



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)

INTERIM REPORT

2004

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

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

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

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

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

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

HIGHLIGHTS

- Turnover increased by 2% to RMB 15,913,000.
- Net profit after taxation was RMB 1,566,000.
- Basic earnings per share was RMB 0.74 cents.

INTERIM RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Qianlong Technology International Holdings Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30 June 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Note</i>	Six Months Ended 30 June		Three Months Ended 30 June	
		2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	2	15,913	15,614	7,838	8,021
Cost of sales		(4,804)	(5,268)	(2,407)	(2,589)
		11,109	10,346	5,431	5,432
Other revenue	3	2,802	2,871	1,448	1,712
Other net (losses)/gains	3	(660)	2,556	(174)	356
Distribution costs		(3,012)	(2,893)	(1,426)	(1,381)
Administrative expenses		(7,246)	(7,195)	(3,718)	(3,259)
Other operating expenses		(1)	—	—	—
Profit from operations		2,992	5,685	1,561	2,860
Share of loss of associates		(481)	(1,665)	(45)	(968)
Profit before taxation	4	2,511	4,020	1,516	1,892
Taxation	5	(945)	(839)	(446)	(303)
Profit after taxation		1,566	3,181	1,070	1,589
Minority interests		—	—	—	—
Profit attributable to shareholders		1,566	3,181	1,070	1,589
Dividends	6	—	—	—	—
Basic earnings per share (RMB cents)	7	0.74	1.51	0.51	0.75

CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2004 RMB'000	(Audited) 31 December 2003 RMB'000
	<i>Note</i>		
Non-current assets			
Fixed assets	9	11,151	10,975
Interest in associates		305	786
Investments in securities	10(a)	3,966	4,626
		<u>15,422</u>	<u>16,387</u>
Current assets			
Inventories		172	156
Investments in securities	10(b)	41,844	34,377
Trade and other receivables	11	2,268	3,455
Cash and cash equivalents		21,578	26,264
		<u>65,862</u>	<u>64,252</u>
Current liabilities			
Trade and other payables	12	18,559	19,389
Tax payable		824	242
		<u>19,383</u>	<u>19,631</u>
Net current assets		<u>46,479</u>	<u>44,621</u>
Total assets less current liabilities		61,901	61,008
Minority interests		(33)	(36)
Net assets		<u>61,868</u>	<u>60,972</u>
Capital and reserves			
Share capital		22,420	22,420
Reserves		39,448	38,552
		<u>61,868</u>	<u>60,972</u>

RESERVES (UNAUDITED)

	Share	Exchange	Enterprise		Retained	Merger	Revaluation	Total
	premium	reserve	General	expansion	earnings	reserve	reserve	
	RMB'000	RMB'000	reserve	fund	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2003	33,124	(176)	6,782	1,541	(30,909)	23,765	—	34,127
Profit for the period	—	—	—	—	3,181	—	—	3,181
Exchange differences on translation	—	18	—	—	—	—	—	18
Transfer between reserves	—	—	(1,016)	(1,541)	2,557	—	—	—
At 30 June 2003	<u>33,124</u>	<u>(158)</u>	<u>5,766</u>	<u>—</u>	<u>(25,171)</u>	<u>23,765</u>	<u>—</u>	<u>37,326</u>
At 1 January 2004	33,124	4	6,377	—	(24,825)	23,765	107	38,552
Profit for the period	—	—	—	—	1,566	—	—	1,566
Exchange differences on translation	—	(670)	—	—	—	—	—	(670)
At 30 June 2004	<u>33,124</u>	<u>(666)</u>	<u>6,377</u>	<u>—</u>	<u>(23,259)</u>	<u>23,765</u>	<u>107</u>	<u>39,448</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six Months Ended 30 June	
	2004	2003
	RMB'000	RMB'000
Net cash inflow from operating activities	3,217	5,205
Net cash outflow from investing activities	(7,903)	(21,902)
Decrease in cash and cash equivalents	(4,686)	(16,697)
Cash and cash equivalents at 1 January	26,264	39,818
Cash and cash equivalents at 30 June	<u>21,578</u>	<u>23,121</u>

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial report has been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The same principal accounting policies adopted in the Group’s annual financial statements for the year ended 31 December 2003 have been applied to the Group’s condensed interim financial report, which are in accordance with accounting principles generally accepted in Hong Kong.

2. TURNOVER

The principal activities of the Company and the Group are the development, production and distribution of computer software, the provision of related maintenance services, and investment in other Information Technology companies.

Turnover represents the sales value of goods supplied to customers, the maintenance and consulting service fees receivable and gross rental income from investment property, net of goods returned, trade discounts, value added tax and business tax. The Group’s products and services are primarily sold and provided to customers in the People’s Republic of China (“PRC”). The amount of each significant category of revenue recognised in turnover during the respective periods is as follows:

	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2004	2003	2004	2003
	RMB’000	RMB’000	RMB’000	RMB’000
Maintenance services fees	13,338	13,743	6,670	6,910
Sale of computer software	1,486	1,365	316	804
Others	741	158	678	75
Gross rental income from investment property	348	348	174	232
	<u>15,913</u>	<u>15,614</u>	<u>7,838</u>	<u>8,021</u>

3. OTHER REVENUE AND OTHER NET GAINS/(LOSSES)

	Six Months Ended 30 June		Three Months Ended 30 June	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Other revenue				
Value added tax refund	2,088	1,993	1,010	1,059
Tax refund from local community	—	343	—	343
Interest income	556	169	295	52
Miscellaneous	158	366	143	258
	<u>2,802</u>	<u>2,871</u>	<u>1,448</u>	<u>1,712</u>
Other net gains/(losses)				
Gain on disposal of fixed assets	—	2,200	—	—
Provision for diminution in value of investment securities	(660)	—	(174)	—
Gain on disposal of raw materials	—	356	—	356
	<u>(660)</u>	<u>2,556</u>	<u>(174)</u>	<u>356</u>

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six Months Ended 30 June		Three Months Ended 30 June	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	265	374	138	174

5. TAXATION

	Six Months Ended 30 June		Three Months Ended 30 June	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong	—	—	—	—
PRC	945	839	446	303
	<u>945</u>	<u>839</u>	<u>446</u>	<u>303</u>

No provision for Hong Kong Profits Tax has been made for the periods as the Group did not earn operating profits subject to Hong Kong Profits Tax. The provision for PRC taxation is based on the estimated taxable income for PRC taxation purposes at the appropriate rate applicable to each period.

6. DIVIDENDS

The board of directors does not recommend the payment of any dividends attributable to the six months ended 30 June 2004 and 2003.

7. BASIC EARNINGS PER SHARE

	Six Months Ended 30 June		Three Months Ended 30 June	
	2004	2003	2004	2003
Earnings per share (RMB cents)	0.74	1.51	0.51	0.75

The calculation of the basic earnings per share for the six months and three months ended 30 June 2004 respectively is based on the profit attributable to shareholders of RMB1,566,000 and RMB1,070,000 respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the periods.

The calculation of the basic earnings per share for the six months and three months ended 30 June 2003 respectively is based on the profit attributable to shareholders of RMB3,181,000 and RMB1,589,000 respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the periods.

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2004 and 30 June 2003.

8. SEGMENT REPORTING

Business segments

	Six months ended 30 June							
	Distribution of computer software		Provision of consulting services		Rental income from property		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	18,210	17,964	157	173	348	348	18,715	18,485
Contribution from operations	5,918	8,280	(254)	(464)	348	348	6,012	8,164
Unallocated operating income and expenses							(3,020)	(2,479)
Profit from operations							2,992	5,685

	Three months ended 30 June							
	Distribution of computer software		Provision of consulting services		Rental income from property		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	<u>9,030</u>	<u>9,419</u>	<u>82</u>	<u>82</u>	<u>174</u>	<u>232</u>	<u>9,286</u>	<u>9,733</u>
Contribution from operations	2,939	4,008	(124)	(209)	174	232	2,989	4,031
Unallocated operating income and expenses							<u>(1,428)</u>	<u>(1,171)</u>
Profit from operations							<u>1,561</u>	<u>2,860</u>

9. FIXED ASSETS

	Buildings	Leasehold improvements	Computer equipment	Office equipment	Motor vehicles	Property investment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2004	137	641	2,407	1,065	649	9,364	14,263
Additions	<u>—</u>	<u>—</u>	<u>439</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>440</u>
At 30 June 2004	<u>137</u>	<u>641</u>	<u>2,846</u>	<u>1,066</u>	<u>649</u>	<u>9,364</u>	<u>14,703</u>
Accumulated depreciation:							
At 1 January 2004	137	641	1,479	782	249	—	3,288
Charge for the period	<u>—</u>	<u>—</u>	<u>176</u>	<u>22</u>	<u>66</u>	<u>—</u>	<u>264</u>
At 30 June 2004	<u>137</u>	<u>641</u>	<u>1,655</u>	<u>804</u>	<u>315</u>	<u>—</u>	<u>3,552</u>
Net book value							
At 30 June 2004	<u>—</u>	<u>—</u>	<u>1,191</u>	<u>262</u>	<u>334</u>	<u>9,364</u>	<u>11,151</u>
At 31 December 2003	<u>—</u>	<u>—</u>	<u>928</u>	<u>283</u>	<u>400</u>	<u>9,364</u>	<u>10,975</u>

10. INVESTMENTS IN SECURITIES

	30 June 2004 RMB'000	31 December 2003 RMB'000
(a) Non-current		
Unlisted equity securities	<u>3,966</u>	<u>4,626</u>
(b) Current		
Bond securities	<u>41,844</u>	<u>34,377</u>

11. TRADE AND OTHER RECEIVABLES

	30 June 2004 RMB'000	31 December 2003 RMB'000
Accounts receivable	421	225
Prepayments, deposits and other receivables	<u>1,847</u>	<u>3,230</u>
	<u>2,268</u>	<u>3,455</u>

All of the trade and other receivables balance is expected to be recovered within one year. Included in trade and other receivables are trade debtors (net of special allowances for bad and doubtful debts) with the following ageing analysis:

	30 June 2004 RMB'000	31 December 2003 RMB'000
Current	268	149
1 month to 3 months overdue	57	67
More than 3 months but less than 12 months overdue	<u>96</u>	<u>9</u>
	<u>421</u>	<u>225</u>

Debts are due for settlement within 30 days from the date of billing.

12. TRADE AND OTHER PAYABLES

	30 June 2004 RMB'000	31 December 2003 RMB'000
Accounts payable	70	827
Other creditors and accruals	3,694	3,607
Deferred revenue	<u>14,795</u>	<u>14,955</u>
	<u>18,559</u>	<u>19,389</u>

All accounts payable balances are due within one month and all trade and other payable balances are expected to be settled within one year.

Deferred revenue represents maintenance fees received in advance.

13. COMMITMENT

At 30 June 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2004	31 December 2003
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,895	1,932
After 1 year but within 5 years	62	959
	<u>1,957</u>	<u>2,891</u>

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

14. MATERIAL RELATED PARTY TRANSACTIONS

The Group does not have any material related party transactions in the six months ended 30 June 2004.

MANAGEMENTS' DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2004, the Group reported a turnover of RMB15,913,000 representing an increase of 2% as compared with that for the same period of the previous year. The increase was due to the positive movement in the PRC stock market this year and the purchase of new products by securities brokers from the Company.

The Group recorded a net profit attributable to shareholders of RMB1,566,000 for the six months ended 30 June 2004, whereas a net profit attributable to shareholders of RMB3,181,000 was recorded for the same period in the previous year. The decrease in profit for the period ended 30 June 2004 was because Ningbo Qianlong Computer Software Company Limited, one of the Group's subsidiaries, earned income of RMB2,200,000, representing compensation for the leasehold improvement of the formerly rented offices in Qibao Town, Shanghai in the six months ended 30 June 2003. No such income occurred in the six months ended 30 June 2004.

PRODUCT DEVELOPMENT

In the first half year of 2004, the Group upgraded the Network Version of securities analysis software and launched a series of important new functions meeting the latest requirements of the securities investors, being the largest scale of upgrade in the Group's history.

1. Finance Living Broadcast Center

The Finance Living Broadcast Center is a totally new function of Qianlong end user securities analysis software providing an information platform with the reports and analysis from various information consultants. Among this information, Today's Focus will pop up to show gusty and important living information, and Specific Stock Financial Review will appear in the form of an information radar graph.

2. Mobile Phone SMS Financing

Mobile Phone SMS Financing is a crossing platform message service system for securities. Investors may subscribe to the SMS service which has abundant market information, announcements and forecast warning through Qianlong Dynamic Analysis system, Qianlong Exchanging Center or Qianlong website. This function is only available to users of mobile phones which are equipped to receive Chinese messages.

3. Hong Kong Securities

Investors may read the historical data of the Hong Kong market using Qianlong Data Communication System, the same as the Shanghai and Shenzhen Stock Exchange. Investors can check the historical K Graph and varied technical analysis chart by inputting the stock code or abbreviated name in Pin Yin. If securities brokers have the legally authorized H Stock market information, the investors will read the Real-time information for Hong Kong Stocks. At the same time the securities brokers have the right to fix and control the numbers of end users of real-time market information.

4. In-line Consignment Function

We have increased the In-line Consignment function and will tailor this function according to securities brokers' different system data interface needs and have already successfully implemented this function for one of the largest securities broker in China - Shenyin & Wanguo Securities Co., Ltd.

5. Other new functions

- (1) In the technology analysis chosen cycle, Minute lines were put after the Date lines and other lines.
- (2) The information of current treasury bond interest was moved under the Announcement Information Menu.
- (3) The right-side information frame for specific stocks was adjusted to up and down frames. The up side is the index information for the specific stock and the down side is the index information for the whole market.

After propaganda and training, the upgraded new functions and excellent features have been greatly welcomed by the users. The Group continues to develop new productions or functions to keep its leading position in the market.

PROSPECTS

After hard efforts, the Group has made a great achievement on the policy to concentrate on core business development. The Group not only maintains its leading position in its traditional market place, that is network versions used for real-time transactions in the securities broker companies, but also continues to develop new on-line transaction products.

In accordance with the Corporation's market strategy, the Group will expand training and education for clients and develop their loyalty, and customize the large system business for group clients to improve the technological status for the products. At the same time the Group will also develop information service and provide convenient and effective end user software for investors to follow market information and analyze data.

The Directors believe the Group's policy is effective and the Group's performance will continue to be improved and the prospects for the Group are more positive and bright in 2004.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 107 as at 1 January 2004 to 109 as at 30 June 2004. 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 retirement benefits, a provident fund and a medical plan.

BOND INVESTMENT

In March 2003, one of the Group's subsidiaries, Shanghai Qianlong High Advanced Company Limited, invested RMB35,000,000 in Treasury Bonds listed on the Shanghai Stock Exchange with a fixed annual yield of 2.66%.

In April 2004, one of the Group's subsidiaries, Shanghai Qianlong High Advanced Company Limited, continued to invest RMB7,467,000 in Treasury Bonds listed on the Shanghai Stock Exchange for the term of 91 days.

At the date of 30 June 2004, the cash and cash equivalents of Shanghai Qianlong High Advanced Company Limited are RMB15,001,000. Shanghai Qianlong High Advanced Company Limited has sufficient working capital to operate the regular business of the Company and maximize the profits of the Company by investing in Treasury Bonds.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2004 or as at 30 June 2003.

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

Cash and bank balances of the Group as at 30 June 2004 were RMB21,578,000 equivalent, representing the funds generated from the Group's operation. The Group had a working capital ratio of approximately 3.40:1.

GEARING RATIO

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

EXPOSURE ON EXCHANGE RATE FLUCTUATION

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period ended 30 June 2004, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS AND CHIEF EXECUTIVE'S SHARES

As at 30 June 2004, the interests of the directors, chief executive and their associates in the issued share capital of the Company and its associated corporations as defined in the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") were as follows:

Name of directors	Number of shares held	
	Type of interest	Total
Chen Shen Tien	Corporate (<i>Note</i>)	40,250,000
Fan Ping Yi	Corporate (<i>Note</i>)	24,500,000
Yang Ching Shou	Corporate (<i>Note</i>)	24,500,000
Chen Ming Chuan	Corporate (<i>Note</i>)	18,375,000

Note: At 30 June 2004, Mr. Chen Shen Tien is the absolute shareholder of Red Coral Financial Limited holding 40,250,000 shares, representing 19.121% interest in the Company. Mr. Fan Ping Yi and his wife Ms. Ko Hsiu Fen are the shareholders of Sapphire World Investment Limited holding 24,500,000 shares, representing 11.639% interest in the Company. Mr. Yang Ching Shou and his wife Ms. Lai Ying Ming are the shareholders of Legend Isle Technology Limited holding 24,500,000 shares, representing 11.639% interest in the Company. Mr. Chen Ming Chuan is the absolute shareholder of Star Channel Technology Limited holding 18,375,000 shares, representing 8.729% interest in the Company. Mr. Yu Shi Pi has retired by rotation as an executive director at the Annual General Meeting of the Company held on 18 April 2004.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

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

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

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

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

Within the six months ended 30 June 2004, no option has been granted to any employee or director of the Company or any of its subsidiaries under this share option scheme.

Apart from the forgoing, at no time during the period ended 30 June 2004 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2004, in addition to those interests as disclosed above in respect of the directors, according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company.

Name	Number of the shares held
Red Coral Financial Limited	40,250,000
Sapphire World Investment Limited	24,500,000
Legend Isle Technology Limited	24,500,000

Note: At 30 June 2004, Mr. Chen Shen Tien is the absolute shareholder of Red Coral Financial Limited holding 40,250,000 shares, representing 19.121% interest in the Company. Mr. Fan Ping Yi and his wife Ms. Ko Hsiu Fen are the shareholders of Sapphire World Investment Limited holding 24,500,000 shares, representing 11.639% interest in the Company. Mr. Yang Ching Shou and his wife Ms. Lai Ying Ming are the shareholders of Legend Isle Technology Limited holding 24,500,000 shares, representing 11.639% interest in the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 22 September 1999 made between the Company and the Company's previous ultimate holding company, Willing Systems Corporation ("Willing"), Willing agreed to assign its service mark registered in Taiwan with a registration period expiring in November 2007 to the Company for a nominal consideration of USD1. On 23 September 1999 the Company entered into another agreement with Willing pursuant to which the Company licensed the use of the service mark in Taiwan exclusively to the previous ultimate holding company for a nominal consideration of USD1 for the period from September 1999 to November 2007.

Apart from the foregoing, no contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the six months ended 30 June 2004.

SPONSOR'S INTERESTS

CSC Asia Limited has been appointed as the Company's Sponsor since January 2002.

As at 30 June 2004, neither CSC Asia Limited, nor its directors, employees or associates had any interest in the share capital of the Company.

Pursuant to the Agreement dated 21 November 2003 entered into between the Company and CSC Asia Limited, CSC Asia Limited was reappointed as the Company's sponsor for the period from 1 January 2004 to 31 December 2005.

AUDIT COMMITTEE

The Group established an audit committee in 1999 with written terms of reference pursuant to GEM listing Rules. The current committee members comprises 2 members, Mr. Chen Shen Tien and Ms. Chiu Kam Hing, Kathy. The committee has constantly made its duties to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the board of directors of the Company. Mr. Hsu Wen Huei has retired by rotation as an independent non-executive director at the Annual General Meeting of the Company on 18 April 2004. The Company will appoint two additional independent non-executive directors and audit committee members in compliance with Rule 5.05 (1) and 5.28 of the GEM Listing Rules.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the six-month period ended 30 June 2004 with the board practices and procedures as set out in Rules of 5.34 to 5.45 (if applicable) of the GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2004, the Company had adopted a code of conduct regarding of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

By order of the board

Chen Shen Tien

Chairman

10 August 2004