed from equity and recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affected profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss was removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affected profit or loss.

When a hedging instrument expired or was sold, terminated or exercised without replacement or rollover, or the entity revoked designation of the hedge relationship but the hedged forecast transaction was still expected to occur, the cumulative gain or loss at that point remained in equity and was recognised in accordance with the above policy when the transaction occured. If the hedged transaction was no longer expected to take place, the cumulative unrealised gain or loss recognised in equity was recognised immediately in profit or loss.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)):

— buildings held for own use which are situated on leasehold land classified as lease prepayments (see note 1(k)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs (see note 1(w)).

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

1. Significant accounting policies *(continued)*

(i) Property, plant and equipment *(continued)*

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

—	Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.	
—	Machinery, equipment and tools	20 years
—	Dies and moulds	1-2 years
—	Motor vehicles and other fixed assets	3-8 years

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

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 1(m)(ii)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the construction period.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1 (m)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

1. Significant accounting policies *(continued)*

(j) Intangible assets (other than goodwill) *(continued)*

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

—	Firewall patents	10 years
—	Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

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

(k) Lease prepayments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated at cost less accumulated amortisation and impairment losses (see note 1(m)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the terms of the respective leases.

(l) Operating lease charges

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

1. Significant accounting policies *(continued)*

(m) Impairment of assets

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

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

— For the investment in subsidiaries and an associate (including those recognised using the equity method (see note 1(e), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

1. Significant accounting policies *(continued)*

(m) Impairment of assets *(continued)*

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;
— pre-paid interests in leasehold land classified as being held under an operating lease;
— intangible assets; and
— goodwill

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. Significant accounting policies *(continued)*

(m) Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(n) Inventories

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

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

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

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

1. Significant accounting policies *(continued)*

(o) Trade and other receivables

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

(p) Non-derivative financial instruments

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

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

(q) Cash and cash equivalents

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

(r) Employee benefits

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

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

(s) Income tax

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

1. Significant accounting policies *(continued)*

(s) Income tax *(continued)*

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

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

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

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

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

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

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

1. Significant accounting policies *(continued)*

(s) Income tax *(continued)*

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

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

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

1. Significant accounting policies *(continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

(ii) Processing service income

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

(iii) Software maintenance services and other services

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

(iv) Sales of standard software and hardware

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

(v) Multiple element arrangements

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

(vi) Interest income

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

1. Significant accounting policies *(continued)*

(u) Revenue recognition *(continued)*

(vii) Government grants

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

(v) Translation of foreign currencies

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

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

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

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

1. Significant accounting policies *(continued)*

(w) Borrowing costs

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

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

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

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

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

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

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

1. Significant accounting policies *(continued)*

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

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

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

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

(ii) Discontinued operations

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

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

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

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

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

1. Significant accounting policies *(continued)*

(y) Related parties

For the purposes of the consolidated financial statements:

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(z) Segment reporting

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

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

2. Accounting estimates and judgements

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

(a) Net realisable value of inventories

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

(b) Impairment losses on trade and other receivables

As explained in note 36(a), impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectibility. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact in profit or loss.

(c) Deferred tax assets

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

(d) Impairment for non-current assets

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

2. Accounting estimates and judgements *(continued)*

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

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

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

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

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

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

3. Turnover and segment reporting

(a) Turnover

The principal activities of the Group are the provision of integrated business software solutions, manufacturing and sale of bare copper wires and magnet wires and provision of processing services in the PRC (note 3(b)).

The amount of each significant category of revenue recognised during the year is as follows:

Continuing operations

	2011	2010
	RMB'000	*RMB'000*
Software maintenance and other services	**124,965**	36,694
Sale of software products and others	**3,823**	2,828
	128,788	39,522

Discontinued operations

	From 1 January 2011 to 11 February 2011	2010
	RMB'000	*RMB'000*
Sales of bare copper wires	**522,166**	5,264,132
Sales of magnet wires	**277,355**	1,977,354
Processing services	**738**	14,593
	800,259	7,256,079

3. Turnover and segment reporting *(continued*

(b) Segment reporting

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

Continuing operations:

- Software business: Provision of integrated business software solutions in the PRC.

Discontinued operations:

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

- Magnet wires: The manufacturing and sale of magnet wires.

(i) Segment results, assets and liabilities

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

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

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

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

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of the sales are generated from the PRC market.

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2011 is set out below.

	Software business		Bare copper wires (Discontinued)		Magnet wires (Discontinued)		Total	
	2011 RMB'000	2010 RMB'000	From 1 January 2011 to 11 February 2011 RMB'000	2010 RMB'000	From 1 January 2011 to 11 February 2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Revenue from external customers	128,788	39,522	522,904	5,278,726	277,355	1,977,353	929,047	7,295,601
Inter-segment revenue	–	–	204,165	1,749,533	–	–	204,165	1,749,533
Reportable segment revenue	128,788	39,522	727,069	7,028,259	277,355	1,977,353	1,133,212	9,045,134
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	12,038	5,639	(13,012)	25,129	6,276	56,060	5,302	86,828
Interest income from bank deposits	27	17	732	9,327	55	715	814	10,059
Interest expense	–	–	5,771	30,471	4,112	26,411	9,883	56,882
Depreciation and amortisation for the year	4,537	2,378	–	11,032	–	19,691	4,537	33,101
Reportable segment assets	70,684	64,338	–	2,378,787	–	1,222,487	70,684	3,665,612
Additions to non-current segment assets during the year/period	2,581	15,975	371	1,871	6	8,675	2,958	26,521
Reportable segment liabilities	7,072	9,745	–	2,334,999	–	836,183	7,072	3,180,927

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

3. Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue	**1,133,212**	9,045,134
Elimination of inter-segment revenue	**(204,165)**	(1,749,533)
Discontinued operations	**(800,259)**	(7,256,079)
Total	**128,788**	39,522
Profit before taxation		
Reportable segment profit before taxation	**5,302**	86,828
Elimination of inter-segment loss	**2,144**	2,508
Reportable segment profit derived from the Group's external customers	**7,446**	89,336
Share of profit of associate	**—**	416
Unallocated head office and corporate income/(expenses)	**7,262**	(4,980)
Loss/(profit) from discontinued operations	**4,270**	(84,113)
Total	**18,978**	659
Assets		
Reportable segment assets	**70,684**	3,665,612
Elimination of inter-segment receivables	**—**	(653,968)
	70,684	3,011,644
Interests in associates	**—**	19,166
Deferred tax assets	**346**	20,586
Unallocated head office and corporate assets	**26,341**	263,485
Total	**97,371**	3,314,881
Liabilities		
Reportable segment liabilities	**7,072**	3,180,927
Elimination of inter-segment payables	**—**	(653,968)
	7,072	2,526,959
Unallocated head office and corporate liabilities	**60,514**	78,360
Total	**67,586**	2,605,319

4. Other revenue

Continuing operations

	2011 **RMB'000**	2010 *RMB'000*
Interest income	**27**	—
	27	—

Discontinued operations

	From 1 January 2011 to 11 February 2011 **RMB'000**	2010 *RMB'000*
Interest income	**1,170**	10,865
Government grants	**—**	3,233
Others	**14**	603
	1,184	14,701

5. Other net income/(loss)

Continuing operations

	2011 **RMB'000**	2010 *RMB'000*
Net loss on derivative financial instruments *(note 25(a))*	**(2,167)**	(1,101)
Change in fair value of promissory note *(note 31)*	**17,629**	(150)
Net exchange gain/(loss)	**(4)**	(120)
Others	**—**	17
	15,458	(1,354)

5. Other net income/(loss) *(continued)*

Discontinued operations

	From 1 January 2011 to 11 February 2011 RMB'000	2010 RMB'000
Net exchange gain	**1,712**	29
(Loss)/gain on sales of scrap materials	**(314)**	1,019
Loss on disposal of property, plant and equipment	**—**	(349)
Net gain/(loss) on derivative financial instruments	**518**	(5,882)
	1,916	(5,183)

6. Other operating expenses

Continuing operations

	2011 RMB'000	2010 RMB'000
Bank charges	**75**	17
	75	17

Discontinued operations

	From 1 January 2011 to 11 February 2011 RMB'000	2010 RMB'000
Bank charges	**636**	3,230
Others	**1,405**	4,756
	2,041	7,986

7. Profit before taxation

Profit before taxation is arrived at after charging:

(i) Finance costs

Discontinued operations

	From 1 January 2011 to 11 February 2011	2010
	RMB'000	*RMB'000*
Interest expenses	**9,883**	56,882
Letter of credit charges	**1,141**	6,846
	11,024	63,728

(ii) Staff costs

	Continuing operations		**Discontinued operations**	
	2011	2010	**From 1 January 2011 to 11 February 2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Salaries, wages and other benefits	**12,931**	2,894	**3,942**	53,917
Contributions to defined contribution retirement schemes *(note 34)*	**533**	62	**398**	3,058
	13,464	2,956	**4,340**	56,975

7. Profit before taxation *(continued)*

(iii) Other items

Continuing operations

	2011 RMB'000	2010 RMB'000
Cost of inventories *(note 23)*	**2,323**	1,632
Auditors' remuneration — audit services	**1,200**	1,163
Depreciation	**932**	587
Amortisation of intangible assets	**3,605**	1,803
Impairment losses for stock	**1,183**	1,123
Operating lease charges in respect of properties	**3,092**	1,112

Discontinued operations

	From 1 January 2011 to 11 February 2011 RMB'000	2010 RMB'000
Cost of inventories *(note 23)*	**789,299**	7,044,272
Auditors' remuneration — audit services	**—**	3,184
Depreciation	**—**	29,887
Amortisation of lease prepayments	**—**	837
Impairment losses for doubtful debts	**—**	9,447
Operating lease charges in respect of properties	**49**	1,815

8. Income tax expenses

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

	Continuing operations		Discontinued operations	
	2011	2010	**From 1 January 2011 to 11 February 2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current tax — PRC				
Provision for the year	**(3,019)**	(1,112)	**(1,655)**	(2,860)
Deferred tax				
Origination and reversal of temporary differences *(note 30)*	**178**	168	**711**	(3,755)
	(2,841)	(944)	**(944)**	(6,615)

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

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

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

Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") is entitled to a preferential income tax rate of 15% for 2011 and 2010 as it was awarded high-technology status by the tax authority.

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

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2011.

8. Income tax expenses *(continued)*

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

	Continuing operations		Discontinued operations	
	2011	2010	**From 1 January 2011 to 11 February 2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit/(Loss) before taxation	**18,978**	659	**(4,270)**	84,113
Notional tax on profit/(loss) before tax, calculated at rate applicable to the Group's profit/(loss) in the tax jurisdiction concerned (Continuing operations: 2011 and 2010: 25%; Discontinued operations: 2011: 24%, 2010: 22%)	**(4,745)**	(165)	**1,025**	(18,505)
Effect of tax on profit/(loss) in holding companies	**1,734**	(929)	**(2,170)**	560
Effect of share of profit of associate	**—**	—	**—**	92
Effect of non-deductible expenses	**(152)**	(412)	**(13)**	(1,043)
Effect of additional deduction for qualified expenses	**—**	—	**—**	2,502
Effect of change in tax rate	**—**	—	**214**	477
Effect of tax concessions	**322**	562	**—**	—
Recognition of previously unrecognised tax losses	**—**	—	**—**	9,302
	(2,841)	(944)	**(944)**	(6,615)

8. Income tax expenses *(continued)*

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

	2011		2010	
	Continuing operations	**Liabilities held for distribution** *(note 10)*	Continuing operations	Liabilities held for distribution *(note 10)*
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
At 1 January	**2,850**	**(6,361)**	—	(1,284)
Provision for income tax for the year	**3,019**	**1,655**	1,112	2,860
Acquisition of subsidiaries	**—**	**—**	1,867	—
Amounts paid	**(3,916)**	**—**	(129)	(7,937)
Distribution In Specie	**—**	**4,706**	—	—
At 31 December	**1,953**	**—**	2,850	(6,361)

9. Discontinued operations

As described in note 1, the Distribution In Specie was completed on 11 February 2011. The results of the Tai-I Bermuda and its subsidiaries which constitute discontinued operations during the period from 1 January 2011 to 11 February 2011 are set out below:

9. Discontinued operations *(continued)*

Results of discontinued operations

	Notes	From 1 January 2011 to 11 February 2011 RMB'000	2010 RMB'000
Turnover	3	**800,259**	7,256,079
Cost of sales		**(789,299)**	(7,044,272)
Gross profit		**10,960**	211,807
Other revenue	4	**1,184**	14,701
Other net income/(loss)	5	**1,916**	(5,183)
Distribution expenses		**(2,321)**	(23,724)
General and administrative expenses		**(2,944)**	(42,190)
Other operating expenses	6	**(2,041)**	(7,986)
Profit before operations		**6,754**	147,425
Finance costs	7(i)	**(11,024)**	(63,728)
Share of profit of associate	22	**—**	416
(Loss)/profit before taxation		**(4,270)**	84,113
Income tax expenses	8(i)	**(944)**	(6,615)
(Loss)/profit for the period/year		**(5,214)**	77,498

9. Discontinued operations *(continued)*

Cash flows from/(used in) discontinued operations

	From 1 January 2011 to 11 February 2011 RMB'000	2010 RMB'000
Net cash used in operating activities	**(278,696)**	(503,524)
Net cash (used in)/from investing activities	**(230,500)**	37,056
Net cash from financing activities	**519,029**	397,401
Net cash flows for the period/year	**9,833**	(69,067)

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

10. Assets/(liabilities) held for distribution to owners

The Company distributed its equity interest in Tai-I Bermuda to its shareholders and the net assets of the Tai-I Bermuda and its subsidiaries at the date of distribution on 11 February 2011 are set out below. As at 31 December 2010, Tai-I Bermuda and its subsidiaries were presented as a disposal group held for distribution and comprised the following assets and liabilities:

	Notes	**11 February 2011 RMB'000**	31 December 2010 RMB'000
Property, plant and equipment	17	**408,635**	408,258
Lease prepayments	18	**30,509**	30,509
Interest in an associate	22	**19,166**	19,166
Deferred tax assets	30	**20,099**	20,418
Inventories	23	**341,956**	242,839
Trade and other receivables	24	**1,844,831**	1,498,749
Derivative financial instruments	25	**25,542**	23,233
Pledged deposits	26	**105,904**	550,289
Time deposits	27	**447,646**	218,319
Cash and cash equivalents	27	**221,918**	212,085
Assets classified as held for distribution		**3,466,206**	3,223,865
Bank loans	28	**(1,601,158)**	(1,541,933)
Trade and other payables	29	**(1,128,786)**	(947,979)
Derivative financial instruments	25	**(21,645)**	(33,663)
Income tax recoverable	8(iii)	**4,706**	6,361
Liabilities classified as held for distribution		**(2,746,883)**	(2,517,214)
Net assets distributed	14	**719,323**	
Accumulated income/(expenses) recognised in other comprehensive income		**17,621**	(265)

11. Directors' remuneration

Details of directors' remuneration are as follows:

Year ended 31 December 2011

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

11. Directors' remuneration *(continued)*

Year ended 31 December 2010

Name of directors	Fee	Basic salaries allowances and other benefits	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Huang Cheng Roang	43	458	37	538
Mr. Lin Chi Ta	43	671	50	764
Mr. Huang Kuo Feng	43	373	30	446
Mr. Du Chi Ting	43	379	33	455
Independent non-executive directors				
Mr. Kang Jung Pao	204	—	—	204
Mr. Cheng Yang Yi	204	—	—	204
Mr. Tsay Yang Tzong	204	—	—	204
Mr. Yan Ming He	204	—	—	204
Mr. Atsushi Kanayama	204	—	—	204
Total	1,192	1,881	150	3,223

Notes:

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

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

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

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

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	2011	2010
Nil to RMB1,000,000	**16**	9

There were no amounts paid during the year (2010: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

12. Individuals with highest emoluments

The five highest paid individuals of the Group include l director of the Company during the year ended 31 December 2011 (2010: 2), whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2011 **RMB'000**	2010 RMB'000
Basic salaries, allowances and other benefits	**2,348**	2,969
Bonus	**460**	112
	2,808	3,081
Number of senior management	**4**	3

The above individuals' emoluments are within the band of Nil to RMB1,000,000.

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2010: Nil).

13. Profit for the year

The consolidated profit for the year attributable to equity holders of the Company includes a loss of RMB 4,941,000 (2010: a loss of RMB 3,715,000) which has been dealt with in the financial statements of the Company (note 32(a)).

14. Dividends

	2011 **RMB'000**	2010 RMB'000
Distribution In Specie *(note 10)*	**719,323**	—
	719,323	—

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

15. Other comprehensive income

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

	2011			2010		
	Before-tax amount	**Tax expense**	**Net-of-tax amount**	Before-tax amount	Tax expense	Net-of-tax amount
	RMB	***RMB***	***RMB***	*RMB*	*RMB*	*RMB*
Exchange differences on translation of financial statements of overseas operations	**71**	**—**	**71**	1,680	—	1,680
Cash flow hedge: net movement in hedging reserve	**18,914**	**(1,030)**	**17,884**	275	(1,908)	(1,633)
Other comprehensive income	**18,985**	**(1,030)**	**17,955**	1,955	(1,908)	47

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

	2011	2010
	RMB'000	*RMB'000*
Cash flow hedges:		
Effective portion of changes in fair value		
— realised portion	**11,376**	29,815
— unrealised portion	**16,435**	(1,561)
Reclassification adjustments for amounts transferred to profit or loss	**(8,897)**	(27,979)
Net deferred tax debited to other comprehensive income	**(1,030)**	(1,908)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**17,884**	(1,633)

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

16. Basic and diluted earnings/(losses) per share

The calculation of basic and diluted earnings/(losses) per share for the year ended 31 December 2011 is based on the gain attributable to equity holders of the Company of RMB10,923,000 (2010: a gain of RMB77,213,000) and the weighted average of RMB782,568,959 (2010: RMB596,158,000) shares in issue during the year, calculated as follows:

(i) Profit/(loss) attributable to equity shareholders of the Company

	2011 **RMB'000**	2010 *RMB'000*
Profit/(loss) for the year from continuing operations	**16,137**	(285)
(Loss)/profit for the year from discontinued operations	**(5,214)**	77,498
Profit for the year attributable to equity holders of the Company	**10,923**	77,213

(ii) Weighted average number of shares

	2011 ***Number of shares***	2010 *Number of shares*
Ordinary shares issued at 1 January	**596,158,000**	596,158,000
Effect of new shares issued	**186,410,959**	—
Weighted average number of shares at 31 December	**782,568,959**	596,158,000

There were no dilutive potential ordinary shares in issue as at 31 December 2011 (2010: Nil).

17. Property, plant and equipment

The Group

	Buildings	Machinery, equipment and tools	Dies and moulds	Motor vehicles and other fixed assets	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2010	186,621	461,998	2,224	16,063	100	667,006
Acquisition of subsidiaries *(note 21)*	—	688	—	1,010	—	1,698
Additions	10	5,700	2,114	853	2,389	11,066
Transfer from CIP	—	224	—	—	(224)	—
Disposals	—	(13,460)	(1,239)	(856)	—	(15,555)
Classification to assets held for distribution *(note 10)*	(186,631)	(454,398)	(3,099)	(15,607)	(2,265)	(662,000)
At 31 December 2010	—	752	—	1,463	—	2,215
At 1 January 2011	—	752	—	1,463	—	2,215
Additions	—	466	—	2,115	—	2,581
Disposals	—	(63)	—	(71)	—	(134)
At 31 December 2011	—	1,155	—	3,507	—	4,662
Accumulated depreciation:						
At 1 January 2010	(40,577)	(184,958)	(1,184)	(12,273)	—	(238,992)
Charge for the year	(4,178)	(23,394)	(1,423)	(1,479)	—	(30,474)
Written back on disposal	—	13,163	1,239	747	—	15,149
Classification to assets held for distribution *(note 10)*	44,755	194,914	1,368	12,705	—	253,742
At 31 December 2010	—	(275)	—	(300)	—	(575)
At 1 January 2011	—	(275)	—	(300)	—	(575)
Charge for the year	—	(388)	—	(544)	—	(932)
Written back on disposal	—	58	—	71	—	129
At 31 December 2011	—	(605)	—	(773)	—	(1,378)
Net book value:						
At 31 December 2011	**—**	**550**	**—**	**2,734**	**—**	**3,284**
At 31 December 2010	—	477	—	1,163	—	1,640

17. Property, plant and equipment *(continued)*

The Group *(continued)*

(i) As at 31 December 2010, buildings with a carrying amount of RMB83,911,000 were pledged to a bank for certain banking facilities and bank loans (see note 28).

(ii) As at 31 December 2010, machinery, equipment and tools with carrying amounts of RMB144,320,000, were pledged to a bank for letters of credit and commercial bills issued which were subsequently converted to short-term bank loans (see note 28).

Following the completion of the Distribution In Specie, no property, plant and equipment were pledged for banking facilities and bank loans as of 31 December 2011.

18. Lease prepayments

	The Group
	RMB'000
At 1 January 2010	31,346
Less: Amortisation	(837)
Classification to assets held for distribution *(note 10)*	(30,509)
At 31 December 2010, 1 January 2011 and 31 December 2011	—

Lease prepayments represent payments for land use rights of two pieces of land situated in the PRC on which the Group's buildings were erected. The two leases run for an initial period of 50 years commencing on 23 May 1997.

As at 31 December 2010 land use rights with a carrying amount of RMB30,509,000 were pledged to a bank for certain banking facilities and bank loans (see note 28).

19. Intangible assets

	The Group				
	Customer relationships	Customer contracts	Trademarks	Firewall patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2010	—	—	—	—	—
Acquisition of subsidiaries (note 21)	7,262	3,015	2,815	665	13,757
At 31 December 2010, 1 January 2010 and 31 December 2011	7,262	3,015	2,815	665	13,757
Accumulated amortisation					
At 1 January 2010	—	—	—	—	—
Amortisation during the year	(557)	(1,090)	—	(156)	(1,803)
At 31 December 2010	(557)	(1,090)	—	(156)	(1,803)
Amortisation during the year	(1,816)	(1,346)	—	(443)	(3,605)
At 31 December 2011	**(2,373)**	**(2,436)**	**—**	**(599)**	**(5,408)**
Net book value					
At 31 December 2011	**4,889**	**579**	**2,815**	**66**	**8,349**
At 31 December 2010	6,705	1,925	2,815	509	11,954

20. Investments in subsidiaries

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted shares, at cost	—	687,272
Classification as assets held for distribution	—	(687,272)
	—	—

20. Investments in subsidiaries *(continued)*

Details of the principal subsidiaries at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Registered capital *(in thousands)*	Principal activities
Winsino Investments Limited ("Winsino")	BVI	100%	—	—	Investment Holding
Enterprise Development (Hong Kong) Holdings Limited ("EDHK")	HK	—	100%	—	Investment Holding
Liang Hui Holdings Limited ("Liang Hui")	BVI	—	100%	—	Investment Holding
Oriental LegendMaker Technology Ltd. ("OLM")	HK	—	100%	HK$10	Investment Holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM")	PRC	—	100%	RMB 60,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM")	PRC	—	100%	RMB 30,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM")	PRC	—	100%	RMB 1,000	Provision of integrated business software solutions

20. Investments in subsidiaries *(continued)*

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

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

(i) All the subsidiaries incorporated in the PRC are wholly foreign-owned enterprises.

21. Acquisition of subsidiaries and goodwill

On 7 June 2010, Winsino, a wholly-owned subsidiary of the Company, Advance Mode Limited and Mr. Lo Kai Bong entered into an agreement, pursuant to which Winsino agreed to acquire the entire issued share capital of Liang Hui and the shareholder loan of RMB60,000,000 advanced by Advance Mode Limited to Liang Hui (the "Acquisition"). Upon the completion of the Acquisition on 10 September 2010, Liang Hui and its subsidiaries ("Liang Hui Group") have become wholly-owned subsidiaries of the Company, which are principally engaged in the provision of integrated business software solutions in the PRC.

Details of the Acquisition are set out in a circular of the Company dated 28 June 2010. Mr. Lo Kai Bong was appointed as an executive director of the Company on 30 March 2011 and resigned as executive director on 13 February 2012.

The Acquisition has been accounted for under the purchase method. Liang Hui Group contributed profit before taxation of RMB5,639,000 to the Group for the period from the acquisition date to 31 December 2010. The Company allocated the purchase price to identifiable assets acquired and liabilities assumed based on their estimated fair values. Management determined the fair values of the identifiable assets acquired and liabilities assumed based on valuations performed by an independent appraiser. Goodwill of approximately RMB19,541,000 was recognised in respect of the Acquisition. The following table summarises the aggregate purchase price allocation of the fair value of the identifiable assets acquired and liabilities assumed in respect of the Acquisition at the Acquisition date (10 September 2010):

	Identifiable assets acquired and liabilities assumed
	RMB'000
Property, plant and equipment *(note 17)*	1,698
Intangible assets *(note 19) (i)*	13,757
Inventories	3,870
Trade and other receivables	46,328
Derivative financial instruments *(iii)*	7,531
Cash and cash equivalents	7,771
Trade and other payables	(21,492)
Income tax payables	(1,867)
	57,596
Goodwill	19,541
Satisfied by: Promissory note *(note 31) (ii)*	77,137
Net inflow of cash and cash equivalents in respect of the Acquisition	7,771

21. Acquisition of subsidiaries and goodwill *(continued)*

(i) Intangible assets arising from the Acquisition mainly represented 1) the brand name of Orient LegendMaker registered in the PRC recognised as trademarks amounting to approximately RMB2,815,000 with an infinite estimated useful life; 2) customer relationships amounting to approximately RMB7,262,000 with an estimated useful life of 4 years; 3) outstanding customer contracts amounting to RMB3,015,000 to be amortised on a revenue-based method; and 4) firewall patents amounting to approximately RMB665,000 with a remaining useful life of 1.5 years.

(ii) The consideration for the Acquisition was satisfied by the issuance of an 18 months promissory note with a principal amount of HK$96,000,000. The amount of the promissory note was initially recorded at its fair value on the Acquisition date.

(iii) Derivative financial instruments arising from the Acquisition represented the estimated fair value of a put option granted by Advance Mode Limited to the Company on the Acquisition date. Upon exercise of the put option, the Company was entitled to transfer to Advance Mode Limited all acquired shares and shareholder loans at any time on or before the expiry of 18 months from the Acquisition date, and the promissory note issued (note 31) shall be returned to the Company for cancellation.

22. Interest in an associate

	2011	2010
	RMB'000	*RMB'000*
Share of net assets	**—**	19,166
Goodwill arising on acquisition	**—**	10,370
	—	29,536
Less: Impairment of goodwill	**—**	(10,370)
	—	19,166
Reclassification to assets held for distribution *(note 10)*	**—**	(19,166)
At 31 December	**—**	—

The interest in an associate represents an investment in JCC-Taiyi Special Electric Material Co., Ltd. ("JCC-Taiyi"), an entity established in the PRC. The principal activities of JCC-Taiyi are the manufacturing and sales of bare copper wires and magnet wires. The Group, through its wholly owned subsidiary within discontinued operations, United Development, held 30% equity interest in JCC-Taiyi as at 11 February 2011.

22. Interest in an associate *(continued)*

The following illustrates the summarised financial information of the associate for the year ended 31 December 2010 based on the management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	Assets	**Liabilities**	**Revenue**	**Profit after tax**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
100 percent	459,715	(395,830)	630,385	1,387
The Group's effective interest	137,915	(118,749)	189,116	416

23. Inventories

Inventories comprise:

		The Group		
			2010	
		2011	Continuing operations	Assets held for distribution *(note 10)*
	Note	***RMB'000***	*RMB'000*	*RMB'000*
Raw materials		**—**	—	93,410
Work in progress		**—**	—	37,308
Finished goods		**—**	—	105,394
Standard software		**5,396**	4,412	—
Low value consumables		**32**	32	6,727
		5,428	4,444	242,839
Less: Stock provision	(i)	**(2,306)**	(1,123)	—
		3,122	3,321	242,839

23. Inventories *(continued)*

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

	The Group			
	Continuing operations		Discontinued operations	
	2011	2010	**From 1 January 2011 to 11 February 2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount of inventories sold	**2,323**	1,632	**772,575**	7,071,561
Realised gain on derivative financial instruments	**—**	—	**16,724**	(27,289)
	2,323	1,632	**789,299**	7,044,272

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

	The Group		
		2010	
	2011	Continuing operations	Assets held for distribution
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	**1,123**	—	—
Impairment loss recognised during the year	**1,183**	1,123	—
At 31 December	**2,306**	1,123	—

24. Trade and other receivables

		The Group			The Company	
		2011	2010		**2011**	
			Continuing operations	Assets held for distribution (note 10)		
		RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	(i)	**20,419**	17,229	682,152	**—**	—
Bills receivable	(i)	**—**	—	360,269	**—**	—
		20,419	17,229	1,042,421	**—**	—
Deposits and prepayments made to suppliers	(ii)	**24,551**	16,090	344,723	**—**	—
Other receivables		**3,158**	3,968	60,922	**139**	304
Deposits for derivative financial instruments		**—**	—	50,683	**—**	—
		48,128	37,287	1,498,749	**139**	304

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

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

	2011	2010	
		Continuing operations	Assets held for distribution
Invoice date	**RMB'000**	RMB'000	RMB'000
Within 1 month	**7,088**	9,756	512,776
Over 1 month but less than 3 months	**9,915**	4,400	409,164
Over 3 months but less than 1 year	**3,166**	1,982	117,132
Over 1 year but less than 2 years	**164**	486	814
Over 2 years	**86**	605	28,101
	20,419	17,229	1,067,987
Less: Impairment losses for doubtful debts	**—**	—	(25,566)
	20,419	17,229	1,042,421

24. Trade and other receivables *(continued)*

(i) *(continued)*

The movement in the allowance for doubtful debts during the year is as follows:

	2011		2010	
	Continuing operations	**Assets held for distribution**	Continuing operations	Assets held for distribution
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
At 1 January	**—**	**25,566**	—	37,254
Impairment loss recognised during the year/period	**—**	**—**	—	12,498
Reversed due to recovery during the year/period	**—**	**—**	—	(3,051)
Written-off during the year/ period	**—**	**—**	—	(21,135)
Released upon Distribution In Specie	**—**	**(25,566)**	—	—
	—	**—**	—	25,566

(ii) The Group is required to make certain prepayments according to the agreement entered into with the Group's largest supplier, Oracle (China) Software System Co., Ltd. ("Oracle"). As at 31 December 2011, prepayments made to Oracle amounted to approximately RMB24,322,000 (2010: RMB15,912,000). These prepayments are unsecured, interest free and will be used to offset against future purchases from Oracle.

25. Derivative financial instruments

	The Group			
		2010		
	2011	Continuing operations	Assets held for distribution *(note 10)*	Liabilities held for distribution *(note 10)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Put option (a)	**4,263**	6,430	—	—
Unrealised copper futures contracts (b)				
— under cash flow hedge accounting	**—**	—	12,576	(14,137)
— under fair value hedge accounting	**—**	—	—	(82)
— not qualifying for hedge accounting	**—**	—	5,272	(10,568)
	—	—	17,848	(24,787)
Option contracts (c)				
— not qualifying for hedge accounting	**—**	—	—	(8,876)
Foreign exchange forward contracts (d)				
— not qualifying for hedge accounting	**—**	—	5,385	—
	4,263	6,430	23,233	(33,663)

25. Derivative financial instrumentsw *(continued)*

(a) Put option

As at 31 December 2011, the unrealised loss of RMB2,167,000 (2010: RMB 1,101,000) arising from the changes in the fair value of the put option (note 21) is recognised in the profit or loss. The put option expired on 10 March 2012.

(b) Copper futures contracts

The Group entered into copper futures contracts traded on the Shanghai Futures Exchange and London Metal Exchange for its discontinued operations. For copper futures contracts that met the requirements for hedge accounting (see note 1(h)), the Group's policy was to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

At 31 December 2010

	The Group Liabilities held for distribution *RMB'000*
Sales contracts	
Volume (tonne)	4,165
Notional contract value	243,540
Market value	268,447
Fair value	(24,907)
Purchase contracts	
Volume (tonne)	2,550
Notional contract value	159,157
Market value	177,125
Fair value	17,968
Net fair value	(6,939)
	January, February, March, April, May, June, July, August and December 2011

25. Derivative financial instrumentsw *(continued)*

(b) Copper futures contracts *(continued)*

The market value of futures contracts is based on quoted market prices at the end of each reporting period. The commodity price risk related to the price of copper is discussed in note 36(e).

For the period from 1 January 2011 to 11 February 2011, copper futures contracts designated as fair value hedges to inventories with unrealised loss of RMB4,751,000 arising from the changes in fair value of these derivative instruments are recognised in the profit or loss (for the year ended 31 December 2010: RMB82,000).

For the period from 1 January 2011 to 11 February 2011, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised gain of RMB16,435,000 arising from the changes in fair value of these derivative instruments are included in equity (for the year ended 31 December 2010: loss of RMB1,561,000). Such unrealised gains/(losses) are expected to be transferred to profit or loss when the designated forecast transactions occur. The portion assessed as ineffective, being an unrealised loss of RMB4,856,000 (for the year ended 31 December 2010: RMB5,296,000) is recognised in the profit or loss for the period from 1 January 2011 to 11 February 2011.

Following the completion of the Distribution In Specie, the Group did not enter into any copper futures contracts.

(c) Copper options contracts

The Group entered into certain copper options contracts which are not qualified for hedging accounting for its discontinued operations. The notional contract value and the related terms are summarised as follows:

At 31 December 2010

	The Group					
	Liabilities held for distribution					
	Volume	**Exercise price**	**Contract maturity**	**Fair value**	**Premium received**	**Loss**
	(tonne)	*USD'000*	*month*	*RMB'000*	*RMB'000*	*RMB'000*
Sell call option	675	8.5/tonne	March 2011	(7,181)	1,692	(5,489)
Sell put option	300	7.75/tonne	April 2011	(1,207)	1,061	(146)
Sell put option	200	8.25/tonne	January 2011	(297)	297	—
Sell put option	100	8.0/tonne	January 2011	(112)	112	—
Sell put option	50	8.25/tonne	January 2011	(79)	79	—
	1,325			(8,876)	3,241	(5,635)

Following the completion of the Distribution In Specie, the Group did not enter into any copper options contracts.

25. Derivative financial instrumentsw *(continued)*

(d) Foreign exchange forward contracts

The Group entered into foreign exchange forward contracts for its discontinued operations. For foreign exchange forward contracts that met the requirements for hedge accounting (see note 1(h)), the Group's policy was to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

At 31 December 2010

	The Group Assets held for distribution			
	Weighted average contracted rate	Weighted average market rate	Notional amount *US$'000*	Fair value *RMB'000*
Buy RMB/Sell US$				
Less than 3 months	6.6757	6.5885	(24,000)	2,091
3 to 6 months	6.5992	6.5571	(9,000)	379
6 months to 1 year	6.5426	6.5212	(36,000)	773
			(69,000)	3,243
Sell RMB/Buy US$				
Less than 3 months	6.6003	6.6068	24,000	156
3 to 6 months	6.5517	6.5809	9,000	263
6 months to 1 year	6.4832	6.5470	27,000	1,723
			60,000	2,142
			(9,000)	5,385

The above derivatives are measured at fair value based on the valuation provided by banks at the end of each reporting period. As none of the foreign exchange forward contracts met the requirements for cash flow hedge accounting (see note 1(h)), the net gain of RMB546,000 arising from changes in the fair value for the period from 1 January 2011 to 11 February 2011 were all recognised in the profit or loss account (for the year ended 31 December 2010: RMB5,385,000). The foreign currency risk related to these contracts is discussed in note 36(d).

Following the completion of the Distribution in Specie, the Group did not enter into any foreign exchange forward contracts.

26. Pledged deposits

Pledged deposits can be analysed as follows:

	The Group		
		2010	
	2011	Continuing operations	Assets held for distribution (note 11)
	RMB'000	*RMB'000*	*RMB'000*
Guarantee deposits for issuance of commercial bills and letters of credit *(note 28 and 29)*	**—**	—	550,289

Pledged deposits earn interest at a rate ranging from 0.36% to 2.75% per annum from 1 January 2011 to 11 February 2011 (2010: 0.36% to 2.25%).

27. Cash and cash equivalents

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

	The Group			The Company	
		2010			
	2011	Continuing operations	Assets held for distribution *(note 11)*	**2011**	2010
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
Cash on hand	**118**	263	96	**—**	2
Deposits on demand	**10,220**	10,412	211,989	**1,717**	233
Time deposits	**—**	—	218,319	**—**	—
	10,338	10,675	430,404	**1,717**	235
Less: Time deposits with original maturity more than 3 months	**—**	—	218,319	**—**	—
Cash and cash equivalents	**10,338**	10,675	212,085	**1,717**	235

28. Bank loans

	The Group		
		2010	
	2011	Continuing operations	Assets held for distribution *(note 11)*
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank loans and borrowings			
— Secured (i)	**—**	—	1,256,658
— Bank advances under discounted bills (ii)	**—**	—	285,275
	—	—	1,541,933

All bank loans are interest-bearing, with fixed rates that ranged from 0.24% to 5.31% for the period from 1 January 2011 to 11 February 2011 (for the year ended 31 December 2010: 0.24% to 5.31%).

(i) Current secured bank loans as at 31 December 2010 were secured over the Group's buildings with a carrying amount of RMB83,911,000 (see note 17) and land use rights with carrying amounts of RMB30,509,000 (see note 18).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2010 were secured by the Group's pledged deposits (see note 26) and certain machinery, equipment and tools with carrying amounts of RMB144,320,000 (see note 17).

(ii) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills receivable and the related proceeds of the same amount are included in the Group's "Bills receivable" and "Bank advances under discounted bills" as at the end of each reporting period.

29. Trade and other payables

		The Group			The Company	
		2011	2010		**2011**	2010
			Continuing operations	Assets held for distribution *(note 10)*		
		RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
Trade creditors	*(i)*	**2,170**	4,670	718,032	**—**	—
Bills payable	*(ii)*	**—**	—	154,610	**—**	—
		2,170	4,670	872,642	**—**	—
Non-trade payables and accrued expenses		**3,061**	1,988	63,024	**854**	1,062
Other taxes/payable		**744**	1,310	12,313	**—**	—
		5,975	7,968	947,979	**854**	1,062

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

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of reporting date:

	The Group		
	2011	2010	
		Continuing operations	Liabilities held for distribution
	RMB'000	*RMB'000*	*RMB'000*
Due within 3 months or on demand	**2,170**	4,670	812,154
Due after 3 months but within 6 months	**—**	—	59,910
Due after 6 months but within 1 year	**—**	—	38
Due after 1 year but within 2 years	**—**	—	105
Due after 2 years	**—**	—	435
	2,170	4,670	872,642

(i) As at 31 December 2010, certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 26). As at 31 December 2010, outstanding letters of credit included in trade creditors amounted to RMB299,446,000.

(ii) Certain bills payable outstanding as at 31 December 2010 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB144,320,000 (see note 17).

30. Deferred tax assets

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

The Group

	Unrealised (gain)/loss on derivative financial instruments	Impairment losses for doubtful debt	Impairment losses for stock	Unutilised tax losses under PRC statutory report	Cash flow hedges	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	(138)	8,196	—	15,461	(124)	2,686	26,081
(Credited)/charged to profit or loss	(1,772)	(2,061)	168	2,374	—	(2,296)	(3,587)
Debited to reserves	—	—	—	—	(1,908)	—	(1,908)
Classification to liabilities held for distribution *(note 10)*	1,910	(6,135)	—	(17,835)	2,032	(390)	(20,418)
At 31 December 2010	—	—	168	—	—	—	168
At 1 January 2011	—	—	168	—	—	—	168
Charged to profit or loss	—	—	178	—	—	—	178
At 31 December 2011	—	—	346	—	—	—	346

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is considered probable.

31. Promissory note

In connection with the acquisition of Liang Hui Holding Limited and its subsidiaries on 10 September 2010, Winsino issued a non-transferrable, interest-free promissory note with a principal amount of HK$96,000,000 to Advance Mode Limited, which is wholly owned by Mr. Lo Kai Bong. The promissory note is payable upon the expiry of a period of 18 months from the date of issuance unless the put option described in note 21 (iii) is exercised by Winsino in which event, the promissory note shall be returned to Winsino for cancellation.

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

In the financial statements for the year ended 31 December 2011, the promissory note has been designated by the Company as being at fair value through profit or loss on its initial recognition. The estimate of the fair value of the promissory note was measured by using the discounted cash flow model based on the estimated future cash flows of the promissory note and the applicable discount rate. The estimated future cash flows were determined based on the contracted terms of the promissory note while the discount rate used as of 31 December 2011 of 12.88% (2010: 9.22%) was estimated with reference to published rates of comparable businesses.

The fair value of the promissory note on the date of its issue on 10 September 2010 was approximately RMB77,137,000 and its fair value as at 31 December 2011 was approximately RMB59,658,000 (2010: RMB77,287,000). An unrealised gain of RMB17,629,000 arising from the changes in fair value of the promissory note is recognised in the profit or loss for the year ended 31 December 2011 (2010: a loss of RMB150,000).

32. Share capital and reserves

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

The Company

	Attributable to equity holders of the Company					
	Share capital	Share premium	Contributed surplus	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	5,962	213,003	432,658	(2,074)	(24,331)	625,218
Loss for the year *(note 13)*	—	—	—	—	(3,715)	(3,715)
Transfer of intercompany balances (i)	—	—	64,065	—	—	64,065
Exchange difference on translation of financial statements of the Company	—	—	—	1,181	—	1,181
Shares repurchased	—	—	—	—	—	—
At 31 December 2010	5,962	213,003	496,723	(893)	(28,046)	686,749
At 1 January 2011	**5,962**	**213,003**	**496,723**	**(893)**	**(28,046)**	**686,749**
Loss for the year *(note 13)*	**—**	**—**	**—**	**—**	**(4,941)**	**(4,941)**
Exchange difference on translation of financial statements of the Company	**—**	**—**	**—**	**(21)**	**—**	**(21)**
Special dividend by way of Distribution In Specie	**—**	**(213,003)**	**(496,723)**	**896**	**21,558**	**(687,272)**
Subscription of new shares	**1,778**	**8,890**	**—**	**—**	**—**	**10,668**
At 31 December 2011	**7,740**	**8,890**	**—**	**(18)**	**(11,429)**	**5,183**

(Expressed in Renminbi Yuan)

32. Share capital and reserves *(continued)*

(a) *(continued)*

(i) On 23 December 2010, as part of the Group Restructuring set out in note 1, the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited amounting to approximately RMB 64,065,000 to Tai-I Bermuda for a consideration of HK$ 1.00 with the consent of Tai-I Copper (BVI) Limited.

(b) **Share capital**

		2011		2010	
	Note	**Number of shares**	**Amount HK$**	Number of shares	Amount HK$
Authorised:					
Ordinary shares of HK$0.01 each		**1,000,000,000**	**10,000,000**	1,000,000,000	10,000,000
Issued and fully paid:					
At 1 January		**596,158,000**	**5,961,580**	596,158,000	5,961,580
Shares issued	(i)	**210,000,000**	**2,100,000**	—	—
At 31 December		**806,158,000**	**8,061,580**	596,158,000	5,961,580
			RMB equivalent		*RMB equivalent*
			7,739,650		5,961,580

(i) ***Shares issued***

Following the completion of the Agreement on 11 February 2011, the Company issued 210,000,000 new shares at HK$0.06 each to Affluent Start. The subscription has resulted in an increase in the share capital and share premium account by HK$2,100,000 (equivalent to RMB1,778,070) and HK$10,500,000 (equivalent to RMB8,890,350) respectively.

32. Share capital and reserves *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve/contributed surplus

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

(iii) PRC statutory reserve

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

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

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

(iv) Exchange reserve

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

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges of forecast copper purchase transactions matched to confirmed sales orders pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(h).

32. Share capital and reserves *(continued)*

(d) Capital management

Prior to the decision to make the Distribution In Specie set out in note 1, the Group's primary objectives when managing capital were to safeguard the Group's ability to continue as a going concern, so that it could continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

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

33. Commitments

(i) Capital commitments

The Group has no significant capital commitments as at 31 December 2011 and 2010.

(ii) Lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	The Group Continuing operations	
	2011	2010
	RMB'000	*RMB'000*
Less than one year	**3,296**	1,419
Between one and two years	**2,203**	826
Between two and three years	**168**	187
	5,667	2,432

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

34. Retirement benefits

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

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

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

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

35. Related party transactions

(a) Except as disclosed in note 31, there were no material related party transactions during the years ended 31 December 2011 and 2010.

(b) **Remuneration to key management personnel**

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	**2,570**	9,101

35. Related party transactions *(continued)*

(c) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 34. As at 31 December 2011, there was no material outstanding contribution to post-employment benefit plans (2010: Nil).

36. Financial risk management and fair values

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

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

(a) Credit risk

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

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

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

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

36. Financial risk management and fair values *(continued)*

(a) Credit risk *(continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 51% (2010: 6%) and 63% (2010: 68%) of the total deposits and prepayments made to suppliers (included in trade and other receivables) were due from the Group's largest supplier and the five largest suppliers respectively.

Further quantities disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 24.

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

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

(b) Liquidity risk

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

36. Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

Contractual maturities of financial liabilities

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

The Group

	2011				
	Carrying amount	Contractual undiscounted cash flow	6 months or less or on demand	6 months to 2 years	2-3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Trade and other payables excluding advance from customers	5,487	(5,487)	(5,487)	—	—
Promissory note *(note 31)*	59,658	(77,827)	—	—	(77,827)
	65,145	(83,314)	(5,487)	—	(77,827)

	2010				
	Carrying amount	Contractual undiscounted cash flow	6 months or less or on demand	6-12 months	1-2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Trade and other payables excluding advance from customers	6,865	(6,865)	(6,865)	—	—
Promissory note *(note 31)*	77,287	(81,686)	—	—	(81,686)
	84,152	(88,551)	(6,865)	—	(81,686)

36. Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

Contractual maturities of financial liabilities *(continued)*

The Company

	2011			
	Carrying amount	**Contractual undiscounted cash flow**	**6 months or less or on demand**	**6-12 months**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Non-derivative financial liabilities				
Trade and other payables excluding advance from customers	**854**	**(854)**	**(854)**	**—**
	854	**(854)**	**(854)**	**—**

	2010			
	Carrying amount	Contractual undiscounted cash flow	6 months or less or on demand	6-12 months
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Trade and other payables excluding advance from customers	1,062	(1,062)	(1,062)	—
	1,062	(1,062)	(1,062)	—

36. Financial risk management and fair values *(continued)*

(c) Interest rate risk

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

(i) Interest rate profile

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

	2011		2010	
	Effective weighted average interest rates % *(annual)*	***RMB'000***	Effective weighted average interest rates % *(annual)*	*RMB'000*
Fixed rate instruments				
Assets classified as held for distribution *(note 10)*		**–**	1.98	507,700
Liabilities classified as held for distribution *(note 10)*		**–**	2.31	(1,541,933)
		–		(1,034,233)
Variable rate instruments				
Cash and cash equivalents	**0.50**	**10,338**	0.36	10,675
Assets classified as held for distribution *(note 10)*		**–**	0.36	472,993
		10,338		483,668

36. Financial risk management and fair values *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At the end of each reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB83,000 (2010: RMB5,162,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(d) Foreign currency risk

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

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

(i) Recognised assets and liabilities

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

36. Financial risk management and fair values *(continued)*

(d) Foreign currency risk *(continued)*

(ii) Forecast transactions

The Group hedged part of its estimated foreign currency exposure in respect of highly probable forecast sales transactions for its discontinued operations. The Group used foreign exchange forward contracts to hedge part of its currency risk and classified these contracts as cash flow hedges in accordance with accounting policy as set out in note 1(h). All of these foreign exchange forward contracts had maturities of less than one year after the end of each reporting period.

(iii) Exposure to currency risk

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

The Group

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

	2010	
	USD'000	*HKD'000*
Assets classified as held for distribution *(note 10)*	214,594	74,572
Liabilities classified as held for distribution *(note 10)*	(251,472)	—
Net exposure	(36,878)	74,572

36. Financial risk management and fair values *(continued)*

(d) Foreign currency risk *(continued)*

(iv) *Sensitivity analysis*

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

	2011 Increase/ (decrease) in profit after tax and retained profits *RMB'000*	2010 Increase/ (decrease) in loss after tax and accumulated losses *RMB'000*
USD		
— 3% strengthening of RMB (2010: 3%)	**—**	14,952
— 3% weakening of RMB (2010: 3%)	**—**	(14,952)
HKD		
— 3% strengthening of RMB (2010: 3%)	**(18)**	(1,713)
— 3% weakening of RMB (2010: 3%)	**18**	1,713

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2010.

36. Financial risk management and fair values *(continued)*

(e) Commodity price risk

Following the completion of the Distribution In Specie, the Group is not exposed to any significant commodity price risk at 31 December 2011.

(f) Fair values

(i) Financial instruments carried at fair value

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

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

2011

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Derivative financial instruments:				
— Put option *(note 25(a))*	—	—	**4,263**	**4,263**
Liabilities				
Promissory note *(note 31)*	—	—	**(59,658)**	**(59,658)**

36. Financial risk management and fair values *(continued)*

(f) Fair values *(continued)*

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

2010

	The Group			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments:				
— Put option *(note 25(a))*	—	—	6,430	6,430
Assets classified as held for distribution *(note 10)*				
— Copper futures contracts	17,848	—	—	17,848
— Foreign exchange forward contracts	—	5,385	—	5,385
	17,848	5,385	6,430	29,663
Liabilities				
Promissory note *(note 31)*	—	—	(77,287)	(77,287)
Liabilities classified as held for distribution *(note 10)*				
— Copper futures contracts	(24,787)	—	—	(24,787)
— Copper options contracts	—	(8,876)	—	(8,876)
	(24,787)	(8,876)	(77,287)	(110,950)

During the year there were no significant transfers between instruments in Level 1 and Level 2 (2010: Nil).

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010.

(Expressed in Renminbi Yuan)

37. Immediate and ultimate holding company

As at 31 December 2011, the directors consider the immediate parent and ultimate controlling party of the Group to be Affluent Start, which is incorporated in the British Virgin Islands.

38. Subsequent events

On 5 March 2012, the Company issued 161,231,600 shares at a price of HK$0.24 each in a private placement of its new shares. The net proceeds from the placement amounted to approximately HK$37,000,000.

39. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2011

Up to the date of issue of the consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to IFRS 1, *First-time adoption of International Reporting Standards — Severe hyperinflation and removal of fixed dates for first-time adopters*	1 July 2011
Amendments to IFRS 7, *Financial instruments: Disclosures — Transfer of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes-Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
IFRS 10 *Consolidated financial statements* Basis for conclusions on IFRS 10	1 January 2013
IFRS 11 *Joint arrangements* Basis for conclusions on IFRS 11 Illustrative examples on IFRS 11	1 January 2013
IFRS 12 *Disclosure of interests in other entities* Basis for conclusions on IFRS 12	1 January 2013
IFRS 13 *Fair value measurement* Basis for conclusions on IFRS 13 Illustrative examples on IFRS 13	1 January 2013
IAS 27 *Separate financial statements (2011)*	1 January 2013
IAS 28 *Investments in associates and joint ventures (2011)*	1 January 2013
Revised IAS 19 Employee benefits	1 January 2013
IFRIC 20 *Stripping costs in the production phase of a surface mine*	1 January 2013

(Expressed in Renminbi Yuan)

39. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2011 *(continued)*

	Effective for accounting period beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial Instruments (2009)* Basis for conclusions on IFRS 9 (2009) Amendments to other IFRSs and guidance on IFRS 9 (2009)	1 January 2015
IFRS 9, *Financial Instruments (2010)* Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	1 January 2015
Amendments to IFRS 9, *Financial instruments and* IFRS 7 *Financial instruments: Disclosures — Mandatory effective date and transition disclosures*	1 January 2015

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