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**QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED**

**(乾隆科技國際控股有限公司) \***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1236)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**HIGHLIGHTS**

- Turnover in the year ended 31 December 2012 decreased by 9.41% to RMB105,747,000 (2011: RMB116,730,000)
- Profit for the year ended 31 December 2012 decreased by 77.28% to RMB4,765,000 (2011: RMB20,970,000)
- Basic and diluted earnings per share was RMB 1.89 cents (2011: RMB 8.30 cents)

**ANNUAL RESULTS (AUDITED)**

The board (the “Board”) of directors (the “Directors”) of Qianlong Technology International Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 together with the comparative audited figures for the corresponding year in 2011 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	4	105,747	116,730
Cost of sales		<u>(30,119)</u>	<u>(33,836)</u>
Gross profit		75,628	82,894
Other income	6	14,481	14,822
Other gains and losses	7	1,050	96
Selling and distribution costs		<u>(39,049)</u>	<u>(34,507)</u>
Administrative expenses		<u>(43,924)</u>	<u>(41,171)</u>
Profit before income tax	8	8,186	22,134
Income tax	9(a)	<u>(3,421)</u>	<u>(1,164)</u>
Profit for the year		4,765	20,970
<b>Other comprehensive income for the year</b>			
Exchange differences on translating foreign operations		<u>(8)</u>	<u>(1,159)</u>
<b>Total comprehensive income for the year</b>		<u><u>4,757</u></u>	<u><u>19,811</u></u>
Earnings per share			
– Basic and diluted	11	<u><u>RMB0.0189</u></u>	<u><u>RMB0.0830</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2012*

	<i>Notes</i>	<b>2012</b>	2011
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		26,874	30,454
Investment properties		15,594	16,397
Prepaid lease payments		38,328	39,697
<b>Total non-current assets</b>		<b>80,796</b>	86,548
<b>Current assets</b>			
Inventories		36	79
Trade and other receivables	13	10,502	7,907
Deposits and prepayments		4,871	4,540
Investments held for trading		5,000	8,000
Cash and cash equivalents		130,061	130,891
<b>Total current assets</b>		<b>150,470</b>	151,417
<b>Total assets</b>		<b>231,266</b>	237,965
<b>Current liabilities</b>			
Trade and other payables	14	16,783	14,630
Deferred revenue		42,634	49,340
Tax payable		2,671	547
<b>Total current liabilities</b>		<b>62,088</b>	64,517
<b>Net current assets</b>		<b>88,382</b>	86,900
<b>Total assets less current liabilities</b>		<b>169,178</b>	173,448
<b>Non-current liabilities</b>			
Deferred revenue		9,413	8,256
Deferred tax liabilities	10	1,313	1,268
<b>Total non-current liabilities</b>		<b>10,726</b>	9,524
<b>Total liabilities</b>		<b>72,814</b>	74,041
<b>NET ASSETS</b>		<b>158,452</b>	163,924
<b>Equity attributable to owners of the Company</b>			
Share capital		26,128	26,128
Reserves		132,324	137,796
<b>TOTAL EQUITY</b>		<b>158,452</b>	163,924

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2012*

	Reserves						Total equity
	Share capital	Share premium	Exchange reserve	General reserve	Merger reserve	Retained profits	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance at 1 January 2011</b>	26,128	33,921	(4,711)	17,873	24,598	46,304	144,113
Profit for the year	—	—	—	—	—	20,970	20,970
Other comprehensive income	—	—	(1,159)	—	—	—	(1,159)
Total comprehensive income	—	—	(1,159)	—	—	20,970	19,811
Appropriation	—	—	—	3,438	—	(3,438)	—
<b>Balance at 31 December 2011 and 1 January 2012</b>	26,128	33,921	(5,870)	21,311	24,598	63,836	163,924
Profit for the year	—	—	—	—	—	4,765	4,765
Other comprehensive income	—	—	(8)	—	—	—	(8)
Total comprehensive income	—	—	(8)	—	—	4,765	4,757
Interim dividend paid (Note 12)	—	(10,229)	—	—	—	—	(10,229)
Appropriation	—	—	—	1,176	—	(1,176)	—
<b>Balance at 31 December 2012</b>	<u>26,128</u>	<u>23,692</u>	<u>(5,878)</u>	<u>22,487</u>	<u>24,598</u>	<u>67,425</u>	<u>158,452</u>

## NOTES

### 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Cayman Islands on 6 May 1998 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

#### (a) Adoption of amendments to HKFRSs - first effective on 1 January 2012

In the current year, the Group has adopted the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to the Group's operations and effective for the current accounting period.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred tax – Recovery of Underlying Assets

The adoption of these amendments has no significant impact on the Group's financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle <sup>2</sup>
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### (b) Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified for certain financial instruments which are carried at fair value.

### 4. TURNOVER

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

	<b>2012</b>	2011
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Maintenance service and usage fees	<b>63,557</b>	63,195
Information service fees	<b>37,783</b>	41,945
Sale of computer software	<b>3,555</b>	9,049
Others	<b>852</b>	2,541
	<b>105,747</b>	116,730

## 5. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

### (a) Reportable segments

The Group operates in a single segment, which is distribution and usage of software and provision of related maintenance and information services. Revenue from external customers for related products and services are presented in Note 4.

### (b) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2012 and 2011 were located in the PRC.

### (c) Information about a major customer

Revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue for the years ended 31 December 2012 and 2011.

## 6. OTHER INCOME

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Value added tax refund (Note (a))	8,217	10,050
Interest income	2,826	2,741
Subsidy income (Note (b))	1,793	1,973
Gross rental income from investment properties	1,629	—
Sundries	16	58
	<u>14,481</u>	<u>14,822</u>

### Notes:

- (a) A tax concession has been granted by the PRC tax authority to the Company's PRC subsidiaries which are engaged in the development and trading of computer software. Under this concession, the PRC subsidiaries are entitled to a refund of value added tax paid in excess of an effective rate of 3%. The amount of value added tax refund is recognised as other income on an accrual basis.
- (b) Subsidy income for the year ended 31 December 2012 mainly represented a subsidy of RMB0.6 million granted by Science and Technology Commission of Shanghai Municipality (2011: RMB1.2 million granted by Shanghai Municipal Development and Reform Commission) to a PRC subsidiary to finance its development of a software product, and subsidies totalling RMB1.2 million (2011: RMB0.7 million) granted by Shanghai Finance Bureau to finance the PRC subsidiaries' development of advanced technology and was calculated based on 50% of the business tax, value added tax and enterprise income tax paid to the local government last year.

## 7. OTHER GAINS AND LOSSES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Gain on disposal of investments held for trading	1,318	280
Write off of property, plant and equipment	(268)	(184)
	<u>1,050</u>	<u>96</u>

## 8. PROFIT BEFORE INCOME TAX

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories expensed	138	291
Cost of service fees	27,828	28,498
Depreciation of property, plant and equipment	3,884	4,572
Depreciation of investment properties	803	513
Exchange loss/(gain), net	184	(791)
Staff costs excluding directors' remuneration:		
Salaries and allowances	42,852	37,789
Pension fund contributions	9,624	7,133
Auditor's remuneration:		
Current year	420	450
Under provision in prior year	29	7
Research and development costs	27,109	19,962
Lease payments under operating leases in respect of land and buildings	2,615	2,175
Amortisation of prepaid lease payments	1,369	1,366
Impairment loss on trade receivables (Note 13)	6	10
Recovery of impairment loss on trade receivables previously recognised (Note 13)	—	(2)
Direct operating expenses arising from investment properties that generated rental income during the year	296	—
Direct operating expenses arising from investment properties that did not generate rental income during the year	<u>305</u>	<u>836</u>



## 9. INCOME TAX

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

	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current tax – PRC enterprise income tax		
– Tax charge for the year	<b>35</b>	251
– Under provision in respect of prior year	<b>91</b>	—
	<u><b>126</b></u>	<u>251</u>
Deferred tax (Note 10)		
– Charge for the year	<b>3,329</b>	913
– Attributable to change in tax rate	<b>(34)</b>	—
	<u><b>3,295</b></u>	<u>913</u>
	<u><b>3,421</b></u>	<u>1,164</u>

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

On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law ("New Tax Law"), which became effective from 1 January 2008. In accordance with the New Tax Law, the unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 which are eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012.

Shanghai Qianlong Network Technology Company Limited ("Qianlong Network"), a PRC subsidiary of the Company which was set up in February 2007 in Pudong Shanghai, had obtained the Software Enterprise Certificate and was entitled to enjoy the enterprise income tax at the concessionary rate of 12.5% for 2 years from 2010 to 2011 according to the Circular Caishui (2008) No.1 issued by the Treasury and National Tax Bureau in 2010.

On 28 November 2011, Qianlong Network obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the enterprise income tax at the concessionary rate of 15% for 3 years from 2011 to 2013 according to Article 28 of the New Tax Law.

Shanghai Qianlong Advanced Technology Company Limited ("Qianlong Advanced"), a PRC subsidiary of the Company, has obtained the High-New Technology Enterprise Certificate and continued to enjoy the preferential enterprise income tax rate of 15% for 3 years from 2011 to 2013 according to Article 28 of the New Tax Law.

## 9. INCOME TAX (continued)

(b) The income tax for the year can be reconciled to the profit before income tax as stated in the consolidated statement of comprehensive income as follows:

	<b>2012</b>	2011
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before income tax	<u><b>8,186</b></u>	<u>22,134</u>
Income tax calculated at PRC enterprise income tax rate of 25% (2011: 25%)	<b>2,047</b>	5,534
Tax effect of expenses not deductible for taxation purposes	<b>362</b>	742
Tax effect of non-taxable items	<b>(1,676)</b>	(2,967)
Deferred tax assets not recognised	<b>308</b>	18
Effect of tax concession granted to PRC subsidiaries	<b>(1,138)</b>	(3,037)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>198</b>	243
Under provision in respect of prior year	<b>91</b>	—
Deferred tax liabilities relating to withholding income tax on undistributed profits	<u><b>3,229</b></u>	<u>631</u>
Income tax for the year	<u><b>3,421</b></u>	<u>1,164</u>

## 10. DEFERRED TAX

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

	<b>Allowance for doubtful debts</b>	<b>Other deductible temporary difference</b>	<b>Withholding tax on dividend (Note)</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011	(5)	(658)	1,018	355
Charge/(credit) to profit or loss for the year	<u>(1)</u>	<u>283</u>	<u>631</u>	<u>913</u>
At 31 December 2011	(6)	(375)	1,649	1,268
Charge/(credit) to profit or loss for the year	(1)	101	3,229	3,329
Transfer to income tax payable as dividend paid out during the year	—	—	(3,250)	(3,250)
Effect of change in tax rate	<u>—</u>	<u>(34)</u>	<u>—</u>	<u>(34)</u>
At 31 December 2012	<u>(7)</u>	<u>(308)</u>	<u>1,628</u>	<u>1,313</u>

## 10. DEFERRED TAX (continued)

*Note:* Under the New Tax Law, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the Ministry of Finance and the State Administration of Taxation approved Caishui (2008) No. 1, pursuant to which dividend distribution out of pre-2008 retained earnings of foreign investment enterprises will be exempted from withholding income tax. Deferred tax liabilities relating to withholding income tax of RMB3,229,000 (2011: RMB631,000) has been recognised for the year in respect of the undistributed profits of a subsidiary in the PRC for the year ended 31 December 2012.

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

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Deferred tax assets	<b>(315)</b>	(381)
Deferred tax liabilities	<b>1,628</b>	1,649
	<b><u>1,313</u></b>	<b><u>1,268</u></b>

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of RMB4,765,000 (2011: RMB20,970,000) and the weighted average number of 252,600,000 (2011: 252,600,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2012 and 2011 are the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue for both years.

## 12. DIVIDENDS

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Interim dividend paid – HK\$0.05 (equivalent to approximately RMB0.041) per share	<b><u>10,229</u></b>	<u>—</u>

At the meeting of the Board held on 17 August 2012, the Directors resolved payment of an interim dividend of HK\$0.05 (equivalent to approximately RMB0.041) per share, totalling HK\$12,630,000 (equivalent to approximately RMB10,229,000) to shareholders whose names appeared on the Register of Members of the Company at the close of business on 20 September 2012.

No final dividend has been paid or proposed at the end of the reporting period (2011: Nil).

### 13. TRADE AND OTHER RECEIVABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade receivables	6,777	4,955
Less: Impairment loss recognised	<u>(53)</u>	<u>(47)</u>
Trade receivables – net	6,724	4,908
Other receivables	<u>3,778</u>	<u>2,999</u>
	<u><b>10,502</b></u>	<u><b>7,907</b></u>

(a) The Group's policy is to allow an average credit period of 30 days from the date of billing to its trade customers. All trade receivables are denominated in Renminbi.

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
At beginning of year	47	194
Impairment loss recognised (Note 8)	6	10
Recovery of impairment loss previously recognised (Note 8)	—	(2)
Bad debts written off	<u>—</u>	<u>(155)</u>
At end of year	<u><b>53</b></u>	<u><b>47</b></u>

At 31 December 2012, the Group's trade receivables of RMB53,000 (2011: RMB47,000) were individually determined to be impaired. The individually impaired receivables related to debts that are long outstanding and management expected these debts to be irrecoverable. The Group does not hold any collateral over these balances.

(c) The following is an ageing analysis of trade receivables, based on the invoice date and net of impairment loss, at the end of the reporting period:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 1 month	4,480	3,448
1 to 3 months	680	401
More than 3 months but less than 12 months	697	1,055
More than 12 months	<u>867</u>	<u>4</u>
	<u><b>6,724</b></u>	<u><b>4,908</b></u>

### 13. TRADE AND OTHER RECEIVABLES (continued)

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Neither past due nor impaired	4,401	2,816
Less than 1 month past due	1,324	753
1 to 3 months past due	388	424
More than 3 months but less than 12 months past due	611	915
	<u>6,724</u>	<u>4,908</u>

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

Trade receivables that were past due but not impaired relate to a number of independent customers that have good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

- (e) The Directors consider that the carrying amounts of trade and other receivables approximate their fair values.

### 14. TRADE AND OTHER PAYABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade payables	2,225	1,910
Receipts in advance	1,404	1,128
Other payables	2,162	3,230
Rental deposits received	407	—
Accruals	10,585	8,362
	<u>16,783</u>	<u>14,630</u>

#### 14. TRADE AND OTHER PAYABLES (continued)

- (a) The following is an ageing analysis of trade payables, based on the invoice date, at the end of the reporting period:

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 1 month	<b>1,182</b>	1,199
1 to 3 months	<b>860</b>	699
More than 3 months but less than 12 months	<b>175</b>	4
More than 12 months	<b>8</b>	8
	<u><b>2,225</b></u>	<u>1,910</u>

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

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Renminbi	<b>1,336</b>	865
Hong Kong dollars	<b>889</b>	1,045
	<u><b>2,225</b></u>	<u>1,910</u>

- (c) All other payables and accruals are expected to be settled within one year.
- (d) The Directors consider that the carrying amounts of trade and other payables approximate their fair values.

## **CHAIRMAN'S STATEMENT**

The Board is pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2012 to our shareholders and investors.

## **FINANCIAL REVIEW**

For the year ended 31 December 2012, the Group reported a turnover of RMB105,747,000, representing a decline of 9.41% as compared with RMB116,730,000 for the same period of the previous year.

The Group recorded a net profit of RMB4,765,000 for the year ended 31 December 2012, representing a decrease of 77.28% as compared with RMB 20,970,000 for the same period of the previous year.

The basic and diluted earnings per share was RMB1.89 cents (2011:RMB 8.30 cents).

## **BUSINESS SUMMARY AND PROSPECTS**

In 2012, the China A-share market experienced a spiral of decline in price and volume, investment firms' profits dropped, investors suffered significant losses and as a result the active stock accounts hit a record low. In this situation the weak demand brings severe ordeal to the securities information product industry. In response to the ordeal and challenges, the Group expanded investment in research and development, explored and discovered new opportunities through innovation. The Group also further enhanced its series of existing products and followed a precise marketing strategy so that the Group's business was able to maintain a healthy development despite the harsh conditions of the A-share market.

In the enterprise users' market, brokerage firms faced fierce competition in business innovation. There was an urgent need for an efficient platform to provide personalised and high value-added advisory and investment consulting services to a variety of customers. The Group astutely spotted this trend and in 2011 it began to develop a prototype platform for this market. In 2012, the development process of the platform was greatly accelerated. At present, the platform includes the Internal Message subsystem, the Customer Transaction Analysis subsystem, the Customer Management subsystem and the Product Center subsystem, which can support securities firms to carry out a full range of quality services and more precise marketing activities. The "Internal Message subsystem" enables securities firms to build a direct communication channel between investors and advisors by a single platform instead of communicating through a third party software. This not only greatly reduces costs but also facilitates investors to obtain real-time access to advice and opinions from professional investment consultants. The "Customer Transaction Analysis subsystem" assists brokerage firms to better understand the needs of the clients so as to offer a more personalised service. With continuous improvement and promotion of the platform, a win-win-win business model which benefits the Group, brokerage firms and end-investors, is gradually formed.

In addition to developing new products and business, the Group continues to invest in the development and improvement of existing and well-established traditional products. Among them, development of commission system, which is the core of the brokerage platform, has made considerable progress through market promotion. In close coordination with Shenyin Wanguo, Guotai Jun'an, Anxin, Huatai, Western Securities, China Investment Securities and other key firms, the Group has strived to introduce more personalised products to meet the needs of brokerage firms timely through analysis of the brokerages' development strategy, new products and businesses. The latest achievements include: expanding the customisation of the market transaction platform with new customers such as Daton and Datong Securities, the integration and customisation of market transaction consignment system for Hong Kong securities houses such as CCB International, Chief Securities, Guoco Capital and Cinda International and further establishing the position of our brand Qianlong in Hong Kong's stock software market. To adapt to changes in market regulations, the Group continues to provide customers on a timely basis with prudent and reliable products, including delisting, monetary fund, margin financing, refinancing, cash financing, pledge repurchase and other new transaction businesses.

With respect to the individual investor's product market, the Group is dynamically optimising the product structure and service platforms. In the first half of the year, the Group rolled out the 2012 version upgrade, preferred shares replication through cloud computing, a new version of Xi Wei Mi Ma, a new video center and a new roadshow center, enabling Qianlong's customers to get better services and product-user experience, thereby improving users' loyalty. Noteworthy, the Group launched a new professional analysis terminal, Qianlong Golden Eye (Panoramic Edition), in the third quarter, which through data mining algorithm, of which the Group owns independent intellectual property right, provides the Stock Exchange's real-time market data for the first time in the industry. Some of the new features, such as 500 real-time transaction listing and large investors transaction analysis, are popular to individual customers. During the one month online release period, more than 100,000 professional users lined up to experience the product and provided positive feedback. The launch of Qianlong Golden Eye (Panoramic Edition) is considered a breakthrough in the stock software market – a specialised decision-making tool for trading. With continuing research, development and upgrade, Qianlong's position will further improve and stabilise in the stock software market for individual investors.

Software for Hong Kong Stocks, as another key point of the individual investor's product market, also has new development. With the development of new analysis products and content services such as the Hong Kong stocks F10 and Da Hang Zhi Tong Che which meet the demands of the professional Hong Kong stocks investors, the misunderstanding of some customers for Qianlong Gang Gu Tong that it is only a stock analysis software has been rectified and the product becomes a trusted comprehensive investment analysis tool for active Hong Kong stocks investors.



The Group is vigorously promoting to potential new customers while the customer service system is further enhanced at the same time. The Group has also standardised the service team, work flow, service content, etc. to provide a better quality experience to users of Qianlong products, greatly increasing users' loyalty and improving order renewal rate. For these reasons, the Group was able to maintain its healthy market position during the stock market downturn in 2012.

## **PROSPECTS**

The Board would like to express heartfelt gratitude to the staff of the Group for their tremendous efforts as well as to all business partners and shareholders of the Company (the "Shareholders") for their kind support to the Group. The Board would like to express their appreciation to all members of the Board for their contributions.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In 2012, China's A-share market remained in the doldrums, with both the Shanghai and Shenzhen stock index hitting a record low for the last three years and the number of account holders of the A-share market was at a six-year low. At the end of 2012, the A-share market trading accounts totalled 55,144,900, representing a loss of 1,796,900 accounts from the beginning of the year. A-share trading accounts with long positions comprised of 39.98% of the overall A-share accounts, while the proportion of accounts with no positions reached 60%, resulting in a significant reduction of securities software users.

With the market downturn, securities companies have cut operating costs, reducing number of business offices as well as monitoring closely the scale of new business developments. Consequently, the sale of the Group's floor trading software was adversely affected and the revenue declined year-on-year.

Our competitors have increased capital investment, introducing and developing new products; such fierce competition in the securities software industry resulted in a loss of the Group's market share. The Group has also expanded research and development of new products to further broaden the new business channels and enhance our own competitiveness. However, as some new products are still under development while others under market promotion therefore it will take some time to generate income from these new products.

For the year ended 31 December 2012, the Group reported a turnover of RMB105,747,000, representing a decline of 9.41% as compared with the same period of last year. The Group's sales revenue mainly included RMB36,750,000 from sale of basic securities analysis products (Online Edition and LINUX platform version), representing a decrease of 13.47% as compared with RMB42,470,000 for the same period of last year; RMB17,813,000 from products sold to individual A-share investors, representing a decrease of 13.40% as compared with RMB20,570,000 for the same period of last year; RMB14,662,000 from sale of products relating to Hong Kong stock market, representing a decline of 19.80% as compared with RMB18,282,000 for the same period of last year; RMB20,759,000 from sale of LEVEL 2 products relating to the securities market, representing a decrease of 2.61% as compared with RMB21,315,000 for the same period of last year; and RMB6,084,000 from sale of the futures products, representing a decrease of 17.75% as compared with RMB7,397,000 for the same period of last year.

The Group recorded a net profit for the year of RMB4,765,000 for the year ended 31 December 2012, representing a decrease of 77.28% as compared with RMB20,970,000 for the same period of last year. The decrease in profit is due to the decline in turnover and increase in costs as a result of the domestic inflation.

#### **MAJOR INVESTMENTS**

During the year ended 31 December 2012, the Company's wholly-owned subsidiary, Qianlong Advanced, leased its investment properties located at Shanghai, the PRC at the current market value, earning a rental income of RMB1,629,000 for the year.

As at 31 December 2012, the Company's wholly-owned subsidiary, Qianlong Advanced, held an unlisted fund of RMB5,000,000 with the term of 89 days which was matured on 17 February 2013.

#### **ADMINISTRATIVE EXPENSES**

For the year ended 31 December 2012, administrative expenses increased from RMB41,171,000 in 2011 to RMB43,924,000 in 2012, representing an increase of 6.69%. The costs grew significantly due to the inflation, research and development as well as staff remuneration.

#### **WORKING CAPITAL AND FINANCIAL RESOURCES**

The Group continued to maintain a stable financial and capital flows in 2012. The Group's funds mainly come from the cash generated from its business activities.

As at 31 December 2012, the Group's cash and cash equivalents was RMB130,061,000 (2011: RMB130,891,000), representing a decrease of RMB830,000 as a result of the declaration of interim dividend with a sum of HK\$ 12,630,000 (equivalent to RMB10,229,000).

## **DEPLOYMENT OF HUMAN RESOURCES**

The total number of staff of the Group as at 31 December 2012 was 404 as compared with 412 at 31 December 2011, representing a decrease of 8 people. The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include a retirement benefit, a provident fund and a medical plan. In 2012, the total costs for staff (including salary, bonus and other welfare) is approximately RMB52,476,000 (2011: RMB44,922,000), representing an increase of 16.82%.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 December 2012 and 31 December 2011.

## **GEARING RATIO**

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

## **EXPOSURE ON EXCHANGE RATE FLUCTUATION**

The income and expenditure of the Group are predominately denominated in RMB and only an insignificant amount is denominated in Hong Kong dollars. Therefore the Group considered the exchange rate fluctuation exposure is small and thus no financial instruments have been used for hedging purposes.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE REPORT**

### **INTRODUCTION**

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the Shareholders and enhancing the performance of the Company. The Board is committed to maintaining and ensuring the high standards of corporate governance. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

The Company has adopted with the code provisions (“Code Provisions”) set out in Appendix 14 to the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year ended 31 December 2012 (“the year under review”).

The Stock Exchange has made some amendments to the relevant codes, practices and declaration of the Listing Rules.

The Board reviews the corporate governance practice of the Company for at least once every year to ensure that the Company has complied with the Code Provisions and the applicable revised Code Provisions (the “Revised Code Provision”), along with the appropriate changes. During the year under review, the Company has complied with the Code Provision and the revised Code Provision. The following sections report the Company’s application of the Code Provisions and the revised Code Provisions in the year under review, including any deviation.

Due to the resignation of Mr. Chang Long-Teng, during the period from 24 March 2012 to 20 June 2012, the Board comprised only two independent non-executives, therefore deviating from Rule 3.10(1) of Listing Rules. The Board has taken immediate remedial measures as the new independent non-executive Director was appointed on 21 June 2012.

Apart from the aforesaid matters, the Company has complied with Rule 3.10(1) and (2) and Rule 3.10A of Listing Rules for the year under review. Rule 3.10(1) requires the Board of the listing issuers consists of at least three independent non-executive Directors while Rule 3.10(2) prescribes that at least one of the independent non-executive Directors should have the appropriate professional qualifications or accounting or related financial management expertise. All of the independent non-executive Directors are in accordance with guidelines of independent assessment under Rule 3.13 of Listing Rules. For the year under review, the Board is no aware of any events which they believe may have undermined the independence.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The Group's chairman ("Chairman") and Chief Executive Officer ("CEO") are Mr. Liao Chao-Ping and Mr. Yang Ching Shou respectively. According to the Code Provisions and the revised Code Provision A.2.1, the roles of Chairman and CEO should be separate which should not be performed by the same individual so as to avoid having responsibilities and powers centered on one people. The Chairman is responsible for leading and operating the Board to ensure that the Board discusses all the important matters and application in a timely and effective manner. The CEO is mainly responsible for the business operation and strategy implementation of the Group to ensure that they have achieved the overall operation goals.

Chairman also encourages all Directors including independent non-executive Directors to take active part in all board and committee meetings.

## **CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. After making specific enquiry to all Directors, the Company confirmed every Director has complied with the required standards set out in the Model Code throughout the year under review.

## **AUDIT COMMITTEE**

The Company established an audit committee in 1999. This committee consists of three members, including independent non-executive Directors Ms. Chiu Kam Hing, Kathy (chairman of the audit committee), Mr. Hsieh Billy Shao-Ven and Mr. Tsai Jeng-Yang.

The Company has complied with Rules 3.21 and 3.22 of the Listing Rules stating that the audit committee (consists of at least three members and must be chaired by an independent non-executive Director) has at least one member who is independent non-executive Director with appropriate professional qualifications or accounting or related financial management experience, and provided written terms of reference for the audit committee which clearly establish the audit committee's authority and duties.

The audit committee is mainly responsible for reviewing the financial report and monitoring the integrity of the financial report. Other duties include appointing auditor, approving the auditor's remuneration, discussing the audit procedures and other matters arising from the above. The audit committee is also responsible for supervising the financial reporting system and internal control procedures as well as its effectiveness.

On 30 March 2012, the Board adopted a series of the revised terms of reference of the audit committee, including the changes in accordance with the revised Code Provisions which have come into effect since 1 April 2012. The revised terms of reference of the audit committee along with its rights, duties and responsibilities are available on the Company's website and the Stock Exchange website.

The audit committee has reviewed this annual results announcement for the year ended 31 December 2012 and the financial statements for the year ended 31 December 2012.

#### **REMUNERATION COMMITTEE**

The remuneration committee was established in November 2005. This committee consists of three members, including the independent non-executive Director Ms. Chiu Kam Hing, Kathy (chairman of the remuneration committee), Mr. Hsieh Billy Shao-Ven and executive Director Mr. Liao Chao-Ping (Chairman of the Group).

The Company has complied with Rules 3.25 and 3.26 of the Listing Rules stating that the remuneration committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Director. The Company also approved and provided written terms of reference for the remuneration committee which clearly establish the remuneration committee's authority and duties.

During the year under review, the Board adopted a series of revised terms of reference of the remuneration committee, including the changes in accordance with the provisions of the revised Code effective on 1 April 2012. The remuneration committee acts as the adviser of the Board while the Board reserves the final rights to approve the remuneration of individual executive Directors and senior management of the Company. The revised terms of reference of the remuneration committee with its rights, duties and responsibilities are available on the Company's website and the Stock Exchange website.

#### **NOMINATION COMMITTEE**

The nomination committee was established on 23 March 2012. This committee consists of three members, including the executive Director Mr. Liao Chao-Ping (chairman of the Group and chairman of the nomination committee), the independent non-executive Directors Ms. Chiu Kam Hing, Kathy and Mr. Hsieh Billy Shao-Ven.

The nomination committee is mainly responsible for regular review of the structure of the Board and makes recommendations to the Board regarding any proposed change to the structure of the Board.

On 30 March 2012, the Board adopted a series of the revised terms of reference of the nomination committee, including the changes in accordance with the revised Code Provisions which have come into effect since 1 April 2012. The revised terms of reference of the nomination committee along with its rights, duties and responsibilities are available on the Company's website and the Stock Exchange website.

### **INTERNAL CONTROL**

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

### **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the announcement of the Group's consolidated statements of comprehensive income, financial position and changes in equity and the related notes thereto for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

### **AUDITOR'S REMUNERATION**

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential and material adverse effect on the Company. During the year under review, the Company is required to pay an

aggregate of approximately RMB420,000 to the external auditor for their audit services, due diligence and other consulting service.

## **INVESTOR RELATIONS**

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

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.qianlong.com.hk](http://www.qianlong.com.hk). The annual report will be dispatched to the Shareholders and available on the same website in due course.

By order of the Board  
**Qianlong Technology International Holdings Limited**  
**Liao Chao-Ping**  
*Chairman*

28 March 2013, Shanghai, the PRC

*As at the date of this announcement, the Board comprises six executive Directors, being Mr. Liao Chao-Ping, Mr. Fan Ping-Yi, Mr. Yang Ching Shou, Mr. Chen Ming-Chuan, Mr. Yu Shih-Pi and Ms. Liao Angela Min-Yin, and three independent non-executive Directors, being Ms. Chiu Kam Hing, Kathy, Mr. Tsai Jeng-Yang and Mr. Hsieh Billy Shao-Ven.*

*\* For identification purpose only*

*In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.*