



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: 8015)

INTERIM REPORT

2006

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 of Qianlong Technology International Holdings Limited (the "Directors") 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 Qianlong Technology International Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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 for the six months ended 30 June 2006 increased by 22% to RMB 16,744,000 (2005: RMB 13,722,000)
- Profit attributable to shareholders of the Company for the six months ended 30 June 2006 decreased by 13.80% to RMB 1,908,000 (2005: RMB 2,214,000)
- Basic earnings per share was RMB 0.91 cents.

THE 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 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Six Months Ended 30 June		Three Months Ended 30 June	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	2	16,744	13,722	8,418	6,863
Cost of sales		(4,327)	(4,096)	(2,343)	(2,027)
Gross Profit		12,417	9,626	6,075	4,836
Other revenue	4	3,290	2,788	1,985	1,253
Distribution costs		(4,486)	(3,304)	(2,264)	(1,511)
Administrative expenses		(8,407)	(7,668)	(4,227)	(3,625)
Other operating expenses		—	(1)	—	(1)
Share of profit/(loss) of an associate		139	(86)	147	(19)
Other gains and losses	5	(398)	2,035	(204)	1,251
Profit before taxation	6	2,555	3,390	1,512	2,184
Taxation	7	(647)	(1,178)	(437)	(636)
Profit for the period		<u>1,908</u>	<u>2,212</u>	<u>1,075</u>	<u>1,548</u>
Attributable to:					
Equity holders of the parent		1,908	2,214	1,075	1,549
Minority interests		—	(2)	—	(1)
		<u>1,908</u>	<u>2,212</u>	<u>1,075</u>	<u>1,548</u>
Dividends	8	—	—	—	—
Basic earnings per share (RMB cents)	9	<u>0.91</u>	<u>1.05</u>	<u>0.51</u>	<u>0.74</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited At 30 June 2006 RMB'000	Audited At 31 December 2005 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	1,413	1,339
Investment property	11	7,556	7,764
Interest in an associate		344	207
		9,313	9,310
Current assets			
Inventories		28	29
Trade and other receivables	12	5,531	2,709
Investments held for trading	13	2,886	3,682
Cash and cash equivalents		71,376	70,504
		79,821	76,924
Current liabilities			
Trade and other payables	14	17,702	16,993
Taxation		980	780
		18,682	17,773
Net current assets		61,139	59,151
Non-current liabilities			
Deferred revenue		537	403
Net assets		69,915	68,058
Equity			
Share capital		22,420	22,420
Reserves		47,469	45,611
Equity attributable to equity holders of the parent		69,889	68,031
Minority interests		26	27
Total equity		69,915	68,058

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Exchange reserve	General reserve	Accumulated losses	Merger reserve	Revaluation reserve	Attributable to equity holders of the parent	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	22,420	33,124	193	6,690	(20,916)	23,765	—	65,276	33	65,309
Exchange difference on translation of financial statements of foreign entities recognized directly in equity	—	—	51	—	—	—	—	51	—	51
Net profit for the period	—	—	—	—	2,214	—	—	2,214	(2)	2,212
At 30 June 2005	<u>22,420</u>	<u>33,124</u>	<u>244</u>	<u>6,690</u>	<u>(18,702)</u>	<u>23,765</u>	<u>—</u>	<u>67,541</u>	<u>31</u>	<u>67,572</u>
At 1 January 2006	22,420	33,124	(25)	6,947	(18,200)	23,765	—	68,031	27	68,058
Exchange difference on translation of financial statements of foreign entities recognized directly in equity	—	—	(50)	—	—	—	—	(50)	(1)	(51)
Net profit for the period	—	—	—	—	1,908	—	—	1,908	—	1,908
At 30 June 2006	<u>22,420</u>	<u>33,124</u>	<u>(75)</u>	<u>6,947</u>	<u>(16,292)</u>	<u>23,765</u>	<u>—</u>	<u>69,889</u>	<u>26</u>	<u>69,915</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six Months Ended 30 June 2006	2005
	RMB'000	RMB'000
Net cash inflow from operating activities	1,155	4,947
Net cash outflow from investing activities	(283)	(165)
Decrease in cash and cash equivalents	872	4,782
Cash and cash equivalents at 1 January	<u>70,504</u>	<u>29,487</u>
Cash and cash equivalents at 30 June	<u><u>71,376</u></u>	<u><u>34,269</u></u>

1. BASIS OF PREPARATION

The Group's unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2005. The adoption of the new HKFRSs issued which are effective for accounting periods on or after 1 January 2006 did not result in substantial changes to the accounting policies of the Group and did not have a significant impact on its results of operations and financial position.

2. TURNOVER

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

Turnover represents the sales value of goods supplied to customers, maintenance and consulting service fees receivable, net of goods returned, trade discounts, value added tax and business tax. The Group's products and services are mainly 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:

	Unaudited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Maintenance service fees	14,047	12,929	7,072	6,441
Sale of computer software	763	604	475	284
Others	1,934	189	871	138
	<u>16,744</u>	<u>13,722</u>	<u>8,418</u>	<u>6,863</u>

Net rental income from investment property of RMB348,000 for the six months ended 30 June 2005 has been reclassified from turnover to other revenue in order to conform with the current period's presentation.

3. SEGMENT INFORMATION

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

No geographical segment information is presented as all operating assets and operations of the Group during the periods ended 30 June 2005 and 2006 were located in the PRC.

4. OTHER REVENUE

	Unaudited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other revenue				
Value added tax refund	2,288	1,783	1,329	793
Interest income	648	656	481	286
Net rental income from investment property	348	348	174	174
Miscellaneous	6	1	1	—
	<u>3,290</u>	<u>2,788</u>	<u>1,985</u>	<u>1,253</u>

5. OTHER GAINS AND LOSSES

	Unaudited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fair value (loss)/gain on investments held for trading	(796)	1,994	(204)	1,251
Gain on disposal of assets held for sale	352	—	—	—
Gain on disposal of property, plant and equipment	46	—	—	—
Write back of other payables	—	41	—	—
	<u>(398)</u>	<u>2,035</u>	<u>(204)</u>	<u>1,251</u>

6. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	Unaudited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	400	495	211	249
	<u>400</u>	<u>495</u>	<u>211</u>	<u>249</u>

7. TAXATION

	Unaudited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC enterprise income tax	<u>647</u>	<u>1,178</u>	<u>437</u>	<u>636</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 enterprise income tax is based on the estimated taxable income for PRC taxation purposes at the appropriate rate applicable to each period.

8. DIVIDENDS

The Board does not recommend the payment of any dividends attributable to the six months ended 30 June 2006 and 2005.

9. BASIC EARNINGS PER SHARE

	Unaudited			
	Six Months Ended		Three Months Ended	
	30 June		30 June	
	2006	2005	2006	2005
Earnings per share				
(RMB cents)	<u>0.91</u>	<u>1.05</u>	<u>0.51</u>	<u>0.74</u>

The calculation of basic earnings per share for the three months and six months ended 30 June 2006 is based on the profit attributable to equity holders of the parent of RMB 1,908,000 and RMB 1,075,000 respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the period.

The calculation of basic earnings per share for the three months and six months ended 30 June 2005 is based on the profit attributable to equity holders of the parent of RMB 2,214,000 and RMB 1,549,000 respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the period.

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 June 2006 and 2005.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:						
At 1 January 2006	137	619	3,496	529	649	5,430
Additions	—	31	228	24	—	283
Disposals	—	—	—	—	(214)	(214)
Exchange adjustments	—	—	3	—	—	3
	<u>137</u>	<u>650</u>	<u>3,727</u>	<u>553</u>	<u>435</u>	<u>5,502</u>
At 30 June 2006	137	650	3,727	553	435	5,502
Accumulated depreciation:						
At 1 January 2006	137	619	2,364	490	481	4,091
Charge for the period	—	3	148	7	34	192
Written back on disposals	—	—	—	—	(193)	(193)
Exchange adjustments	—	—	(1)	—	—	(1)
	<u>137</u>	<u>622</u>	<u>2,511</u>	<u>497</u>	<u>322</u>	<u>4,089</u>
At 30 June 2006	137	622	2,511	497	322	4,089
Net book value:						
At 30 June 2006 (unaudited)	<u>—</u>	<u>28</u>	<u>1,216</u>	<u>56</u>	<u>113</u>	<u>1,413</u>
At 31 December 2005 (audited)	<u>—</u>	<u>—</u>	<u>1,132</u>	<u>39</u>	<u>168</u>	<u>1,339</u>

11. INVESTMENT PROPERTY

	<i>RMB'000</i>
Cost:	
At 1 January 2006 and 30 June 2006	<u>9,257</u>
Accumulated depreciation:	
At 1 January 2006	1,493
Charge for the year	208
	<u>1,701</u>
At 30 June 2006	1,701
Net book value:	
At 30 June 2006 (unaudited)	<u>7,556</u>
At 31 December 2005 (audited)	<u>7,764</u>

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2006 <i>RMB'000</i>	Audited 31 December 2005 <i>RMB'000</i>
Trade receivables	1,684	560
Other receivables, prepayments and deposits	<u>3,847</u>	<u>2,149</u>
	<u><u>5,531</u></u>	<u><u>2,709</u></u>

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

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

	Unaudited 30 June 2006 <i>RMB'000</i>	Audited 31 December 2005 <i>RMB'000</i>
Current	697	459
1 month to 3 months overdue	841	27
More than 3 months but less than 12 months	143	74
More than 12 months	<u>3</u>	<u>—</u>
	<u><u>1,684</u></u>	<u><u>560</u></u>

13. INVESTMENTS HELD FOR TRADING

	Unaudited 30 June 2006 <i>RMB'000</i>	Audited 31 December 2005 <i>RMB'000</i>
Unlisted equity securities, at fair value - outside Hong Kong	<u><u>2,886</u></u>	<u><u>3,682</u></u>

14. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	606	593
Receipt in advance	214	154
Other creditors and accruals	2,480	2,664
Deferred revenue	14,402	13,582
	<u>17,702</u>	<u>16,993</u>

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

Deferred revenue represents maintenance service fees received in advance.

15. OPERATING LEASE ARRANGEMENTS

At 30 June 2006, the Group and the Company had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	Unaudited	Audited
	30 June	31 December
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,679	1,649
In the second to fifth years inclusive	116	809
	<u>1,795</u>	<u>2,458</u>

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

16. RELATED PARTY TRANSACTIONS

The Group does not have any material related party transactions in the six months ended 30 June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2006, the Group reported a turnover of RMB16,744,000 representing an increase of 22% as compared with RMB13,722,000 for the same period of the previous year. The increase of turnover was mainly due to the fact that since 2006, the stock markets in PRC has recovered from the downturn in the past few years and the composite index in Shanghai Stock Exchange is rising continuously. The Group has recorded RMB12,798,000 as the income from the network version used in the real-time transaction in securities brokerage houses, the traditional edges of the Group; RMB 615,000 as the sales income of “Qianlong Internet Network Version”, RMB 399,000 as the sales income of Qianlong College Finance Education System; RMB852,000 as the sales income of Qianlong Gang Gu Tong. At the same time, since October 2005, in order to resolve the problem of circulation of equity in listed companies, Chinese securities market has injected the original non-circulating equity (state shares and legal shares) into the transaction market. Through the platform of Qianlong Securities Analysis Software, the Group has been providing information disclosure services to listed companies which are under equity reform and charge them information services fees. For the six months ended 30 June 2006, the Group has recorded RMB 1,797,000 as information services fees.

The Group recorded a profit attributable to equity holders of the parent of RMB 1,908,000 for the six months ended 30 June 2006, whereas a profit attributable to equity holders of the parent of RMB 2,214,000 was recorded for the same period in the previous year. The profit attributable to equity holders of the parent for the six months ended 30 June 2006 has been decreased by RMB 306,000 because in the six months ended 30 June 2005, a fair value gain on investments held for trading of approximately RMB 1,994,000 was recorded by the Group due to an increase in the market value of the debt securities. No such gain has been recorded for the six months ended 30 June 2006.

PRODUCT DEVELOPMENT

The Group is planning to develop and promote new products whilst at the same time retaining its market advantages in traditional product-network version. Amongst others, the College Finance Education Products are now well established and several tens of various universities and colleges are using our products. At the same time, the Group has also developed other versions including foreign exchange, futures and banking, and gradually developing into a simulation education system covering the whole financial field. And we have the largest product line in the industry.

Based on our success in information services, the Group will focus on information disclosure services relating to IPO of listed companies and products relating to the establishment of relationship between listed companies and their investors.

The internet network version for online transaction has been substantially modified several times and the performance is almost perfect. We have completely occupied leading position in various technical indexes. Tens of famous securities houses are using this version and the number of registered users has exceeded 500,000, the largest scale in the industry. The Group plans to continue to improve the speed of the information disclosure in the system, develop products based on Linux and develop media function of the platform. We hope that the number of our customers would continue to grow, through sustained modifications of our products and effective promotion works.

As a data service product, Qianlong Gang Gu Tong (港股通) has throughout been able to maintain a better growth trend. As at reporting date, Shanghai Qianlong is still the first market information vendor in PRC approved by the Exchange. The Group plans to further enhance the value of high-end users by launching and promoting the professional version. Through incentive measures to encourage existing customers to introduce new users, coupled with the introduction of new products and further enrichment of information provided, it is hoped that the number of end users will substantially exceed the present level.

As to the traditional edge-network version, a lot of new detailed products have been launched including quick warrants software, Double Dragon standbys, etc. we are beginning to achieve success in selling these products.

On the enterprise users' market, the Group's wholly owned subsidiary Xin Long Information Technology Company Limited (信龍信息技術有限公司) has developed and launched the finance database products. Among these products, Long Xun F10 has made some achievements. We have made progress in the banking industry, we hope to reach a cooperation agreement with a leading commercial bank in PRC very soon.

The successful launch of new products gives us more confidence to build Qianlong as a famous brand name in finance information products and services, and not only limited to securities industry.

PROSPECTS

The Group is in an absolutely leading position in the field of market disclosure systems. More than 90% of securities houses and branches are the Group's long term users and a large number of investors use the Group's software for daily investment and analysis. "Qianlong" has almost been a pronoun of securities software. The Group owns a series of products and services including market disclosure and analysis tool, information distribution system, consignment system, market transfer tool, real time market data services (Hong Kong shares), tailor made services in accordance with clients' requirements. These products form a series of product lines for supporting securities houses' front desk and back office business. The Group has the technical competence and practical experience to provide complete solutions for high-end clients; the Group also has good financial stability to provide a solid foundation for the development of new markets and new products; the Group owns a very stable and high calibre team of professional staff. All of these make the Group very confident to win in the competitive market under the correct guidance of the Board.

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

The Directors believe the Group's policy is very effective and the Group's performance will continue to improve and the prospects for the Group would brighten up in 2006.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 134 as at 30 June 2005 to 185 as at 30 June 2006. The total cost for staff for the six months ended 30 June 2006 is approximately RMB7,642,000, representing an increase of 18% as compared with RMB 6,490,000 for the same period of the previous year. 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

As at 30 June 2006, the interests of the Directors and chief executives in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“the “SFO”)), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

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

Note: (i) As at 30 June 2006, Mr. Chen Shen Tien is the absolute shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 19.121% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, are the absolute shareholders of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Yang Ching Shou, Peter and his spouse, Ms. Lai Ying Ming, are the absolute shareholders of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Chen Ming Chuan is the absolute shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 8.729% interest in the Company. Mr. Yu Shih Pi is the absolute shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 7.067% interest in the Company.

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

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' 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 in 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 duly allotted and issued on the exercise of the options granted under the share option scheme and any other schemes; and (ii) any pro rata entitlements to further shares issued in respect of those shares referred to in (i) during a 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.

As at 30 June 2006, no option has been granted to any Director or employee of the Company or any of its subsidiaries under this share option scheme.

Apart from the forgoing, at no time within six months ended 30 June 2006 was the Company, or any of its 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 SHARES AND UNDERLYING SHARES

As at 30 June 2006, 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 336 of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company.

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

Note: As at 30 June 2006, Mr. Chen Shen Tien is the absolute shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 19.121% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, are the absolute shareholders of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Yang Ching Shou, Peter and his spouse, Ms. Lai Ying Ming, are the absolute shareholders of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Chen Ming Chuan is the absolute shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 8.729% interest in the Company. Mr. Yu Shih Pi is the absolute shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 7.067% interest in the Company.

Save as disclosed above, the Directors were not aware of any other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares or debentures of the Company as recorded in the register required to be kept under section 336 of SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 22 September 1999 made between the Company and the Company's previous ultimate holding company, Willing 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 or any of its 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 2006.

REMUNERATION OF DIRECTORS

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

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

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Company has not set up any nomination committee for the six months ended 30 June 2006.

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

AUDIT COMMITTEE

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

The audit committee has already reviewed the Group's unaudited results for the six months ended 30 June 2006.

INTERNAL CONTROL

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2006, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2006, the Directors are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2006.

By order of the Board
Liao Chao Ping
Chairman

14 August 2006

As at the date of this report, the Board comprises six executive Directors, being Mr. Liao Chao Ping, Mr. Fan Ping Yi, Mr. Yang Ching Shou, Peter, Mr. Chen Shen Tien, Mr. Chen Ming Chuan and Mr. Yu Shi Pi, and three independent non-executive Directors, being Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest.